

Creating a new age of insurance



Normally, an industry graduates from simple to complex processes, procedures and products. This helps develop the market and also nurtures the required consumer base. The Indian insurance industry, however, missed this basic principle. It instead adopted the policy of complex and one-size-fits-all products for the Indian insurance customer. GIC Re general manager **Devesh Srivastava** provides further insights.

The Indian market has come a long way since and we have today a plethora of products that are geared to meeting the requirements of the consumer. The regulator has also come up with a regulatory sandbox to promote innovation and insurance amongst the public.

Reforms initiated in 2000

With liberalisation ushered in 2001, private players came on the scene and the spirit of competition was kindled. The new-kids-on-the-block started competing for both the top line and the bottom line. However, still the customers were scarce. Insurance penetration, after a brief spurt, was stagnating and again settled down to the earlier low levels.

The focus of the industry was more on corporate business that was to some extent mandatory and also on the motor portfolio, which again had a compulsory clause attached with it.

The desired results, however, did not materialise

Things were not taking the route that industry leaders had envisaged. The insurance industry was no doubt growing in double digits on a year-on-year basis. The spark did exist, however, the flame was still missing.

The insurance industry was confounded on how to bring the customers to the insurers. With liberalisation, foreign direct investment was permitted and beginning at 26% in 2001 it reached 49% in 2018 but not with much success.

The moot point was to create a buzz around 'insurance', to convert the Indian insurance industry from an enigma to a transparent and simple process to procure a protection cover for the Indian assets. Thanks to some of the stalwarts of the industry, the focus shifted to developing insurance

products that would appeal to the Indian masses.

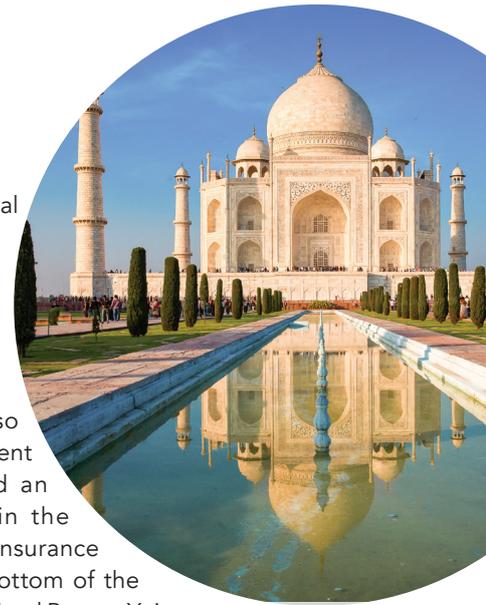
Government-sponsored schemes set the ball rolling

Much of the credit is also shared with the Government of India which initiated an insurance 'revolution' in the country, by introducing insurance covers for those at the bottom of the pyramid. Pradhan Mantri Fasal Beema Yojana (a government-sponsored crop insurance scheme) and Pradhan Mantri Jan Aarogya Yojana, are two government-sponsored insurance schemes which changed the perspective of insurance in the country.

Not to be left behind, insurance companies, too, initiated work on simple, transparent and easy-to-comprehend and procure insurance products. From INR100bn (\$1.4bn) gross premium income in 2001-02 to a gross premium income of INR1.7tn in 2018-19, the industry has made tremendous progress.

Performance in 2018-19

General insurance companies reported gross direct premium collection of \$24.50bn in the financial year 2018-19, an increase of 13% year-on-year. This growth was largely due to a surge in health insurance and crop insurance, according to industry observers.



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In the financial year 2017-18, the non-life insurance industry had grown by over 17%, a level it could not maintain in 2018-19 and the growth fell to 13% as some lines of business, fire, engineering and even motor insurance saw low growth due to overall subdued domestic economic environment. Health insurance, however, maintained its rate of growth in 2018-19.

The health insurance sector saw gross premiums underwritten at INR30,916 crore as compared to INR26,266 crore in previous financial year a growth of 17.7%.

Hope for the future with a supportive regulator

As the industry steps into 2020, things are looking up. Our insurance industry has been fortunate enough to have had a progressive regulator. The reforms initiated by the regulator should bring in quite substantive changes in the industry.

The industry has now moved on from a one-size-fits-all products to different types of products to cater to the different needs of our people. Some companies are even working on offering customised insurance covers.

Several initiatives taken up by the regulator during the year should bring positive results as the industry moves forward.

Insurance on pilot mode

The Insurance Regulatory and Development Authority (IRDAI) will allow companies to test products in a particular geography, or among a set of policyholders before they are made available in the market. Using a regulatory sandbox approach where products can be tested before being

launched across the country. If these are successful, such products can be filed for approval. Some insurers have filed applications to test launch their pilot products within a close group of customers to get their views and to ascertain the commercial viability of the product.

Use of wearables in insurance

Insurance companies may soon require you to buy a fitness tracker to capture your health status in an accurate manner. An IRDAI committee has recommended that insurance companies make use of activity data monitored by fitness trackers in pricing their products.

Health insurance exclusions trimmed

IRDAI initiated standardisation of exclusions in the health insurance space to improve transparency in the sector. This would prove a consumer-friendly step. While the Mental Healthcare Act was passed and offering insurance for mental ailments was made mandatory by law. However, due to a lack of clarity on the product structure, insurers stayed away from offering these products. Insurers are likely to offer such health insurance products with a series of inclusions and exclusions with respect to mental health.

Life insurance plans to see makeover

IRDAI has initiated plans to introduce flexible policy tenures for certain products. The insurers can now design term, credit life and microinsurance products that have a range of policy tenures to choose from. However, these regulations would mean that insurers will have to withdraw existing products and re-launch new ones with appropriate features.

Digitisation of insurance products

Very soon it may be mandatory for insurance companies to offer insurance policies only in a digital format. This will be done through the use of insurance repositories where each policyholder will have an electronic insurance account with a unique identity number. Currently, the number of digital insurance policies is very low as it is optional for a wide category of products. However, InsurTech is now playing a more and more important role and will be integral to the digitalisation of the Indian insurance sector. **A**