

# The Race for Protection

Current Issues in Life Assurance

26<sup>th</sup> - 27<sup>th</sup> March 2018

# Factors for protection growth

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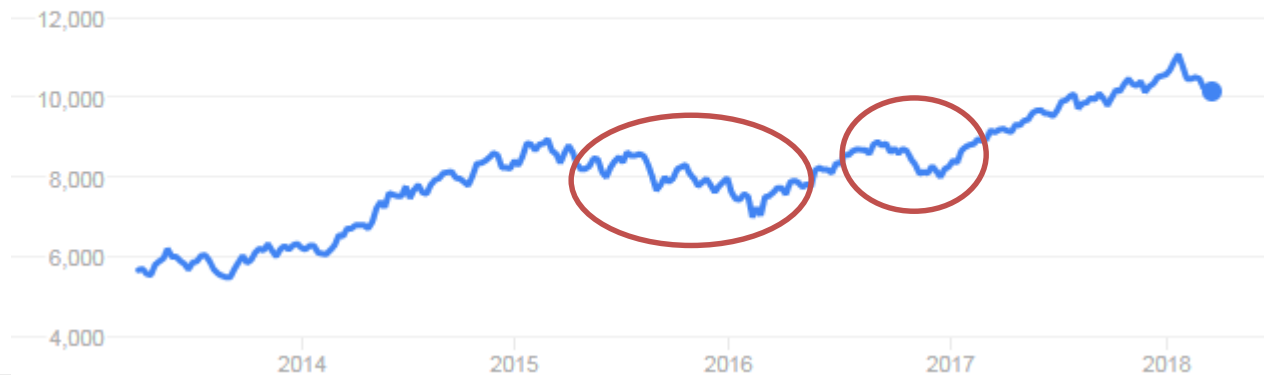
Protection business has grown multifold for several life insurers

- Higher VNB margins as seen in region
- Improved interest for successful life insurer listings
- Portfolio diversification
- Push by Regulator/Government
- Tax incentive structure
- Reduction in interest rates (a year ago) / increase in market volatility

# Economic factors

1 day    5 day    1 month    3 months    1 year    **5 years**    max

INDIA NIFTY INDEX



Affects ULIPS →

INDIA INTEREST RATE



SOURCE: TRADINGECONOMICS.COM | RESERVE BANK OF INDIA

← Affects Non-par products

# Protection trends

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- Credit Life is a focus area: growing > 30-40% annually for some
- Disease specific products - Cancer / Cardiac
- Interest for higher covers, substandard population coverage, combi product strategies
- New Point of Sale (PoS) products; relaxation from intensive training
- Government schemes: PMJJBY has sold over 5 crore policies, mobilized awareness
- Growing pressure on underwriting and claims functions (section 45, removal of exclusions)

# Product types and trends

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Pure Term/Life covers:  
Online and Offline

Morbidity products

Group business

# Life covers

- Steady decline in gross office rates over past five years, price competition continues
- Experience of anti-selection/frauds – moderation in non-medical sourcing and improvement in risk guards at entry stage/hindsight UW
- Ease of onboarding - credit bureau information / data models

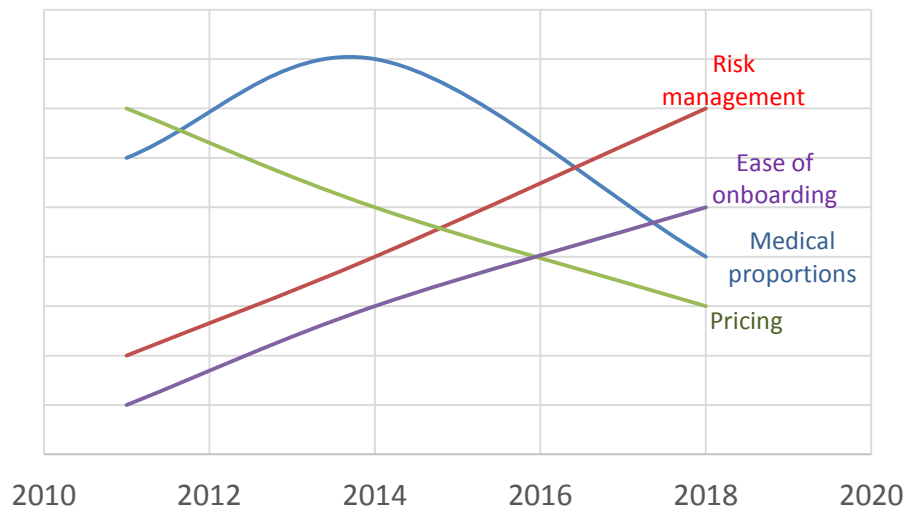


Chart is subjective and not to scale. Source: Munich Re research

- Convergence of online and offline products owing to channel conflicts
- Multiple benefit options to attract customers
- Default offerings - WoP / Accelerated TI

# Life covers

	Premiums in March 2012	Premiums in March 2018	Rate reductions since 2012
Company A*	13,800	8,253	40%
Company B*	10,600	8,236	22%
Company C*	7,300	6,353	13%
Company D	7,400	8,000	-8% (increase)

Source: Company websites and web aggregators  
 Rates are in Indian rupees and exclusive of taxes  
 \* Includes inbuilt benefits such as WoP on ATPD, Acc TI

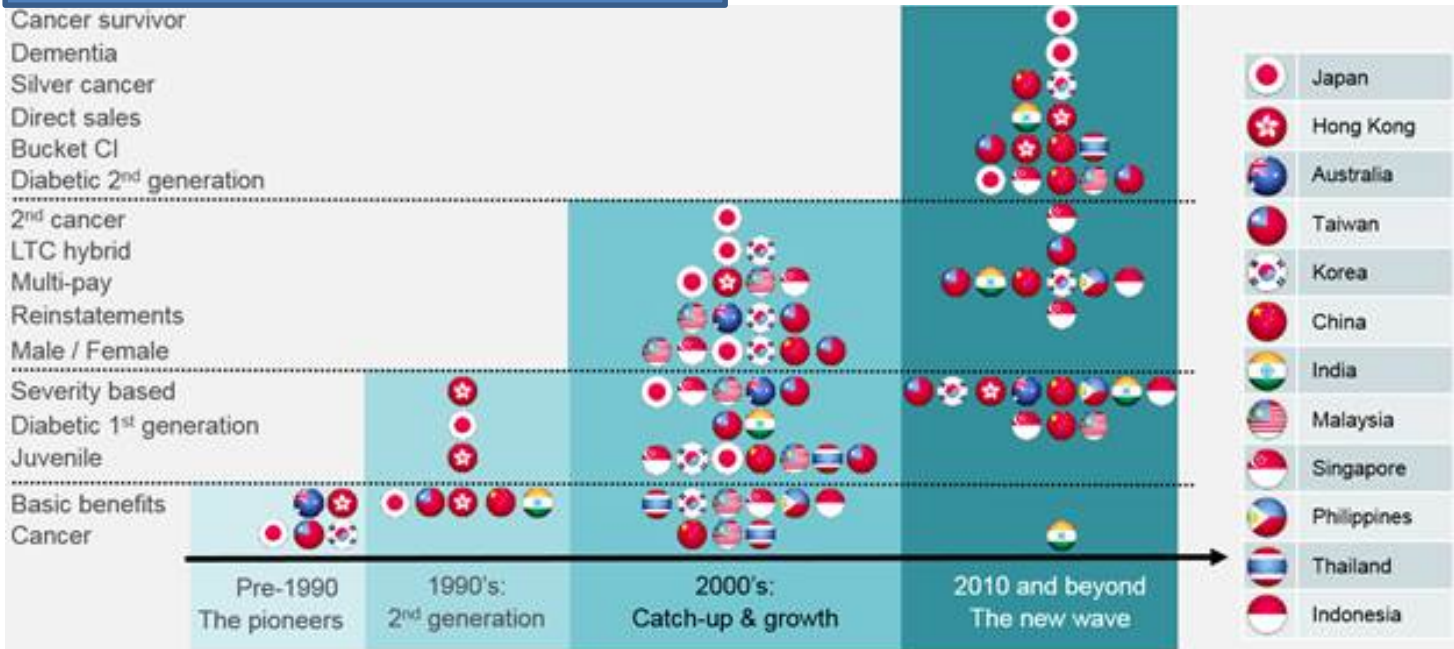
Gender	Male	Premium Payment Term	Regular Pay
Age	30 years	Premium Paying Mode	Annual
Sum Assured	1 crore	Benefit Option	Lump sum benefit
Policy Term	30 years	Health Status	Non-smoker Standard

Continued price competition, reductions of nearly 20% seen in last 6 years

# Morbidity products

- Drastic moves to multi-pay / disease specific severity products

## Evolution of critical illness in Asia:



- Standardised CI definitions by Regulator
- Cross-sell/upsell on group and retail platforms



# Morbidity products

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Need to watch out for:

- Trends set by few and followed by all - claims management capabilities being tested, dependence on reinsurers
- (Lack of?) recognition of adequate morbidity deterioration factors
- Early trends: lower persistency in health products

# Group Life products

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## Credit life:

- Retention tool under open architecture
- Sharp increase driven by perceived profitable experience
- Ease of issue, low price competition & low anti-selection

## Group Term Life:

- Market expansion : organic/inorganic
- Expense management
- Focus on specific niches/segments
- Newer, feature-rich products – key retention tools

# Key Issues

## Pricing

- Sustainability of actuarial mortality, expense and persistency assumptions used in pricing of mortality benefits
- Adequate consideration of rate guarantees and deterioration factors in new CI products

## Onboarding

- Can big data help achieve smoother onboarding while minimizing fraud risks? State of preparedness to incorporate big data into underwriting decisions
- Can reduction in underwriting lead to customer apathy and reputational risks?

## Distribution

- Scope for internet based models to exponentially improve protection coverage in India
- Customer apathy in credit life or low ticket size policies which are upsold

## Risk management

- Learnings from syndicated frauds- and preparedness of risk systems for complex morbidity products
- “Benefits race” on morbidity product and risks of product creep in India

# Audience poll

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1. Which protection cover is most required by a middle class Indian today?
  - a. Term cover
  - b. Annuities
  - c. Critical illness (covering 35 CI)
  - d. Severity based cancer cover

# Audience poll

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2. Are you a fan of the newly launched cardiac and renal disease covers?
  - a. Yes
  - b. No
  - c. What's that?
  - d. Abstain

# Audience poll

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3. Do we believe that Life cover protection rates will become higher/lower/stabilize at current levels in near future?
- a. Higher
  - b. Lower
  - c. Stabilize at current levels
  - d. Abstain

# Audience poll

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4. Do you think brand has a big impact on customer's choice of product, irrespective of price?
  - a. Yes
  - b. No
  - c. Yes but to a limited extent

# Audience poll

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5. Is it necessary to do away with medical testing to be successful in selling protection through digital means?
- a. Yes
  - b. No
  - c. Yes with proxy checks
  - d. Abstain



Thank you