

## INSURANCE

**What is the penetration level of insurance in India?**

General insurance penetration of India remains extremely low at 0.77 per cent of which only 15-20 per cent is health insurance. The under-penetration is collectively caused by lack of financial awareness, less understanding and low perceived benefits of insurance products among the customers.

Typically, Indian customers' propensity to purchase financial products is influenced by financiers or statutory requirements and not because they feel the need. The industry still has a long way to reach the position, when customers start perceiving insurance to be a risk mitigation cover instead of a push product. I am hopeful that NHPS announcement in Budget 2018 is going to be effective in changing mindsets.

**Even after so many years of opening up of the sector, why is awareness so abysmally low?**

The general insurance industry has witnessed tremendous growth over the last decade, but the penetration levels are still at a nascent stage. Insurance penetration among the educated urban class is on a gradual rise, as many of them are covered by mandatory motor insurance and also a decent percentage of them are covered by an employer provided health insurance policy. The benefits of insurance as an integral financial security tool are yet to reach the medium- and low-income groups, especially people living in over 6 lakh semi-urban and rural areas. Although, government-run mass insurance schemes have expanded the insurance umbrella for low-income groups to a great extent, insurance does not come on priority purchasing list of customers belonging to medium-income group.

This issue also has a lot to do with the overall economy. There is a clear correlation between the growth of the economy of a country and its insurance penetration. People opt for insurance only after generating assets that they

**'Industry still has a long way to go'**

are worried about losing. With disposable incomes of individuals going up, insurance penetration is bound to increase. As like anywhere else, cost, coverage, and convenience are going to play a major role in the uptake of any insurance product. There are enough products in the market, it is the question of affordability and surplus income; when that goes up, insurance penetration also goes up.

**How has the customer behaviour changed in India over the last five years?**

Like all customers, they expect best services, price, and utility from their service provider. They expect the maximum protection of their health, wealth and other risks and high levels of service from their insurance provider to add value to their everyday levels. Along with the growth

and development in the insurance industry, Indian customer is equally evolving. The country has witnessed digital revolution during last five years and customers have adapted seamlessly well with this changing scenario. They look for more value-oriented services and pay due attention to simple solutions, convenience and instant turnaround times.

This transformation in customer behaviour has also encouraged insurers to leverage the latest technologies to enhance the customer service experience and to establish a constant engagement with them. Besides offline routes, customers today also want to access the insurance information online through their mobile phones and tabs.

**Why is the tier-2 or semi-urban customer still not keen on buying health insurance products?**

Two predominant reasons result in the low purchase of health insurance products among customers in tier-2 markets, less disposable income and low awareness about the efficiency of this tool. Customers from these markets are yet to realise that health insurance can help them deal with their medical emergencies smoothly. Customers from these markets are yet to bring insurance on their purchase list along with their priority choices of smartphones, LEDs, and cars as their disposable income rises.

**How will the scenario change in the next 10 years?**

The general insurance industry is slated to grow with the economy. The world around us is evolving, be

it business, customer needs, distribution network, etc. The traditional business models have also undergone a transformation. Motor insurance occupies the larger chunk of the industry. However in the future, there will be a paradigm shift towards liability and protection of a very different nature. Insurers need to be equipped for the new age risks such as cyber security, title insurance, and several others which have to be borne by various industries. There will be a shift to personal line insurance like health and home with the increase in awareness levels.

Technology will play an important role, not only in terms of addressing claims, queries from the customers but to also engage with them regularly. There will be better penetration of insurance and the insurance companies will be the biggest em-

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ployers as they aim to spread geographically. For insurers, creating the right product & technology mix to offer a seamless experience to the customer is crucial to fulfilling this mammoth task.

**6. What are the regulatory challenges in India?**

The basic challenges of the insurance industry still remain unaddressed simply because it is a financial tool that many people are still not aware of. While there are infrastructure issues that are getting slowly addressed through the use of technology, a lot of people are still unaware of the benefits an insurance policy offers.

With listing and with new insurers and re-insurers setting base in the country — profitability of insurance companies has taken center stage again making the industry stable and sustainable through risk-based underwriting. Customer focused regulations are being introduced to increase transparency and awareness about insurance thereby improving the penetration. Affordable health schemes and mass scale crop insurance have been implemented, increasing the insurance outreach in the previously untapped markets. Newer insurance products such as structural defect liability, title insurance etc. are also being introduced into the country to protect customer's interests.

Rather than considering regulations as challenges, the insurers need to adapt to the regulatory changes as quickly as possible. Regulatory interventions are inevitable in a growing market and it is good for the industry as well as the customers in the long term. ■

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