

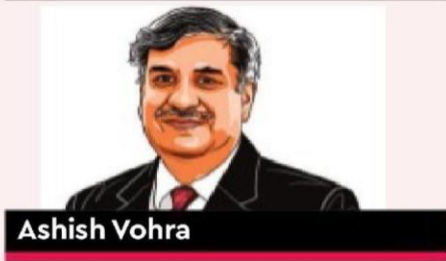
In the News

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● **LOOKING AHEAD 2018: LIFE INSURANCE**

Technology will be key to drive product innovation

The broad focus on digitalisation, agency expansion, bancassurance and government policies is expected to support the life insurance industry this year



Ashish Vohra

INDIA'S LIFE INSURANCE industry is poised for higher growth in 2018 aided by low penetration and rising share of financial assets in household savings. The savings habits of Indian households is evolving structurally amid a low-interest rate scenario, thereby bringing to fore the need for life insurance both as a life risk mitigation tool as well as a lucrative investment avenue for the common man.

Over the years, life insurance has become a more customer-friendly product helped by pragmatic regulations and guidelines. The broad focus on agency expansion, bancassurance, digitalisation and government policies



ILLUSTRATION: SHYAM

are expected to support the industry in 2018.

The year gone by

The year began on an exciting note, as the effect of demonetisation ensured that private sector individual annual premium equivalent (APE) grew stronger on the back of higher financial savings. Year-to-date (up to November 30), the first-year premium of life insurers has grown by 16% y-o-y to ₹1.81 lakh crore, while the number of policies served has crossed 1.5

crore-mark vs. 1.37 crore a year ago.

On the regulatory front, norms on revised commission/remuneration structure and introduction of reward system, guidelines on insurance e-commerce and electronic issuance, guidelines related to information and cyber security given the global trends, thought leadership on risk-based capital regime, life insurance portability and investment norms have enriched the industry.

With insurance regulator Irdai mandating

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PAN/Form 60 and Aadhaar linkage compulsory for existing and new insurance policies, a slew of benefits for customers and stakeholders are waiting to be reaped in the days to come. The linkage of Aadhaar with insurance plans will prove to be beneficial, especially during claims settlement for establishing the unique identity of the claimant. This will also weed out fraudulent claims and boost the speed of settlement, therefore offering a better customer experience.

Closer to customer, better understanding needs

As 2018 unfolds, the life insurance industry is expected to forge a deeper connection with customers and scale new highs in terms of customer engagement and servicing. Technology will play a massive role in this, as life insurers' dive deeper into product and operating process innovation. Customisation of the exact need-based product offering will be the guiding principle under broader goal-based financial planning, instead of the one-size-fits-all approach. Chatbots, e-insurance, artificial intelligence and analytics-driven products will become mainstream, as the ongoing digitalisation drive picks up more pace.

From a product point of view, unit-linked insurance plans (ULIPs) and guarantees are expected to accentuate the life insurance industry's premium growth. Buoyant markets, witnessing a super-cycle of domestic liquidity, have helped ULIP sales this year, while the more conservative customer has chosen to hedge uncertainty in interest rates by opting

for 20-year guarantee products. Given the dynamics of the Indian demography, the traditional products including guarantees will continue to be popular amongst the mass and mass affluent customer base that are extremely inclined towards traditional ways of financial savings, and are less inclined towards market risks that are inherent in most ULIP designs.

The 2018-19 Budget will be important for the life insurance industry. Life insurance should be given a separate tax exemption limit as in many Asian countries, and not lumped with others in Section 80C to ensure more customer incentive for committing to long-term savings, Health insurance already has a separate slab to its credit and having a dedicated one for life insurance would facilitate long-term protection for every Indian.

Conclusion

Life insurers are no more just payers of claims to cover unforeseen events. The government and the society are moving towards increasing realisation of life insurance's role as a risk prevention and savings partner. In 2018, we expect to see signs of life insurers transitioning from being product providers to being providers of a larger ecosystem of services. We are confident that business momentum will get even stronger over the next 12 months, helped by big-bang economic reforms and improving growth for the country.

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