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The Insurance Leaders Meet 2019: Regulation, Disruption and Product Dynamics

Analysis by

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Chairman Message

Mr. Sidharth Pradhan
Chairman
ASSOCHAM Insurance Council – Eastern Region

As I take charge of ASSOCHAM Insurance Council Eastern Region, I am delighted to welcome the readers of this report, prepared by Resurgent India for ASSOCHAM. I wish to commit the council to address to the industry's growing needs, greater partnerships and taking up the agenda of national interest for benefit of all. A sound regulatory and supervisory system is no doubt necessary for the sustainable development of the insurance industry. On the other hand, the support of a strong pool of industry professionals is equally important and we are glad the sector has witnessed enormous talent in men and women who have committed themselves to the service of the nation and its encouraging more and more professionals are joining and shall be industry ready.

There are encouraging initiatives from the government and there are technological interventions that are changing the business models. Industry is committed to more benefits to consumers with more innovative products, greater efficiency through technological innovation, more diversified delivery channels, and offer potential to expand roles of intermediaries and all other stakeholders.

From insurance penetration in rural area to smart choices to suit urban requirement, the premiums, the products and the regulations all have ensured that customer is at core and shall always be at the core.

I wish you all happy reading and look forward to your presence and suggestions for the council at the program on 14th of Feb 2019 at Kolkata.

Thank you

Director Message

Ms. Perminder Jeet Kaur
Director Eastern Region

We have been engaging with industry members for past several years to take up the issues an agenda of common interest to the sector and it is the continued trust, encouragement, support of our members and our knowledge partners who have presented their thoughts based on data and facts and other stakeholders who have joined hands with us over the year, are the collective force that gives us energy, enthusiasm, confidence and motivation to strive for betterment.

When talking of insurance industry, we are aware of the fact that the life of human beings is constantly surrounded by risks and uncertainties, and insurance as a saviour plays a key role in mitigating these risks. The digitalisation and technological advancements are transforming and innovating insurance sector as well. The competition in the insurance industry is as intense as any other industry and all thanks to the evolving markets and existing players that strive to innovate each day. Some of the trends that have begun influence the insurance industry and are expected to help those who adapt them to stay on top of the competition. One such is Machine Learning - Though advanced technologies like automation and machine learning were already present in the insurance from the last few years, it was only restricted to simple and convenient processes like data entry, compliance checks etc. All thanks to the newer and advanced capabilities of intelligent systems, the insurers have now finally started to explore the many more perspectives of automation like automated claims inspection, verification and settlement. Others tech influencers include Big Data Analytics, Artificial Intelligence, Block chain technology.

Changing work places also mean new skills for manpower. With traditional employee roles and workplace structures in transition, insurers should start transitioning now to the more flexible and virtual workforce of the future. Carriers can set the tone at the top by developing leaders who know how to act, think, and influence in this new working environment, promoting the organization’s revamped digital DNA. The goal may be to create exponential insurance professionals—those augmented by emerging technologies and poised to leave behind traditional tasks to focus on higher value, strategic roles. The biggest organizational challenge may be to constantly adapt and invest in new capabilities so insurers can take advantage of rapidly developing talent opportunities.

Under the leadership of Resurgent India, an attempt has been made for the readers to evaluate the past, current and future of Insurance sector in India and key learning that can be taken from Global players or innovators around us.

Thank you

Message

Associated Chambers of Commerce and Industry of India (ASSOCHAM) is one of the apex trade association of India. The organisation represents the interests of trade and commerce in India, and acts as an interface between industry, government and other relevant stakeholders on policy issues and initiatives. The goal of this organisation is to promote both domestic and international trade, and reduce trade barriers while fostering conducive environment for the growth of trade and industry of India. We are preparing this report with ASSOCHAM for its The Insurance Leaders Meet 2019

Insurance sector is the backbone of our economy, a country like India where Service sector is far ahead of manufacturing sector. The report provides insight of financial arrangements and government schemes to boost the growth.

A well developed and evolved insurance sector is a back-bone for economic development of a country. It provides long-term funds for infrastructure development and concurrently strengthens the risk-taking ability of the country. India's rapid rate of economic growth over the past decade has been one of the most significant developments in the global economy.

Jyoti Prakash Gadia
Managing director

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Insurance Sector Global Outlook

Insurance sector gained immense growth in past few years. The higher investment income, sustained economic growth and rising interest rates are among the positive factors that appear to be the reason for uplifting the results in 2018, setting the stage for enhanced result from top to bottom-line growth in the year ahead. Although globally consolidated figures for 2018 will not be available because of 2019 FY is not closed yet, so data for the end of 2017 suggest that the non-US insurance industry is also growing, but perhaps not as quickly as its American counterpart, likely due to faster US economic expansion and lower employment opportunities.

Globally life insurance premium growth improved slightly in 2017 vs. 2016, mainly led by savings products in emerging markets. Profitability remained challenging due to low interest rates, which stayed close to historic lows, though recent rate revival is creating opportunities along with challenges.

Global Life Insurance

- ▶ 2016 GWP: US$2.6t
- ▶ Penetration (2016): 3.5%
- ▶ 2017 YoY growth (est.): ~3% (2016 YoY growth: ~2%)

Europe – volume growth suffered despite some positives

- ► Premiums are estimated to have declined in 2017 as most major markets either declined or stayed flat mainly due to reduced attractiveness of insurance products in a low interest rate environment. This decline is despite growth in unit linked products in multiple markets (particularly France and Italy).
- ► Low yields remained a concern in most markets due to a large share of existing life insurance obligations with embedded guarantees.

North America - Department of Labor (DoL) fiduciary rules in US affect growth

- ► Premiums fell in 2017 due to a fall in individual annuities in the US, which was due to continued uncertainty around new DoL fiduciary rules.
- ► Life insurers continued to reduce dependence on guaranteed returns and have been increasingly shifting to protection products.
- ► Canada contributed positively to the regional growth as it saw growth in annuities.
- ► Profitability remained stable as underwriting fundamentals remained strong.

Advanced Asia-Pac – growth under stress from structural issues

- ► While growth remained slow in Japan and South Korea, strong growth was seen in 2017 in Taiwan and Hong Kong. Taiwan's growth was supported by insurance continuing to attract a high share of domestic savings while Hong Kong was supported by demand from China(mainland).

- Overall profitability remained under pressure as near zero domestic yields made it tough for insurers in Japan, South Korea and Australia to meet obligations.

Emerging markets - China's (mainland) phenomenal growth lifts region

- As in 2016, emerging markets' growth is expected to be in double digits in 2017 as China (mainland) maintained its growth momentum due to a rise in protection products despite sharp regulatory actions aimed at product and sales quality.
- Growth was also supported by strong performance by bancassurance in Indonesia and group business in India. However, growth in LatAm and Africa stayed weak.
- The region continued to see multiple measures by regulators to improve capital adequacy and risk management.

Key industry figures at a glance

Global insurance GWP[1] in 2017
~US$4.8t
Estimated CAGR (2011-17): 1⍰%

Global insured NatCat[2] losses in 2017
US$135b
Largest losses ever; 3.9 times 30-year avg.

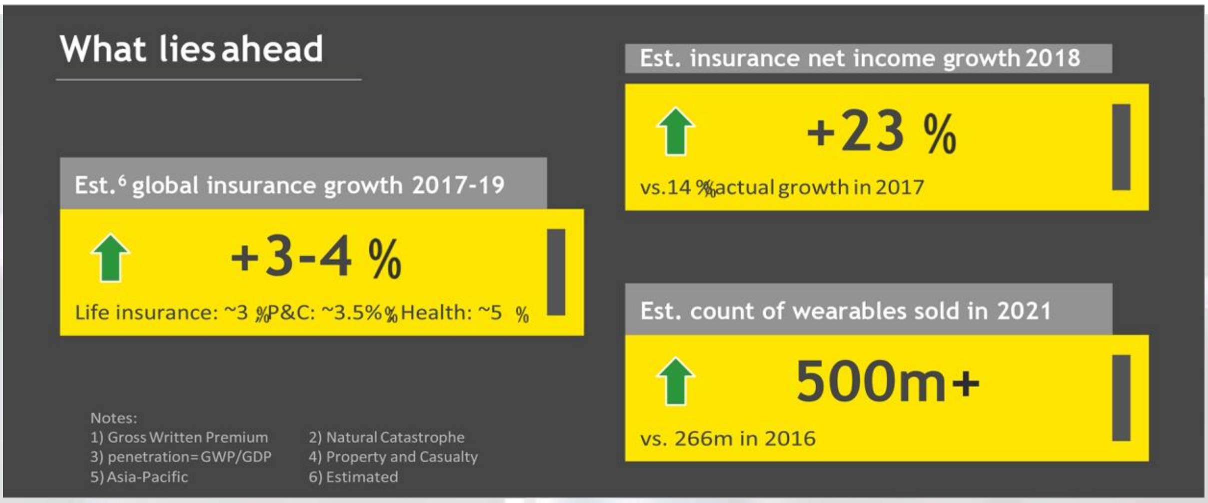
Global insured NatCat[2] losses in 2017
US$135b
Largest losses ever; 3.9 times 30-year avg.

Commercial P&C[4] pricing rebound after
18 quarters
First rise since 2013

Total InsurTech investments in 2017
US$2.3b
Estimated 5-year CAGR (2012-17): +45 %

2017 insurance stock returns in A-Pac[5]
+35 %
vs. cross-sector benchmark return of 22⍰ %

*Data source-EY Report



Global life premiums magnified only marginally by zero.5% to USD 2657 billion in 2017 (2016: one.4%). The holdup was primarily driven by advanced markets, that declined two.7% in 2017 (2016: -1.9%) as all the regions experienced negative growth principally because of low interest rates that continuing to adversely have an effect on the supply and demand for savings product. In rising markets, life premium growth remained robust at 14 July, principally driven by China. In different rising markets, the growth was slower at 5.8%. the most cause was the weak performance of Latin America, whereas another rising Asia and CEE developed favorably. international non-life premium magnified to 2.8% to USD 2234 billion in 2017 down from 3.3% in 2016. The holdup was principally because of lower growth in rising markets, whereas growth in advanced markets was roughly steady.

However, India's share in global insurance market was 2% during 2017. During 2017, the total insurance premium in India increased by 10.1 % (inflation adjusted) whereas globally total insurance premium increased by 1.5% (inflation adjusted).

In life insurance business, India ranked 10th among the 88 countries, for which data is published by Swiss Re. During 2017, India's share in global life insurance market was 2.76 %. However, the life insurance premium in India
increased by 8.0 % (inflation adjusted) when global life insurance premium increased by 0.5% during 2017.
During 2017, The Indian non-life insurance sector witnessed a growth of 16.7 % (inflation adjusted). During the same period, the growth in global non-life premium was 2.8 %. However, the share of Indian non-life insurance premium in global non-life insurance premium was at 1.11 % and India ranked 15th in global non-life insurance markets.

Insurance Sector Recent Disruption in India – Life and Non-Life

Disruption within the insurance business is unavoidable because of the redundancy within the tasks that the sector carried within itself because the nature of most of the tasks is repetitive. Disruption is formed to be three-dimensional. Digital disruption within the insurance sector and business generally permits companies to sail on three completely different dimensions to explore their business model by experimenting and rising their product, client service and reduction in price. The strategy to concentrate on only one dimension to run the business is not any longer viable and plenty of thriving businesses lose intent on their competitors once they fail to determine a connection between these 3 dimensions.

The four major points leading to disruption in the insurance industry in the Asia Pacific region are:

Intangibility: The whole value chain of insurance sector can easily be made digitally.

Existence of foreign models: European countries already demonstrated the emergence and establishment of this new model, the success of which can be replicated in Asian countries.

Environment for innovation: The existing framework allows companies to carry out low-cost experimentation with the framework and other models.

Digital assets: Asian countries have huge databases which can be leveraged both in the Asian countries and globally.

Although there are difference aspects of digital disruptions, here we will discuss about three major concepts, which responsible for changing the landscape of insurance sector. If we talk about comparing insurance sector with other sectors, it is lacking in terms of technology adoption. The major examples are blockchain technology adoption, robotics etc.

Robotics -The master card of insurance industry

The digital era has forced companies across the world to think of ways to replace human effort with Artificial Intelligence (AI) and robotics. The availability of huge data, powerful computing, analytics and AI has made it a reality. First example that comes to mind when we think of AI are virtual assistants which helps the customer to choose the type of policy and other related processes which earlier required a sales representative from the company. The insurance industry is slowly adopting technology to do much more.

The claims process is a highly manual job which includes excessive amount of paperwork which increases the scope for inconsistencies and errors. The process very time consuming & also costly. As claims processing is at the heart of any insurance company, a certain level of automation was brought in a few years back (scanning of pdf documents) in the system to create a digital trail. Automation also brings complications in the form of change of code and the program in the system if the process needs to be changed even marginally. Manual intervention, thus, became a necessity.

Robotic Process Automation (RPA) is conceived as the answer which combines all the systems and processes end-to-end and makes the entire process uncomplicated. Although it has its own set of challenges, it has been successful in bringing in more consistency, resulted in fewer errors and has been more efficient in terms of time for the whole task.

A recent experiment showed how the 'chatbot' behaved on the basis of the quality of the data fed into the system. Better quality of data led to better responses to the questions raised during the experiment. The value of cognitive robotics depends on the quality of data and the 'shared truth' in the system which will help unlock the right data from the system.

There is industry-wide concern around the loss of jobs due to the intervention of robotics. Although unskilled jobs may be lost due to this, there is also a rise in new job profiles such as coding, monitoring, risk analytics, pattern recognition, etc. repetitive tasks which were redundant for employees will be taken over by robots, while most value-adding employees can be retained by imparting to them the skills required to do these new jobs. Displaced employees can be encouraged to perform sales, marketing, cross selling, upselling and other tasks in the changed scenario, which provides them an opportunity to develop their skillsets and add further value.

Key benefits of adopting RPA for the industry-

Increased ability to not only compete in the market with improved and streamlined distribution but also bring in greater efficiency and profits with the introduction of new business models.

Operational costs and other investment in the data are low, and hence, companies are now open to providing more innovation during customer service interactions.

The cost incurred to market will come down significantly. Not only the cost but also the time to market in different geographies with personalized products and other offering will come down which was earlier associated with the legacy systems.

RPA is a consortia of AI tools, including machine learning, virtual agents, natural language classification and computer vision. Image classification for claims, text analytics for servicing customer queries and other tasks are part of the applications that come under AI. Augmentation and automation in the insurance industry shall be driven by AI, which will further require the integration of the legacy system and data with the new systems.

Robotics has the potential to become the future of the insurance industry in many ways which can pave way for lesser human intervention, more efficiency, reduced costs, development of artificial intelligence for taking informed decisions for the customers and innovation in customer service.

CEOs need to consider this cultural shift keeping in mind many dimensions. What is the level of automation desired by customers? What is the level of robot intervention that is acceptable? What is the strategy that can be adopted to seamlessly make employees and robots work together? How to maximise profits by using robots.

Machine learning in insurance

In recent years, AI has seen an exponential rise in its adoption across industries. It has now become evident that to maintain a strong hold in the market, insurance firms can't ignore artificial intelligence and machine learning. Insurance companies are fast adopting the latest technologies to implement game-changing business models. According to recent market research conducted by Technavio, the global insurtech market is expected to experience steady growth with a CAGR of more than 10 per cent by 2020.

Today, AI solutions are poised to improve time-to-market, operational efficiency and enable a more intelligent way to sell and service. The rising trend of process automation and lean compliance in the insurance sector will catalyse the emergence of machine learning across geographies in the near future. With the rise of big data analytics and the emergence of new data sources, the opportunity to apply machine learning techniques has never been better across new fields of insurance.

Machine learning is the science of finding patterns in your data in an automated manner using complex algorithms. It establishes descriptive and predictive data models after exploring all the data available that

is captured through new data sources such as Internet of Things (IoT), telematics, social listening and external data sources, and empowers a machine to think, build a deeper understanding of the entities and react through highly informed decisions and course corrections. Amid intensifying competition in the industry and emerging disruptors, insurance companies need to drive growth and efficiency while aligning with their goal to cut costs and optimise operations.

While in the past, the insurance sector has been dependent on historical and current data of the business at hand and predictive analysis and modelling based on the same, the industry is now witnessing a shift towards machine learning, which is more progressive. One of the biggest advantages of machine learning is its capability of computing and making sense of apparently dissimilar datasets whether unstructured, semi-structured

or structured. On the other hand, real-time instant information sharing helps the systems incrementally adapt as data is further obtained, thus facilitating a continuous learning curve.

The adaptive algorithms enable systems to better understand what is happening in the market, and more importantly, recognize dynamic customer needs and desires with unprecedented granularity, and have proved to provide simple, seamless and intuitive process and experience to the customers in return.

Key merits of machine learning:

Technology intervention would equip insurers to respond to market challenges better and faster than their competitors in a dynamic business scenario. Insurers can develop real-time knowledge of candidates' behavioral and socioeconomic activities, recognize microscopic changes in the market that affect them, and can

lead to product and service innovations that provide a competitive edge to an insurer.

Enhanced efficiency in operations

AI-based consumer needs analysis can help improve the probability of lead-to-quote conversion by insurers, thus reducing turnaround times. The use of machine learning could also eliminate subjectivity in response or actions from employees, and reduce the need for system alterations in a dynamic business environment. Furthermore, lower manpower requirements would lead to savings in overhead costs to a great extent.

Delighting consumers

By connecting with customers at various touch points, these systems could learn about individual needs better and be able to serve customers through related and personalized product offerings, simultaneously providing timely and relevant reminders to complete necessary transactions, thus improving the bottom line. It has been observed that tailored product offerings are likely to improve customer satisfaction scores and also retention of premium customers.

Blockchain in the insurance industry

Blockchain is essentially the storing of static data or dynamic transaction data in distributed registers without the presence of any central authority with the method of common consensus. It was first used in bitcoins to solve the problem of double spending which existed in the market. It eliminated the requirement of a central authority to validate transactions.

Several companies across the world have adopted blockchain or distributed ledger technology to launch new applications for insurance companies to come up with new products, customer offerings and bring in more efficiency in the internal processes.

The claims process in the insurance industry is risk- prone and the industry overall spends around USD2 billion to identify fraud and compliance issues in the process. Blockchain can bring the customer closer to the insurance provider which brings in more transparency in the system. There will be more reliable data available with the end client which will make the whole process more efficient.

Blockchain can be explained with the help of following statements:

1. Multiple parties will share data
2. Multiple parties will update actions, which needs the trust of the involved parties
3. Verification will be done by the parties themselves which also requires a significant amount of trust in the system
4. There is no central authority in the system, which brings down the cost significantly but also increases risk in the transaction
5. All the transactions are time-sensitive, which brings down business risk and accomplishes better underwriting.

It will streamline all the data from mobiles, make the claims process real time or comparatively easier and lower the cost of operations. Imagine a scenario where sensors on a device notify the insurer about a calamity. Blockchain will integrate all the data from the sensors to route to different stakeholders and then send the alert to the insurer. This is next level of automation where all the networks are connected to each other to carry out a multidimensional process.

Blockchain technology will only keep minimum human interaction, which will in turn lead to a rise of

smart contracts, decentralized organizations which are autonomous and other processes to reduce time,
increase efficiency and bring in automation to the whole system. This shift in culture could promote the buying of community-based insurance rather than big institutions in the long run.

Key advantages of adopting blockchain:

Time and cost efficient: Insurance companies are loaded with massive amounts of paper work, as the process is multistage. The paper work was unavoidable and this led to the development of many technologies to get rid of the cumbersome filing process. The blockchain technology links different processes in such a way that it eliminates the duplication of information and effort.

Instant policies: Initially, even the policies bought online required human intervention which significantly increased the time to complete the buying of a policy.
Blockchain can seamlessly automate the process and eliminate human intervention. Insuring online will become a whole new experience for clients.

Peer-to-peer (P2P) insurance: P2P changes the way people get their insurance done. Rather than approaching the insurer to get the insurance, customers can approach other customers to create an insurance identity to insure themselves as a group. This can revolutionize the way we buy insurance.
Risk prevention and fraud detection: Blockchain is the answer to risks and frauds associated with the insurance process. A decentralised digital repository can help the company identify customer profiles, validate claims and avoid duplication of transactions or any frauds associated with it. Blockchain has the potential to eliminate these redundancies and risks.

The Changing Dynamics of Insurance in India – FDI, New Products, Technology driven Business Models

F.D.I

A foreign direct investment (F.D.I) is an investment made by a company in one country, into a company in another country. It refers to an investment made to acquire lasting or long-term interest in company or entity based operating outside of the economy of the investor.

The investment is direct because the investor, which could be a foreign person, company or group of entities, is seeking to control, manage, or have significant influence over the foreign enterprise. FDI is a major source of external finance which means that countries with limited amounts of capital can receive finance beyond national borders from wealthier countries. [4]

(Source: available from http://www.usforeignpolicy.about.com/od/introtoforeignpolicy/a/ what-is-FDI.htm)

Foreign Direct Investment can further be divided into:

- Greenfield Foreign Direct Investment
- Brownfield Foreign Investment.

GUIDELINES FOR F.D.I IN INDIAN INSURANCE MARKET:

The Insurance Laws (Amendment) Act 2015 introduced some much-awaited reforms, including, increasing the foreign investment cap in the insurance sector to 49 percent, permitting overseas reinsurers to open branch offices to carry out reinsurance business in India, etc. The Insurance Laws (Amendment) Act, 2015 also provides for “Indian Owned and controlled” requirement for an Indian Insurance Company. The Insurance Laws (Amendment) Act, 2015 defines Indian insurance company under Section 2(7A) as under: “Indian insurance company” means any insurer, being a company, which is limited by shares, and, (a) Which is formed and registered under the companies Act, 2013 as a public company or is converted into such a company within one year of the commencement of Insurance Laws (Amendment) Act, 2015; (b) In which the aggregate holdings of equity shares by foreign investors, including portfolio investors, do not exceed 49% of the paid-up equity capital of such Indian insurance company, which is Indian owned and controlled, in such manner as may be prescribed. Explanation – For the purpose of this sub clause, the expression “control” shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreement or voting agreements; (c) Whose sole purpose is to carry on life insurance business or general insurance business or reinsurance business or health insurance business. In exercise of the powers conferred by clause (aaa) of subsection (2) of section 114 of the Insurance Act, 1938 read with clause (b) of subsection (7A) of section 2 of the Insurance Act, 1938 and section 24 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Central Government has notified the Indian Insurance Companies (Foreign Investment) Rules, 2015. These Rules mainly govern Indian control of Indian Insurance Company, Indian ownership and issues relating to foreign investment. The definition of “Indian ownership” has since been amended by Indian Insurance Companies (Foreign Investment) Amendment Rules, 2015.

As per the above definition, control can be exercised by the virtue of

(a) Shareholding; (or)
(b) Management rights; (or)
(c) Shareholders agreements; (or)
(d) Voting agreements; or
(e) Any other manner as per applicable laws.

In order to bring more clarity on the issue of compliance with the manner of "Indian owned and controlled", the Authority, in exercise of powers conferred under Section 14 (1) of the IRDA Act 1999, lays down the following guidelines on compliance of "Indian owned and controlled".

1. Applicability:

These guidelines are applicable to Indian Insurance Companies which

a) May come into existence after notification of the Act;

b) May propose to hike their foreign investment from the existing level; and

c) Do not intend to increase their current foreign stake from the existing level.

2. Total foreign investment:

Both direct and indirect holding in an Indian insurance company shall not exceed 49%. Total foreign investment shall be computed in accordance with Rule 2 (P)read with Regulation 11 of the IRDAI (Registration of Indian Insurance Companies) Regulations, 2000.

3.Control:

Control can be exercised by any one or more of the following criteria:

(a) Virtue of shareholding; (or)

(b) Management rights; (or)

(c) Shareholders agreements; (or)

(d) Voting agreements; (or)

(e) Any other manner as per the applicable laws.

4. Indian Control:

The Indian insurance company shall ensure the following:

- Majority of the directors excluding independent directors should be nominated by the Indian promoter (s) / Indian investor (s);
- Appointment of key management person including Chief Executive Officer /Managing Director /Principal officer should be through the Board of Directors or by the Indian promoter (s) and / or Indian investor (s);
- However, Key Management Person (s) excluding CEO may be nominated by the foreign investor provided that the
- appointment of such Key Management person is approved by the Board of Directors, wherein majority of the directors excluding independent directors are the nominees of Indian promoter (s) / Indian investor (s).
- The control over significant policies of the insurance company should be exercised by the Board, provided that the constitution of the Board is compliant with para (i)above.
- Where the Chairman of the Board is having a casting vote, such Chairman should be nominated by the Indian promoter (s) and / or Indian investor (s);
- Quorum: Quorum shall mean and include presence of majority of the Indian directors irrespective of whether a foreign investor's nominee is present or not. The right of a Foreign Investor's nominee to constitute valid quorum for meetings is only a protective right and to that extent would not amount to control within the meaning of Explanation to Clause (7A) (b) as long as the presence of nominees of Indian Promoter (s) / Investor (s) are also mandatorily taken into account for the purposes of quorum. (Provided that provisions of Companies Act, 2013 shall come into force in case of an adjournment.)

Technology driven Business Models & new products

Digital technologies are basically changing however businesses across all industries operate and serve their customers—and insurance is not any exception. In recent years, the business has begun to change. we have a tendency to see inspiring stories of technology remodelling a given task or function—but usually these are additional anecdotal and piecemeal than a part of a bigger, coordinated, and strategic vision.
We believe that the industry is currently in now in a position wherever executives will commence a digital journey to attain real impact.

From core transformation to digital transformation

Recognizing the requirement to initiate and also the limitations of existing technology, several insurers undertook core transformation programs. These investments were meant to assist insurers set foot into the digital age, nevertheless painted an awfully start or foundation so insurers might use basic digital communications, paperless
documents, on-line information entry, mobile apps and also the like. These were necessary steps, because the latest marketing research shows that quite eightieth of consumers square measure willing to use digital and remote contact channels (including net chat, email, mobile apps, video or phone) in situ of interacting with insurers via agents or brokers.
More advanced technologies, which may alter major potency gains and value enhancements for basic service tasks, additionally need stronger and additional versatile core systems. Chatbot technology, for instance, will deliver substantial price in complete deployments (i.e., while not being totally integrated with core claims platforms).

However, the complete ROI can't be achieved while not such integration. For many insurers, core transformation programs square measure still underway, while they acknowledge a transparent got to do additional. Linking digital transformation programs to core transformation can facilitate insurers use resources additional effectively and strengthen the business case. anticipating core transformation programs to be completed then seizing the digital transformation would doubtless end in several incomprehensible performance improvement and
innovation opportunities, likewise as higher implementation prices. One key challenge is that the industry's lack of standardized methodologies and metrics to assess digital maturity. With unclear visibility, insurance leaders can have a troublesome time knowing wherever to prioritise investments or recognizing the foremost compelling elements of the business case for digital transformation. But, as a result of digital transformation may be a long and continuous journey, most insurers square measure best served by a phased or progressive
approach. this is often to not recommend that culturally risk-averse insurers adopt even additional caution. Rather, it's to acknowledge that complete digital transformation at one go can't be managed; there are just too several contingencies, interdependencies and risks that must be accounted for. Insurers should be targeted and daring among their progressive approach to digital transformation, because it is that the thanks to generate
quick wins and make near-term price which will be endowed within the next steps. every step on the digital maturity curve allows future gains. instead of waiting to be passively noncontinuous, truly digital insurers move with boldness and proactively, testing and learning

in pursuit of innovation, and redesigning operations, engaging customers in new ways that and seeking out new partner.

By definition, digital transformation strategies can be applied broadly across the organization and incorporate a number of related disciplines.

Innovation management: Insurers nowadays should supply a wider portfolio of merchandise for them to remain relevant to customers trying to find high degrees of personalization. Innovative portfolio management techniques and also the ability to ascertain product “factories” are important to planning higher merchandise and delivering them to plug quicker. Innovation isn’t almost about merchandise, of course. Digital transformation programs might drive innovation in back-office processes, too (fully machine-driven claims management processes, etc.). they'll additionally alter future innovation by removing technology barriers. for instance, higher integrated information from sensors deployed among cars or buildings will make smarter underwriting, further as providing the impetus for innovative product models, like pay-per-use policies. Similarly, peer-to-peer insurance has become attainable through the adoption of digital communities on social media.

Emphasis on experience: Enhancing experiences in the service of closer and more consumer relationships are the targets for many digital transformation programs. As per the research, global insurance consumers place an extraordinarily high value on quality digital experiences. The recent surveys show that 40% of consumers decide to continue insurer relationships based on the quality of the experience. growing consumer expectations and increasing willingness to switch to new providers are forcing insurers to be more transparent, accountable, and effective. These attributes are frequent by-products of successful digital transformations. Experience often boils down to the ease of interactions, with insurers able to recognize customers as they shift channels during the course of a single claims process or as they research new policies. Now, Consumers want to interface with insurers digitally, as well as through other channels. The expectation is that there is consistent information and context across all channels — so the insurers recognize customers and what they’re trying to accomplish and where they are in their customer journeys, no matter what the channel is. It is critical — a baseline customer expectation, really — that hand-offs between channels are seamless, with insurers capable of managing the proper processes, training, governance and controls to make it happen.

New models: Given the insulation position of the many insurers in digital transformation, the business is seeking new choices for advancing their digital capabilities. Those choices embrace partnerships or acquisition with fintech’s and InsurTechs. alternative corporation’s area unit finance in Fintech’s, making their own internal innovation labs or cooperative partnerships with technology leaders outside the business. The creation of business “utilities,” wherever individual corporations or teams of insurers supply reckoner as a service, conjointly has robust potential upper side. As digital transformation appearance totally at different insurers, these area unit all valid methods to attain it.

Digital transformation delivers tangible and intangible value across the insurance value chain, with specific benefits in six key areas:

- ✓ Cost reduction
- ✓ Customer experience enhancement
- ✓ Speed to market
- ✓ Sales productivity
- ✓ Underwriting efficiency
- ✓ Claims efficiency

Digital Transformation Scorecard

	Cost reduction	Customer experience enhancement	Speed to market	Sales productivity	Underwriting efficiency	Claims efficiency
Omni-channel	✓	✓	✓	✓		✓
Big data analytics	✓	✓	✓	✓	✓	✓
Internet of Things	✓	✓			✓	
Telematics		✓		✓	✓	✓
Voice biometrics and analysis	✓	✓				
Drones and satellites					✓	✓
Blockchain	✓	✓	✓	✓	✓	✓

The Critical Factors – Insurance Risk , Claim Settlement , Pricing Sensitivity, IRDA Regulations

Changes in IRDA rules for Insurance policies

Features	Now	Proposed
Minimum Death Benefit	The current status for less than 45 years of age and for greater than 45 years is 7 times	Changed to 7 times for regular premium products and 1.2 times for simple premium products
Surrendered Value For Non-Linked Policies	3 years	2 years
Pension Withdrawal	1/3rd amount can be withdrawn as lumpsum	60% amount can be withdrawn as lumpsum
Revival Period for Non-Linked Products	2 years	5 years
Settlement Option	5 years	10 years

The Insurance Regulatory and Development Authority (IRDA) has proposed new major changes in IRDA Regulation 2018 for better need-based usage of the products and increased benefits for the end consumers. The main reason was that from the past few years the industry executives imparted various suggestions to improve the current product regulations in order to be in line with the dynamic needs of the present insurance market environment which invariably excludes global insurance market dynamics.

***https://blog.elearnmarkets.com/irda-regulation-2018-proposed-changes/**

1. The Minimum Death Benefit has been changed to 7 times for Regular Premium Products and 1.5 times for Single Premium Products for all age groups:

The present status of minimum death benefit for age less than 45 years is 10 times and for more than 45 years is 7 times. But now in the drafted proposals, it has been reduced from 10 times to 7 times for Regular Premium Products and 1.5 times for Single Premium Products. The main reason behind this change is that the amount invested by the policyholder could be invested in markets which in turn will help in building higher corpus rather than getting deducted for the mortality charges.

2. The Non-Linked Policies will acquire guaranteed surrender value after 2 years:

Earlier the surrender value could be opted for after 3 years of policy in force but now it has been reduced to 2 years which will help the customers to take quick investment change decisions. The customer can withdraw the amount after holding it for 2 years.

3. In respect of Non-Linked Policies, the revival period has been extended to 5 years from the present 2 years:

The restoration period of the discontinued policy with all the benefits covered is made unavailable after 2 years if the policy is discontinued due to the non-payment of the premium for the period of two years. But now it has been increased to 5 years. If the policyholder's financial ability is sorted, they have now 5 years to revive the policy.

4. The option of computation up to 60% pension is allowed in respect of pension products:

Presently one can withdraw 1/3rd as the lump sum amount and 2/3rd of the amount is annuitized. But now one can withdraw up to 60% of the corpus. This is a good change for the policy holders as it will provide more flexibility and this will make the policy at par with National Pension Scheme.

5. For Linked pension products, facility for partial withdrawal is allowed:

Now the policyholder can partially withdraw the lumpsum from their linked pension products. Earlier it was not allowed.

6. Open market options are allowed in respect of annuities:

Now the IRDA has opened annuity products to all insurance companies. Earlier policyholders had to buy annuity only from the pension product provider.

7. The settlement option period has been extended to 10 years or original policy term, whichever is lower:

The period of settlement which is available to the policyholder to receive the maturity or death is 5 years. But now it has been extended to 10 years from the date of maturity or the original policy term whichever is lower. Therefore, the policyholder will get more years for settlement in case of a mishap.

8. During Settlement period switches are now allowed:

Earlier switches in the settlement period were not allowed but now IRDA has proposed switches during the settlement period which will help Unit Linked policies' customers to manage their funds better in a volatile market.

9. Insurers are now allowed to design individual term, group term, credit, and micro insurance products:

The policyholders are now allowed to design individual term, group term, and micro and credit insurance products which will give many benefits to the policyholders.

10. Group products governed by provisions are modified to allow a wider range of products based on the requirement of customer:

IRDA has introduced provisions for governing group products which are allowed in order to allow a wider range of products based on consumer demands.

11. Linked Variable Products is removed as Linked Product Structure

The category of linked variable products will be removed as linked product structure will address the requirements of the policyholder in a better way. It will provide more transparency and flexibility by giving an opportunity to the policyholders to invest in these insurance plans.

Insurance trends: Key Influencers and Impact

Emergence of new distribution channels	• New distribution channels like bancassurance, online distribution and NBFCs have widened the reach and reduced costs • Firms have tied up with local NGOs to target lucrative rural markets • In October 2018, Indian e-commerce major Flipkart entered the insurance space in partnership with Bajaj Allianz to offer mobile insurance. • Amazon India is also expected to enter the insurance market as anagent. • In September 2018, India Post Payments Bank (IPPB) also partnered with Bajaj Allianz to distribute them products.
Launch of innovative products	▪ The life insurance sector has witnessed the launch of innovative products such as Unit Linked Insurance ▪ Plans (ULIPs) ▪ Other traditional products have also been customised to meet specific needs of Indian consumers ▪ In September 2018, HDFC Ergo launched 'E@Secure' a cyber insurance policy for individuals.
Mounting focus on EV over profitability	▪ Large insurers continue to expand, focusing on cost rationalization and aligning business models to realize reported Embedded Value (EV), and generate value from future business rather than focus on present profits
Growing market share of private players	▪ In the non-life insurance segment, share of private sector increased to 46.6 per cent in FY18 from 14.5 per cent in FY04 ▪ Over the years, share of private sector in life insurance segment has grown from around 2 per cent in FY03 to 31.8 per cent in FY19 (up to September 2018).

STRATEGIES ADOPTED

Cost optimization	▪ Players in industry are investing in Information Technology to automate various processes and cut costs without affecting service delivery. It is estimated that digitization will reduce 15-20 per cent of total cost for life insurance and 20-30 per cent for non-life insurance ▪ From October 2016, IRDAI has mandated having an E-insurance (electronic insurance) account to purchase insurance policies
Differentiation	▪ Companies are trying to differentiate themselves by providing wide range of products with unique features. For example, New India Assurance launched Farmers' Package Insurance to covering farmer's house, assets, cattle etc. United India launched Workmen Medicare Policy to cover hospitalization expenses arising out of accidents during and in the course of employment ▪ In March 2017, HDFC Life in collaboration with Haptik, has announced the launch of the country's first life insurance chatbot which will help the customer as a financial guide to aid them to choose the most suitable plans befitting their needs.
Focus	▪ Focus on providing one kind of service help insurance companies in differentiation. For example, SBI is concentrating on individual regular premium products as against single premium and group products

FAVOURABLE POLICY MEASURES AID THE SECTOR

Tax incentives

- Insurance products are covered under the exempt, exempt, exempt (EEE) method of taxation. This translates to an effective tax benefit of approximately 30 per cent on select investments (including life insurance premiums) every financial year
- In 2015, Tax deduction under Health Insurance Scheme has been increased to US$409.43 from US$245.66 and for
senior citizens tax deduction has been increased to US$491.32

Union Budget 2018-19

- The government will merge three of the public sector insurance companies - The Oriental Insurance Co. Ltd, National Insurance Co. Ltd and United India Insurance Co. Ltd and list the merged entity. The merger is expected to be finalised by FY21.
- In September 2018, National Health Protection Scheme was launched under Ayushman Bharat to provide coverage of up to Rs 500,000 (US$ 7,723) to more than 100 million vulnerable families. The scheme is expected to increase penetration of health insurance in India from 34 per cent to 50 per cent, according to a report by Crisil.

Life insurance companies allowed to go public

- IRDAI recently allowed life insurance companies that have completed 10 years of operations to raise capital through Initial Public Offerings (IPOs). Companies will be able to raise capital if they have embedded value of twice the paid-up equity capital
- SBI Life has already raised funds through its IPO.

Approval of increase in FDI limit and revival package

- Revival package by government will help companies get faster product clearances, tax incentives and ease in investment norms. FDI limit for insurance company has been raised from 26 per cent to 49 per cent, providing safeguard and ownership control to Indian owners.

INDIA'S INSURANCE MARKET OFFERS A HOST OF OPPORTUNITIES ACROSS BUSINESS LINES

About Resurgent India Ltd

DEBT I EQUITY I ADVISORY

Resurgent India is a full service investment bank providing customized solutions in the areas of debt, equity and merchant banking. We offer independent advice on capital raising, mergers and acquisition, business and financial restructuring, valuation, business planning and achieving operational excellence to our clients.

Our strength lies in our outstanding team, sector expertise, superior execution capabilities and a strong professional network. We have served clients across key industry sectors including Infrastructure & Energy, Consumer Products & Services, Real Estate, Metals & Industrial Products, Healthcare & Pharmaceuticals, Telecom, Media and Technology.

In the short period since our inception, we have grown to a 100 people team with a pan-India presence through our offices in New Delhi, Kolkata, Mumbai, and Bangalore. Resurgent is part of the Golden Group, which includes GINESYS (an emerging software solutions company specializing in the retail industry) and Saraf& Chandra (a full service accounting firm, specializing in taxation, auditing, management consultancy and outsourcing).

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About ASSOCHAM

The Knowledge Architect of Corporate India

Evolution of Value Creator

ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 400 Chambers and Trade Associations, and serving more than 4,00,000 members from all over India. It has witnessed upswings as well as upheavals of Indian Economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country. Today, ASSOCHAM has emerged as the fountainhead of Knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'. ASSOCHAM is seen as a forceful, proactive, forward looking institution equipping itself to meet the aspirations of corporate India in the new world of business. ASSOCHAM is working towards creating a conducive environment of India business to compete globally. ASSOCHAM derives its strength from its Promoter Chambers and other Industry/Regional Chambers/Associations spread all over the country.

Vision

Empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the barrier less techn ology driven global market and help them upscale, align and emerge as formidable player in respective business segments.

MISSION

As a representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic, industrial and social development. We believe education, IT, BT, Health, Corporate Social responsibility and environment to be the critical success factors.

Members – Our Strength

ASSOCHAM represents the interests of more than 4,00,000 direct and indirect members across the country. Through its heterogeneous membership, ASSOCHAM combines the entrepreneurial spirit and business acumen of owners with management skills and expertise of professionals to set itself apart as a Chamber with a difference. Currently, ASSOCHAM has more than 100 National Councils covering the entire gamut of economic activities in India. It has been especially acknowledged as a significant voice of Indian industry in the field of Corporate Social Responsibility, Environment & Safety, HR & Labour Affairs, Corporate Governance, Information Technology, Biotechnology, Telecom, Banking & Finance, Company Law, Corporate Finance, Economic and International Affairs, Mergers & Acquisitions, Tourism, Civil Aviation, Infrastructure, Energy & Power, Education, Legal Reforms, Real Estate and Rural Development, Competency Building & Skill Development to mention a few.

Insight Into 'new Business Models'

ASSOCHAM has been a significant contributory factor in the emergence of new-age Indian Corporate, characterized by a new mindset and global ambition for dominating the international business. The Chamber has addressed itself to the key areas like India as Investment Destination, Achieving International Competitiveness, Promoting International Trade, Corporate Strategies for Enhancing Stakeholders Value, Government Policies in sustaining India's Development, Infrastructure Development for enhancing India's Competitiveness, Building Indian MNCs, Role of Financial Sector the Catalyst for India's Transformation.

ASSOCHAM derives its strengths from the following Promoter Chambers: Bombay Chamber of Commerce & Industry, Mumbai; Cochin Chambers of Commerce & Industry, Cochin: Indian Merchant's Chamber, Mumbai; The Madras Chamber of Commerce and Industry, Chennai; PHD Chamber of Commerce and Industry, New Delhi and has over 4 Lakh Direct / Indirect members.

Together, we can make a significant difference to the burden that our nation carries and bring in a bright, new tomorrow for our nation.

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