



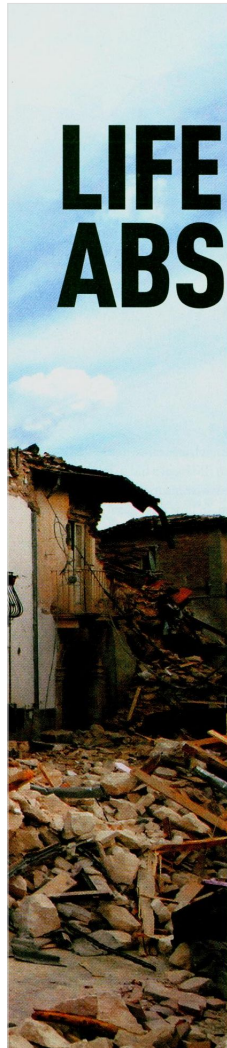
The Week
LIFE'S SHOCK ABSORBERS

Sep 29, 2018 | National | Pg No.: 1,8,9,10,11,12,13,14,15,16 | Cover Story |
Nachiket Kelkar | Sq Cm: 4095 | AVE: 2129581 | PR Value: 10647905

Pg. No.: 1 of 10







THE WEEK, OCTOBER 7, 2018 9

LIFE'S SHOCK ABSORBERS

India trails behind most countries in terms of overall insurance coverage. Perhaps, it is time to change that, for our own good

BY NACHIKET KELKAR

In November 2015, heavy rains and massive floods caused extensive damage in Chennai, leading to estimated economic losses of around ₹14,600 crore. However, insured damage was only about ₹5,000 crore. Last month, heavy rains and widespread flooding in Kerala caused economic losses of close to ₹20,000 crore. Insurance claims, though, may only account for about ₹1,000 crore.

In India, insurance penetration, which is the premium as a percentage of gross domestic product, has been rising over the years. According to this year's economic survey, the penetration was at 3.49 per cent in 2016-17, up from 2.1 per cent in 2001. However, it still lags significantly behind many other countries.

According to data from global reinsurance major Swiss Re, insurance penetration in India was at 3.69 per cent in 2017, much lower than the global average of 6.13 per cent. In North America, insurance penetration was at 7.11 per cent, while in Europe and Asia it was at 6.45 and 5.62, respectively. China has an insurance penetration of 4.57 per cent.

Insurance density, which is premium per capita, in India was at \$73 in 2017—the world average is \$650. In North America, it was \$4,120, and in China \$384, according to Swiss Re.

"We have noticed that during natural calamities the economic losses in India are much more than the insured losses. This is mainly due to lack of awareness among people about the importance of insurance and their 'nothing will happen to me' attitude," said Sasikumar Adidamu, chief technical officer at Bajaj Allianz

THE WALLET

10 THE WEEK | OCTOBER 7, 2018

COVER STORY

General Insurance.

When catastrophes strike, lives are lost, homes are destroyed and many of these people who never saw a need for buying insurance, end up bearing the losses.

"India suffers from a typical issue of under-penetrated insurance market. Only about 5 per cent economic damage gets covered by insurance," said Sanjay Datta, chief of underwriting, reinsurance and claims at ICICI Lombard General Insurance Company.

Globally, there were 301 disasters in 2017, with the total economic losses estimated at \$337 billion, nearly double the \$180 billion in 2016 and well above the inflation-adjusted average of \$190 billion in the previous ten years, according to Swiss Re. Losses covered by the insurance industry in 2017, however, were only \$144 billion.

In India, where the per-capita income is low and there have been many natural disasters in different parts of the country, there is a clear need for people to get insured. "The victims of such disasters suffer big financial loss, and for most of them, it drains out their entire life savings. Individuals with insurance are indemnified of the losses by their insurance company, giving relief in terms of the financial losses," said Easwara Narayanan, COO of Future Generali India Insurance.

If a house is insured, then

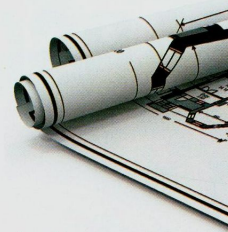
in case of damage, the insurance cover may pay for the damages and reconstruction; a car insurance could recover damages due to any accident or natural disaster; health insurance would cover the hospital expenses in case of any illness; and a life insurance could help in providing precious funds for your family in case of your untimely death.

"Insurance is an important financial tool that prevents you from any financial setback caused due to damage/illness from such natural calamities," said Adidamu. "It is always advisable to cover your family and assets with insurance rather than wait for such eye-opener events to happen."

Companies typically see a rise in inquiries for various insurance plans after such disasters, but officials say that the conversion rate remains low.

"The risk awareness has to go up," said Datta. "Everyone needs to be attached to their health, assets, home and all that, which is one of the ongoing efforts of bringing about awareness. The second and the important part is ensuring that the products and the distribution are simple and easy to reach the consumer."

Increasing insurance penetration in India has been a major focus area for Insurance Regulatory and Development Authority of India (IRDAI). In 2015, the regulator introduced the new distribution



channel, insurance marketing firm (IMF), in a bid to increase area-wise insurance penetration. In June this year, it set up a 10-member panel to review norms around the IMF.

Subhash Chandra Khuntia, who was appointed as the chairman of IRDAI in May, believes sustained economic growth over the next few years will drive insurance sector growth, but he says customer focus should be key and companies must take steps to make insurance products more desirable.

"Only customer-centric policies will be able to lead us to sustainability," said Khuntia. "For insurance companies to succeed over a long period and to build trust with the customers, we must have the customer as our central point. If we build that kind of relationship and trust, insurance will not be a push product, it will be desired by the customers."

Khuntia sees a clear need



THE WEEK, OCTOBER 7, 2018 11

for simplification and standardisation of insurance policies and says companies must ensure that products are not mis-sold and customers are not misled. "There are a lot of complaints about insurance products that are misleading, and people buy it with certain expectation. But, when the claims arise, then they read the insurance companies handout and find there are certain exclusions, certain way the clauses are written so that claims are not admissible. We must all take care that products are properly explained to the prospective customers and policyholders and then this kind of miscommunication should not arise, because there is a lot of information asymmetry in this," said Khuntia.

Insurance companies as well

INDIA SUFFERS FROM A TYPICAL ISSUE OF UNDER-PENETRATED INSURANCE MARKET. ONLY ABOUT 5 PER CENT ECONOMIC DAMAGE GETS COVERED BY INSURANCE.



Sanjay Datta, chief of underwriting, reinsurance and claims, ICICI Lombard

THE WALLET

12 THE WEEK | OCTOBER 7, 2018

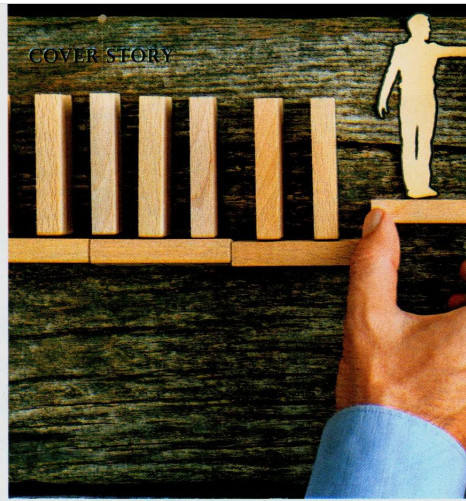
as distribution platforms like Policy Bazaar are now riding on the digital platform to simplify the processes for buying and renewing insurance policies, and some say that there is a need to see if claims processes could also be done online.

For instance, ICICI Lombard last year launched mobile self-inspection, which would make it easier for a person to renew a motor insurance policy. Here, a person uses the company's app to do his own video inspection by recording and uploading a video of the car from all sides, including key details like the engine and chassis number and odometer. If the video is approved, then a notification is sent and the policy is mailed to the customer. Policy Bazaar, too, offers a similar self-inspection, which it says has helped in strong growth in motor insurance customers.

With the evolving technology



THE WALLET



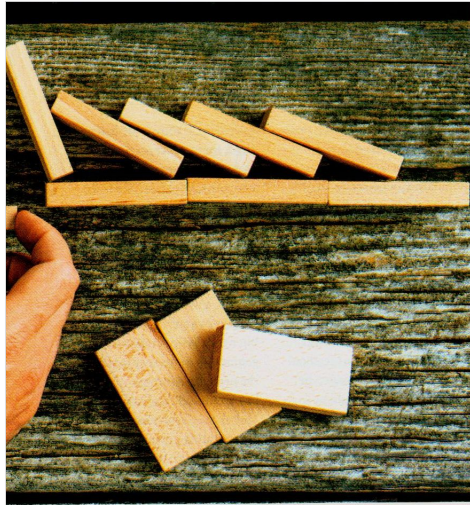
and changing lifestyles, newer opportunities have opened and companies have moved to tap these beyond the traditional insurance plans. For instance, many companies now have critical illness covers, beyond the usual medi-claim policies. There are insurance plans covering specific ailments like cancer and heart-related diseases. "With the increasing lifestyle diseases and hectic schedules, it is imperative now, more than

ever before, to buy a health insurance plan," said Ashish Mehrotra, MD and CEO, Max Bupa Health Insurance.

Cyber security, too, is becoming a big product segment. While products covering data breach or theft or instances like ransomware attacks have been available for corporate customers for some time now, a need for such products for retail customers is also being felt owing to the spike in digital commu-

SCHEMES LIKE AYUSHMAN BHARAT ARE THE NEED OF THE HOUR TO CREATE AWARENESS [OF THE IMPORTANCE OF HEALTH INSURANCE].

*Ashish Mehrotra, MD and CEO,
Max Bupa Health Insurance*



THE WEEK . OCTOBER 7, 2018 13

Protection Scheme, or Ayushman Bharat, which would cover 10 crore poor families with a health insurance of ₹5 lakh. This will, arguably, be among the largest state-funded programmes in the world. The hope is that this programme will help increase the awareness about health insurance even among people beyond the targeted population.

"A person suffering from a health condition will definitely suffer an income loss due to inability to work, plus there will be an out-of-pocket spend which will lead to more financial loss to the person, ultimately leading to more poverty," said Tarun Mathur, chief business officer, General Insurance, Policy Bazaar. "Therefore, schemes like Ayushman Bharat play a vital role in the overall good of the general population of the country, protecting them from the financial burden."

"Since the penetration level of health insurance in India is one of the lowest in the world, schemes like Ayushman Bharat are the need of the hour to create awareness among the masses," said Mehrotra. "As a result of such schemes by the government, we believe that common people will eventually realise the importance of a health insurance plan."

Helped by such schemes and rising income levels, the insurance market in India is expected to grow to \$280 billion by 2020, says a joint study by the Associated Chambers of Com-

unication and transactions by the common man.

HDFC Ergo General Insurance recently launched a cyber insurance policy for individuals. This policy offers comprehensive protection against cyber risks and frauds carried out from any device anywhere in the world. Various cyber risks such as unauthorised online transactions, phishing and email spoofing, e-extortion, identity theft, damage to e-reputation and cyber-bullying are covered in the policy. Importantly, it covers the entire family.

"This is a product which is very relevant in today's time," said Ritesh Kumar, MD and CEO of HDFC Ergo. "We live in a digital world, where individuals freely share a lot of their

personal and financial information online. Technology has advanced and so has the increase in cyber-crime rate. Keeping the rising trend of cyber-crime in mind, we have launched E@Secure insurance policy that will protect individuals against the exposures that come with modern connected life."

Given the lack of awareness and the fact that insurance is still largely seen as an investment and not a risk mitigation tool, many say joint efforts from the industry and the government are needed to give it a push. The government has, over the years, taken several steps to boost insurance penetration.

In the budget this year, Finance Minister Arun Jaitley announced the National Health

THE WALLET

14 THE WEEK, OCTOBER 7, 2018

COVER STORY

merce and APAS.

According to data from the General Insurance Council, the general insurance market direct premium in 2018 up to July was ₹45,278 crore, up 12.3 per cent compared with the same period last year. As far as the life insurance industry goes, business premiums stood at ₹56,949 crore, up 6 per cent.

Meanwhile, a ruling by the Supreme Court earlier this year would shake up the motor insurance market. When you buy a vehicle, it comes with a mandatory insurance cover in the first year. Many do not bother to renew the policy after it expires. To do away with this habit, long-term insurance cover was introduced for two-wheelers in 2016 by the IRDAI.

From September this year, purchasing insurance cover up front for at least three years for cars and five years for two-wheelers has become mandatory. While this move will increase the initial costs for a customer, it will save her the hassles of renewing the policy every year. Insurance companies say this will also help in boosting penetration of auto insurance in India.

"There are two to three ways you can increase penetration of insurance," Datta points out. "One is to make it mandatory. But, as seen in motor insurance, even if you make it mandatory, people do not insure. So, what the Supreme Court tried to do is ensure it is a long-term policy.

That automatically makes sure everyone is covered."

India has a large young population, who are constantly seeking the best that life has to offer. To cater to these millennials, says R.M. Vishakha, MD and CEO of IndiaFirst Life Insurance, insurance needs to be embedded into their lifestyles. "What is that a person really wants money for? And, if he does not have his life, then what is the money going to be used for? So, you should be able to do a very clear embedding in the benefits, which is where insurance will really be

cash on. If somebody has a child, for instance, can you just embed [the insurance] along with the school fees? Then, for just a little extra school fees, he knows that if something happens to him, the child continues to go to school."

In a joint or extended family system, a need for financial support was never felt in a big way. However, now in a generation of nuclear families, the need for insurance will be increasingly realised, says Vishakha. Companies are also curating products that motivate youth to insure their



THE WALLET

THE WEEK, OCTOBER 7, 2018 15

health early on in life.

For instance, Max Bupa has a health insurance product that incentivises young Indians to get medical cover. The feature provides a discount of 10 per cent on the first policy year base premium and all subsequent renewal base premiums, when a person buys the policy at or below 35. There is also personalised health coaching, up to 20 per cent premium discount on achieving the health score, in-patient hospitalisation and on-the-go access to out-patient department, diagnostics, personalised health coaching,



second medical opinion and behavioural counselling, among others.

"Expanding the scope of health insurance policies to cater to the daily wellness requirements, along with the use of technology to create customer touch-points through mobile apps and websites, helps in presenting a holistic offering and keeps the young population interested," said Mehrotra. "Thus, the onus is on the companies to introduce insurance products that are relevant for the youth and engage them on a daily basis."

Vishakha feels there is also a need to offer a customer the flexibility in premium payments, given that many people today have flexible jobs and lifestyles and there is also a large number of unorganised workforce in the country.

IndiaFirst recently launched a product called Insurance Khata, targeting the informal sector workers like maids, cab drivers, vegetable sellers and daily wage labourers. Under this micro-insurance product, a customer can make small payments towards insurance premiums, pause premiums in any month and restart later or even reduce the premium payment. The company has issued more than 40,000 policies of the product since it was launched in November 2017, and has collected a total premium of ₹7.51 crore.

"This product is about paying premiums on demand, when-



COMPANIES SHOULD BE ABLE TO DO A VERY CLEAR EMBEDDING IN THE BENEFITS, WHICH IS WHERE INSURANCE WILL REALLY BE CASHED ON.

R.M. Vishakha, MD and CEO, IndiaFirst Life Insurance

ever you have money," said Vishakha. "It is like a single premium product, but we have structured it in a way that a person does not lose money. In normal policies, if you fail to pay your premiums, the policy lapses. This does not lapse, it is like an insurance account."

Soon, telematics and wearable

THE WALLET

16 THE WEEK · OCTOBER 7, 2018

COVER STORY

devices could also have a major role in insurance. Today, many use fitness devices to monitor their health. This data could be used by insurance companies to determine what premiums you would pay for your health plan, and drive down premiums for those with a healthy and active lifestyle.

Similarly, a few companies have tried to make use of telematics and connected devices to determine the health of a vehicle and the driving habits of the person who has bought the insurance policy, which would then drive your motor insurance premiums based on your usage of the vehicle. While, it has not taken off in a big way so far, this could shake up the market in the future. The IRDAI has set up a working group to study innovations in the insurance industry involving such wearable devices.

A PricewaterhouseCoopers Global Fintech Survey has indicated that insurers are prioritising use of the internet of things (IoT), indicating an industry shift from a reactive model to a preventative risk management model, leveraging different forms of data for more informed decision making. The sector has also realised the benefits that accrue from drone utilisation, particularly for use in cases around claims verification in remote locations, the study added.

As technology advances, and the use of artificial intelligence, IoT and telematics gains ground, the insurance regulator

is now mulling the setting up of a regulatory sandbox. It is an environment where insurers can focus on innovating and testing new products, without affecting a wider customer base in case things do not work out.

The idea of regulatory sandboxes has gained ground in many global markets in recent years. According to a report by Deloitte, 16 of 44 fintech hubs surveyed worldwide in early 2017 either had set up or had committed to set up regulatory sandboxes.

"There are regulatory sandbox systems in Singapore, in the UK and a few other countries," said Khuntia. "India has been a leading country as far as technology startups are concerned. If we encourage them to go for new products and processes, incorporate these into our insurance industry and if companies can offer these products, there will be some regulatory challenges. So, we need to have a regulatory sandbox so that, in a controlled way, we will allow these products to be experimented, by limiting the number of customers or by limiting it to a certain geography. Once they succeed, they can be allowed to be marketed generally."

The IRDAI will work with the industry to develop such insurance regulatory sandboxes, and guidelines for the same are likely to be issued by the end of the current financial year ending March 2019. ♦