Regulatory, digital push for insurance

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The biggest event of 2016 in the life insurance industry was the listing of ICICI Prudential Life Insurance Co. Ltd. This is the first insurer in India to go public. Listing brings better disclosures and recognising this, the Insurance Regulatory and Development Authority of India (Irdai) in August suggested that all insurers should get listed after a period of time. It also suggested that in the run-up to listing, insurers should ensure that the level of disclosure in public domain is brought up to the level of listed entities.

The industry also saw some consolidation as Max Life Insurance Co. Ltd and HDFC Standard Life Insurance Co. Ltd decided to merge. Experts believe the industry could see more consolidation. “There was a mindset block on mergers, but now more insurers are likely to come forward. Not everyone will be able to list, so to achieve scale, a merger is an option,” said Sanket Kawatkar, principal and consulting actuary, life insurance (India), Milliman India Pvt. Ltd.

Also significant was the growth in the industry. “Till last year, insurers were still under the impact of product regulation and couldn’t get their basket of products ready. The growth therefore was negative to lacklustre, and mainly came from the group business. This year, in the past 8 months, the private sector has grown by about 26%, whereas the industry has grown by 39%,” said Anuj Agarwal, managing director and chief executive officer, Bajaj Allianz Life Insurance Co. Ltd.

Product and distribution

In terms of products, this year continued to see an increasing focus on term plans. “The biggest change is the fact that senior management of insurers has started seeing protection as a fundamental driver of sustained profitability. This one change will drive focus, investment and growth in protection,” said Yashish Dahiya, co-founder, Policybazaar.com. Term plans grew by 57% compared to last year in premiums.

The year was also important for insurance distribution as the insurance regulator allowed for open architecture in the corporate agency channel from April. Corporate agents are entities such as banks that solicit business for insurers. The new rules allow them to sell policies of up to three insurers in the same line of business.

However, this year didn’t see much action. “We saw a few banks venture into multiple tie-ups and there were requests for proposal floated by some public sector banks, but all of these are banks that are not promoters of a life insurance company. The foreign banks have not explored the opportunity mainly because most of these banks already have global tie-ups in place,”said R.M. Vishakha, chief executive officer and managing director, IndiaFirst Life Insurance Co. Ltd.

This could change, said Agarwal. “There is a lot of chat behind the scenes, the result of which will be visible next year. We could even see some big banks accepting open architecture,” he added.

Allowing point of sales persons to be engaged by insurers or intermediaries such as corporate agents and insurance brokers to sell simple products was also a positive step. “The nature of the product and the selling process being simplified will lead to products reaching tier 3-4 locations,” said Anuj Mathur, chief executive officer, Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd. Irdai has identified pure term insurance plans with or without return of premium, non-linked (non-participating) endowment plans that state the investment benefits upfront and immediate annuity as products that can be sold by these distributors.

Expenses were also in focus this year. “The regulation on expenses of management defines a cap. Insurers who breach it, will have to pay from the shareholders fund. For customers, this means a better yield in traditional products as insurers will not be able to pad up products with costs,” added Agarwal. For the companies this means taking steps to contain costs. “Overshooting the caps would impact profitability and also eat into capital. Insurers, therefore, will make serious efforts at containing costs. Scaling up through consolidations or seeing leaners organisations is the way forward,” added Kawatkar.

Digitization

Digitization continued to remain in focus. “Compulsory issuance of policies beyond a threshold limit in the electronic form was a significant step. This will be convenient and ensure safety of the policy document,” said C.L. Bhardwaj, chief compliance officer and chief risk officer, Bharti AXA Life Insurance Co. Ltd.

There was also much focus on developing the digital infrastructure. “Initiatives around digital payments and with e-KYC now a reality, the sales process and premium payment has become much easier. The regulator has also taken many steps to enable this environment. For instance, it allowed for OTP-based customer authentication,” said Mathur.

Insurers see the digital wave continuing in 2017 as well. “Fintech is growing, but the insurance industry has not reaped its benefits so far. The infrastructure is getting set up and next year we will see a big digital push whether it’s about buying policies, renewing policies, controlling costs or even controlling fraud,” said Vishakha.