



17th Annual Insurance Conference

FINCON 2016

'The Changing Face of Indian Insurance'

Conference Proceedings

INDEX

Programme

4

Inaugural Session

Evolution, Experimentation and Ecosystems: Options / models for insurers in response to disruption across the globe

8

Session I

Debate – “Digital” here and now or a trend for the future

13

Session II

Next Gen Leadership and Talent

21

Session III

Operations Excellence – Driving the change within

25

Session IV

Products 2.0 – Meeting the next gen insurance needs

29



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'The Changing Face of Indian Insurance'

January 22, 2016, Trident, Nariman Point-Mumbai

Programme Outline

09:45 am – 11:00 am	Inaugural Session
	<p>Session on Evolution, Experimentation and Ecosystems: Options / models for insurers in response to disruption across the globe</p> <p>Global trends are completely transforming the insurance business – be it the movement from products to services, the evolving consumer values, needs and behaviors ; the emergence of products ; the technological disruption caused by ubiquitous connectivity, e-migration, big data and the internet of everything or the emergence of new and non conventional competitors.</p> <p>All of this is indeed quite unsettling for the incumbents. Insurance as it is done today may not exist in few decades or, may be, even earlier. World over, insurers are reacting in different ways. The responses fall in three distinct strategy choices – (1) to evolve the business model incrementally through use of latest technology, (2) to experiment with entire new business models incubated at arms length, and (3) to take a longer view on potential end destination points for insurance business in form of ecosystems and start taking positions.</p> <p>Welcome Address by Mr. Rashesh Shah, Vice President, FICCI and Chairman and Chief Executive Officer, Edelweiss Group</p> <p>Theme Address by Mr. Amitabh Chaudhry, Chair, FICCI Committee on Insurance and Pensions and Managing Director and Chief Executive Officer, HDFC Standard Life Insurance Co. Ltd</p> <p>Release of FICCI-BCG Knowledge Paper</p> <p>Presentation on “<i>The Changing Face of Indian Insurance</i>” by Mr. Alpesh Shah, Senior Partner and Director, The Boston Consulting Group</p> <p>Inaugural Address by Mr. T S Vijayan, Chairman, Insurance Regulatory and Development Authority of India (IRDAI)</p> <p>Q&A</p> <p>Concluding Remarks by Mr. G Srinivasan, Co-chair, FICCI Committee on Insurance and Pensions and Chairman and Managing Director, The New India Assurance Co Ltd</p>
11:00 am – 11:15 am	Tea/Coffee break

11:15 am – 12:30 pm	Session I: Debate – “Digital” here and now OR a trend for the future
	<p>“Digital”/technology evolution is one of the largest mega trends disrupting the world as large as well as the insurance business. The business model changes enabled / necessitated by the ubiquitous connectivity, e-migration, big data and the internet of everything mean that insurance as it is done today may not exist in a few decades, or, maybe even earlier. While the impact of digital is clear, the key question is whether it is a trend for 2016 or for 2020.</p> <p>One side of the debate</p> <p>Many surveys and studies have shown that the digital influence is very high and continuously on the rise. Other industries are far ahead of insurance, we are only playing catch up. However, it is not late and the low digital penetration in insurance is actually a large opportunity for us.</p> <p>This opportunity is very much here and now, how large this opportunity is will depend on how the industry embraces digital.</p> <p>The other side of the debate</p> <p>We have been talking about digital revolution in insurance for the last several years. However, digital penetration is as low as ~1% for the Indian insurance market and is extremely slow to take off. And this is true for many countries in the world. Insurance is a push product and not a pull product. People need to be convinced that what they are buying is right for them.</p> <p>There is not enough consumer base out there who will get convinced online, they need real people to talk to and be assured by. While we should prepare for the change that is happening, we should not get carried away by the noise.</p> <p>Moderators: Mr. Alpesh Shah, Senior Partner and Director, The Boston Consulting Group and Mr. Prateek Roongta, Principal, The Boston Consulting Group</p> <p>Panel of Speakers:</p> <ul style="list-style-type: none"> • Mr. Amitabh Chaudhry, Chair, FICCI Committee on Insurance and Pensions and Managing Director and Chief Executive Officer, HDFC Standard Life Insurance Co Ltd • Mr. Bhargav Dasgupta, Managing Director and Chief Executive Officer, ICICI Lombard General Insurance Co Ltd • Mr. Mike Key, Vice President- Global Insurance GTM, SAP • Mr. Neelesh Garg, Managing Director and Chief Executive Officer, Tata AIG General Insurance Co Ltd • Mr. Radhakrishnan Nair, Former Whole-Time Member (Finance & Investments), Insurance Regulatory and Development Authority of India • Mr. Rajesh Sud, Chief Executive Officer and Managing Director, Max Life Insurance Co Ltd • Mr. Vikas Agnihotri, Director-India Sales, Google India Pvt Ltd <p>Q & A</p>

12:30 pm – 01:15 pm	Presentations by technology companies
	<p>Panel of Speakers:</p> <ul style="list-style-type: none"> • Mr. Alex Bentley, Head of Automation Strategy, Blue Prism • Mr. Makrand Jadhav, Co-Founder & Chief Operating Officer, Kloutix Solutions Pvt Ltd • Mr. Sirish Reddi, Founder and Ms. Kavita Reddi, Co-Founder, Voxta Communications Pvt Ltd • Mr. Vivek Mannige, Chairman, AccelTree Software Pvt Ltd <p>Q & A</p>
01:15 pm to 02:15 pm	Lunch break
02:15 pm – 03:15 pm	Session II: Next Gen Leadership and Talent
	<p>Leadership and talent is at the top of every Insurance CEO/CMD's people agenda in India. It's been 15 years of privatization and while the industry has nurtured a new group of leaders, the key challenge is whether, we as an industry are doing enough to groom next gen leadership and talent?</p> <p>Moderator: Mr. Amit Kumar, Partner and Director, The Boston Consulting Group</p> <p>Panel of Speakers:</p> <ul style="list-style-type: none"> • Mr. Munish Sharda, Managing Director and Chief Executive Officer, Future Generali India Life Insurance Co Ltd • Mr. Roopam Asthana, Chief Executive Officer and Director, Liberty Videocon General Insurance Co Ltd • Mr. Sandeep Ghosh, Managing Director and Chief Executive Officer, Bharti AXA Life Insurance Co Ltd • Mr. Tarun Chugh, Managing Director and Chief Executive Officer, PNB Metlife India Insurance Co Ltd • Mr. Vineet Hemrajani, Leader Financial Services Practice, Egon Zehnder India <p>Q & A</p>
03:15 pm – 04:15 pm	Session III: Operations Excellence – Driving the change within
	<p>Technological development provides a large opportunity for completely rethinking operations. Operations excellence in insurance is a critical and long journey that requires working on the many building blocks. How should the Indian insurers think about operations excellence and what benefits can it lead to?</p> <p>Moderator: Mr. Bharat Poddar, Partner and Director, The Boston Consulting Group</p>

	<p>Panel of Speakers:</p> <ul style="list-style-type: none"> • Mr. Anuj Agarwal, Managing Director and Chief Executive Officer, Bajaj Allianz Life Insurance Co Ltd • Mr. G C Rangan, Chief Executive Officer and Whole-time Director, L&T General Insurance Co Ltd • Mr. G Murlidhar, Managing Director, Kotak Mahindra Old Mutual Life Insurance Ltd • Mr. Nitin Rao, Group Head-Third Party Products, Private & Premium Banking HDFC Bank Ltd • Mr. SV Ramanan, Chief Executive Officer, CAMS Insurance Repository Services Ltd <p>Q & A</p>
04:15 pm – 04:30 pm	Tea/Coffee Break
04:30 pm – 05:30 pm	Session IV: Products 2.0 – Meeting the next gen insurance needs
	<p>The evolving consumer needs and the technological disruption is leading to the emergence/need of “new products” – a movement from products to services, leveraging the internet of everything (e.g. wearables), big data and ubiquitous connectivity. Be it the explosion of telematics based auto insurance products, wearables based health insurance products, connected home products, pension products, short terms products (e.g. One time insurance); real time pricing etc.</p> <p>Moderator: Mr. Pranay Mehrotra, Partner and Director, The Boston Consulting Group</p> <p>Panel of Speakers:</p> <ul style="list-style-type: none"> • Mr. Arijit Basu, Managing Director and Chief Executive Officer, SBI Life Insurance Co Ltd • Mr. Mahesh Balasubramanian, Chief Executive Officer, Kotak Mahindra General Insurance Co Ltd • Mr. Mohan Jayaraman, Managing Director, Experian Credit Information Company of India Pvt Ltd • Mr. R Chandrasekaran, Secretary General, General Insurance Council of India • Mr. Yashish Dahiya, Chief Executive Officer and Co-Founder, PolicyBazaar.com <p>Q & A</p>
05:30 pm – 05:45 pm	Closing remarks

Inaugural Session

Evolution, Experimentation and Ecosystems: Options / Models for Insurers in Response to Disruption Across the Globe



Ms. Jyoti Vij, Deputy Secretary General, FICCI ; Mr. G Srinivasan, Co-chair, FICCI Committee on Insurance and Pensions and Chairman and Managing Director, The New India Assurance Co Ltd ; Mr. Rashesh Shah, Vice President, FICCI and Chairman and Chief Executive Officer, Edelweiss Group ; Mr. T S Vijayan, Chairman, Insurance Regulatory and Development Authority of India (IRDAI) ; Mr. Amitabh Chaudhry, Chair, FICCI Committee on Insurance and Pensions and Managing Director and Chief Executive Officer, HDFC Standard Life Insurance Co. Ltd ; Mr. Alpesh Shah, Senior Partner and Director, The Boston Consulting Group

Welcome Address: Mr. Rashesh Shah, Vice President, FICCI and Chairman and Chief Executive Officer, Edelweiss Group

The proceedings started with the welcome address by Mr. Rashesh Shah, Vice President, FICCI and Chairman and Chief Executive Officer, Edelweiss Group. He gave an introduction of the industry along with the upcoming challenges and opportunities. Mr Shah said that the Indian insurance industry is at crossroads today. It has played an instrumental role in the growth of the economy, helping savers and consumers to mitigate risk, offering them financial stability and also providing a huge amount of long-term capital for India's investment needs. He said that the sector is also a very large employer of people and an estimated 4 lakh people are directly employed and another 20 lakh people have found employment indirectly through the insurance

sector in India. As this sector grows, it is also going to become one of the leading employment generators for the economy.

He talked about the various phases and growth of the Industry before the year 2000 which could be called Phase I of the Indian insurance industry. Then around 2000, a number of private sector players entered the market along with the large public sector companies. Phase II from 2000 to 2015 has been a very interesting one and it has shown a huge amount of growth on a point-to-point basis with its own set of ups and downs in the growth of the industry. In the first phase, the life insurance industry was doing very well but the general insurance industry was struggling with some issues. In the last 5 years, the general insurance industry has come of age and found growth once again while the life insurance industry is still trying to find growth.

He said, "Overall, when we add up the entire phase of 15 years, we have seen a huge amount of growth and it is always interesting to go back and revisit and see where we were and where we are now. Starting from now it could be said that the industry is at the anvil of, at the cusp of Phase III of the insurance industry".

According to him, the next 15 to 20 years will be the golden era for the industry because of a few enabling factors like reducing costs, increasing people efficiency, industry moving from a very product-centric industry to a customer-centric industry coupled with the fact that new Customer Protection Rules, Investor Protection Rules have got absorbed into the system. This period could also witness a lot of insurance companies coming out with IPOs and get listed in the market, the awareness of the insurance companies, their own ability to find capital for growth will all go up.

About FICCI-CHOICE Survey Findings

He further added, "India has always been a country of savers and we have to convert these long-term savings into long-term investments and that insurance is the key vehicle for achieving this." He cited a few findings from the in-depth study done by FICCI and Canara HSBC Oriental Bank of Commerce Life Insurance Co Ltd., based on a nation-wide consumer survey of 5000 people over 30 cities conducted in 2015. The survey highlighted that a lot of people understand the importance of insurance in India and they aspire to buy insurance policy in the future and felt that they are inadequately covered. It also revealed that they are also interested in undertaking a professional assessment for their needs and how the insurance products can also meet their needs and they are willing to spend time. (The detailed results from the survey can be accessed at <http://ficci.in/publication-page.asp?spid=20643>)

Theme Address: Mr. Amitabh Chaudhry, Chair, FICCI Committee on Insurance and Pensions and Managing Director and Chief Executive Officer, HDFC Standard Life Insurance Co. Ltd

He said that while India is riding a wave of extraordinary value creation, the country's life insurance industry and general insurance industry remains underpenetrated

and has not fully realized its full potential. "The low risk coverage of the Indian consumers in general and underpenetrated market necessitates the industry to introspect on how the insurance industry can deliver on the points on various promises of profitable growth. The regulator and the government have been trying very hard with the new Insurance Law being passed. The regulator has been passing various regulations across the gamut of the three insurance sectors to ensure that the right platform is provided for our growth", he said.

He stressed that short-termism is the bane of the insurance industry. In pursuit of business volumes and revenues, perhaps the industry has compromised somewhere on the core selling practices, created unviable fixed cost infrastructures, operated at suboptimal efficiency, compounded by rampant frauds and mis-selling. He said Leadership Pipeline and Talent Management is a business imperative and something which the entire industry needs to work on. Evolving customer needs of the new GenX and GenY customers have led to higher expectations from the service providers.

He said that digital technology evolution is one of the largest mega trends which is disrupting the world at large and also the insurance business. The business model changes via digital wave also indicate that maybe insurance as it is done today might not be the way we would do it tomorrow. There is a huge potential for technology, integration across solutions value chain to exploit complete value or consumer potential, improving business quality and so on. He shared a few examples of innovation - State Farm has launched a smart-home risk management insurance offering in partnership with number of security firms that utilizes in-home sensors and the Internet of Things; A Silicon Valley start-up Sureify, educates consumers about their life insurance needs using gamification and other interactive online approaches. And when they take the customer to the point where they are ready to buy, they pass on that lead to an insurance company and charge a nominal fees for this service.

He said lot of improvements have happened over a period of time, a long pending demand of the industry for exemption to income tax and the tax exemption



being given for NPS, raises hopes that life insurance will also benefit from it over a period of time.

Release of FICCI-BCG Knowledge Paper: The Changing Face of Indian Insurance

Mr. T S Vijayan, Chairman, Insurance Regulatory and Development Authority of India (IRDAI) released the Knowledge Paper developed jointly by FICCI and BCG - *The Changing Face of Indian Insurance*. The paper has attempted to draw a roadmap for the Indian firms which could help them enhance the profitability and maintain sustainable growth. The publication has highlighted 14-Point Action Plan for the Indian insurers which includes steps like modification of traditional distribution model, utilisation of digital communication to reach consumers etc.

Presentation on 'The Changing Face of Indian Insurance': Mr. Alpesh Shah, Senior Partner and Director, The Boston Consulting Group

While sharing the theme of the conference, Mr. Shah said that the insurance industry in India has seen many changes during the period 2001-2015. Life insurance grew by 12 times and non life insurance by 9 times. There has been a substantial shift and the insurance industry has had its fair share of ups and downs. In first five to seven years of this period, life insurance took off while in the last five to seven years, the non-life insurance sector recorded growth. Products have moved from just plain simple vanilla products to lot more and channels have moved from just agency to a multichannel world. He described the status as "this is the glass half full; the challenge on the other side is that the glass is actually half empty".

He highlighted on 4-5 key challenges that have plagued the industry, which included tight economic markets in the last few years since 2009 especially for life, the distribution models being under pressure whether it is the challenged agency economics, whether it is the third party distributors taking a larger share of the value from the insurers or the underperformance of some of the bank insurers and a complete change in the customer expectations. He said that consumers are becoming more demanding and "they want what they

want, when they want, where they want it; they are not willing to wait". The regulatory activism which on the whole can be seen as good for the industry has also led to a few of the ups and downs in the industry, he said. He added that perception that insurers only want to sell, is also something that the industry needs to work upon. He mentioned that the industry has also been facing talent crunch at present unlike the early 2000s when the industry was taking off and there was lot of talent.

Speaking on the changes impacting insurance, he highlighted five of these changes. He said that the economy is ageing, though it is often said that India is a young country but in percentage terms, the fastest growing age group in India is 60+. That changes a lot of dimensions like the product people want, how they save and how they invest. The other factors are changing consumer needs, increased awareness of products of health, anxieties, and more demanding customer. Digital imperative and regulatory activism are the other changes which have bearing on insurance.

He explained how rapid changes brought in by digital could transform the current scenario for many industries through an example, wherein he said that arrival of the driverless cars and second trend is emergence of taxi aggregators (Uberisation) of the world which is using existing assets better has resulted in fewer cars, less lending opportunities for banks. Fewer cars translate into lower demand for motor insurance, which could render the sales force of the insurance company redundant.

He laid out a 14 Point Action Agenda for the Industry which is briefly mentioned below: (For details, please refer to the Knowledge Paper released at the conference which is available at <http://ficci.in/publication-page.asp?spid=20692>)

1. Time to get traditional distribution right. Create agency of the future
2. Realise the full value of Third Party: Bancassurance in a multi tie-up world ; Keep value with brokers
3. Go direct to customer- Realize full potential of digital; Leverage partnerships / Affinity / Eco-system

4. Focus on Underserved segments- youth, retirement, mass / micro, HNWI, SME
5. Products 2.0- Meeting the next gen insurance needs
6. Lean is still in: Operations Excellence to drive change within
7. Claims 2.0 – Claims Excellence, simplify claims processes by more efficient use of technology
8. Next gen leadership and talent
9. Pricing it right – Dynamic and data driven
10. Investments 2.0 – Investment management strategies will need to be adapted to the changing market environment
11. Digitisation – of everything
12. Analytics – Unlock the value analytics, can help insurers open a lot more opportunities
13. Customer centricity at the heart of business
14. Make everything count – Valuation

He concluded with a quote; “*It is not about fighting the old but on building the new.*”

Inaugural Address: Mr. T S Vijayan, Chairman, Insurance Regulatory and Development Authority of India (IRDAI)



like the passing of the Act and enhancing of the limit in FDI from existing 26% to 49%. About the industry he said that in 2014-15, real GDP-linked premium growth had hardly been 1.4% though collection rose to Rs. 4.15 lakh crores from Rs. 3.94 lakh crores. Growth in the emerging markets was 7.4% and in the Asian market, it was 6.5% and India was one of the last in this list. However, in spite of the lack of growth in the past couple of years, he feels that the insurance industry in India has the potential to grow. He said there are many regulations coming in and in spite of all these changes, there is buoyancy and optimism in the market. More

players are coming in and investing money which is good for the country and society.

His address focused on three major aspects i.e. products, technology and customer grievances. In the context of Products, he said before nationalization (life in 1956 and nonlife in 1972), all foreign companies were present in the country and the products sold in the Indian market were in tune with what was available in the international market. However, after nationalization, focus shifted on offering products reflecting the government’s agenda i.e. welfare of the people and hence the products got changed. The dynamism in the product innovation slightly vanished over a period of time. Government product offerings comprised standardised products keeping in mind the welfare of the people, and life insurance was a savings medium based on the tax or long-term nature of it while non-life largely concentrated on the compulsory risk or the bigger customers. He added that changes happened after the industry opened in 2000, which included reduction in premium and de-tariffing in non-life insurance and in life, products such as ULIP were introduced which brought in daily accounting, NAV declarations, amongst others. He added that health insurance (segment) has taken off with retail participation.

Going forward, he feels that customization would be the key. As a regulator, he said “we also recognize that sometimes, the product will have to be not File-and-Use but Use-and-File.” These changes are first being made in the non-life sector and later it will be introduced in the life segment. As a pilot, the regulator will start with big customers and not small customers with some of the risk on experimental basis of 3 years or 5 years.

Talking further about products and analytics, Mr. Vijayan mentioned about the Registry of Hospitals in Network of Insurance (ROHINI) where 39000 hospitals have been given a unique ID. IRDA is trying to collect the health bills of all the insurance companies to try and analyse how it behaves for the same diseases across. This will help in gauging how the products are getting changed, wherein a particular type of product is for a particular type of segment of persons and not a product which is universally available like old times. He gave another example of the e-Vahan policies



started in Telangana, wherein the car owner no longer needs to carry the insurance paper along with him, rather he could show the insurance policy or QR code on his mobile. He reiterated that product customization is going to be the key going forward.

Speaking on the second aspect, technology, he said that better use of appropriate technology and cost-effective technology is required for insurance to reach out to 127 crore people in India. He mentioned that 12.5 crore policies were brought in two schemes Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana in a span of 3 months.

Unlike other areas of insurance, Health is one segment which is most transaction-intensive. Around 6-8% of the policies results into claims unlike any other policy. Hence Digitization can play a major role in automation of policies, he feels.

Technology could also enable a Coinsurance Practice managed by multiple players. To illustrate, he said that even if an insurance company has a branch only in Hyderabad and not in Mumbai, it can participate in the big commercial market in Mumbai by coinsurance and get the money online or offline, which is possible through the use of technology.

He said that the industry should be aware of the technology disruptions and should know how to use it to their benefit.

Next he spoke about customer grievances and grievances redressal and mentioned about the IRDAI Integrated Grievance Management System (IGMS). IRDAI wants to upgrade the system to the next level whereby a person who is lodging a complaint would be able to see what the status of his complaint is via a portal. Any application made to any insurance company through one portal can be monitored sitting at his own house through IGMS. This will take care of customer grievance redressal, monitor claim repudiation and at the same time help monitor false claims. The regulator would like to have the name and the identity number of that person who has sold the policy and it is possible only by technology.

Vote of Thanks: Mr. G Srinivasan, Chairman and Managing Director, The New India Assurance Co Ltd., Co-chair, FICCI Committee on Insurance and Pensions,

Mr. Srinivasan thanked all the speakers and the Chairman for their valuable thoughts. He said that Indian insurance industry has evolved over the years and the industry today is at the cusp of a very major change and these changes are largely driven at this point of time by the changes in the insurance law, the Insurance Amendment Act and the consequent regulatory changes in the last few months. The changes are also happening because of the increasing customer aspirations. Mr. Srinivasan said that today's customers are demanding and they want the best. And the third reason is the availability of technology to the insurance sector and the fourth is the increasing competition in the insurance industry.

He said that unfortunately, there is not much recognition for the industry from any of the policymakers. So the industry need to project to the country and policymakers about the important role that the insurance industry is playing in the economic development of the country, in terms of the investments it is making in the crucial sectors of the country.

He mentioned that currently, the insurance industry is clearly short of insurance talent. Hence there is a need to create institutions that will create manpower for the industry. Intermediaries are very important but they need to be professionalized because they are the frontend of the insurance industry. Their knowledge and skill levels need to be improved.

On the product side, there are a large number of products offered by the industry. On the personal side and the retail side, there is a need for product simplification and even product standardisation. In a country where the insurance literacy is low, too many products create confusion in the market and consequent grievances, he concluded.

SESSION - I

Debate – “Digital” Here and Now or a Trend for the Future



L to R: Mr. Alpesh Shah, Senior Partner and Director, The Boston Consulting Group; Mr. Mike Key, Vice President- Global Insurance GTM, SAP; Mr. Neelesh Garg, Managing Director and Chief Executive Officer, Tata AIG General Insurance Co Ltd; Mr. Bhargav Dasgupta, Managing Director and Chief Executive Officer, ICICI Lombard General Insurance Co Ltd; Mr. Radhakrishnan Nair, Former Whole-Time Member (Finance & Investments), Insurance Regulatory and Development Authority of India; Mr. Amitabh Chaudhry, Chair, FICCI Committee on Insurance and Pensions and Managing Director and Chief Executive Officer, HDFC Standard Life Insurance Co Ltd; Mr. Rajesh Sud, Chief Executive Officer and Managing Director, Max Life Insurance Co Ltd; Mr. Vikas Agnihotri, Director-India Sales, Google India Pvt Ltd and Mr. Prateek Roongta, Principal, The Boston Consulting Group.

Overview

“Digital” is one of the largest mega trends sweeping the world, which involves broadly three categories of trends: first - online sales, second - digitization of processes, and third - the old concept of big data and the analytics. Digital is disrupting the world, as well as the insurance business. There are a large number of business model changes that are being enabled or forced by digital, implying that insurance tomorrow will no longer be the same as it is today.

However, the major question that we confront today is when will digital’s impact come off age; Is it a trend for 2016 i.e. today or is it for year 2020 or beyond. The session therefore was conceived in the form of a debate to discuss these two broad themes: Is digital a

trend which is going to impact the business here and now, OR It is a trend, or, not a trend which is going to make a difference in the next few years.

“Digital” a trend which is here and now

Mr. Prateek Roongta, Principal, The Boston Consulting Group talked about Digital being a trend which has come and is here and now. He said that Industries as diverse as entertainment, travel and retail have been influenced by new players who are using technology to create products and services that offer something new or better. Today, there is an ‘app’ for everything and consumers are more ready than ever before to join this digital revolution.



The digital technology adoption in India has happened at a very swift pace that has never been seen before. Highlighting some facts, he said that it is estimated that by 2017, there will be 8 billion mobile phone subscribers in the world; one out of every two people will have access to the internet; every second person will roughly have a smart phone and there will be 2.5 billion people on social media.

It took India almost 18 years to get to the first 100 million people on the internet from the launch of internet services in 1992. But after that, we have added 100 million internet users every 18 months, and it is estimated that by 2018, there will be 550 million people on the internet in India. And almost 500 million people would be using smart phones in India.

The penetration of digital and technology are on the rise in all aspects of insurance as well. Data from Google search shows the number of searches which were done with words relating to Insurance, for e.g., for life insurance, went up 4.5 times in the 6-year period between 2000 and 2015. Interestingly, the search done on mobile devices with life insurance as the key word increased 165 times over the same 6-year period and the same holds true for health insurance, auto insurance and travel insurance. More and more people are getting to the internet and trying to find about Insurance. And slowly this is beginning to translate into sales as well.

It was also noted that 51% of the people buying insurance in 2015 had access to the internet wherein one third of them actually used the internet for some part of their insurance purchase process like searching or buying, or servicing post purchase and 12% of those who use the internet actually ended up buying a policy online. The number of people or the proportion of people buying insurance policies online has doubled in the last 2 years from 1% to 2%. It is estimated that by 2020, online sales will increase from 700-800 crores of new premium every year to maybe 15000-20000 crores; more than 100000 crores of sales could be digitally influenced and the renewals of the life insurance could go up to 35%-50% from 10%-15% currently.

Data also shows that the persistency of life policies sold online is consistently higher than life policies sold through physical channels like banks, branches or agents.

Infact the digital trend is not just restricted to being an urban trend; the internet penetration is catching up in rural India as well. The growth rate of internet users in rural sector is 2 times the growth rate of urban India. Today, there are more than 100 million people in rural India using internet. We all know that SMS and online played a huge role in the success of Pradhan Mantri Suraksha Bima Yojana.

Finally, there are majorly 5 mega digital trends which are going to impact the insurance industry, including:

1. Online sales: New business and renewals is beginning to happen in larger number online
2. Digitization of processes: Customer expectations are changing today. They prefer digital and seamless processes. Insurers therefore would have to adopt digital technology to offer seamless digital and lean processes.
3. Big data and analytics: Today, using digital platforms, a lot of data is available which can be used both for increasing sales and better managing of risk, and this trend is likely to become very important in future.
4. Cyber security and fraud management: Digital will also play an important role in cyber security and fraud management.
5. Brand advocacy: In a world where in a couple of years from now there will be 2.5 billion people on social media, digital will have a very important role to play in brand advocacy.

Mr. Roongta concluded by saying, "In summary, digital in insurance is a big opportunity and it is here and now. We have never been more ready to embrace technology and digital. Insurers who seize these opportunities will be industry leaders and those who do not, could find themselves disadvantaged as the industry evolves."

VS.

“Digital” a trend for the future

Mr. Alpesh Shah, Senior Partner and Director, The Boston Consulting Group presented his views on why digital is a trend for future. He said that in India in reality not many people are making online purchase. India’s population is 1.25 bn; however, online population is less than 350 mn (28%); Digitally influenced population is 120-150 mn (10-12%); people who are buying online is 40-50 mn (less than 3-4%) and then people who bought insurance online in 2015 was only a mere 0.7% of total population (less than 1%).

Based on BCG’s Centre for Consumer Insight survey, wherein a survey is conducted across 25 product categories that are purchased online, insurance appeared the second last product in the list (the data includes that of urban India only). Globally too, insurance is the least penetrated product online. Barring the UK, figures are dismal for other parts of the world. The US Life insurance market has been stagnant at around 4% to 5% for the last 4 or 5 years.

There are a number of factors responsible for this trend. Insurance is a push product and hence people need to be convinced that what they are buying is right for them. There is not enough consumer base as yet who could be convinced online, people still need real people to talk to and be assured by. Customers still valued their agents and brokers’ advice and the convenience they offered. They don’t like going online for transactions as the amount of information available online is hard to process and they find it unreliable. Online, insurance companies have to compete with the best consumer experience offered by platforms like Facebook, Google and any other established consumer company.

In 2015, the total number of policies sold online was less than 1%. and this is not 100% pure digital as this includes agents supporting customers. This is already hybrid and hence the number is even lesser than the 0.7%. There are many reasons why consumers are not purchasing online or using more online means while doing research, purchase, modify, claim or renew their policy. Out of these, there are only some factors

which insurers can directly influence while for the other factors, customers need to evolve further.

On Big data and analytics it has been seen that companies are still missing basic data. For instance they have only 75%-80% of the mobile numbers of customers, less than 20% e-mail ids etc.; there are lack of standard data collection and data updating processes; intermediaries / agents are not sharing customer data.

End-to-end digitization is still an aspiration; regulations for web/digital signatures have been slow restricting the progress in this direction, particularly in the Insurance sector. Almost all insurers still maintain brick & mortar processes even after having started digital processes.

So it can be concluded that while digital is a large trend, the insurance industry has not done enough to make it a here and now opportunity.

Panel Discussion

Having presented their respective cases, the Panel of Experts was requested by the moderators to express their view on the following three questions:

- When will digital’s impact come off age? When do we really see it coming off age? Is it 2016 today or is it 2020?
- Are insurers doing enough to deliver this end-to-end experience that we are talking about?
- What are the key challenges the industry is faced with? What will it take to make this happen? What support would the industry require to actually try and achieve the full benefit from the digital trend?

Panelists’ Views

Mr. Rajesh Sud, Chief Executive Officer and Managing Director, Max Life Insurance Co Ltd., said that digital technology has enabled insurance companies today to serve their customers better, engage with them in better manner, and fulfill expectations more comprehensively, timely and efficiently. He feels that the social change is taking place, and though the number of people using



the online space is presently low, but it is evolving, and the real question is how fast it will evolve over time.

While answering whether insurance companies are doing enough in this direction, he said that some companies may be taking steps in this direction. He feels that digital has to be an enterprise wide initiative; something that the organization seriously commits to and companies would have to recraft what their organization will look like if they are going to be digitally-enabled and empowered. With rapidly changing demographics and income profiles, insurance companies need to reinvent their target customer group and assess the size of that group. Keeping in perspective the fact that people will remain social and connected to each other, companies would have to think about how to become a part of this connected world or become a part of the evolving ecosystem or the way to engage with the evolved consumer group. So, the insurance industry still has a lot many things to do.

He also feels that the ongoing initiatives of the current government i.e. Smart Cities or Digital India would help create the necessary ecosystem for digital. It is a dominant thought process, driven from the very top of the country and reaching into the individual homes and industries. With so many changes taking place around us and with lot of data that is floating around, industry is keen to look at the footprints that the customers are now leaving on the web. Customers in India are leaving many clues for companies every single day. So, it is important for companies to make sure that those are read right and analysed correctly. For this, algorithm is going to be a big thing in future.

However, he feels that the industry has not reached that stage as of now and companies will be required to make investments to reach that stage. It is also not correct to make comparisons with the US or UK as India has proven in the past that when it comes to technological leapfrogging, the country is pretty good at it. He feels that what the US/ the UK can achieve in 10 years, India is able to achieve in only one year, maybe using a completely new route. In his opinion, India is well-poised and there's a clear awareness along with an ecosystem being built.

However, Mr. Sud thinks that the knowledge about the digital technology is low and there is a need to have a digital expert panel or a member - digital in IRDA, as there is lot of ambiguity in the present regulations related to digital which needs to be cleared.

Mr. Bhargav Dasgupta, Managing Director and Chief Executive Officer, ICICI Lombard General Insurance Co Ltd was of the opinion that digital as a trend is not for 2020; but a trend that has already started. And companies must move fast in this changing scenario. He thinks that the segment of people who are buying insurance, in his mind, are all online, all digital. He highlighted the concept of Research Online and Purchase Offline. He said that while gauging the impact of digital on insurance sales, the industry should consider the customer's decision making journey rather than just overall online sales figure. It has been observed that customers do a lot of channel hopping before buying a product. They do online research for insurance products but may not opt it for final purchase as they buy it from other channels like bank or agents. Out of the top 10 decision making journeys that consumers make, 4 of them include a digital step.

Moreover, there are certain insurance products like travel insurance that are characterized by convenience-driven buying, it has been observed that the digital sales percentage is significantly higher (as high as 50% or more). If a company does not have a digital presence, it can lose out on this segment of customers. Therefore, from a pure purchase consideration and providing a seamless purchase process for customers, companies have to adopt the digital platform. Keeping in perspective the fact that the trend will gather pace in future, companies must act now and become digital to prepare themselves well for future.

Being a technology provider, **Mr. Mike Key**, Vice President –Global Insurance GTM, SAP said that his company's experience with the insurance industry shows that 'digital' as a trend is here, today. He said that 2 out of the last 3 years have been the largest growth years for the company in terms of supporting the insurance industry over the last 20 years. SAP has observed a huge uptake, which has been primarily driven by digital technologies. Insurance companies

have shown interest in really transforming the way they do business and they are using digital technologies to be able to do that.

Insurance companies are trying to transcend what they have typically done in insurance. Apart from just assessing the risk, pricing the risk and servicing the incidence, companies supported by new technologies and new information are now able to proactively mitigate that risk and are also able to impact it as opposed to just managing it. He also said that Insurance is an innovative leader in particular technologies, the four major ones being: Supercomputing, Hyper Connectivity, Business Networks and Clouds. All the information and the data that is available and all the interconnected things are really changing how insurance works and how companies operate and how they analyze the data. Insurance companies can now be a part of a network with 1.6 million other companies and e-commerce of about 600 billion dollars a year. They can now better manage risk, fraud and effectively do procurement and expense management.

Mr. Vikas Agnihotri, Director–Indian Sales, Google India Pvt Ltd said that as of now, there are almost 350 million or more people who are actually on the internet. As far as e-commerce is concerned, almost 50 million people are now-a-days buying online; an estimated 37-38 million people do travel transactions online. It is also estimated that by the end of year 2016, around 100 million people will be transacting online, which is actually more than the population of most of the European countries. E-commerce has therefore resulted in building the expressway or super highway of people coming in and transacting online.

According to data of online behavior of customers, these consumers can be divided into three broad segments. First is the segment of people who are value seekers or discount seekers. Second segment comprises of people who are looking for convenience, in terms of what they want to do and how they want to transact and the third segment is someone who is truly the need seeker or a knowledge seeker and wants to do the research himself, wants to get very, very comfortable in terms of what he wants to buy.

He feels that the insurance industry has not been able to cater to some of these consumer groups well. For instance, for most verticals, people are using online services because of convenience. As per Google's experience, the search queries coming from mobile have surpassed search queries coming from desktop, except in banking and finance where the share is only about 30% in terms of total number of transactions that are coming in. Mr Agnihotri feels that this is because the insurance companies share their information in a complex manner unlike companies from other verticals like e-commerce - Ola or OYO.

Insurance companies have also not been able to offer substantial value propositions to the 'value seeker or discount seeker' category of consumers due to regulatory and other restrictions. However, experience shows that products with right kind of pricing and simplicity have sold successfully online. Even for the third category of consumers who seek information and knowledge online, insurance companies tend to offer such information in a very complicated manner which makes online insurance platforms less popular among these set of people.

He therefore recommended that it is crucial for insurance companies to first identify the problem that they are trying to solve. They need to be more aligned to study User Interface and User Experience and attempt to cater to the diverse needs of people online. He also shared the concept called, "nowcasting." Nowcasting is basically in terms of information that one can pick up, happening on Google search, Google trends etc. pertinent to the company over the next 90 days. This helps showing useful indicators to marketers and actually helps in demystifying the entire buying behavior.

Mr. Neelesh Garg, Managing Director and Chief Executive Officer, Tata AIG General Insurance Co. Ltd reiterated that digital is a trend which is here and now and the fact that the trend is clear. He is of the opinion that digital technology has already changed our lives offering us more convenience. According to Mr Garg, for insurance industry it is more of a supply side constraint now. He mentioned that, demand side constraints have been taken care of in terms of consumers' readiness to adopt digital technology as smart phone availability and



internet connectivity has improved substantially in the country. Moreover, the mindset of the people is also changing in favour of digital with older people adopting the new technology.

Therefore the real question from the supply side that is often asked is whether the insurance industry is ready and is doing enough to be ready for the revolution. But another crucial aspect that is often left out is the 'product readiness' of the industry for digital clients and presence on social media and other technology platforms. This is an area where he thinks the industry has not done enough. The industry needs to come out with different, simple and easy to understand constructs. Pricing of the products should not be complex, with no grey areas. In terms of presence in the social medium, the industry should simultaneously strive to develop technology platforms that are equivalent or better than travel or e-commerce sites.

It has also been witnessed in the past that a lot of disruptive business models have actually ended up destroying large parts of the existing legacy of the organization to be ready for the future. The insurance industry should be ready for a mindset change to adapt in order to usher in change.

Challenges

Mr. Amitabh Chaudhry, Chair, FICCI Committee on Insurance and Pensions and Managing Director and Chief Executive Officer, HDFC Standard Life Insurance Co. Ltd. highlighted some of the risks that the companies may face in the process of adopting the digital technology. Firstly, looking at the changing trends, many companies may adopt digital without having a proper implementation plan in mind for the same. This could potentially lead to a situation where companies may not see digital as an opportunity; rather see it as another channel which is not working, and may decide to leave the online space eventually. He also said that since the digital technology is changing so rapidly, even if companies have plans, these may not be useful after some time and companies may need to rejig their plans again.

Secondly, he feels that while insurance companies are focusing on selling products online, there may be lack of focus on their part on digitization of processes or they may not be looking at that as a different opportunity. There is a clear need on the part of the industry to focus on how to improve processes through digitization which in turn requires higher investment and wherewithal.

Thirdly, he mentioned that the industry needs to attract right kind of manpower/ talent to be able to implement new ideas. He thinks that it is critical to get the right talent to engage with the right digital partners and use their services effectively, and if this does not happen, the industry may potentially miss another opportunity. He feels that the insurance industry is presently struggling to attract the right talent, as other industries such as banking, e-commerce and new startups are spending a lot of resources on hiring and tend to be more attractive propositions to the youth. Given the limited resources that the insurance industry has, it is important for the companies to see how effectively the resources are put to use.

Mr. Radhakrishnan Nair, Former Whole-Time Member (Finance and Investments), IRDA said insurance has been the slowest amongst the financial services industry in terms of adopting latest technology, while all others like banking, securities market have been pretty fast. One reason which can be attributed to this is the fact that since Insurance is still a push product, there is a kind of due diligence which goes into insurance purchase and underwriting itself. Barring this fact there are however certain type of products in insurance which could be sold off on the counter like travel, motor, health, and so on.

However, he said that considering the fact that lot of change is taking place on the digital front, insurance companies, as well as the intermediaries, regulators and policymakers need to be aware of this challenge brought in by digital. Looking at the segmentation of consumers, insurance companies must invest in the right kind of technology to capture the marketplace with competitive pricing. Companies must be alive to the market disruptions and have to take care to ensure that they are geared to meet the challenges.

He suggested that insurance companies will have to try to make claim payments in the manner that delights the customers. This will make them the advocates of digital technology not only in getting the money but also paying out the money, at the appropriate time, very quickly. Talking about the regulator he said that IRDA would like probably to have a member of the board who understands the technology, who is able to understand the legal system better. He feels that while the industry will have to use the digital technology, there should be a law which will enable the use of technology in an appropriate manner.

He said, "a combination of legal knowledge and recent technological changes would be an ideal place to sit for a person at various regulatory offices". It is important to make the processes efficient while protecting the consumers from mis-selling or from frauds. The regulatory challenges according to him would be on consumer protection and also on development of newer products, which are safe from the consumer's point of view and how quickly to redress the grievances of the consumers. He advised the insurance industry to be cautious in terms of both investments in technology and the adoption of technology.

Presentations by Technology Companies



L to R: Mr. Alpesh Shah, Senior Partner and Director, The Boston Consulting Group ; Ms. Kavita Reddi, Co-Founder, Voxta Communications Pvt Ltd ; Mr. Sirish Reddi, Founder, Voxta Communications Pvt Ltd ; Mr. Vivek Mannige, Chairman, AccelTree Software Pvt Ltd ; Mr. Alex Bentley, Head of Automation Strategy, Blue Prism ; Mr. Makrand Jadhav, Co-Founder & Chief Operating Officer, Kloutix Solutions Pvt Ltd

Given the emphasis on technology and start-ups this year, a special session was introduced in the conference wherein technology solution providers were invited to give an update to the insurance companies on technology innovations that will help enhance operations excellence of the firms.

Each of the firms gave an introduction on their service offerings and how it could benefit the insurance industry.

Session II

Next Gen Leadership and Talent



L to R: Mr. Amit Kumar, Partner and Director, The Boston Consulting Group; Mr. Roopam Asthana, CEO and Director at Liberty Videocon General Insurance Co. Ltd.; Mr. Sandeep Ghosh, MD and CEO at Bharti AXA Life Insurance Co. Ltd.; Mr Tarun Chugh, MD and CEO of PNB Metlife India Insurance Co. Ltd.; Mr. Munish Sharda, MD and CEO of Future Generali India Life Insurance Co. Ltd. and Mr Vineet Hemrajani, Leader Financial Services Practice, Egon Zehnder India

Overview

The additional manpower requirement of the insurance industry is estimated to be close to 20 lakh people by 2025, which is an unprecedented scale by any industry standards. Attracting so many people into the industry every year is a unique HR challenge. On the other hand, the attrition rate in the industry is very high; the attrition rate in front line life insurance is close to 50%, presently, which is also a big challenge for the industry.

Leadership and talent is therefore at the top of every insurance company's people agenda in India. It has been 15 years of privatization for the insurance industry and while the industry has nurtured a new group of leaders, the key challenge remains whether the industry is doing enough to groom next gen leadership and talent.

The discussions at this session focused on the new emerging concepts, use of digital to solve some of the issues relating to performance management, affiliation etc.

The kind of leadership and talent that the insurance industry needs is quite different as compared to other industries. It has also been observed that the traditional HR models have not been very effective in talent acquisition and retention. The industry therefore needs to learn from new-age companies like Google which are completely changing the HR models followed so far according to the changing aspirations and perceptions of people.

In India, people are no longer considering 'job stability' as the main criteria for selecting a job. A new concept



that has emerged lately is known as MAP, which highlights some of the things that the next gen cares for very deeply:

- ✓ **Mastering:** People care for getting good at something
- ✓ **Autonomy:** People really want to have independence in the way they do a specific task/ job, and
- ✓ **Purpose:** People are concerned whether the company that they work for serve a larger purpose

HR departments of companies are also gradually moving away from their traditional administrative role towards being the culture engine of the company, to ensure that the companies adopt the new culture that the senior leaders and other employees want to see in the organisation. Increasingly, companies are using digital-centric models, bringing the power of algorithms and Big Data to solve key HR related issues especially in Sourcing Transfers, Learning and Development, Performance Management and Affiliation. For instance, the decision to match the right people with the right job is executed through an algorithmic programme, whereby people for specific experiences and competencies are evaluated and are then matched to the best possible roles. This improves the overall satisfaction levels of employees as they are able to do a set of roles which are well matched with the skill sets they have.

Similarly, for training employees, besides the standard classroom training programmes which are conducted at a particular time of the year, companies are now developing customized training modules as well for people with prior experience and skills, after doing a thorough skill gap assessment. Moreover, these training programmes are conducted when employees need to be trained. This improves the overall effectiveness of these training programmes. On the other hand, companies have moved away from the historical model of comparing previous year's performance of an employee with that of the current year to manage the performances of the employees. Companies now evaluate an employee's performance vis-à-vis his/her peers. Performance management happens in real time, wherein real time feedback is taken allowing companies

to do course correction. Companies are also leveraging discreet events and elements like online communities to increase affiliation and engagement which has become an ongoing feature of the organization and not just once a year affair.

Panel Discussion - HR Practices in the Indian Insurance Industry

While a lot of activities and new trends are emerging in terms of HR practices in other industries, it is worth understanding how far the Indian insurance industry have been able to adopt and implement these concepts/ processes, and the set of challenges that the companies are facing while implementing these processes and how effective these changes have been.

Insurance industry's preparedness to attract people

Mr Tarun Chugh, MD and CEO of PNB Metlife India shared his views on this topic. He is of the opinion that insurance industry is heavily dependent on people and the quality of talent that the industry has. The New Gen of people who are joining the industry has a very different perspective as compared to the older generation. The new gen wants clear and transparent HR processes, online talent process and are looking at meeting career aspirations, and this is quite important for the sector to adhere to.

He feels that there is a lot that the insurance industry needs to do than what has already been done. On the talent processes, there is a need to have a systematic way on which people are put on the same platform and discussed. The present appraisal and feedback process followed by managers/supervisors in the industry is neither transparent nor clear. Feedback is probably the biggest gap that exists on the distribution and the sales side. To improve this situation the industry needs people who are evolved and are willing to accept honest feedback upfront. Due to these anomalies in the system, the industry has been more of a net exporter of talent than an importer currently.

Learning and Development Initiatives

Learning and Development resides right at the center of HR challenges. According to **Mr Munish Sharda**, MD and CEO of Future Generali India Life Insurance Co. Ltd. the learning and development models being used currently by the insurance industry have not evolved for the better. While every company today has training managers, training teams etc., the effectiveness of these training teams is not comparable to the training that was imparted by the practitioners of management i.e. the CEO or the top management in the past. The CEOs used to share their firsthand experiences and knowledge with the employees, and hence such training programmes were more practical in their approach and therefore were more effective.

While highlighting the importance of training and learning and development he further added - "Insurance remains the most complex financial instrument being sold to the customer. If we talk about mis-sell, I don't think it is miss-sold, people who sell sometimes they are not even aware of what they're selling and what they are saying to the customer. They are doing the right thing of whatever they know, but they don't know enough. I think that's what needs to change."

He suggested that companies need to identify specific learning and development needs and go deep in some areas rather than teach a lot of things to a lot of people simultaneously which they may not even need later. Also there are a lot of training methods which can be inbuilt into the company's processes and people can do the learning while doing. Online and digital platforms could greatly help training, learning and development needs of organizations.

Performance Management

There are broadly three aspects of performance management, according to Mr Munish Sharda: first, setting the right direction, second, putting facilitators or enabling performance, and third, measurement. He feels that the industry is doing something good on each of these areas individually but is yet to do a good comprehensive job on setting the right direction for

the employees about what the organization's goals are regarding growth (top line versus bottom line), products to be sold (short-term versus long-term), etc. Moreover, since every individual today works with different goals, companies should measure performance of employees appropriately at different levels and a bit differently. While the companies need to provide more and more enablers like sales kits, better products, need-based products etc., the managers need to own the performance of their people.

Engagement, Affiliation and Innovation

To the question of what the insurance companies are doing to improve affiliation and whether they are able to attract people to foster innovation within their organizations, **Mr Roopam Asthana**, CEO and Director at Liberty Videocon General Insurance Co. Ltd. said that the insurance companies today are looking for innovation to come from outside. However, ideally innovation should come in, in small pieces, from within the organization. He offered suggestions to resolve this issue:

The first railroad that is important to generate innovation is creating such an enabling organization structure where people and their ideas can resonate and be heard. Most of the organizations today have 8-9-10 levels within the organization and that makes the transfer of information, both upwards and downwards almost virtually impossible and the essence of the information being transferred gets lost in transmission. As a result even if somebody has a good idea, unfortunately, that does not get fostered or developed. Companies need to design their organization structure which lets smooth transmission of information to and fro within the organization. Building a culture of working together to be able to break silos between people helps bring in Innovation

Next important step is building an open culture where employees have the belief that they can always walk up to their superior and talk about what they feel is going right or wrong with the organization. A lot of innovation breeds on questioning and critical thinking and this is not just the job of a few senior managers at the top; innovative thinking is something which needs to be done by everybody within the organization. An open culture and critical thinking brings in a lot of affiliation



and engagement within the organization and in turn would lead to innovation.

Also, from culture building point of view, there is a need to create a culture of working together which will enable people to seek help from others and would also be able to offer help. This is a big builder of affiliation as it binds colleagues together, helps people to connect well with those with whom he works, which ultimately leads to innovation.

Retention

The Insurance industry and particularly the Life Insurance industry is marked by large attrition numbers. Regulation changes, change in business models, lack of surety on the future of the industry for next two or three years, are some of the factors majorly affect the thinking having a direct impact on attrition.

There is a need for regulation scenario to be more directional for the next few years so that it instills confidence in the workforce and is considered to be a lucrative sector for upcoming job seekers.

Organization Effectiveness - marrying culture of different generations working together

Sharing his views about the challenges that the companies face while operating in the current environment, **Mr Sandeep Ghosh**, D and CEO at Bharti AXA Life Insurance Co. Ltd. said that besides a lot of regulatory changes, there has been changes in the business models as well as in consumer behaviour. Insurance industry has had very conventional operating structures and certain hierarchical construct which is more extreme as compared to some of the other industries.

With the advent of digital transformation and the phenomenal pace of change, new generation of people are being recruited in organizations to help companies through their digital transformation. This has led to two profiles of people, one who are long-term insurance people and the other, the younger group of people who

help in designing products that can be sold digitally. Today, customer's expectations in terms of convenience while buying an insurance product online, has changed dramatically, and is continuously undergoing change. The user interface, the way the organisations need to deliver the products to consumers, the way customers are to be served have changed significantly from the way it used to be done in the past. Therefore, one of the key challenges that the insurance industry is going to grapple with in the future is how to marry these two different cultures, how to get far more agile responsive decision-making processes than the traditional insurance world has been used to. The two set of people present in the organization therefore will have to work effectively with each other, to be able to deliver the kind of change that the organizations need to prepare themselves for the business of the future.

Talent and Leadership

The insurance industry has been much more open to outside talent, partly because it's been a newer industry and partly due to the openness amongst leadership to try new sets of people who can bring in fresh ideas. These are the observations shared by **Mr Vineet Hemrajani**, Leader Financial Services Practice, Egon Zehnder India on this topic. He feels that the industry has performed well in terms of attracting people at the top level, and now it needs to focus on the junior level of workforce since this is not an inspirational or an aspirational profile.

Insurance industry needs to be cognizant of the fact that companies which are currently doing well globally are the ones that have bred leaders of innovation and these companies are also observed to do fundamentally different things often changing the business models which gets people excited to work with them.

In India, there are some companies which have done relatively well in terms of retaining talent at a mid to senior level, and which have traditionally been more bank platforms, because they have had more opportunities to move people.

Session III

Operations Excellence – Driving the Change Within



L to R: Mr. Bharat Poddar, Director, the Boston Consulting Group; Mr. S V Ramanan, Chief Executive Officer, CAMS Insurance Repository Services Ltd; Mr. Anuj Agarwal, Managing Director and Chief Executive Officer, Bajaj Allianz Life Insurance Co Ltd; Mr. G Murlidhar, Managing Director, Kotak Mahindra Old Mutual Life Insurance Ltd; Mr. G C Rangan, Chief Executive Officer and Whole-time Director, L&T General Insurance Co Ltd and Mr. Nitin Rao, Group Head- Third Party Products, Private & Premium Banking, HDFC Bank Ltd

Overview

Historically, 'operations' meant something that happened in the back office, something which the front office viz. sales team/distributor/ brokers attended and then went to the back office, middle office and the branches and that was where the operation used to start. There had been multiple stakeholders in any kind of an operations process. Each of them acted as silos and things moved from one silo to another; the traditional operations excellence projects had been focusing on these individual silos. The traditional paradigm of operations excellence was mainly reducing cost by certain amount, some change in branch process which could have resulted in some incremental improvement of 20-40%, some improvement in customer experiences and so on.

The whole paradigm of operations excellence has changed over the last 5 -7 years. Operation no longer starts after the handover from front office to the middle or the back office. Operation starts right from the first interaction of customer with the salesperson or broker or distributor or agent till the point the customer service and request is fulfilled. Firms therefore think about customer journeys and not operations and processes today. This is the new paradigm of thinking about operations excellence from end-to-end customer journey perspective. This thinking has been catalyzed by changing customer expectation and also the power of digital.



The new paradigm has several benefits. The most important benefit is enhancement of customer experience, such as reduction in turnaround time by almost 99.99%, reduction in costs by almost 50-70% depending on what particular customer service a company is trying to optimize. This is much higher as compared to reduction in costs by around 5% to 15% that could have been achieved through the erstwhile traditional operations excellence project. The other benefits of the new paradigm of operations excellence include reduction in risk & fraud, reduction in attrition, and employee engagement.

The discussions at this session focused on different aspects of Operations Excellence and the role of Digital in attaining this excellence. Some of the questions the session tried to answer are:

- Have insurance companies started focusing on customer experiences and customer service?
- What have been their experiences?
- How are they managing this with their processes?

Panel Discussions

Mr. Anuj Agarwal, Managing Director and Chief Executive Officer, Bajaj Allianz Life Insurance Co. Ltd. said that customer experience is becoming more important for life insurance companies lately for the last 3 to 4 years and 3 to 4 reasons are responsible for this. The first being that traditionally, 'the insurance agent' used to be with the customer in the entire customer journey. However now since the insurance is sold more either through the banking route or even by agent, that person is not present completely with the customer which has led to a lack of connect with the customer, often individual intermediary. Hence, it is becoming important for life insurers to connect with the customer directly.

Secondly, as more and more standardised products are coming into the market and products are getting commoditised into two or three buckets, there is lack of differentiation in the product. Therefore, life insurance companies are competing and giving better value to customers through better customer experience.

Thirdly in terms of customer experience, traditionally life insurance was sold for the purpose of death benefit. However for life insurance, that paradigm has changed completely. And hence life insurance companies are focusing more on customer experiences that comes from the customer lifecycle at the time of either issuance, during the cycle and finally, at the time of the claim.

Digital is the only way a company can enhance the experience as well as reduce the cost. For e.g. digitalizing the application process can lead to immense reduction in turnaround time for policy issuance. Similarly setting up claims portals can reduce paper flow and cost resulting in lesser time for claims processing. Cutting the paper flow and making the customer journey easy through digital significantly results in enhanced customer experience at all levels.

Cost-Key focus of Operations Excellence Projects: Why and Why not

Mr. G. Murlidhar, Managing Director, Kotak Mahindra Old Mutual Life Insurance Company Ltd. feels that cost will always remain a very significant parameter for any insurance company. While customer experience is one side of the coin, operational efficiency is also to ensure reduction of cost. Mr. Murlidhar mentioned that cost overrun is the biggest issue the industry is facing and it is ailing the industry. Cost overrun shows the industry's inability to manage cost within the limits laid down in the product design. There are a number of issues that leads to cost overrun including selling or distribution inefficiencies, or cost overrun at the time of processing policies and design of operations.

The design of operations determines how a company spreads its infrastructure. He said that technology will have a big role to play as it would help the industry centralize processing, help operate at a much lower cost, and would determine the virtual design of how the people are to be deployed, and how the service people are deployed. He feels that there should be continuous efforts for cost improvement and companies should continuously review the activities that involve highest amount of cost and reengineer them to bring costs

down. Some of the ways to monitor/ control costs are to drive the culture of savings in the organization, move towards centralized operations and promote paperless offices. Use of simple technologies like scanning and automatic indexing ensures faster movement of papers and also a better customer experience.

One of the biggest costs is manpower. How the industry uses its manpower more efficiently is very important. He gave an example of the company's call centre, where almost 1,20,000 calls per month were received. An analysis showed that 40% of calls per day pertained to five items like premium receipts, date of premium payment and fund value and stuff like that. The company put in place an IVR which gave an immediate answer to the customers and this actually reduced 40% of the calls. At times when the company is required to meet service quality and turnaround, it adds staff, which needs to be constantly reviewed.

Role of Branches in Operations Excellence

Mr. G. C. Rangan, Chief Executive Officer and Whole Time Director, L&T General Insurance Company Ltd said that the presence of a branch is very important for today's distribution and go-to-market strategy. Branches play an important role in creating the channel architecture due to the proximity to the customer and the role they play in creating brand awareness and also help to detect frauds etc. From the cost perspective, it should be considered from three dimensions, the role of the branch, the format in which it should be there and the operating model.

Branches are very important for retail operations. The role of the branch is completely undergoing a change in terms of customer visiting the branch (customer density), the kind of paperwork or FDR that needs to be done, etc., because of digital penetration. Based on the role of the branch, the format of the branch is also expected to evolve in terms of size, lease structure, etc. Due to the digital revolution happening in the industry with respect to policy issuance, endorsement, payment, reporting claims, payment of claims, need for a physical branch is reducing and all activities would now be possible through a virtual branch.

The approach in a branch would be different where it would be more of problem solving. The operating model would evolve from the role of the branch and the format in which one decides to operate and the design would have to be made keeping the costs in mind. In general insurance industry, the expense ratio is almost 24-25% and for a new company it is more than 35-40%. Whatever services can be outsourced, should be done and more specialized and more value add or cross-sell, up-sell, etc. have to be really looked at as an operating model. Earlier, digitization was an extension of a branch. Today, all designing is happening for web, digitized services and now branch has become more of an extension now. He added, "gone are those days of big offices, now it is to be close to the customer".

Perspective of a Bancassurance Partner

Mr. Nitin Rao, Group Head – Third Party Products, Private and Premium Banking, HDFC Bank Ltd. While explaining about the company's operations he said that HDFC Life sells their insurance products through 10,000 people across 4300 branches in places as diversified as Leh. According to him operations is different, it is to sell and give the policy and then target a persistency of 80% or so. With this he laid down the important factors for achieving operational excellence.

The first thing he said that would determine the failure or success of bancassurance is the synergy between the top 3-4 people on both sides i.e. the Bank and the Insurance company. There has to be a joint ownership of everything. There is a need to devise common systems which could see both sides. He said that unlike the usual belief that selling is just about going to the customer and telling him he needs protection and leaving it at that, customer decision-making journey is a long process. The objective is to cut those decision-making times. An analysis on the conversion rates shows that while selling, 90% of the customers are interested on the first day; about 78% are converted within 7 days or in 15 days. This journey requires a lot of synergy.

Finally, he said that digitalization is also important. While elaborating on this he said that their organization



has now evolved a process where the KYC is integrated to the bank, data is pulled out from the bank, data moves to the insurance company simultaneously and the analysis is done. RBI has also done profiling mandatory. The forms don't get printed if profiling does not happen properly. Pre-conversion calling is done instantaneously. He mentioned that 45% of the company's policies are issued very quickly within an hour or two. All these steps result in huge efficiencies in operation. Recognizing the fact that insurance is the last product in a banker's thought process as he has 30 other products to sell like credit cards, fixed deposits etc., he said that the efficiencies come to the insurance companies if the synergies are built-in.

Role of Insurance Repository Service Provider

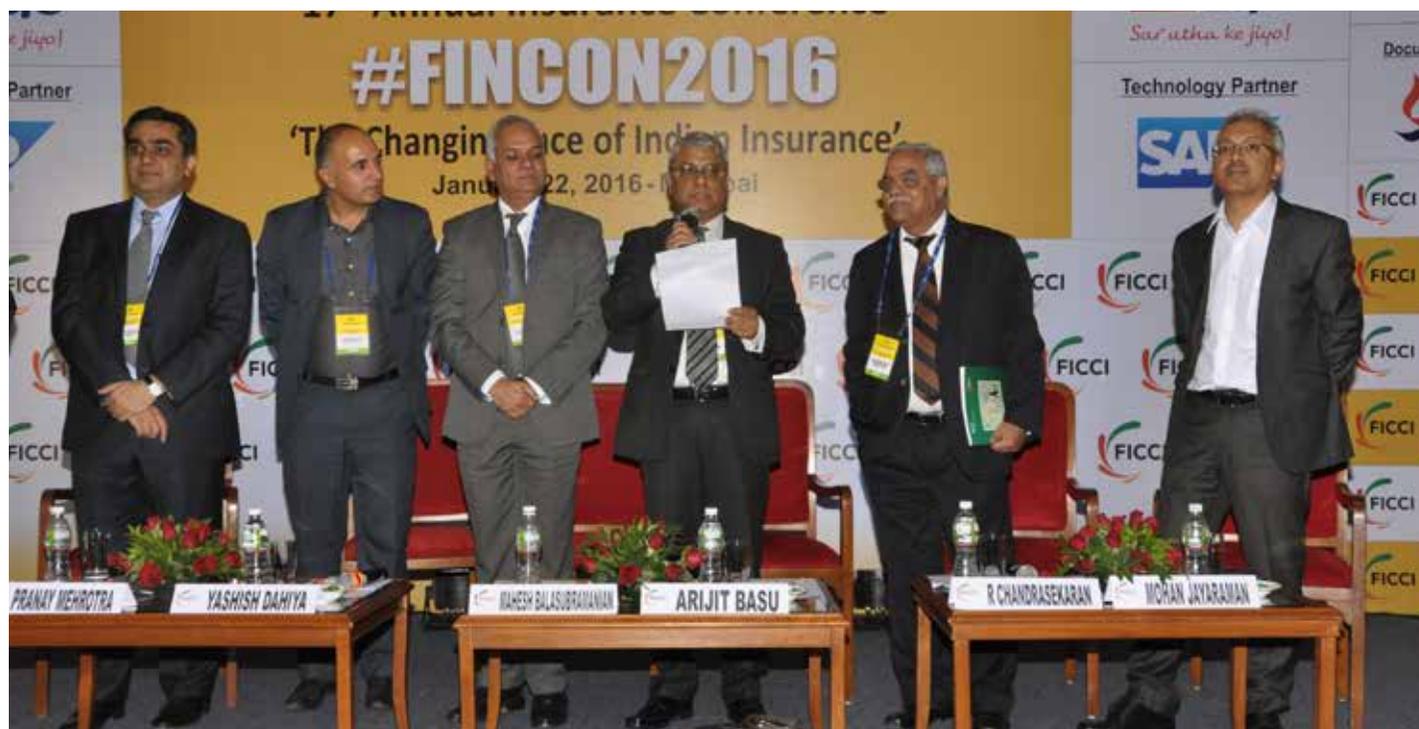
Mr. S V Ramanan, Chief Executive Officer, CAMS Insurance Repositories Services Ltd said that today

repository services (CAMS) have built a complete customer lifecycle management for the insurance industry. If the processes of mutual funds are mapped with insurance, it is about customer onboarding, customer service and agent or intermediary servicing. All of these have to be interlinked and he added that CAMS repository has built all these capabilities.

He said that today in insurance, repository services are allowed to do only part of the transactions in the industry. They don't get to serve as the full end of the spectrum from customer onboarding to customer service to claim processing. He said that the industry can look at outsourcing all these activities including policy servicing except for underwriting which is a critical aspect of decision-making, the rest of it can be passed on to repositories who can then pass back the benefits of scale.

Session IV

Products 2.0 – Meeting the Next Gen Insurance Needs



L to R: Mr. Pranay Mehrotra, Partner and Director, The Boston Consulting Group; Mr. Yashish Dahiya, Chief Executive Officer and Co-Founder, PolicyBazaar.com; Mr. Mahesh Balasubramanian, Chief Executive Officer, Kotak Mahindra General Insurance Co Ltd; Mr. Arijit Basu, Managing Director and Chief Executive Officer, SBI Life Insurance Co Ltd; Mr. R Chandrasekaran, Secretary General, General Insurance Council of India and Mr. Mohan Jayaraman, Managing Director, Experian Credit Information Company of India Pvt Ltd

Overview

The evolving consumer needs and the technological disruption is leading to the emergence of “new products” – a movement from products to services, leveraging the internet of everything (e.g. wearables), big data and ubiquitous connectivity. Consumer needs are evolving based upon their experiences in other industries.

Additionally, the Indian market in the future is going to have 500 or 600 million people connected through the internet in the next four years, which implies availability of lot of data on consumers. Globally people having access to customer and data have disrupted the insurance industry. The Indian market is likely to see a similar trend emerge in the future. Product innovation will therefore be a key lever to drive growth in the

industry in the new scenario. Product Innovation could support and stimulate growth both for the life insurance industry as well as general insurance industry. Lot of new trends and information is now available to the industry and it is up to the industry to use the data to design the right solutions for the new age consumers.

The discussions at this session focused on the imperatives for the industry to bring in the next wave of product innovation to stimulate growth in the sector. Some of the questions that this session tried to answer are:

- What is structurally required, in terms of regulations or otherwise to support product innovation?
- How does the industry better leverage data and technology?

Panel Discussion

Opportunities in Life Insurance Sector and Need for Support System

Insurance industry is one of the least penetrated industries in India. There is a mass market which is still underserved by the industry. Moreover, a set of young customers are expected to enter the economy over the next decade as India is set to become the youngest economy in the world. To cater to the needs of this emerging consumer group across income segments, insurance companies would be required to design the right product solutions to attract this new class of people. The emerging scenario would offer some opportunities for the life insurance companies, which had faced a few challenges over the course of the years.

Mr. Arijit Basu, Managing Director and Chief Executive Officer, SBI Life Insurance Co Ltd shared his thoughts about what these possible opportunities for life insurance sector could be and what would be required to support them. He said that Life insurance has experienced several ups and downs since the sector was opened up in 2000. Various new products have been introduced over the last 15 years and the industry has faced its own challenges. The sector faced a downward growth over the last 2-3 years specifically because of problems relating to certain products. However, the sector has been able to overcome these challenges and has realized what needs to be done to address these issues.

In the present scenario, the sector is facing new set of challenges as mentioned above. The industry is wondering how to leverage technology to resolve these issues. He also mentioned some of the unique challenges that Indian industry faces; firstly, to make insurance an attractive product. Both the industry as well as the regulator wants insurance to become slowly a pull product rather than a push product. While the industry is ready to play its role, what is needed is a change in the mindset of the people; they need to understand that protection by itself is a necessity. This scenario he expects to change over time.

Secondly, Mr Basu feels that the large young population which is expected to emerge will be more knowledgeable and financially literate. This will offer both opportunity as well as challenge for the industry. The new group of people who are expected to be more aware of their needs would understand the need for protection better and hence could have strong demand for insurance, but may find alternate avenues of financial coverage and other financial products more attractive, which could be a challenge for the industry. Therefore, life insurance companies would need to market their products well in this scenario and design appropriate products which could cater to the new age needs of the new age customers.

The other challenge is the underserved retirement segment. Though there are pension and annuity products available in India now, but these are sold or offered when the person is close to his retirement, which results in very high premium. The solution to this is to offer certain additional features with annuity with a view to make things more product-rich. While the industry is ready for it, people are required to be convinced for this.

The industry also needs to think of how best to use the technology to serve the needs of the people. He thinks that the industry should take learnings from the PMJJBY experience which has been a success; nearly Rs 3 to Rs 4 crore worth of policies has been sold under this programme. He further suggested that the mobile platform can be used to further promote and sell such policies next year, taking cue from Kenya's experience in this direction, and reach out to a large number of people.

Also, in his opinion, companies should keep the online platform alive even though it is currently attracting only 2% to 3% of people, as there is willingness among people to go across, see and purchase life insurance policies online and the trend will catch up in future. So, it is important that the industry keeps itself ready for the upcoming opportunity. However, he cautioned that companies should not consider moving away from the traditional channels like bancassurance or agency either, keeping in view that these are strong distribution channels and serve well for the industry.

Product Innovation in the General Insurance Sector

Mr. Mahesh Balasubramanian, Chief Executive Officer, Kotak Mahindra General Insurance Co Ltd. shared his perspective from the general insurance side (motor and health) on the emerging opportunities for the industry, how to leverage data and technology better, design the right solutions for the market and creating the right level of consumer awareness, and his opinion about these opportunities for the general insurance sector.

He said that currently most of the products offered by the industry are complicated and the delivery mechanism is complicated as well. This is why he feels the companies are struggling with penetration level of about 0.8% of GDP and density of around Rs 800. It is important therefore to make products that are actually easy, simple to understand and simpler delivery mechanism, thereby offering solutions to the customers which can easily be absorbed by them. He cited the example of Paytm India, which has experienced exponential growth even in the first 5 years of their operation and has reached a scale which otherwise the traditional businesses would have taken 50 years to achieve.

He thinks that there has to be a paradigm shift in the way insurance industry designs products and the way they deliver it to the consumer. Companies can explore to develop event-based insurance and reduce the size of the premium to make the products more acceptable to the consumers. In a nutshell the industry needs to move from complicated products and complicated delivery mechanisms to probably simple products and simple delivery mechanisms which can really increase the penetration.

Companies should also use the available data efficiently. At present, in the motor insurance segment, companies are mainly looking at five loading factors based on the kind of asset and geography for pricing the product. However, he suggests that factors which should rather be looked at are who is driving the car, how long the person is driving the car, etc. as driving styles differ across different categories of people. The available data therefore needs to be used far more efficiently to offer better solutions or better price to the consumer.

Product Solutions for Small Business Segment

Mr. R Chandrasekaran, Secretary General, General Insurance Council of India presented his opinion on how to offer right solutions to the underpenetrated small business segment in India, create the right level of awareness among this class, and the imperatives for the insurers both in the short and medium term.

He pointed towards the low insurance penetration level in India by elaborating a few findings from the Chennai floods. He shared that based on a quick study of the number of policies issued by the general insurance industry in the region it was found that only 21 lakh insurance policies were issued over approximately a population of 125 crore or if an average 5 people per family is considered, then the above figure of Insurance is spread over 25 crore families. This means that only 1 percent of the population was covered. The second point to be probed is whether the policy covered storm, tempest, flood and inundation.

The next point that came out in the survey conducted post the Chennai floods was that tiny manufacturers, small scale industries, shops etc., lost around Rs 25000 crores in the floods. Only 30% of the people had taken insurance but none of them had an insurance against flood or inundation. The remaining 70% did not know that they can insure their assets or inventory. This appropriately elaborates that there is lack of awareness about insurance products in India and the case that there is a huge mass market which remains underserved and underpenetrated by the industry.

The first and foremost step the industry needs to take in order to grow is to reach out to customers through digital media, usage of data etc. Industry needs to leverage technology to make insurance simple and available and also reach out to consumers at large to educate them on the possibilities in insurance.

He further suggested that commoditizing the insurance policy can help the industry improve penetration level. Companies should consider simplifying the insurance policies to the extent that it can be sold to people whenever they buy something. He gave an example where insurers offered accident insurance policy to people at the time of purchase of fertilizer bags.



Customer Centric Product Innovation and Role of Distributors

Mr. Yashish Dahiya, Chief Executive Officer and Co-Founder, PolicyBazaar.com highlighted two different challenges that the insurance industry is facing today. According to him, the biggest challenge is the huge consumer risk awareness issue across all product categories. For instance, first year premium for health insurance is less than Rs 2000 crores, which is extremely low when compared with India's total population, indicating lack of awareness about this critical product. Similarly, the pure life insurance is worth less than Rs 500 crores market in India.

He feels that the insurance industry must understand well the needs of the consumers, which can be around health, assets, pension, life (in case the person expires) etc. Unfortunately, a lot of this need remains latent i.e. the consumer himself does not understand the gravity of what risk he is facing. So insurers will have to continue to create awareness about various product offerings to consumers through various mediums including online even if that involves high acquisition cost.

Another major problem that the industry is facing is the fact that life insurance is often being sold as an investment product. However, insurance or risk should be considered as the most critical factor/product, which will enable insurance compete well with other asset classes such as mutual funds, fixed deposits etc. in the long term. The insurers must communicate well the utility of an insurance product to the consumers, which though is a challenging task, but is critical to attract consumers.

Product Innovation using Technology & Data

Mr. Mohan Jayaraman, Managing Director, Experian Credit Information Company of India Pvt. Ltd said that social media driven campaigns or just mail campaigns, which use certain kind of communication and language, have the ability to make a difference to penetration level of insurance. Insurance companies can build capabilities in this direction over time and put them in pace quite well.

Secondly, insurance companies should focus on ease of product usage. Insurers must see if information or data available over a period of time can actually be activated as part of the process to make the whole experience of the consumer faster. For instance, if the people come to know that most of their general insurance needs are taken care of online, they may just go to a website and take care of their needs themselves. The next generation may do this activity on the mobile if there is a means by which insurers can make this automated and faster.

The third point which he mentioned was about the data providing very little insight. It is important to find means by which companies can actually get those insights-driven, as even a single additional insight is worth a lot. He highlighted the case of credit bureau report that is available with companies, providing lot of information which if by some means can be abstracted into a score band or an income band could have enabled people to pitch the right kind of product to the right consumers, thereby bridging the gaps that are present currently.

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