

EXPERTS FORESEE HIGH GROWTH POTENTIAL FOR INSURANCE INDUSTRY

Mumbai, 9 March 2017: “Look at the beautiful way in which the insurance industry has opened up, with 17 per cent CAGR on premiums,” were the opening remarks of **Mr T S Vijayan, Chairman, Insurance Regulatory and Development Authority of India (IRDAI)**, while delivering the inaugural address at FINCON 2017, the 18th annual insurance conference organised here today by Federation of Indian Chambers of Commerce and Industry (FICCI). “The Indian economy is also growing, but the growth rate of the insurance industry is higher,” he added. He pointed out that this growth was taking place amidst major disruption in the business environment brought about by technology, and the industry needs to keep up with these changes to sustain its growth. Those who can utilise these opportunities and adapt to the changes have high growth potential.

Mr Vijayan also praised the Government for its various initiatives, such as JAM (Aadhar, Jan-dhan and Mobile), Digital India, Start-up India that were giving a boost to the sector. These initiatives were able to increase the reach of the industry to more than 12 crore customers in one year. It was up to the industry to hold on to the benefits offered by such initiatives. Companies need to leverage legislative and regulatory changes to their advantage. He also revealed, to the delight of those present, that he was not averse to changing regulations if the customer and industry benefitted. “Not all are going to be successful,” he cautioned; the industry should be bold enough to come forward, even if it has to pay for some failure.

He observed that the biggest challenge of insurance is “not on the first sale but on renewal.” Analytics will help in predicting the chances of a customer going in for a renewal, or an agent continuing with the company. Another challenge in the new environment is managing manpower and relationships.

The theme address was delivered by **Mr Amitabh Chaudhry, Chairman, FICCI Committee on Insurance and Pensions and Managing Director and Chief Executive Officer, HDFC Standard Life Insurance Co.** Mr Chaudhry commented that globally, industry is under pressure due to unexpected events. However, this makes for interesting times. There is huge scope for the insurance industry in India, which is significantly underpenetrated. There is also the new age customer, with different ways of interacting with the financial services industry. “Gen X and Gen Y cannot be ignored,” he said, adding, “big data analytics has an important role to play.” The new technology frontiers are leading to new business models that will also impact India. “Insurance as we know it today may not exist in the next decade,” he cautioned. Elaborating, he said that the fintech segment is attracting huge investment; the increased dependence of insurance on the new technology is bound to forge new relationships. With the entry of new shareholders with their own demands, the industry will move towards sustained business models, and the Indian insurance market has the potential to rise to 22 billion dollars.

A **FICCI-BCG Knowledge Paper** was released on the occasion. **Mr Alpesh Shah, Senior Partner and Managing Director, The Boston Consulting Group**, presented a paper on ‘The Changing Face of Indian Insurance—Bigger, Better, Faster’. He presented an awe-inspiring hypothetical scenario of the way in which convergent digital technology would create a sci-fi like experience for the customer. “We as an industry have to strive towards creating an end-to-

end customer journey,” he said. It calls for a lot of partnerships, and customises each person’s experience on the basis of need. Industry today is disrupted by digital, and this will transform the way in which insurance is done. “As many people would know, in the digital world, this is an accelerating journey.” He ended his presentation by posing a question: “Is insurance a business enabled by technology, or is technology a business that also sells insurance?” Leaving the audience pondering, he revealed, “I think it is the latter.”

Mr V K Sharma, Chairman, Life Insurance Corporation of India, delivered a special address. Amidst loud claps, he declared, “This year is the year of insurance. We will be ending with flying colours.” He expressed hope that with more visibility, life insurance will move from a ‘push’ to a ‘pull’ product. The most important catalyst in this move will be the adoption of technology. He disclosed that the sector is taking a long term view of asset management. In his view, the prime demand of customers is that the company will outlive them. He praised Government initiatives such as PMJDY and PMJJBY for helping more people come into the fold of life insurance. Like the other speakers, he too felt that digital analytics will help in diversifying the distribution system and using capital wisely. There is such symbiosis amongst stakeholders, that if harnessed properly, life insurance can have greater depth than even the banking sector.

In his concluding remarks, **Mr G Srinivasan, Co-chairman, FICCI Committee on Insurance & Pensions and Chairman cum Managing Director, The New India Assurance Co Ltd**, foresaw phenomenal changes in the Indian insurance industry in the coming years. This change will be catalysed by technology; competition; regulations; customer aspirations; and high growth. In order to attain this growth a skilled group of people with domain expertise will be needed. “We don’t have the infrastructure to produce those people,” he commented. But he ended optimistically, hoping that by 2020 “the Indian insurance industry will be growth-oriented and profitable, customer-focused, compliant with regulations in letter and spirit, and the industry gets its status in society.”

Mr Alpesh Shah moderated a panel discussion on ‘The New Shareholders’. The panellists were Ms Alice G Vaidyan, Chairman cum Managing Director, General Insurance Corporation of India; Mr Rajesh Sud, Vice Chairman and Managing Director, Max Life Insurance Co Ltd; Mr G Srinivasan; Mr Neelesh Garg, Managing Director and Chief Executive Officer, Tata AIG General Insurance Co Ltd; and Mr Sakate Khaitan, Senior Partner, Khaitan Legal Associates.

Mr Shah kicked off the discussion by observing that the next three to four years will see a new tranche of shareholders who will be influenced by the listing of insurance companies; the listing of government or PSU companies; mergers and acquisitions; and new funding sources. His concerns were: creating the right vocabulary for customers to understand the business; the different forms and types of insurance; balancing the short and medium term; and differing priorities of shareholders.

Mr Sud agreed that when businesses become large they become capital-intensive and need investors; but they may have different investment philosophies and approaches towards their investors. The expectations of investors differ across geographies and cultures. Stock market expectations cannot be applied to life insurance, and insurance cannot give quick gains.

Yet, Mr Srinivasan pointed out, listing is inevitable for the insurance industry. One advantage it will offer is awareness about the company. But there is a risk that shareholders will not understand the insurance industry and look at it from the perspective of dividends and profits. Investor management will be a challenge.

Ms Vaidyan agreed, especially since GIC occupies a unique space as a reinsurer. Explaining the concept of reinsurance to investors will be a challenge, she felt. She welcomed the Government's initiative of bringing in reinsurance, and was of the view that it will create the long-awaited visibility for the sector. She also felt that reinsurance will bring in significant market capital.

Mr Garg was of the view that the general insurance sector faced three large issues post-privatisation: financial performance; corporate governance, and pricing management. He felt that a conversation between the shareholder and management is very important to improve the ROE. According to him, investors need to understand the nuances of the general insurance business and the various business models. This can only be achieved through dialogue.

Mr Khaitan approached the issue from a different angle. He observed that if the companies were raising money as currency, they had to identify their main stakeholder. Investors will want to know what they get for their investment, and hence nuances become very important. The regulatory mandate will be very important. What he felt will be needed is a larger shareholder base where activism can play a part.

Mr Rashesh Shah, Senior Vice President, FICCI and Chairman and Chief Executive Officer, Edelweiss Group, welcomed the gathering at the inaugural session.