



'GROWTH OF INSURANCE IS AN OPPORTUNITY FOR CMAs'

A. V. GIRIJA KUMAR

CMD, National Insurance Company Limited

MA What are the three primary challenges presently prevailing in the general insurance business in India?

The biggest challenge for general insurance in our country today is low Penetration despite the high potential. In 2012-13, penetration level stood at 0.78% - compared to 4.52% in USA, 4.33 of Switzerland. Nearer home, South Korea leads with 5.25% followed by Taiwan at 3.16% (source: IRDA). Ironically it is because of this vast untapped market of the uninsured, that India's Non-Life Insurance Sector has been described as a Goldmine of Growth Potential by leading financial market intelligence leader, Standard & Poor (S & P)

From that perspective therefore, the three primary challenges we face are-

- Identifying innovative distribution channels to facilitate Reach
- Innovating processes for making Products as well as services Customer service friendly and Efficient
- Balancing between top line Growth and bottom line Profit, in other words, how best we can make the business operations viable or profitable.

MA How have the private participation in the insurance sector in India been facilitating penetration and growth of the business?

Of the 28 players in the non life market, 21 are private players including Stand alone Health insurers. In the past fiscal, private players contributed approx 31,000 crs to total GDP of 77,000 crs thereby occupying 42% Market share. Hence their contribution and active participation in the Indian diaspora is welcome. The market is huge

and the potential enormous. Today's Rs.77,000+ crs of business can well translate into Rs.2,00,000crs by 2020.

Of course, private players having opened shop only in the metropolitan cities and urban areas, they would need to further augment their efforts for penetration in the under-served markets of rural India to the desired level. This would definitely improve the scenario.

MA Customers still feel that there is complexity in claim settlement; do you feel that client servicing and processing needs to be addressed foremost, even more than the need for expansion and distribution of the business?

Undoubtedly. Client servicing and Claims processing have to be addressed before further Expansion and Distribution of the business. And Yes, many significant steps have been taken in the past 6-7 years for improving systems and processes for both Claims Servicing and Claims Management. The result is encouraging: reduction in minimum turnaround time; quick response time; have helped expeditious claim settlements. Today in the public sector non life insurance today, the rejection rate ratio is minimal.

Here I must mention that the general insurance business due to its wide coverage, is one of fine print, meaning that every policy comes with conditions and terms which warrant greater insurance knowledge on the part of the customer. Insurance agents who are the faces of the insurers therefore play a crucial role in educating the Customer and ensuring smooth transitions both while taking the policy and more importantly while making a Claim. Thus regular Training, up skilling the

Marketing force is vital for enabling smoother and faster improvement of the business and also reducing communication gaps. In addition, customer awareness programmes should be conducted regularly. We must also Leverage Technology for better Claims Management. And the efforts though at a nascent stage, much is being done to harness the digital media.

MA Are the health insurance schemes catering enough to the needs of the under privileged and the helpless people; how much is the reach of health insurance at this level?

Health insurance is the 2nd Largest portfolio after Motor insurance-it is a sunrise portfolio. The Demand for Health coverage is growing steadily as new products are being customized to suit Customer requirement. But apart from retail health products; Govt of India has been taking milestone initiatives in making health insurance not only affordable but also accessible to the economically and financially vulnerable sections of society. The IT-intensive Rashtriya Swasthya Bima Yojana is one such policy. Rolled out in the year 2008, the scheme covers BPL families of the country it is a cashless facility where through a Smart Card issued to each insured person, in patient medical care up to a sum up to Rs.30,000 in identified hospitals can be received by the insured. Till April 2014, more than 3.71 cr Smart Cards had been issued.

Similarly State Govts have also issued Health Policies such as the BPSSBY in Punjab and BKKY in Odisha, the RGJAY in Maharashtra, for extending Health insurance to the poor and marginalized.

Much more remains to be done, schemes need to be incentivized; awareness must be spread to the BPL category by the Government and the Local Bodies so that all can be protected under the umbrella of Health Insurance.

Today Health Insurance business totals approx 18,000 crs GDPi ie 22.48% of the General insurance portfolio.

MA How effective has bancassurance arrangements been in spreading awareness and garnering general insurance business in the insurance sector?

Higher market penetration through the existing customer base of the Bank has definitely resulted in higher Turnover for the insurance partner. This has also led to increased Customer awareness, Banks, have proved to be effective distribution channels garnering premium from account holders for general insurance products especially in cases of mortgages and loans. Besides they offer their insurance partners scope of cross selling and up selling various products to account holders. This not only affords easy Access and Delivery for the Customer but also increases the Brand Awareness of the Insurer.

In the future Banks would be seen working with more than one insurance company. As of now Banks act in the capacity of Corporate Agents but there are new Government directions though not yet implemented which could permit Banks a bigger role as brokers thereby allowing them to partner more than one non life insurance Company. This would help them act as one-stop shops, or single window channels, for offering the Customer both banking as well as insurance services.

MA Do you see the extended role of banks in the field of insurance will be a threat or opportunity for general insurance?

Globally as well as in India, Banks contribution to general insurance business has been comparatively lower than their share in life insurance vis - a - vis new premium collected by the industry. So truly speaking there is no threat. But I must admit that utilizing the vast network of Bank branches would go a long way in increasing overall non life insurance penetration particularly in rural and semi urban area. And insurance companies would benefit by that. Besides higher accountability of banks to policy holders via the broker channel is a step in the right direction.

But as I said earlier the regulations have not yet been implemented and some areas have been identified for further study. Banking and insurance business are technically different in

various aspects. Besides, as a Broker the Bank will have greater liabilities, Capital investment too will be higher. Banks would also have to take a call as to the model they would prefer. They would also need to internally put in place Safeguards and Standards wherever required given the likely mis selling issues raised by stakeholders in a Broker model.

Needless to mention the authorities will be implementing proper guidelines for smooth functioning and expansion of the General Insurance Business.

MA Given the expansion and importance of the general insurance business in India, how important do you feel is the role of surveyors and loss assessors; do you feel CMA professionals could help GI companies to in their various processes?

The proof of the pudding is in the eating – so also in non-life insurance it is essentially when a Claim arises that the insured can gauge the quality of the Insurers Customer service. By assessing, advising and expediting the Claims payment process, surveyors and loss assessors contribute significantly to the Customer experience. Training and experience are important for efficient service rendition. One has to be in the field for a long time to be able to be a good Surveyor.

With the insurance industry surging ahead and Claim prone portfolio such as Motor, Health and Property fuelling the expansion; there is urgent need for well Trained, competent, licensed, experienced Surveyors and Loss Assessors equipped with high knowledge quotient.

Due to the large variety of Policies the Insurance industry also provides ample employment opportunities for other professionals which includes CAs and CMAs and legal personnel who we engage in large numbers.

I would even suggest that educational institutions add insurance business and its operations as a part of their course curriculum. In fact Institutions should collaborate with us in joint Research studies and Advanced Study programmes so that the economy at large may be benefitted from the learnings.

MA In terms of business, general insurance has not been able to penetrate much in the semi-urban and rural parts of India, whereas in the advanced countries, almost everything is insured; how do you suggest we may improve awareness and growth of this business in India?

For sustainable growth of the business in the long run, initiatives have to be taken by the

Regulatory Authority, Local Bodies, General Insurance Councils as well as the Insurers themselves. Customized products at affordable costs must be made accessible to all. New products should also be launched to suit different needs of the people.

Traditional Media such as Electronic, Print and Outdoor in combination with Social Media and other Below the Line promotional activities must be harnessed to spread insurance awareness.

There is acute need for Training of the intermediaries and the Marketing force for bridging any communication gap that may arise between the insurer and the insured.

Products of General Insurance are hard to sell because of their peculiar nature as compared to those of Life Insurance. General Insurance policies are annual policies and payment is made only on the occurrence of an admissible Claim. Nonetheless general insurance is extremely vital for the financial protection of an individual's assets/health from unforeseeable accidents/events. And the premium cost is minimal. High Coverage at Low Cost: This knowledge must be disseminated to the customer. The Customer must be made aware of the advantages of a non life insurance policy-this will help him/her take an informed decision on the matter and view a general insurance product as a cover of protection.

MA Ten years down the line, what growth do you see in this sector and where do you see yourself as far as general insurance business is concerned?

Non life insurance sector, as I said in the beginning of this interview, has a booming future. The industry has crossed GDP of 77000 crs in 2013-14. With a favourable economic and infrastructure Growth the industry looks forward to turnover of Rs.2 lakh crore in 2020. At my Company National Insurance, the 2nd largest non life insurer of the country, we are targeting Rs.25,000-Rs.28,000 crore by the year 2020 and Rs.30,000 crore by 2025. Side by side, due to its great potential I expect new Companies to open up and the existing ones to expand further which will therefore provide ample career opportunities. Insurance after all is a peoples' business and there will always be room for more support. Hence Professionals and youngsters should keenly watch this sector as there will be a wide requirement for Actuaries, Agent/Advisor, Corporate Agent, Brokers, Surveyors, CAs, Doctors, Engineers, Legal Experts etc. All are welcome to participate and contribute to the growth story of this sector.