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**Evolving Frontiers, Exciting Prospects**

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# General Insurance – Distribution challenges

“Everyone lives by selling something.”  
– Robert Louis Stevenson

# What customers expect ?

- ▶ Convenience of purchase
- ▶ Knowledge based interaction and advise
- ▶ Trusted relationship
- ▶ Transparent dealings
- ▶ Prompt after-sales service

# Traditional Channels

- ▶ Agency
- ▶ Broking

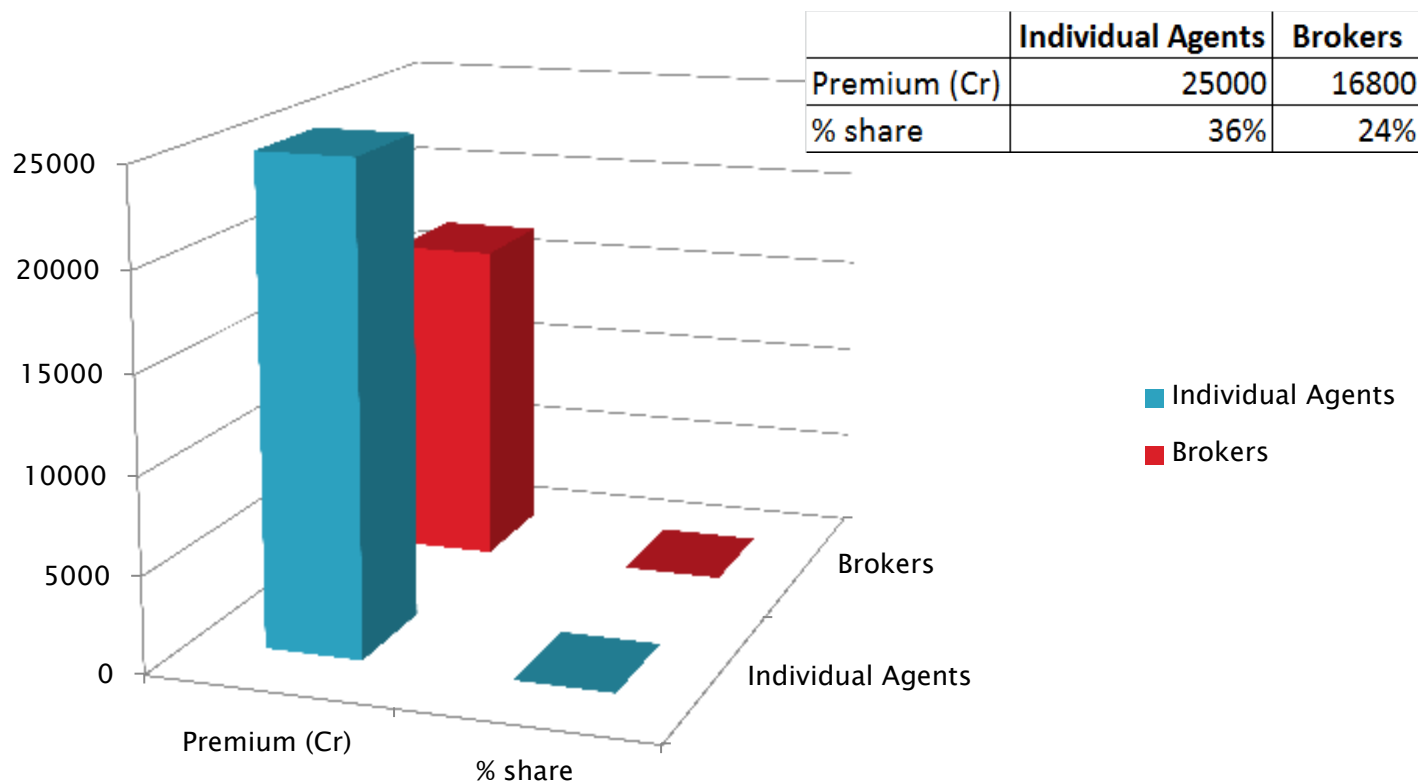
# Agency

- ▶ In 2000 accounted for around 60% of business
- ▶ Grew substantially in volume terms though the percentage share reduced
- ▶ Expected to continue to be a prominent channel in future through facing serious challenges

# Broker

- ▶ Got introduced in the market following regulatory changes in the year 2002
- ▶ Grown substantially over last 10 years to become one of the important channels
- ▶ Over 80% penetration in commercial insurance space
- ▶ Growing with relatively modest gains in the retail insurance space

# Two prominent Distribution channels





## Agency – Major challenges

- ▶ Low ticket size products
- ▶ Many agents earn low commission resulting in low productivity
- ▶ High turnover of new agents
- ▶ Lack of attraction for quality manpower
- ▶ Relatively high cost channel unless the productivity is increased substantially

# Brokers – challenges

- ▶ Too many in numbers, too less in quality
- ▶ Lack of interest in understanding the client's need – happy to offer standard products competing on merely the price factor
- ▶ After sale service – matter of concern for clients
- ▶ Mainly transactional relationship with insurers – need to realise they are business partners

# Addressing challenges in Agency

- ▶ Equip agents to manage their sales activities better
- ▶ Improve knowledge base of agents
- ▶ Track agents' activities through better qualified supervising team – prevent mis-selling

# Addressing challenges in Agency

- ▶ Increase productivity through building better portfolios with their clients, encourage use of electronic media for better transactional experience for agent and client
- ▶ Bundled products can increase ticket size and commission earning
- ▶ Product focused agents – may become more effective

# Addressing challenges - Brokers

- ▶ Regulations should introduce more transparency in Brokers' relationship with clients and insurers
- ▶ Industry should encourage brokers who invest in developing expertise/infrastructure
- ▶ Regulator needs to look at ways to deal with brokers mis-representing clients' previous policy experience / providing wrong information to insurers
- ▶ Can regulation prevent usage of multiple brokers / broker and direct ?
- ▶ Insurers should look at more technological integration with brokers to offer end-to-end service to clients

# New Distribution channels

- ▶ Bancassurance
- ▶ Corporate agents
- ▶ Micro-insurance agents
- ▶ Direct marketing
- ▶ Internet marketing

# Bancassurance

- ▶ Lesser penetration in non-life space
- ▶ Most of the major banks active through JV or partnership with an insurer (in some cases with one non-life and one health insurer)
- ▶ Substantial penetration in covering their loan book
- ▶ Upselling / Cross-selling remains a challenge
- ▶ Contributes many times to channel conflicts
- ▶ Lack of clear strategy of partners prevented realising full potential of the channel

# Bancassurance

- ▶ Regulator is expected to revise guidelines permitting Banks to become brokers
- ▶ This is expected to enable banks to offer products from many insurers thus giving customer wider choice
- ▶ Financial inclusion model involving banks and insurers should help achieving better insurance penetration in rural areas



# Internet

- ▶ Generational behavioural shift can help growth of this channel in the days to come
- ▶ Already significant percentage of young customers use internet at least to compare products
- ▶ Specific products for the channel will help avoiding channel conflicts
- ▶ Better internet speeds and connectivity will encourage use of this channel among younger generation as this offers better convenience to customers
- ▶ Integrating full customer service in a seamless manner will help insurers to develop this channel in future

## Regulator initiatives

- ▶ CSC – Common Service Centres as distributor of insurance products
  - Wider reach to prospective customers
  - Products targeted to rural customers
  - Point of sale policy and claims servicing
  - Better usage of technological platform for customer service

# Regulator initiatives

## ► Insurance Marketing Firms

- Encouraging agents to set up Marketing Distribution Firm
- Firm can sell insurance products of Life, Non-life companies along with other financial products
- Expected to attract quality agents to set up firms and earn better commission income

# Regulator initiatives

- ▶ Sub-broking
  - Allowing smaller brokers to work under bigger brokers
  - Expected to increase retail penetration of brokers
  
- Can become a threat to Agency model

# Regulatory help

- ▶ Clear regulations bringing transparency in commission structure known to the end customer
- ▶ Common regulations for similar product lines across all channels
- ▶ Removal of multiple caps on commission and expenses for insurers
- ▶ Allowing differential pricing for various channels for products taking into account channel related expenses

# Evolution Mantra

**“Internalize the Golden Rule of sales that says: All things being equal, people will do business with, and refer business to, those people they know, like and trust.” – Bob Burg**

Thank You