Merchants' Chamber of Commerce & Industry

MCCI Insurance Forum 2018
'Indian Insurance Industry: the next Wave of Growth'

Thursday, 13 December 2018 at 10.30 am at The Lalit Great Eastern, Kolkata

Brief Proceedings

Inaugural Session: 'Road Map for Vision 2025: Challenges, Opportunities & Way Forward'

The speakers at the Inaugural Session were

- Welcome Address: Shri Anupam Shah, Past President, MCCI
- Theme Address by Conference Chairman: Shri Sidharth Pradhan, Director & GM, National Insurance Co. Ltd.
- Address by Special Guest: Smt. Jayashree Ranade, DGM, GIC of India Ltd.
- Address by Special Guest: Shri Joydeep K. Roy, Partner & Leader, Insurance & Allied Businesses, PwC India
- Address by Special Guest: Shri Praveen Gupta, MD & CEO, Raheja QBE General Insurance Co. Ltd.
- Address by Special Guest: Shri Ashish Kumar Srivastava, MD & CEO, PNB MetLife India Insurance Co. Ltd.
- Key Note Address by the Chief Guest: Shri Nilesh Sathe, Member-Life, Insurance Regulatory and Development Authority of India (IRDAI)
- Vote of Thanks: Shri Subodh Kumar Agarwal, Chairman, Standing Committee on Capital Market & Insurance, MCCI

Shri Anupam Shah, Past President, MCCI in his welcome address said that post-liberalisation, the insurance industry in India has recorded significant growth. The Indian insurance industry is expected to grow to USD 280 billion by FY20, owing to the solid economic growth and higher personal disposable incomes in the country. Overall insurance penetration in India reached 3.69 p.c. in 2017 from 2.71 p.c. in 2001.

Gross premiums written in India reached Rs 5.53 trillion (USD 94.48 billion) in FY18, with Rs 4.58 trillion (USD 71.1 billion) from life insurance and Rs 1.51 trillion (USD 23.38 billion) from non-life insurance.

Over FY12–18, premium from new business of life insurance companies in India have increased at a 14.44 p.c. CAGR to reach Rs 1.94 trillion (USD 30.1 billion) and non-life insurance premiums (in Rs) increased at a CAGR of 16.65 p.c. In FY19 (up to September 2018), premium from new life insurance business increased 1.10 p.c. year-on-year to Rs. 920.65 billion (USD 13.12 billion). Life insurance industry in the country is expected grow 12-15 p.c. annually for the next three to five years. In FY19 (up to September 2018), gross direct premiums of non-life insurers reached Rs 818.25 billion (USD 11.66 billion), showing a year-on-year growth rate of 12.79 p.c.

Today, there are 24 life insurance and 33 non-life insurance companies in the Indian market who compete on price and services to attract customers. There are two reinsurance companies. This industry has been spurred by product innovation, vibrant distribution channels, coupled with targeted publicity and promotional campaigns by the insurers. The market share of private sector companies in the non-life insurance market rose from 13.12 p.c. in FY03 to 50.01 p.c. in FY19 (up to September 2018). In life insurance segment, private players had a market share of 31.80 p.c. in new business in FY19 (up to September 2018). The Government has approved the ordinance to increase Foreign Direct Investment (FDI) limit in Insurance sector from 26 p.c. to 49 p.c. which would further help attract investments in the sector. In 2017, insurance sector in India saw 10 merger and acquisition (M&A) deals worth USD 903 million. Enrolments under the Pradhan Mantri Suraksha Bima Yojana (PMSBY) reached 130.41 million in 2017-18.

The National Health Protection Scheme was announced under Budget 2018-19 as a part of Ayushman Bharat. The Scheme will provide insurance cover of up to Rs. 500,000 (USD 7,723) to more than 100 million vulnerable families in India.

Shri Sidharth Pradhan, Director & GM, National Insurance Co. Ltd. said that the insurance industry is growing in scale and diversity. The limit for FDI in the insurance sector has been increased to 49 p.c.

The insurance industry is at the cusp of change. The penetration of insurance is low in India. The GoI has launched several flagship schemes, such as Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Fasal Bima Yojana (PMFBY) to ensure greater penetration. Ayushman Bharat aims to provide insurance cover of up to Rs. 500,000 to more than 100 million vulnerable families in India. Rural India has 70 p.c. of India's population yet it is largely untapped by insurance companies.

Many companies have transferred data to cloud and cyber crime is increasing. Data breaches have taken place and the range of crime is huge. Therefore, cyber insurance is gaining importance and it is expected to register the highest growth rate in future.

IRDAI is migrating to risk based capital by 2021. Current solvency rules do not allow estimation of risk.

The insurance business is being driven by innovation and disruptive companies are taking market share. Big Data, Social Media, etc. will allow a more sophisticated business model to emerge in which technology will play the key role. Cumbersome business models of insurance companies may be simplified by harvesting Big Data with third party help. Customers will gain confidence in a simplified environment.

Among other issues, the changing customer behaviour is important. There is a blurring of on-line and off-line models. Enabling policies will complement the industry. The industry needs better pricing models.

Smt. Jayashree Ranade, DGM, GIC of India Ltd. said that three insurance companies have recently listed in the stock exchange. GIC is the 10th largest reinsurer in the world.

With respect to Pradhan Mantri Fasal Bima Yojana (PMFBY), Smt. Ranade said that agriculture has an inherent catastrophic risk.

The prevalence of lifestyle diseases and cancer has increased in recent years. Yet, health insurance has low penetration in India.

Digitisation is leading to an explosion of data. There is a pressing need for general insurance companies to innovate. Insurance companies are strategically adopting technology that meets customers' needs. The insurance industry is modernising as New Age customers want simpler policy terms and low human interaction. The leveraging of low cost distribution channels can play a big role in increasing penetration rates.

Some of the limiting factors for growth are lack of awareness about insurance, lack of affordable insurance and a lack of actuarial talent. However, all efforts are being made to plug the gaps. Risk based capital is being adopted to be on par with global standards.

The insurance industry may be deemed to be successful when insurance companies pay out claims to victims of accidents and the Government does not have to compensate victims.

Shri Joydeep K. Roy, Partner & Leader, Insurance & Allied Businesses, PwC India said that the insurance sector has leading issues and lagging issues. Figures are a lagging indicator but figures are important for prediction. Insurance is not a gratification product.

The insurance industry is marked by mismatches and asymmetry of data. If everyone knew what would happen, then the world would not need an insurance industry. The insurance industry is also marked by Asset – Liability mismatch as claims can happen at any time. So, we need actuarial expertise.

Most people see acquiring insurance as time consuming and difficult. While people do not hesitate to sign long bank account application forms, they hesitate to sign insurance policies.

Life insurance companies get leads on the Internet but they struggle to sell on the Internet. Indians prefer not to buy term insurance. Some other segments, such as travel insurance are suitable for selling on the Internet.

Two thirds of LIC's business is single premium insurance and customers are happy to commit to a well defined liability. When we look at the regular insurance premium market share, then the private sector has 56 p.c. market share.

The insurance industry faces a problem as people hesitate to take long term decisions regarding insurance. Another problem is that people believe in 'karma', so they believe that they do not need insurance as no disaster will hurt them. In order to increase penetration, we need to study behaviour and not keep launching new products that may not sell. India is an under insured country whereas Japan and Korea are over insured.

The cost of client acquisition in India is one of the highest in the world. Insurance companies rely on human decision making to sell policies. The lending market, on the other hand, depends on pure analytics and a loan applicant gets the same score from every lender when they apply for a loan. In other words, Balance Sheets of loan applicants are analysed using a common software.

Shri Praveen Gupta, MD & CEO, Raheja QBE General Insurance Co. Ltd. said that Kolkata represents missed opportunities. In the 1830s, Kolkata epitomised growth and it was a magnet for everyone seeking a fortune with robust industries such as cotton. In fact, Shri Gupta was reading a book which had names of many insurance companies in 1830 in Dalhousie, Kolkata. Kolkata could have competed with the huge insurance industry of London. Instead, Kolkata missed out on opportunities and the insurance sector may also miss out on opportunities in a similar manner.

Insurance business remains linear in outlook and it is silo oriented when it should not be so. With regard to diversity and inclusion, the question is whether the industry is inclusive enough?

Many projections are based on past trends. However, it is expected that fossil fuel based cars will be replaced by electric cars and driverless cars in future. What will happen to cars if Generation X and Generation Y believe that there is no point in buying cars?

Significant changes are coming in health care delivery. This could even affect how long we live. So, we should not get carried away by talk about growth of motor and health insurance. In other words, a lot of things need to be addressed in the insurance sector. Just as Kolkata has missed opportunities, similarly insurance sector may miss opportunities.

Shri Ashish Kumar Srivastava, MD & CEO, PNB MetLife India Insurance Co. Ltd. said that destiny is not a matter of chance, it is a matter of choice. We live in exciting times and the Topic for the Insurance Forum is topical.

The insurance sector offers vast opportunities keeping in mind that penetration is low in India. The global average is 3.3 p.c. Japan has an insurance penetration of 6.3 p.c. and Korea is at 6.6 p.c. The penetration in China is 2.7 p.c. to 2.8 p.c. So, people talk about opportunities in India and China. MetLife operates in both India and China. Since Indians do not buy term policies, there is a huge protection gap in this area.

India has a favourable demographic profile. By 2030, India will have the highest population in the world with about 1.4 billion people. By 2025, the average age of Indians will only be 30 years or so. Those with physical and financial health can buy insurance products.

Technology will change the way we work and it will create opportunities. Non traditional players will disrupt. For example, Amazon will sell general insurance. Insurance companies are advised to adopt technology and become more efficient. There may be opportunities to simplify products in a digital world.

Finally, general awareness about insurance is important. For example, the 'Mutual Fund sahi hai' campaign is helping to attract USD 1 billion of inflows into Mutual Funds each month. Similarly, the insurance industry needs to launch an awareness campaign.

Among other issues, insurance companies should look at pension as this is a big opportunity. Today, there is a lot of engagement between regulators and insurance companies.

Shri Nilesh Sathe, Member-Life, Insurance Regulatory and Development Authority of India (IRDAI) said that both penetration and density of insurance have increased and consequently premium collected by insurance companies has also gone up due to higher disposable income. Although both penetration level and insurance density have increased in the country, the proportion of Sum Assured to GDP is still less than 50 p.c., compared to other developed nations, where it is 2–3 times of GDP. This means that there is a huge protection gap that needs to be bridged.

Government sponsored insurance programmes such as Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Fasal Bima Yojana (PMFBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBJ) have done well on account of their affordability and seamless transactions.

Shri Sathe felt that the insurance sector will grow by leaps and bounds, however, policy interventions are required, to assure affordability, inclusion and seamless transactions. The number of insurance companies should be doubled in India. Distribution costs are high and in particular, high management costs should be lowered. Management costs will come down due to technology. The expectation of clients is increasing. How will the industry match growing expectations?

Risk based capital and risk based supervision will come into the insurance sector in the years to come. Currently, the same formula is being used to measure solvency across sectors. Insurers with risky assets may need more capital but other segments may need less capital. In a country as big and diverse as India, why should we have same rules for all insurance companies?

More insurance companies may enter the market if capital requirements come down. The recent listings of insurance companies in the stock exchange permits the unlocking of capital of insurance companies and promoters' share will come down. This will allow more entrepreneurs to enter the insurance business.

India has a growing middle class and contribution to Mutual Funds has increased. India has been a favourite destination for Foreign Institutional Investors (FII) which is positive. The recent trend to stay invested in financial assets rather than non financial assets is a good signal. Volatility is less in Insurance sector, as 60 – 65 p.c. is invested in Government securities. Returns may not be very high but returns are assured in insurance sector.

80 p.c. of insurance products fail in the market. However, the 80-20 rule holds true in other sectors as well. Despite the failure of many products, insurance companies should continue to innovate and come up with new products. IRDAI is adopting a sand-box approach where by insurance companies can experiment with new products for six months or so. If the product flops in the market, it can be withdrawn by the company.

Shri Subodh Kumar Agarwal, Chairman, Standing Committee on Capital Market & Insurance, MCCI briefly summed up what each speaker had said. He offered a hearty vote of thanks.

Panel Discussion I: 'Creating Value and Capturing Opportunities in the Emerging Digital Insurance Ecosystem'

The speakers and their topics at the Session were

Speaker	**Topic**
Moderator and Speaker - Shri S. V. Ramanan, CEO, CAMS Insurance Repository Services Ltd.	
Shri Vijay Kumar, CEO & Principal Officer, Go Digit General Insurance Ltd.	Digital Insurance: Riding a Tech-Powered Revolution
Shri Sandip Chakraborty, CTO, Edelweiss General Insurance Co. Ltd	Digitising Customer Journeys and the New Insurance Model
Shri Ashish Kumar Srivastava, MD & CEO, PNB MetLife India Insurance Co. Ltd.	Role of digitization and disruptive innovation in Life Insurance Industry
Shri Abhishek Rungta, MD & CEO, Indus Net Technologies	Delivering Transformative Customer experience through Digitization in Insurance

Shri S. V. Ramanan, CEO, CAMS Insurance Repository Services Ltd. said that the common underlying theme in popular insurance products is ease of purchase. This is true for the insurance schemes floated by the Government of India.

Earlier, a person had to submit 'Know Your Customer' (KYC) details repeatedly. Today, this submission has to be done only once on account of repository.

Digital insurance involves a **system of interface.** A good interface makes the system intuitive for the digitally literate customer. It also has a **system of record keeping** (through repository). Thirdly, it has a **system of intelligence** (the speed at which the transaction is completed).

Shri Vijay Kumar, CEO & Principal Officer, Go Digit General Insurance Ltd. spoke on 'Digital Insurance: Riding a Tech-Powered Revolution'. Go Digital General Insurance has touched 11 lac customers. The Company has achieved this scale by using technology.

Shri Kumar said that non life insurance penetration is 0.9 p.c. in India compared to 1.93 p.c. in Asia. The damage in the recent floods in Kerala was estimated at Rs. 20,000 crores. But insurance companies paid out claims of only Rs. 4,500 crores which suggests under insurance.

80 p.c. of non life insurance consists of just three sectors in India, namely motor, health and crop. So, the focus of the industry is less on insurance outside motor, health and crop. The reasons are **complexity of products** due to which only a few people understand the offering, **poor communication** as the distribution takes place through an intermediary in non life and **complexity of process** with many questions raised by the underwriter.

It is today easy to receive funds from an insurance company on a motor claim. Even in motor claims, the entire transaction can be done without manual or physical involvement. It is simple for insurance companies to credit a bank account. Insurance companies are using technology to service claims and reduce frauds.

Insurance companies can grow their business either by publicising through media houses or by insuring small ticket sized products and gradually building their brand to grow the business. Such brand building is possible only by using technology. Mobile insurance is a small ticket sized product. Travel insurance would be difficult to service without technology.

Among other issues, cyber security is gaining importance in the insurance field as fraudsters are becoming more sophisticated. Last year, six companies made underwriting profit in non life business.

Shri Sandip Chakraborty, CTO, Edelweiss General Insurance Co. Ltd spoke on 'Digitising Customer Journeys and the New Insurance IT Model.'

Digital insurance involves a system of interface, a system of record keeping and a system of intelligence whereby more and more facilities can be given by the insurer to the customer.

The question today is how do insurers intermingle complex pieces into the customer's journey? First, comes digital capability, which is followed by transactional capability and omni channel experience whereby the insurance company offers the product through multiple channels. In the optimisation stage, the insurance company does predictive analysis. Once technology and process work in a seamless manner, the insurance company can go for implementation.

Most insurance companies put in a lot of effort in sales. The time has come to focus on service.

If an insurance company does a good job in servicing a policy, then the customer will frequently visit the website of that company. This will reduce subsequent cost of sales for the insurer.

Shri Ashish Kumar Srivastava, MD & CEO, PNB MetLife India Insurance Co. Ltd. spoke on 'Role of digitization and disruptive innovation in Life Insurance Industry.'

Shri Srivastava showed a video titled 'Khushi' which is India's first Artificial Intelligence based insurance app. The Khushi app provides services to the customers of PNB Metlife at the convenience of the customer. In addition, a robot service has been deployed which is doing work more efficiently.

Bain & Company and Google have identified several factors that will impact insurance companies. These factors include infrastructure, on-line sales, advanced analytics, virtual reality and Internet of Things.

5 p.c. to 10 p.c. of all insurance claims are fraudulent in nature. Hopefully, technology will help detect fraud more efficiently.

One insurance company in South Africa is offering insurance to diabetic and HIV patients. The company is saying that it will enable patients to live longer lives. This company is causing disruption. Under their wellness programmes, some insurance companies are telling customers to wear a device which will lower their insurance premium.

The three things to be kept in mind in order to prepare for the future are data, digital and disruption.

PNB MetLife has developed propensity models. Life insurance companies have a large volume of data on their clients. The companies pay a storage charge to store the data. PNB MetLife has realised that this data is valuable. It is using the data and getting good results.

Shri Abhishek Rungta, MD & CEO, Indus Net Technologies spoke on 'Delivering Transformative Customer experience through Digitization in Insurance'.

Shri Rungta said that every digital innovation brings disruption. Most of the innovation that we see today is incremental innovation.

Insurance companies compensate when things go wrong. Companies are in different stages of digital adoption. In the insurance and banking sector, companies are today processing data and so they are becoming commoditised with falling prices.

In aggregation, the aggregators make money but not the manufacturers, who in fact lose money. So, insurance companies need to search for a prevention and cure model instead of the compensation model.

The time has come for insurance companies to transform themselves to become wellness companies. In any case, wellness companies will enter the insurance business. Also, technology companies will hire insurance experts and compete with insurance companies. To sum up, insurance companies must convert to a protection business rather than a compensation business.

Panel Discussion II: "Next gen Operations, Customer Service & New avenues for Growth"

The speakers and their topics at the Session were

Speaker	Topic
Moderator and Speaker - Shri Amit Roy, Director, PwC India	
Shri Subramanyam Brahmajosyula, Head-Underwriting & Reinsurance, SBI General Insurance Co. Ltd.	Health Insurance: A Changing Paradigm
Shri Debasis Sanyal, National Head, Retail & Agency Business, Magma HDI General Insurance Co. Ltd.	Motor Insurance: The Changing Face of Motor Insurance in India
Smt. Anjum Babaiah, Head – Fraud Products, Experian	Fraud Detection & Solution for smoother Digital Insurance
Smt. Sunita Chowdhurie, Dy. VP – Corporate, Tata Motors Insurance Broking & Advisory Services Ltd.	Role of Insurance Intermediaries

Shri Amit Roy, Director, PwC India started the proceedings by saying that next gen operations should simplify business.

Shri Subramanyam Brahmajosyula, Head-Underwriting & Reinsurance, SBI General Insurance Co. Ltd. spoke on 'Health Insurance: A Changing Paradigm'. Health insurance is the second largest segment of non life insurance. About 60 p.c. to 80 p.c. of health expenses are borne out of pocket. Health insurance remains out of reach for most Indians. Now that the Government of India is involved with health insurance, the penetration will improve.

Some sophisticated customers want to handle all health insurance related matters, including claims processing, on-line. Other customers, who do not have on-line skills want a simple policy, affordable premium and simple claims processing. In health insurance, the vast majority of products are sold as indemnity policies.

The insurance business should be proactive and not reactive. In motor insurance, the insurance company can reject a person for submitting too many claims. But, in health insurance, the insurer cannot cancel a policy on account of too many claims.

Shri Amit Roy, Director, PwC India said that 5 p.c. to 10 p.c. of claims are false. Fraud will increase with digitisation.

Shri Roy also enquired if technology can control fraud? He was told that technology can reduce fraud and cut underwriting losses. Technology can identify a good insurance policy from a fraud case. We need a multi layered approach to deal with fraud.

Smt. Anjum Babaiah, Head – Fraud Products, Experian spoke on 'Fraud Detection & Solution for smoother Digital Insurance'. Smt. Babaiah described three kinds of fraud:

- Opportunity or soft fraud which many people commit. It can be inflating claims or reducing your weight by a few kilograms.
- Deliberate fraud where the fraudster may, for example have colluded with a hospital.
- Misrepresentation where the insured person does not state all the facts.

The bigger problem is the commonly held view that insurance companies do not deserve sympathy for fraud committed on them. In the end, honest customers end up subsidising the fraudsters.

As the insurance industry moves towards digital insurance and instant insurance, companies will be plagued by more fraud. But, sophisticated technology including facial recognition software and behavioural software can curtail fraud.

Shri Debasis Sanyal, National Head, Retail & Agency Business, Magma HDI General Insurance Co. Ltd. spoke on 'Motor Insurance: The Changing Face of Motor Insurance in India'. He said that India has the fourth largest vehicle market in the world. Each day, 1,200 people die in road accidents in India.

Motor insurance is growing at the rate of 15 – 16 p.c. per year. About 66 p.c. of vehicles on the road are uninsured.

Shri Amit Roy, Director, PwC India enquired if it would be cheaper if he bought a motor policy for 3 to 5 years. He was told that it would indeed be cheaper.

Smt. Sunita Chowdhurie, Dy. VP - Corporate, Tata Motors Insurance Broking & Advisory Services Ltd. spoke on 'Role of Insurance Intermediaries'. She said that agents, brokers, web aggregators, etc. are intermediaries. The brokers' share of the insurance business is growing rapidly.

Brokers bring price discovery and their risk management leads to management of cost.

Shri Amit Roy, Director, PwC India enquired if India can have stand alone insurance product for job loss. He was told that pricing of the policy will be a problem due to absence of data.

Rajiv Mukerji
(Deputy Secretary)
