

Life insurance sector is at an inflection point

The Indian life insurance industry today is at an inflection point. All factors are in place for it to develop into one of the fastest growing financial services markets in the world. Rising incomes driven by economic growth are boosting demand, and increasingly sophisticated consumers with diverse needs are driving some differentiated plays. As we aspire to build profitable and sustainable businesses, it is imperative to re-examine our strategies and commit to some breakthrough approaches.

Affluent households, the growing middle class and an emerging bankable population are distinct segments that should be served in fundamentally different ways. Affluent consumers largely look for wealth management services with life insurance services forming an integral part of their portfolio.

The middle class is an attractive segment due to its

sheer numbers and buying power. It is constantly looking for solutions in tax savings, retirement, and health and wealth categories.

The bottom of the pyramid and rural markets are emerging segments that look for composite products and health insurance, thanks to increasing awareness and government initiatives. Bottom-of-the-pyramid products such as micro-insurance will have to be the order of the day. There is a large scope for selling through telecom franchisees, NGOs, regional rural banks, cooperatives, post offices and micro finance institutions. It will be worthwhile involving the unbanked population through flexible-premium products and community-based policies. An extensive rural-agent network for sale of insurance products needs to be established.

India's urban population is projected to increase from the



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current 318 million to 375 million by 2025 and it will grow beyond existing cities into tier-II and tier-III cities and smaller towns. It will be imperative for life insurers to understand the different needs of these customers, design products to match their needs and create efficient distribution models.

Players need to offer a balanced mix of Ulips and traditional products. Single-premium, structured products, health and pension products to suit various life and savings needs of customers will be

crucial. One of the key products which can drive future growth is pensions and pension annuities. This is one of the largest products globally, with negligible penetration in India. Even with regard to health, currently only 14 per cent of the population in the country is covered under any health insurance of any form. There is a large untapped opportunity in the pensions and health segments for life insurance companies.

The agency model of distribution will need to become more efficient, productive and innovative. The role of bancasurance and larger broking houses is expected to increase in the future. Cost-effectiveness will drive the growth of alternate channels such as internet, direct marketing and variants in agency channels.

Players will have to rationalise costs by incorporating e-issuance of policies, straight-through processing

and increased process optimisation to provide cost-effective customer service. Leveraging the internet and other technology options to provide single-window service so as to cross-sell and retain customers will become the norm. It will also be easier and cheaper for them to process requests, complaints and payments online. Accelerated claims settlement processes and rapid customer service will continue to remain key strengths for players.

The life insurance landscape continues to remain heavily untapped. The need is to leverage our strengths, fasten our growth drivers to emerge stronger and build an exemplary model on the basis of consumer trust and valuable distributor relationships. These strategic investments will enable us to sustain our growth momentum over the years to come.