



Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

"It isn't what happens to you that's important, it's how you react to what happens"

Mort Utley

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All govt insurance covers may be merged with PMSBY & PMJJBY - The Economic Times (Delhi Edition) - 26th December, 2017

The finance ministry is looking to bring all government sponsored insurance coverage within its flagship life and general insurance schemes. A senior finance ministry official said discussions are on with various states and central ministries to converge their individual schemes with Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). The two schemes together have over 18 crore subscribers and consolidation can raise the economies of scale for these big schemes. The Aam Aadmi Bima Yojana (AABY) is one such scheme that can be readily converged with PMJJBY and PMSBY for the beneficiaries in the age group of 18-50 years. AABY provides insurance cover for a sum of Rs 30,000 on natural death and Rs 75,000 on death due to accident. "There are around eight schemes which have already been subsumed and we are in talks with some other departments as well," the above quoted official said, adding that around 80 lakh workers have already been brought under the fold. Through 'Jandhan se Jansurakhsa', the government will also create a single portal for insurance and pension schemes.

The consolidation of schemes and Aadhar seeding of insurance beneficiaries will allow the government to identify those who do not have any insurance and bring them under the formal fold of financial services. Some states are on board with the idea of convergence. "Once it is done, we will have a single portal where we will have the insurance coverage details and those out of the ambit will be specifically targeted," he said. At present, 5.3 crore people are insured under PMJJBY, which offers a renewable one-year term life cover of Rs 2 lakh for an annual premium of Rs 330. There are around 13 crore insured under PMSBY, which is an accident death-cum-disability cover of Rs 2 lakh for an annual premium of Rs 12. According to a recent report by KPMG, the government can leverage the expanding Aadhaar network to recognise MSME workers and those employed in the unorganised sector. "The government can further look at increasing the scope of PMSBY by adding critical healthcare coverage along with accident," it noted.

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Demonetisation and stock markets gave a boost to insurance business - Mint - 26th December, 2017

As we move towards the close of year 2017, it would be worthwhile to pause and take a look back at the year gone by to assess the key developments that took place in the life insurance industry in India.

Business performance and IPOs

The demonetisation announced in November 2016 helped the life insurance industry as people preferred to channelize their cash into financial savings and insurance policies. The life insurance industry's new business annualised premium equivalent (APE) grew by around 19% in FY2016-17 with APE from individual business growing by 21% for the same period. This growth momentum continues during FY2017-18, wherein the financial year-to-date APE from individual business grew by around 26% up to the end of November 2017 over the same period last year.

Thanks to the growth momentum and rising stock markets, this year also saw two life insurance companies—SBI Life and HDFC Life—tapping the equity market through initial public offering (IPO) for a proportion of their shares. Following this, we now have three life insurance companies directly listed on the Indian stock markets. Each of these listings was over-subscribed, indicating the perceived long-term prospects for the industry in general, and these companies in particular.

Regulatory developments

The Insurance Regulatory and Development Authority of India (IRDA) issued a number of regulations and guidelines during the year to enhance its regulatory and developmental role in the sector.

First and foremost, IRDA issued its regulations on commission to distributors. Issued in December 2016, these regulations are aimed at streamlining the commission payable to the distributors of insurance policies. Recognising the need to promote the sale of ‘protection’ business, these regulations allow an increased level of commission payable on such policies. While the increased commission limits are aimed at promoting the sale of protection products, we need to wait and see if the distributors find it attractive to sell the low ticket-size protection products, albeit at a higher commission rate instead of continuing the focus on the sale of high ticket-size investment oriented products with lower level of commission rates.

The regulations also recognise the need for additional compensation to non-agent intermediaries for the sales support provided by them and allow payment for the same on top of the base commission, subject to a certain limit. The IRDA also issued regulations on insurance web aggregators. As online distribution of life insurance policies continues to develop, it is important to regulate the activities of web aggregators. These new regulations help to regulate key aspects, including registration, corporate governance issues, functions performed, remuneration received, and others.

To enable private equity (PE) firms to promote or invest in insurance companies, the IRDA has issued guidelines on investment by PE firms into the insurance companies. These guidelines specify the ‘fit and proper’ criteria and the limits that may apply on such investments. These guidelines may help attract further PE capital to the insurance industry. The regulator also issued revised regulations that would enhance the framework to protect policyholders’ interest. It needs insurers to have a Board-approved policy on policyholder protection and mandates certain minimum information to be provided in a point of sale prospectus and in a life insurance policy. It also details claims procedures and policyholder grievance redressal procedures that insurers have to follow.

In order to provide a further avenue for dispute resolution, IRDA issued separate rules governing the insurance ombudsman. The year also saw the regulator taking over the administration of Sahara Life, the first private sector company to be taken over this way. However, the proposed sale of Sahara Life to ICICI Prudential has been challenged by the promoter of Sahara Life and the matter is currently subjudice. During 2017, several global reinsurance companies were licensed to open branches in India. This is likely to streamline their operations in India, as well as allow the regulator to exercise its supervisory role on their activities.

The Goods and Services Tax (GST) was implemented, which increased the earlier service tax rate of 15% to a new GST rate of 18% for life insurers. So policyholders have to now pay more as premium on several policies, especially ‘protection’ policies.

The discussions around the new direct tax code (DTC) initiatives resurfaced this year. But we will have to wait and see what the final proposals on DTC are before analysing its potential impact on life insurance.

Likely future developments

The regulator has already set up a committee to look at drawing up a framework for the implementation of risk based capital (RBC) regime. In the coming year, we may see further progress in this area. As some promoters of the more marginal companies reconsider their options, we may continue to see mergers and acquisitions activity in 2018. And if the stock markets continue to be buoyant, we may also see some other insurers consider IPOs.

However, it is yet to be seen whether the growth momentum generated following demonetisation is sustained in the year to come. But one thing is certain: there won't be a dull moment in the life insurance industry in 2018.

Source

Experts' views about India's insurance sector in 2017 – Mint – 26th December, 2017

The life insurance and general insurance sectors saw some major changes in 2017. Which ones of these are likely to have a lasting impact in 2018 also.

Arijit Basu, managing director and chief executive officer, SBI Life Insurance

The biggest change that will shape the industry going forward has been the listing of insurance companies. This is good even for customers because the focus will now shift on growing the embedded value that comprises customer centric metrics like low costs, improved persistency ratios and better protection. In that sense companies will now be more conscious and because listed companies comprise huge market share, unlisted companies will also have to follow the trend.

Naveen Tahilyani, chief executive officer and managing director, Tata AIA Life Insurance

Demonetisation has led to the insurance industry growing retail weighted premium at 24 percent in the last 12 months. Two of the top three life insurers also listed in 2017 providing more opportunity for investors in the insurance space. Although the sector is trading at very high multiples, it should rationalise and come in line with experience in other markets. Quality metrics such as 13th month persistence and claims settlement also showed improvement during H1 FY17-18 vs H1 FY16-17 indicating the industry is increasingly doing the right things for the customers.

Rakesh Jain, executive director and chief executive officer, Reliance General Insurance

Undoubtedly the biggest change in 2017 has been the IPOs by some companies. General Insurance companies now have the opportunity of comparing themselves with more evolved companies in the financial services sector. This move is likely to increase visibility of such companies and bring in more transparency, which will ultimately benefit all the stakeholders, including customers.

Antony Jacob, chief executive officer, Apollo Munich Health Insurance

Digitization, including use of artificial intelligence and internet of things with an aim to enhance customer experience at all touch points, innovations that address the savings and return mind-set of Indians and offer wellness based incentives, and government's commitment towards Universal Health Coverage have marked 2017 in Indian health insurance sector.

Source

[Back](#)***Buying an insurance policy? Look out for 3 things in a company – Indian Express – 28th December, 2017***

Buying insurance is crucial to protect your assets from any financial loss. As insurance is essentially a contract between the policyholder and the insurance company. So, before purchasing the policy, buyers must do the due diligence of the company, not just the insurance product. This approach is important because, at the end of the day, it is the insurance company that will honour the claims. Buyers should pay close attention to grievance ratio, coverage strength and financial muscle of the insurer, before taking any decision. Let us find out more about how they can do this.

Grievance ratio: As a policyholder, you want seamless experience during claims and also other times. If you are not happy, you can lodge complaints but this route might take a lot of time for resolution. The grievance ratio is a useful metric which tells you about the number of complaints received by the insurer to premium collected. One should opt for insurers with low grievance ratio to premium. The larger an insurer, its premium collection might increase because of the ability to sell policies. However, a consequent rise in complaints shows dissatisfaction among consumers. Ideally, one should consider insurers with a grievance ratio to premium of less than 0.0015. Such a low ratio shows the insurance company is able to service customers' needs proactively.

Coverage strength: Unlike pure life insurance when the insured and the insurer don't speak during claims, service coverage becomes more important when it comes to non-life covers. General insurance consumers have a variety of requirements and only an insurer with proper coverage strength can step in to help every time with the highest level of service quality. Consider an insurance company which has an adequate number of offices across the country and a high number of intermediaries working for it. Besides online and tele-calling services, the insurer must be accessible in channels that you want and keeps customers as a focal point in all operations. With the world adopting digital processes fast, the insurer should have offer solutions, such as online self-

endorsement facility to reduce customers walking into branches or calling agents for small changes in policy. The perfect marriage between technology and human interface is what delivers the best service experience.

Financial muscle: An insurance company pays consumer claims based on its own financial assets. This is why adequate care should be taken in selecting an insurer with sufficient financial muscle. “The larger, the better” argument is not the best approach. What insurance buyers should look for are stable and robust investment returns and a strong capital buffer i.e. solvency ratio. The latter metric measures the company’s ability to pay off its claims if all of them materialise at once. Insurers make money by collecting insurance premiums and by generating returns from those premiums. Their key expenses are claims on the risks they underwrite and the cost of running their operations. If the insurer manages their business well, it has the requisite financial strength to honour customer claims.

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Insurance Regulation

After a long wait, IRDAI gets a ‘permanent address’ – The Hindu Business Line – 26th December, 2017

The insurance regulator is all set for a new beginning as it enters 2018, with a permanent address. After a long wait, the office of the Insurance Regulatory and Development Authority of India (IRDAI) on Tuesday relocated to its own premises in the posh financial district near Gachibowli here.

Since its formation in 2000, IRDAI was functioning from a modest two-floor leased office at Basheer Bagh, in the heart of the city.

Right from the days when J Hari Narayan was IRDAI Chairman, there had been several attempts to move to an ‘own’ building, but they were not successful.

On behalf of the regulator, the Andhra Pradesh Industrial and Infrastructure Corporation had awarded the ₹58 crore contract to a Mumbai-based firm but the construction could not be completed beyond the basement even after three years. The reason is not known.

IRDAI then cancelled the contract and the administrative process took a long time to get the project and remaining funds back on track. The construction work started about two years ago and now the office is finally ready.

For many visitors from the insurance industry, this could be a welcome change. “The previous office was very unorganised. CEOs had to wait in a small sit-out near the Chairman’s office which had just two sofa sets,” remarked a top executive of a Mumbai-based insurer.

“Physical infrastructure is fine. But we also need to have some better front-office management. The contact number given on website is rarely answered and we get curt replies from the staff. We hope all this will change for the better in the new office,” hoped an official of SBI Life Insurance.

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IRDAI permits Indian, foreign insurers to open offshore business at GIFT IFSC – The Hindu Business Line – 27th December, 2017

Insurance operations at India’s only operational International Financial Services Centre (IFSC), at Gujarat International Finance Tec City (GIFT), will get a major boost with the Insurance Regulatory Development Authority of India (IRDAI) issuing enabling regulations for undertaking offshore insurance business from this IFSC.

Under the regulations, for the first time in India, foreign insurers have been permitted to open IFSC Insurance Offices (IIO) at GIFT IFSC, which has been notified as foreign territory by the Government of India.

Foreign direct insurers (life, non-life and general) and foreign re-insurers are permitted to open office to undertake dollar-denominated business from within the IFSC in GIFT SEZ, all other Special Economic Zones in India, and foreign countries (including foreign to foreign, India to foreign and foreign to India). It would also be allowed to undertake domestic insurance and reinsurance business in line with the provisions of IRDA regulations, said Ajay Pandey, MD & Group CEO, GIFT City, here on Wednesday.

The Government of India has provided competitive tax regime for the IFSC units and thereby units are provided 10 year tax holiday (of which the first 5 years is a complete tax holiday and for next 5 years there's a tax reduction of 50%), which is applicable for all insurers operating within GIFT IFSC. For export of services, insurance companies operating from IFSC are exempted from GST.

GIFT IFSC, being a foreign territory, mainly conducts offshore business. Thus, the restriction on shareholding does not apply in IFSC and thereby a foreign direct insurer has option to set up operations directly without any local partner.

The move would also help Indian insurers to set up their offshore office in GIFT SEZ IFSC to undertake dollar business which otherwise was restricted in India. This would become a big enabler for Indian direct and re-insurance players as it provides them a foreign branch in close proximity which would be operationally cost effective.

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Life Insurance

How to choose a life insurance policy-Check this step by step guide - Financial Express - 27th December, 2017

While purchasing a life insurance policy, most people focus only on the quantum of premium they would have to pay, terms of payment and the amount of sum assured irrespective of the extent of protection that their dependents would need. Secondly, people also tend to look at insurance as a kind of investment or tax-saving mechanism as opposed to a necessary protective life cover. In addition, the insured must realise that the insurance cover they intend to buy is not for themselves, but for the nominees whom they wish to make financially secure.

Make use of technology

Technological advancement has made it rather easy to purchase insurance even without the assistance of an expert. A large number of insurance plans of various public and private sector companies are now available online, and one can compare their features before deciding to buy a plan.

Following are the important factors that one must consider before purchasing a life insurance policy:

Need and quantum for life insurance

One needs to understand if there is really any need of life insurance, and if it is required, then what should be the quantum of sum assured as per the family requirements. Though the thumb rule clearly states that the sum assured must be roughly 10-15 times of the annual income of the insured, the amount of life insurance may depend on a host of other factors. These may include income earned from other sources, the number of dependents of the insured, the nature and extent of debts coupled with kind of lifestyle enjoyed by the family.

Don't forget your liabilities

Protecting your family against unwarranted financial distress also involves foresight on how your dependents would address liabilities like bank loans, expenses towards children's education, etc. Prior to proposing an insurance policy, one must take all family needs into account, and evaluate the extent of premium cover that would be needed. One must then buy the best possible plan that would suit his/her family needs while also guaranteeing a secure future for them.

Kind of insurance policy needed

There are different kinds of life insurance policies available in the market. In some cases, the premium may be fixed, whereas in others it may have to be doled out in varying amounts. The amount of death benefits also vary according to the type of insurance policy bought. So, you should choose a policy which suits your specific requirements, your long term goals, and it should be easy on your pocket, because once bought, you should be able to continue to pay the premiums regularly without any lapse.

Choose insurance plan wisely

It requires considerable consideration before choosing a suitable insurance policy. In an era where millions of people scout the internet regularly for reliable information, not otherwise available, people intending to take insurance policies can easily educate themselves about the ins-and-outs of life insurance, the nuances of various policies available, the difference between investment and insurance and the need to stop treating insurance only

as a tax-saving measure. There is an imperative need to compare insurance companies based on parameters including their reputation, the quality of their customer service and claims settlement ratio. Wise decision-making depends a lot on informed choices one makes, thus lessening scope of regret in future.

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General Insurance

Insurance for insolvency professionals next month – Financial Chronicle – 26th December, 2017

The country's largest general insurer, New India Assurance, will launch an insurance cover for insolvency professionals (IP) next month. Several private non-life insurance companies are also working on launching indemnity policy for IPs.

Independent insolvency professionals are becoming critical for resolution of over Rs 8 lakh crore of bad loans and non-life insurers are smelling a big opportunity in providing indemnity cover to them. The policy will cover the liability falling on them as a result of errors and omissions committed by them whilst rendering professional services. The Insolvency and Bankruptcy Code came into force in August this year.

As a result, commercial tariffs remain almost at twice the level fixed for households (between Rs 6-8 per unit), affecting business activities and growth.

"The DBT scheme for distributing subsidies for electricity consumers could start as early as beginning of next financial year. Almost all state governments have concurred to targeting subsidy in the power sector, making it easier for us to launch a pilot by April," said a government official privy to the development.

Union power minister RK Singh is believed to have discussed DBT with ministers for power and new and renewable energy of states and Union Territories at a conference held earlier this month. And orders have already been given to examine the possibility of early launch of pilot to test the system.

"An expert committee constituted by the power ministry to suggest ways to increase electricity demand and consumption is already finalising a blueprint to subsidise target consumers. Based on its report, pilot projects for DBT in power may be announced for few cities in Madhya Pradesh, Uttar Pradesh, Bihar and Gujarat," said the government official quoted earlier.

The full rollout, however, would have to wait till 2019 by when state discoms are expected to wipe out all their losses and start generating some profit under the terms of the debt restructuring programme -- Ujjwal Discom Assurance Yojana (Uday).

The power ministry expert committee comprises energy secretaries of Gujarat, Bihar, Uttar Pradesh, Tamil Nadu, Madhya Pradesh and senior officials of power sector regulator Central Electricity Regulatory Commission (CERC) and power sector planning body Central Electricity Authority (CEA).

Sources said the finance ministry is also working out details of a plan that will ensure that benefit of subsidised electricity tariff is passed directly into the accounts of identified consumers rather than being routed to discoms for selling power to select customers below the tariff fixed by the regulators.

This would ensure that benefit of subsidised electricity tariff is given only to the needy sections of the society while millions of fairly well off segments are weeded out from receiving state-supported lower power rates. The move will also allow state distribution utilities to end cross-subsidisation of charges that are responsible for higher electricity tariff for commercial establishments and industries.

The DBT scheme is being successfully run for targeting subsidy in the case of domestic cooking gas (LPG cylinders). This has not only helped the government reduce subsidy, but also expand the scope of LPG to below poverty line (BPL) families under the Ujjawala scheme.

In 2015, the government had also indicated that targeted subsidy schemes would be introduced for a whole host of sectors to make the various social sector schemes inclusive. As part of this initiative, a pilot is already being run for nationwide introduction of DBT in kerosene being sold through PDS system and a similar scheme is being tested for disbursing subsidy on fertiliser to the farmers.

"The idea is good but it should have strong backing from the states which should be willing to revise highly subsidised tariff structure for agricultural consumers. The level of cross subsidisation is very high for this

segment and if there is agreement to transfer subsidy directly to the beneficiaries, states would have been ready with a very large purse,” said a former CERC chairman, asking not to be named.

Though the contours of DBT scheme in power is still being worked out, a source said the scheme would be similar to the one for the LPG segment where certain identified categories of consumers (general and agricultural) would get cash in their accounts.

This cash payment would be equivalent to the level of subsidy announced by the state government for per unit consumption of electricity. The state would get average consumption data for a particular set of consumers to determine the level of cash subsidy to be paid per month.

The scheme would mean that consumers would pay tariff determined by state regulatory commissions while they would get cash payments to the extent of subsidy announced by the state.

Like for LPG, the proposed DBT for power may also look at weeding out high-income individuals from cash transfer. Taxpayers with annual income of more than Rs 10 lakh were taken out from getting subsidised cooking gas (LPG) in November 2015.

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Maharashtra government to introduce road accident insurance scheme – The Indian Express – 27th December, 2017

The Maharashtra government is going to introduce health insurance schemes on the lines of those in Karnataka and Delhi for emergency cases such as road accidents or heart attacks to save lives in the critical golden hour.

The state government will cover treatment cost up to Rs 30,000 for 24 hours from the time of the accident at private or government hospitals. The proposal is under consideration and awaiting the chief minister’s nod, officials from the public health department said.

The name of the scheme has not been decided yet. It was earlier planned to name it after Shiv Sena founder Bal Thackeray.

The scheme will be similar to the Mahatma Jyotiba Phule Jan Arogya Yojana, earlier called the Rajiv Gandhi Jeevandayee Arogya Yojana, where empanelled hospitals treat patients and recover the cost from insurance providers sanctioned by the state government.

In this scheme, however, the mandatory clause of submitting identification proof at the time of hospitalisation has been dropped to ensure emergency cases do not suffer. Residents from outside Maharashtra will also be covered and emergency ambulance service (108) will be roped in to transport patients to the nearest registered hospital.

“Once the patient is stabilised after 24 hours, he will be given an option to continue treatment in a private hospital at his own cost or be moved to government hospital for free treatment,” said Dr Satish Pawar, Director of Health Services.

A budget of Rs 200 crore has been estimated to cover the first financial year of the scheme.

On Tuesday, health activists started an online campaign to request CM Devendra Fadnavis for free emergency medical support to accident victims. “... in several cases, private hospitals refuse admission to accident victims if they belong to poorer sections... The concept of golden hour is lost if the closest hospital denies treatment,” said Dr Abhijeet More of the Jan Arogya Abhiyaan.

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General insurers see huge demand for title insurance – The Hindu Business Line – 28th December, 2017

Come April 2018, real estate developers will be able to buy title insurance cover — an indemnity policy which insures against financial loss from claims in title to land or property.

General insurance companies including state-owned National Insurance Company (NIC), SBI General and HDFC Ergo are eyeing products in this segment.

Long-term policies

Typically, title insurance would be through long-term policies ranging between 5 and 12 years. The promoter will pay premium and charges for such a cover taken, before transferring it to an association of allottees, on completion of the project.

The level of coverage of such products will be determined based on the gross developed value (which includes value of land, cost of construction and profit margin of developer).

“The demand is huge. Initially, such products will be bought by developers, but moving forward we expect demand to come in from retail (individuals buying land to develop homes) segment as well,” Mukesh Kumar, Executive Director, HDFC Ergo, told BusinessLine.

“Nearly 1 per cent of the gross developed value of the project would have to be borne by the developer; the rest can be up for insurance,” he added.

According to industry experts, globally, title insurance is a multi-billion dollar business. But these products are not available here due to lack of transparency and uniformity in real estate, and an absence of centralised repository of land records. Issues relating to land title end up in disputes and litigation causing delays or even cancellation of projects.

The Real Estate (Regulation and Development) Act, 2016 (RERA) mandates promoter to obtain requisite insurance policies so as to secure development of a project. This include insurance against title of land, building and construction.

Industry sources say as many as 23 States and Union Territories have notified RERA rules under the RERA Act. The contour of the product will vary depending on rules notified by individual States.

Any project which is developed on an area exceeding 500 sq meters or has more than eight apartments are mandatorily required to take title insurance cover, Kumar said.

Currently meant for residential projects, title insurance would also find takers in the commercial segment in the days to come.

Due diligence

According to Puneet Sahni, Head- Product Development, SBI General, since title insurance is a specialised risk and a new vertical, the market will take some time to come out with comprehensive offerings.

“Coupled with unstructured title documents and lack of digital registers, the insurers have to take a conscious step towards this vertical,” he pointed out.

While there is a huge potential for the product, it calls for lot of due diligence on the part of insurers, K Sanath Kumar, Chairman-cum-Managing Director, NIC, said.

“It has a lot to do with digitisation of land records, there has to be an ecosystem of legal advisors around the product to carry out due diligence,” he said.

Source

[Back](#)***General insurance all set to go digital – The Hindu Business Line – 28th December, 2017***

The year 2017 has seen the insurance industry undergo a series of transformations from the macroeconomic environment with the implementation of GST, listing of large insurers for the first time on the Indian stock exchanges, foreign reinsurers opening branches in India, rapid use of digital advancements and regulatory changes in the direction of making insurance more customer-centric and transparent.

Technology pays

The use of technology has gained momentum during the year with the industry exploring and implementing technological advancements such as Blockchain, telematics and internet of things, among others. Especially in motor insurance and health insurance, customers are empowered to self-survey the loss and to file claims instantly using their smartphones, and insurers can immediately assess and settle the claims. This has significantly reduced the claim settlement time from days to minutes and provided value not just from an efficiency standpoint, but also from a time and convenience perspective for customers.

In travel insurance, the usage of Blockchain has enabled a disintermediated claims processing using machines providing much higher customer convenience, whereby customer's claims are proactively initiated by the insurer and settled instantly in a span of few minutes.

The availability of e-KYC (know your customer) using Aadhaar, mobile payments, customer's self-service options for claim logging and tracking, telematics data and location data tracking has also ensured that insurers get more relevant and accurate information. With access to such information customers can be incentivised with personalised products and the best premium costs in the near future.

With the help of telematics and by offering connected devices fitted into cars, insurers are helping the customer get a better understanding of their driving behaviour for efficient fuel consumption, to navigate road conditions and remotely monitor the vehicle's location. In the future, the motor insurance premium could also be directly proportional to the performance and usage of the vehicle. Many insurers have also introduced chatbots leveraging on artificial intelligence to ensure 24/7 customer support and provide instant digital solutions. This may lead in time to automated underwriting enabling insurers to issue customer policies instantaneously with a much deeper understanding of information about customers.

Distribution and reach

With rising medical inflation and hospital charges, health insurance has become a necessity for not just the urban population but as well as for those living in the vast interiors of the country. The year has seen some significant changes in the crucial aspect of distribution of insurance products. The regulator's step to allow health insurance products to be also sold through point-of-sale persons is a significant step in that regard as it will allow insurers to deploy more distributors on the ground to spread health insurance farther. In another significant step, the role of motor dealers has been recognised by the regulator and in a landmark step they have been brought under the regulatory purview. Motor dealers can get registered as Motor Insurance Service Providers now, which will further bring ease in distribution and better service for the customers, with greater choice.

Under the open architecture in bancassurance, during the year insurers have forged tie-ups with major banks, allowing insurers to reach customers through the vast bank branches spread throughout the country offering more choice and convenience to customers.

With re-insurers setting up branch offices in India, apart from bringing in additional capital and increased capacity, the insurance industry will also see gain from exponential assistance in latest models of technical, underwriting and claims redress. Given the growing economy and increasing global impressions there is a need for international products and this may facilitate the introduction of solutions such as title insurance or new manifestations in liability insurance.

Poised for change

As the nation moves towards a digital cashless economy, the insurance industry is poised at the cusp of a digital revolution as it looks to automate and provide intelligent solutions through its entire value chain and interactions with customers. The insurance industry will also move from a product-based approach to a dynamic consumer-based approach and move beyond offering annual policies to customised short-duration plans based on the customer's requirements. It will usher in a set of challenges as traditional portfolios such as motor insurance may undertake a change with the push to move to electric cars and the gradual global shift to autonomous cars. With an increasing number of cyber attacks last year, Indian consumers are also likely to opt for new-age risk offerings such as cyber covers, apart from corporates.

Additionally, with the listing of some large insurers, we will see a greater focus on profitability which will lead to better risk selection and reduction in discounting and price wars in the insurance industry. This in turn will ensure that insurers can focus on innovative customer-centric products and services and spreading insurance into the hinterlands to extend the financial security net to the masses and further drive the Indian insurance industry's reach and growth story.

Lack of appropriate infrastructure and reaching out to the interiors of the country in a cost-effective and sustainable manner remains a challenge. Insurance in India has a very old history, going back to about 1800, yet the benefits of insurance are still to reach the masses with retail penetration for non-life insurance standing at just 3 per cent. While privatisation of the industry in 2000, the entry of new private players, and a series of regulatory efforts has stimulated competition and innovation in products and distribution, a lot needs to be done to address the issue of low retail insurance penetration. The insurance industry, the regulator and the

Government need to work together to bring out affordable universal insurance schemes to ensure that benefits reach to every citizen of the country.

Human touch matters

I believe that while digitisation is a great tool to change perceptions about insurance, that alone will not be the sole means to the end for insurers in India. Human intervention will continue to play an important role in our country. Therefore, the insurance industry must adopt an approach which is a combination of both. They need to provide omni-channel access, have empathy, and touch elements through its physical presence and employee network on a people-to-people touch basis. Insurers will in this process not only transform the customer experience, they will also create many jobs and opportunities.

Source

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