

# Life Insurance

## Changing Paradigm

21<sup>st</sup> February 2015

## Current Realities

- ✦ Growing economy
  - ✦ Household savings about 23% of GDP
  - ✦ No social security
  - ✦ Under insured market
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- ✦ Yet, retail Life Insurance sales not growing in recent years



## Some Key Trends

## Retail Sales trend

FY	Private		LIC	
	ISP	INSP	ISP	INSP
2009-2010	22%	7%	20%	30%
2010-2011	163%	22%	4%	4%
2011-2012	39%	23%	52%	18%
2012-2013	45%	3%	4%	4%
2013-2014	22%	3%	6%	4%
YTD Jan' 15^	36%	12%	9%	33%









FYP – First Year Premium

INSP - Individual Non-Single Premium

ISP - Individual Single Premium

^ Corresponding period - YTD Jan' 14

## Product mix trend

FY	Private		LIC	
	Linked	Non-Linked	Linked	Non-Linked
2008-2009	 88%	 12%	 23%	 77%
2009-2010	84%	16%	18%	82%
2010-2011	68%	32%	9%	91%
2011-2012	39%	61%	1%	99%
2012-2013	38%	62%	0%	100%
2013-2014	 33%	 67%	 0%	 100%

Profit Margins significantly down since 2010

# Customer Retention

- A high customer retention is important, because
  - ✦ reflects customer satisfaction
  - ✦ delivers value to customers
  - ✦ delivers sustainable good profits
- but, only 6% to 45% customers stay after 5 years

## Of Course

- ✦ Many life insurers reporting profits
- ✦ Valuation numbers talked in the media
- ✦ More than 32 cr inforce policies
- ✦ 22 lac crore AUM



**So, what is the issue?**



# Doctor! What is Going Wrong?

- Some blame the Regulations
  - Some blame the economy
  - Some blame the customers
  - Some blame the distributors
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- A few blame the insurers

# Challenge

- What is the product - insurance? saving? investment?
- Who asks for savings / investment products?
- Is there alignment between distributors, customers and shareholders - win-win-win ?
- Who are the customers? Are their expectations/behaviours changing?

 **flipkart**.com

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6<sup>TH</sup> OCTOBER, 2014

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## Possible Way Forward

- Start with end customer
- Invest in creating awareness of life insurance
- Offer Value - avoid toxic, rigid and opaque product structures (offer flexibility, transparency, liquidity)
- Align interests of stakeholders
- Look modern (customer communication)
- Deliver modern (digital)
- Engage with customers

# Pioneers in Online Life Insurance