

Budget 2018: Additional 10-15% growth

K.G. Krishnamoorthy Rao, MD & CEO, Future Generali India Insurance, believes that budget provisions will help to increase its growth over 20% in the next fiscal:

Mehul Dani: Which budget provisions are likely to channel higher savings into financial investments? How will budget 2018-19 facilitate growth for the insurance companies?

K.G. Krishnamoorthy Rao: The budget is a clear reflection of the government's focus on increasing affordability in healthcare and housing, coupled with availability of necessary services and ensuring ease of living for senior citizens. Raising the limit of deduction for health insurance premium and/or medical expenditure to ₹50,000 under section 80D will push senior citizens to avail policies with higher limits and better coverage. The increase in deduction limit for medical expenditure for certain critical illness to ₹1 lakh for senior citizens will encourage people to avail for better healthcare services.

Expanding airport capacities more than 5 times to handle a billion trips a year will boost the travel insurance sector. The establishment of affordable housing fund is a positive move for the retail housing sector, which will in turn amplify the importance of home insurance.

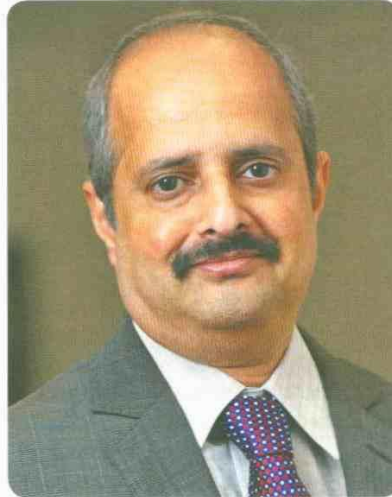
The credit support provided to MSMEs will create the required impetus to insurance for fire and allied perils and indemnity cover.

How do you propose to gain from the budget provisions for growth?

At present, we have double digit growth in line with our plan. The budget provisions, we believe, will help us to increase our growth over 20% in the coming fiscal.

How do you plan to align your company with the proposed budgetary measures to increase digital and technology-led initiatives?

Technology plays a vital role with companies shifting focus to profitability. Initiatives such as paperless proposal form, e-policy, digital signature, e-KYC, and iris scanning will significantly improve



K.G. Krishnamoorthy Rao sees technology bringing more efficiency in persistency, claims and risk management

customer experience and help insurers improve productivity and efficiency. Quite a few customers are already buying online and a larger number is using the internet to evaluate before buying the policy. Analytics and data science are the other realms that will have significant roles. Insurers collect a large amount of data over time. It can be used to bring more efficiency in persistency, claims and risk management.

Gamification has already started in general insurance, where telematics is being used to calculate premiums. For example, your motor insurance premium was earlier determined by 4 factors – model, make, location and year of manufacturing. But now, one more has been added, that is, driving skills.

Mobile telephony will play a vital role. Fitness tracking will help reward customers who make efforts to remain healthy and fit. Web- and mobile-based solutions for health records will also catch on.

How has the profile of the Indian investors shifted in last 3 years regarding insurance products? How will the budget provisions change the investors' approach?

In line with the growth in the population of the young adults, more and more young people understand the need for insurance, especially health insurance and they are keen to get themselves insured. Insuring the costly gadgets like mobiles is another growing trend seen in the market. Merger of 3 PSU insurance firms is definitely a positive move for the entire insurance industry. Just like the whole is greater than the sum of individual elements, the merged entity will have higher scalability and lower operational costs. From the industry's perspective, it will lead to healthy competition which will ensure innovation in product offerings and better customer service.

What will be the estimated insurance demand to be generated from the budget?

10-15% growth should be a fair estimate.

What will be the insurance industry's overall performance in the next FY?

Health needs of the lower middle class and weaker sections of society have been mostly unaddressed for years. Therefore, if a separate tax deduction for health, as well as life insurance is given, it would help a huge section of the population.

Ever since the GST was launched, the prices of insurance products have gone up by 3-18%. For the benefit of a huge section of the society, these products have to be treated as essential services and ideally, should attract any minimum GST.

The middle class would be initiated towards making a long-term investment under pension schemes if annuity from the maturity of pension funds is made tax free under section 10(10A) of the Act or a standard deduction or slab limit or threshold on the same is assigned based on income and ages.

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