



# Challenges to growth in developing market: India

June 19 , 2011

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# General Insurance market opportunity in India

## Favoring demographics

- Over 1.2 billion people, one of the largest market
- Young population: largest segment in 15-50 age group presents a favorable “youth bulge”

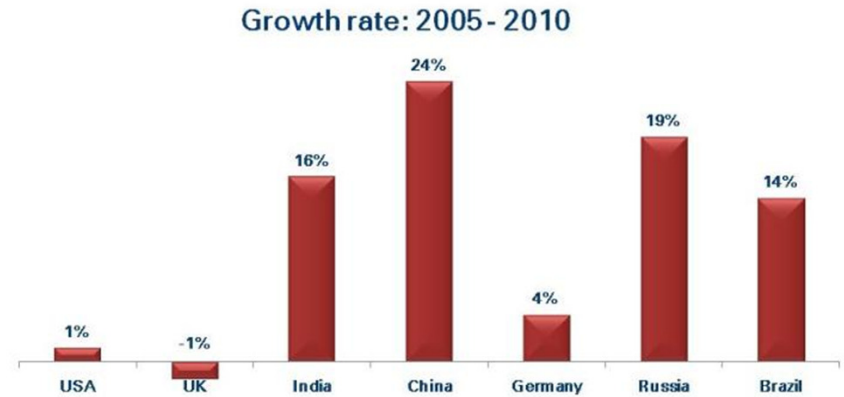
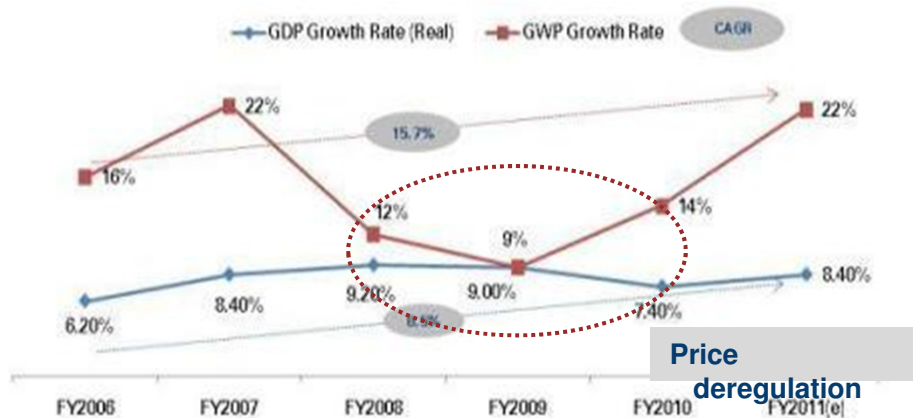
## Fast growing economy

- Among the fastest growing economies, projected to grow at 9% over next 5 years
- Large investments in industrial and infrastructure projects

## Lower insurance penetration

- Very low insurance penetration at 0.6% of the GDP
  - Large growth opportunity
- Government support to push insurance penetration in form of tax breaks and subsidies

# Indian General Insurance market: on the growth trajectory



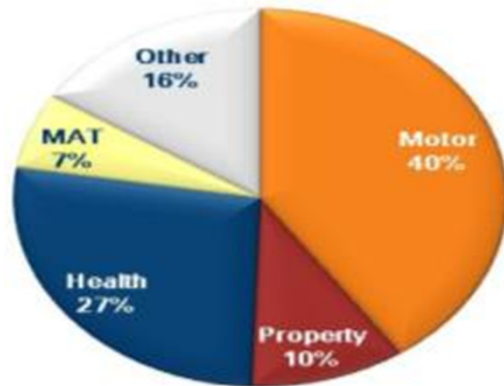
- Opportunity has helped maintain 2x growth of GDP

- Outshone many economies and grew even during financial crisis

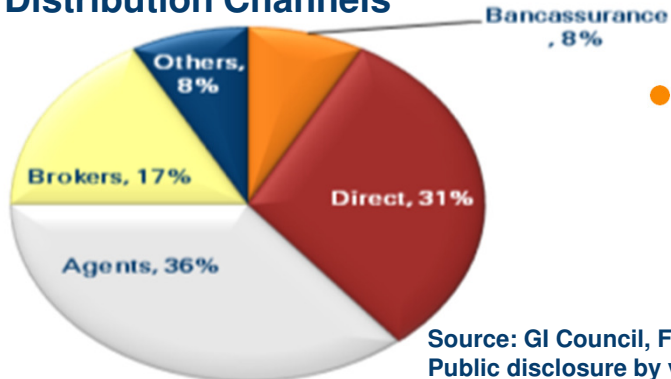
Source :Swiss Re,Sigma no 5/2006, 2/2010; Global Insurance Review, 2010 & outlook 2011/12; IRDA, India; World Bank.

# General Insurance in India: overview

## Business Lines: FY2011



## Distribution Channels



- Motor insurance continues to be the largest portfolio
- However, Health segment has demonstrated the fastest growth in the recent years
- In terms of distribution channels:
  - Individual agents contribute a very large portion
  - Direct channels like online, call-center getting popular

Source: GI Council, FY 2011, Unaudited segment-wise business; Public disclosure by various companies

# Key factors contributing to growth

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## Wholesale

- Liberalization of economy opened up investments in manufacturing and service sectors
- Development of segments like Aviation, Liability, Credit

## Individual

- Fast growing automobile market supporting insurance growth
- New products especially in health segments
- Growing reach of internet facilitating direct marketing
- Leveraging alternate channels: Bancassurance, Phone

# Challenges to growth

## Intense Price driven Competition

- Free fall in prices, discounts becoming the key selling proposition
  - From the erstwhile tariff levels, Motor premium went down by over 50%, Fire insurance by almost 90%
- Industry level combined ratios continue to be over 120% since last 3 years and FY2011 is trending towards 130%

## Customer Connect

- Delay in introduction of new and innovative products, low focus on understanding the customer's need
- New entrants competing for the same pie
- Scope for improving service levels
- Industry all set for a high growth phase, needs to build on key capabilities

## Capability building

- Skilled resources required to manage the risk along with business growth

## Cost Management

- Traditional distribution model, prone to high costs and inefficiencies
- Industry operating at a high management cost structure

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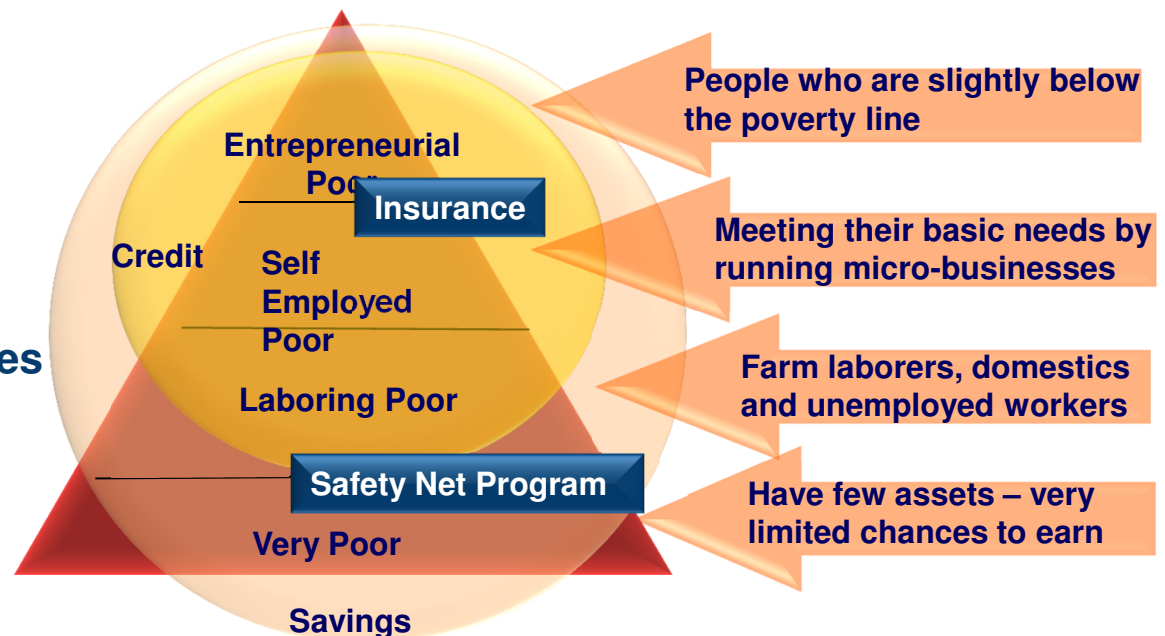
**While the competitive intensity remains high in conventional segments and products...**

**... solutions for “bottom of the pyramid” promise to emerge as the next big leap for insurance sector**



# Needs pyramid of the “bottom of pyramid”

- Income increasing across socioeconomic classes
- Availability of credit restricted to lesser categories
- Most of the other classes still dependant on savings
- Making them very vulnerable to risks and uncertainties



**General population: Vulnerable to uncertainties  
→ need for effective protection tools**

Source: National sample survey organization (NSSO), Government of India, FINCA's poverty pyramid

# A few challenges that need to be tackled

## Geographical spread

- 70% of the population still resides in Villages
- Very large spread, with high variation in population density

## Infrastructure

- The rural infrastructure still needs a lot of improvement
- Erratic or no power supply, poor connectivity to rural areas

## Purchasing power

- The benefits of economic growth taking time to trickle down
- Concentrated purchasing power, over 25% population living below poverty line

## Awareness

- Literacy rate improving (now at 74%)
- Lack of awareness about necessity of insurance
- Inefficient & low utilization of government promoted programs

## ... there are solutions

### Geographical spread

- Partnership model, Kiosks
- Use of alternate channels: MFIs, SHGs, Rural Retail chains
- Use of technology to deliver OTC products

### Infrastructure

- Door step service at villages
- Online-Offline, Smart cards based solutions
- Closed loop servicing, fraud control

### Purchasing power

- Low ticket products in partnership with government
- Very small premium contribution by the beneficiary

### Awareness

- Simple Products
- Transparency
- Quantification of Benefits

**Successful risk protection tools =  
Affordability+Availability+Awareness**



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# Mass health insurance program : RSBY Case Study

# Product structure: RSBY Mass health insurance program

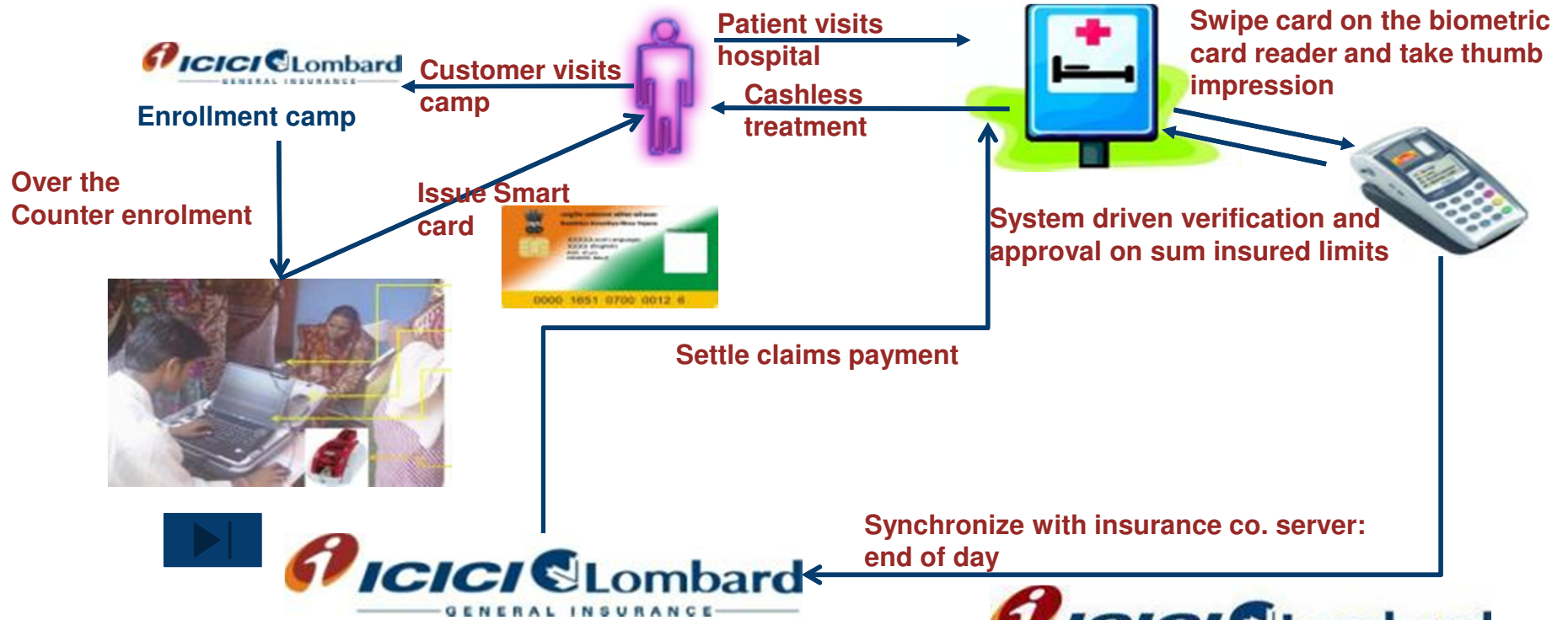
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- Covers for hospitalization expenses
  - Covers up to five members of a family
  - Pre-defined surgical packages including maternity, newborn care & day care
- Premium contributed by government with part premium paid by the family
- On the spot delivery of Biometric Smart Card to identify the beneficiary
- Hospitals need to be empanelled and trained to be part of this program

**Pre-packaged, smart card enabled, affordable and closed loop servicing**



# Technology driven, hassle free process



# Unique features

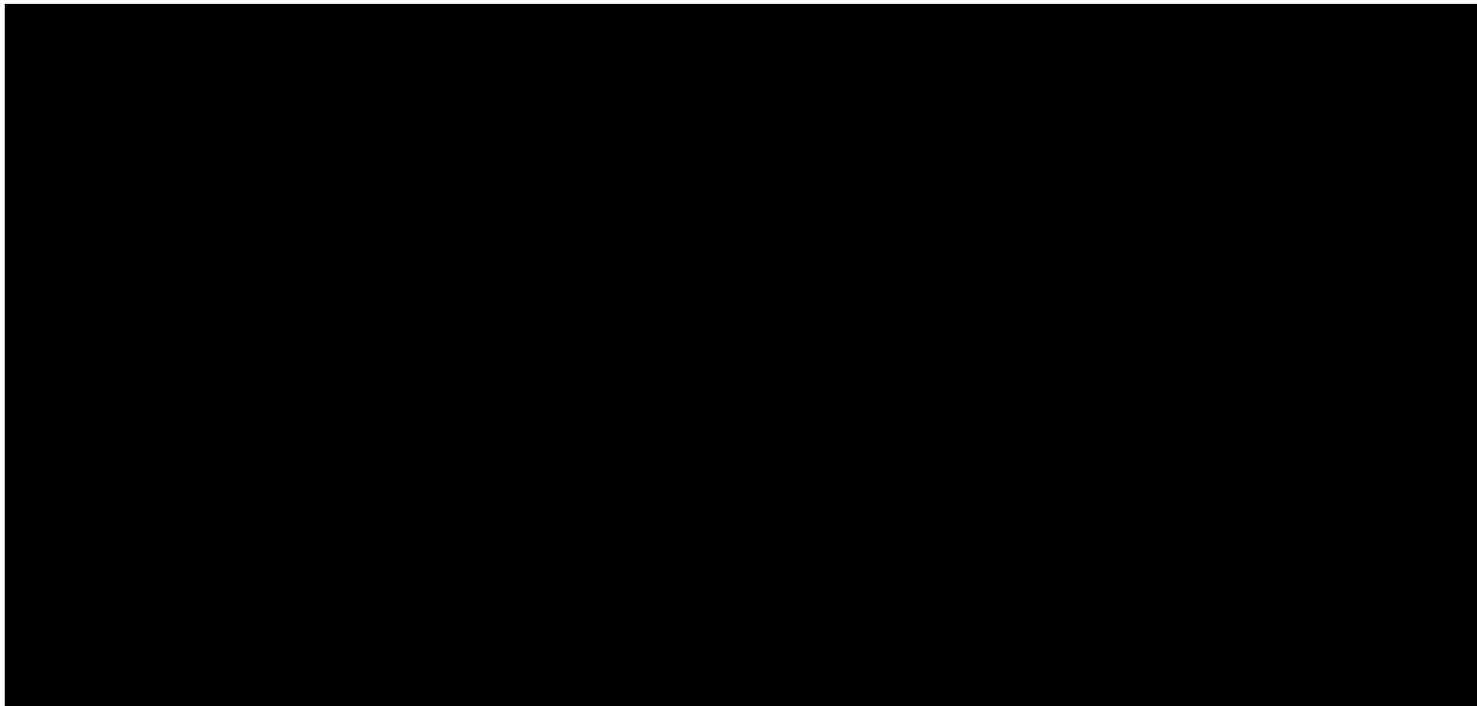


- **Biometric smart card to uniquely identify the beneficiary and control fraud**
  - Photograph & Fingerprints captured
- **Empanelled hospitals have card reader installed and are connected real-time**
  - System driven approvals for inpatient treatment of the beneficiary; zero paperwork
- **Cash less and paperless transactions**
  - Hospitals-Insurers: SMS, Push based technology for claims management and financial reimbursement
- **Improved access to health care and reduced out of pocket expense**

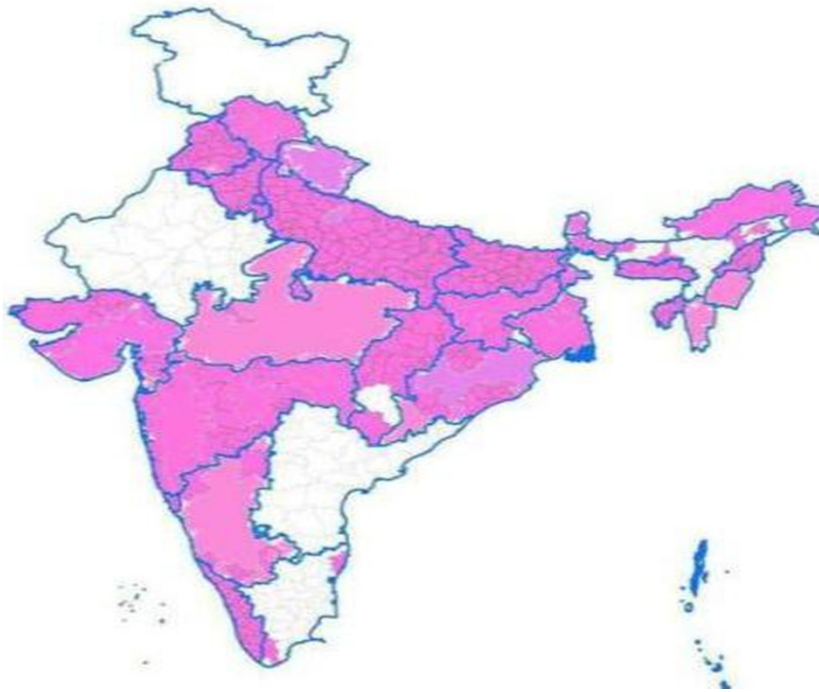


# Impact of RSBY Mass Health Insurance program

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# Impact of RSBY Mass Health Insurance program



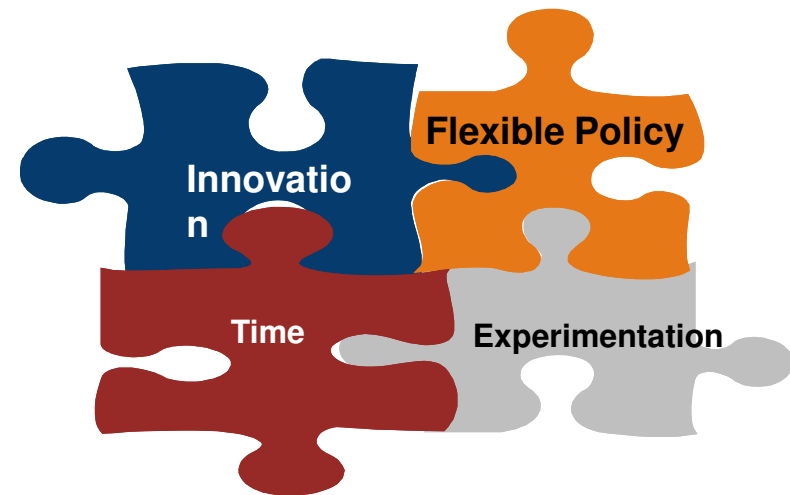
Category	Numbers
Number of families	23.5 million
No. of families enrolled by ICICI Lombard	9.8 million
Number of states started the process	26
Number of Insurance Companies involved	11



# In conclusion

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- Challenges thrown up by growing economies like India, presents an opportunity within
- Need to be nimble footedness and open minded in approach
- Patience to work along with institutions, government, development agencies and key stakeholders
- Innovative and out of the box thinking



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# Thank you

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# Enrollment infrastructure



**Web Camera:**  
for Photograph

**Optical Biometric Scanner:**  
for Fingerprints

**Data Masters:**  
Based on State's BPL data

**Battery Power Back-u**  
for Undisrupted  
Enrolment

**Dye-Sublimation  
Printer**

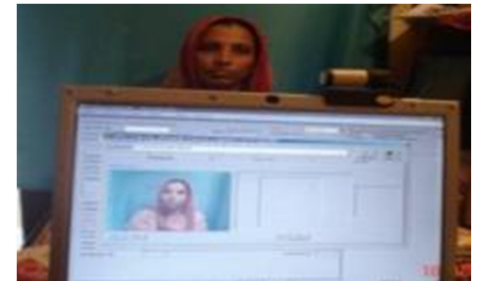


Photo of head of the family



Thumb impression



# Key factors contributing to growth of General Insurance industry

## Product

- Innovative products led by Health insurance driving growth of retail sales
- Liability & Infrastructure linked products driving the wholesale segment

## Pricing

- Initiatives towards moving to Risk based pricing post de-tariffed era (after initial years of sustained price discounting)

## Channels

- Growing focus on alternate channels (Internet, Mobile, Phone sales, Malls); Cost -economic models to reach the customer

## People

- Personnel from varied streams, contributing to an enriched talent pool of the insurance work-force

## Service

- Re-engineered processes to cut documentation and quicker turnarounds
- Service differentiation to drive market-share
- Regulator keeping a check and publishing data on turnaround times

