Four Countries with High Insurance Penetrations and The Lessons We May Learn (Part II)

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Abstract

The objective of this paper is to study the critical success factors contributing to high insurance penetration levels in four countries viz. Taiwan, South Korea, South Africa and UK. In January 2019 issue, discussion on Taiwan and South Korea and the major players in these two markets namely Fubon Life and Samsung Life were covered.

Part II of this article will include detailed analysis of the remaining two countries and its major firms - South Africa (Old Mutual Life Assurance Society) and UK (Aviva PLC). The last section of the article brings out the lessons that may be learnt in the Indian context.

South Africa

South Africa is one of the strongest emerging economies of the world today. It has a mature financial market. The top life insurers of South Africa are world class in the sense that they have their strong presence in the other countries of the African continent and even beyond. Their rich experience helps them to grow continuously although South African economy finds rather difficult to grow at this moment. While the economy barely grows at 1%, the life insurance industry grows at a much faster rate. The reason is, growing urbanization and rising middle class in South Africa are making demands for savings oriented life insurance products. South African insurers and other InsurTech companies of the country are making best use of the opportunities are able to take insurance penetration to the level of 11.4. Let us see more closely the critical success factors of South African life insurance industry below:

1. Historically, life insurance business in South Africa has always been very profitable. Since 1860s, mining has been a very profitable business activity in South Africa. But, this occupation was hazardous to health and life. So, insurers always found it quite easy to sell life, health and disability insurance to people. Renowned insurers of UK opened their offices in 1860s and since then, the people of all communities were brought under life insurance cover. By 1900, 50 foreign insurance companies were doing life insurance business in Cape Town alone. The

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company like Old Mutual Life Assurance Society still exists and is the leading life insurers of the country, with market share of 16.26%. So, people of South Africa had always been aware of the benefits of life insurance through the services of some very old and trusted insurance companies.

2. With the passing of Financial Sector Regulation (FSR) Bill (also known as Twin Peaks) in 2013, the insurance sector has been able to earn more trust of the insuring public. Under this system, there are two regulators. One is in charge of prudential supervision and the other covering market conduct. The insurers have welcomed Twin Peaks as they feel that the regulation not only protects customers, it also saves insurers from financial crimes.

3. There is very stiff competition among life insurers of South Africa. The market leader, Old Mutual is a leader with just 16.26% market share. The pressure of competition means only the best remain in the business. Since 2009, a lot of consolidations have taken place and the market now consists of only very capable players. The customers get the benefits of competition and that is the reason they get reasonably good products and services. All this improves the insurance penetration figure of South Africa.

4. South African life insurance business has increased in recent times with prominent banks either acquiring insurance companies or selling Bancassurance. Standard bank acquired Liberty Life in 1999 and Absa bank opened an integrated portal for online finance which included access to life insurance products. First Rand bank has Bancassurance agreements with three life insurers, namely Discovery, Outsurance and Momentum.

5. There is no restriction of any kind in any company joining the insurance industry. Business flows there from many directions. Companies of telecom industry have started selling micro insurance to its millions of mobile phone users. Some firms are offering free insurance with phone credit, with customers acquiring more coverage with higher credit purchases. Such schemes are so easy for customers that they are making full use of opportunities.

6. Life insurers do a lot of health insurance business in South Africa. They are able to do this because there is almost no Unified kind of public health insurance system in South Africa. So, alongside the non-life insurers, life insurers too are able to offer a lot of health insurance products to people in South Africa. The country has witnessed many noble initiatives by capable people. A health start up named Discovery had found that four major diseases – cancer, diabetes, heart disease and lung disease which contributed more than 50% of mortality are caused by three wrong lifestyle choices namely smoking, poor nutrition and poor physical activity. So, the insurance start up tied up with a massive gym chain and offered insurance at greatly reduced premium if one could show that he was an active participant of gym instruments. Discovery also issued a Vitality Card which enabled the customers to get further reduction in premium if they could use the Card to buy Healthy Food available with a chain of grocery outlets. Later, the company switched to life insurance with similar kind of "Healthy" features built into each of its life insurance products. In fact, South Africa is high on insurance

penetration because the companies are high on innovation.

South Africa has a strong culture of innovation. Let us take the case of Discovery. Through a yearlong activity known as "Inspiring Excellence", they encourage people to generate innovative business solutions. They believe in investing in innovation, even if that produces no immediate business success. They know, the culture of innovation will soon benefit the company as well as the customers. And there are many companies like Discovery in South Africa.

7. South Africans are educated and tech savvy to a very high extent. The insurers are making full use of this. A large number of proposals in South Africa are completed online. Besides, South African insurers are using InsurTech (applications of Artificial Intelligence) to engage with customers very profitably. This is increasing customer loyalty and as a result, better insurance penetration.

As we have already seen, South African life insurance industry is characterized by a high degree of competition. There are 78 life insurance companies and many of them are established players in South African conditions. The market leader, Old Mutual is in the market for a pretty long time and is experienced enough to understand the market conditions. Here, we shall see how Old Mutual has established itself as a market leader in South Africa.

Old Mutual Life Assurance Society began its illustrious journey in 1845 at Cape Town. But, in the course of its journey, it has become a financial conglomerate as it has developed four separate verticals, namely Old Mutual (OM) Asset Management, Emerging Markets, Nedbank and Mutual Wealth. The insurer has its presence in almost all the continents of the world. OM Mutual Wealth is the market leader in wealth management business in UK. In fact, the company is listed in London Stock Exchange. The insurer is capable of providing comprehensive financial solutions to its customers. That makes the insurer so valuable and trustworthy.

Old Mutual is famous for launching innovative and useful products which cater to the needs of the people in the changing socio-economic scenario. One such product is 2-in-One Savings 4 Education. This is a very popular product among customers with school going kids. Two benefits are available under this plan. One is long term risk cover benefit. The other is short term benefit. So, the customer has two pockets as soon as he buys the policy. Any time within the term of the policy, the customer can take money from short term pockets for meeting smaller educational expenses like session charge, excursion charge or even special uniform charge. The customer can put top-ups in short term pocket any time. If the customer so wishes, he can give premium payments a miss for a certain period during the term. If the customer dies or become disabled, a lump sum is added to the long term pocket. The money accumulated in the long term pocket is available at the end of the term (when a lump sum is required for heavy educational expenses). This policy has savings and insurance elements. It encourages people to save through insurance products.

Old Mutual has always played a very important part in nation building. The insurer is committed to poverty eradication through job creation, capacity building for the national and provincial governments, property and infrastructure development and equipping learners with mathematical and scientific skills. So, people of South Africa (and beyond) are sure that their money is put to noble use by the insurer.

Old Mutual has not just been selling insurance in South Africa. It has been playing a stellar role in spreading financial education in South Africa. Their "Money Management Program" has attempted to reduce the poverty of the people by helping them to understand how to use limited financial resources to reach financial goals of life. They brought the characteristics of five wild animals found in the forests of South Africa, namely Lion, Leopard, Elephant, Rhino and Buffalo to show how the behaviour of these animals taught us how to manage our finances. This extremely popular Program helped ordinary South Africans to understand the need of savings, insurance and financial planning. Even children liked the Program and learnt a lot while they enjoyed taking the lessons. Now, the insurer has launched online workshops on money management, too.

Old Mutual has presence in 30 countries and believes in setting up long term sustainable partnerships with the communities. Through employee volunteering and cash donations to charitable projects, the insurer is able to know the people and the market better. That enables them to improve insurance penetration in the countries they are having their presence including of course, South Africa.

Old Mutual is known as an extremely responsible business entity. They care for the environment. The insurer invests its money in companies which use sustainable technologies. The water/energy consumption management and waste management are the insurer's priority areas. It invests in energy efficient lighting and recycling of scarce resources. Its employees are encouraged to reduce reliance on scarce resources. The insurer lets the customers know where their money is going. The insurer is able to convince its customers that their money is not only protecting their financial future but also helping to create more sustainable agriculture, affordable housing and education. The insurer helps in meeting the country's energy demands through low carbon emission technologies. Old Mutual is a signatory of UN backed initiative known as Principles of Sustainable Investments (PSI).

Old Mutual is committed to promoting diversity in the workforce. There is no discrimination as regards language, religion, caste or sex. Through their approach to Black Economic Empowerment, the company offers equal employment opportunities to all the citizens of the country. It is also a fact that more than 58% of the employees of Old Mutual are women. No wonder, Old Mutual is consistently voted as number one employer in financial service industry for years in South Africa. They are number two among all companies operating in South Africa. Due to the insurer being progressive in attitude towards people, it is able to get acceptance of people.

UK

The country which gave birth to modern life insurance products and their pricing is none other than UK. The first life insurance policy was issued in UK in 16th century. Life insurance existed there through myriads of formal and informal schemes, benefitting the lives of both the commoners and the elites of the society. People had always been appreciative about the value of life insurance there. Later, actuarial science became so much developed in the country that it was easier for the commercial life insurers to operate there. Life insurance penetration and density have always been high in UK. Presently, life insurance penetration and life insurance density are 11.7 and $3000 respectively in UK. Although Euro zone is in economic and political turmoil, the leading insurers of UK are doing extremely well even under difficult circumstances. The life insurance market in UK is very mature. Let us see what drives the life insurance industry of the country forward.

1. From 17th to the middle of the 20th century, UK was the economic powerhouse of the world. Industrial revolution took place in UK first and that led to the prosperity of a large number of the citizens there. As income and quality of living improved, there was need to manage the risk of suffering loss of income and standard of living. So, innovative life, property and other forms of insurance products were always available and there were many life insurers doing business in UK and other developed countries. As premiums were actuarially determined, the insurers were able to maintain solvency and profitability. So, life insurance penetration increased quite rapidly in UK.

2. In UK, life insurance was always considered as a safe way to build saving corpus. This corpus helped people in enjoying a decent standard of living in post-retirement days. Tax relief on payment of insurance premium was another reason why people favoured life insurance. So, alongside managing risks, people were happy saving their money through endowment policies. Although tax relief is no longer available on non-pension contracts, life insurers have not suffered much. Pension products are now sold in large numbers and tax relief available in these contracts make these products very attractive.

3. In UK, the regulators have been very liberal to the life insurers. The regulator knew that the insurers were contributing a lot towards the development of the economy and therefore required liberal kind of regulatory controls. Even under Solvency-II, the insurers of UK have been able to get some of the stringent norms of the regulation relaxed.

4. Many of the life insurers today have been in the industry for a long time and have thus got ample opportunity to build their reputation. Some companies are really very old and reputed, The Equitable Life Assurance Society being the oldest among them. Since, people have total confidence in these insurers, the life insurance business comes to them quite comfortably. Even smaller and newer companies are able to do well as people know the value of insurance for quite a long time.

5. As actuarial profession in UK is a very serious profession and many actuaries are employed in

insurance companies, these companies have been managed quite conservatively. As actuaries are very conservative by nature, the insurance companies have always been able to maintain profitability. Although this resulted in customers getting low returns, people of UK had always been mature enough to place a high importance on security of capital and were not too unhappy with the insurers providing low returns.

6. In UK, people always had the habit of borrowing money to buy house or other properties. Life insurance policies had always been mortgaged as collateral securities. So, that was one important reason why people preferred to own life insurance policies. In other parts of Europe (and elsewhere in the developed world), people saved money to buy houses. So, they did not have to mortgage insurance policies to any housing finance companies.

7. Life insurers of UK have been able to change their mode of operation with the change in time. Twenty years back, almost 96% of life insurance sales used to take place through face to face interactions with agents. But, insurers have now understood that they could reduce cost by reducing dependence on agents. Now, 62% of life insurance sales are effected through agents. Bancassurance, direct selling, worksite marketing etc have proved to be very cost effective.

   The insurers of UK used a very advanced actuarial model called "Performance Benchmarking" to estimate cost and profit generated by each distribution channel in respect of each line of products. They used Fourier Flexible Form econometric model to analyse data on the purchases of insurance products. This exercise enabled them to understand the effectiveness of each distribution channel in marketing different types of products. Advancement of actuarial science and technology have helped the insurers of UK in understanding the market better and launch better products with suitable pricing and distribution strategy.

8. In the recent years, financial sector in general and life insurance industry in particular are doing well in UK because of the presence of FinTech. UK's financial sector has been able to make a fast recovery from global meltdown primarily because of the resurgence of the financial sector there. The financial world of UK has understood that Finance talent and Tech talent has to work together if the financial sector has to grow further. FinTech is enabling the life insurers to reduce cost and engage with the customers more effectively. Insurers of UK work so much in tandem with the tech professionals that the new technology that is now helping insurers to increase their business, persistency and relevance is better known as InsurTech. Artificial Intelligence (AI), an integral component of InsurTech has revolutionized the way insurers offer personalised services to the customers today.

Now, let us see how the market leader in the life insurance and pension space, Aviva plc is managing to grow and keep its leadership position in the extremely competitive UK market. There are 108 life insurance providers in UK now. Aviva plc is the market leader with 14.7% market share in terms of the volume of premiums collected. Let us see what makes Aviva plc the market leader in UK's life insurance industry.

Aviva plc is an extremely successful insurer with excellent financials, high Solvency II cover ratio (189%), and high Employee Engagement ratio (74%). It has presence in 16 insurance markets across the world and has 33 million customers. The insurer believes in "Caring more, killing complexity, never rest and creating legacy". While Brexit has affected a lot of insurers of UK, Aviva has been least affected as vast majority of its businesses are locally incorporated and regulated.

Aviva enjoys the distinct advantage of being a composite insurer. This enables the company to provide the customer a wide array of insurance products, starting from life insurance to health insurance and retirement solutions and down to motor and home insurance. This helps the insurer in building deeper relations with customers. Customers are happy because they don't have to answer the same questions to multiple service providers. The principle of Aviva is "Ask him never" (the same set of questions).

Aviva is helping the customers to self-serve and self-solve. It encourages the customers in gaining insights into the financial matters and then take appropriate decisions. Aviva does not want its customers to be over-dependent on intermediaries. It enables the customers to research on the MyAviva platform before consulting the insurance intermediaries. Aviva works as true "Customer Composite". That means, the insurer tries to help its customers getting a comprehensive financial solution through life insurance, health insurance, non-life insurance and wealth management.

Aviva Life has launched a Pension Tracker System which enables the customer to see how her pension fund is growing. She can switch funds if she feels that will fetch better returns at the end. As 95% of the Aviva's customers (life or non-life or even health) have been brought under a single customer database, the insurer is able to review the various insurance needs of the customers from time to time quite easily. Most of the new corporate initiatives for customers are tech enabled. No wonder, in UK, 72% of customers have gone digital. Aviva's digital customers generally buy all sorts of insurance products (life or non-life) from Aviva only. That has been possible because the insurer is in a position to engage with the customers through digital platform on a continuous basis.

The customers of Aviva are so delighted with their association with the insurer that there has been an advocacy rate of 58% for the company. This is also known as Net Promoter Score (NPS). An NPS of 58% means there is likelihood that 58% of its customers will recommend others to buy insurance products from Aviva!

Another reason why Aviva plc is so successful is the way it nurtures the employees. It has innovative programs to build future leaders and also help women employees to assume higher positions in the organisation. The insurer invests a lot in developing the most promising 22% of its employees. It has identified 23 of its employees as #DusruptiveDigitalTalent and helps them to cause the necessary disruptions in the industry.

Aviva plc wishes to be a digital disruptor. They believe, that is essential now, to grow and serve customers. They are recruiting world's best digital talents from the fields of online gaming and entertainment sectors. They are also recruiting data scientists, app developers, innovators, entrepreneurs and start-up people. Instead of competing with the FinTech, they are working with them. The ultimate objective is to create excellent customer experience. FinTech is a great enabler in maintaining great customer experience.

Aviva believes in recognizing the special contributions made by its employees to the organisation. Every day, they look for such incidents in which some employee does an exceptional job to uphold the image of the company. The award given to the outstanding employees is even more innovative. The company donates £5,000 to the charitable fund of the employee's choice. Every year, one exceptional employee is chosen as Global Living Legend. This award is given only to one who shows exemplary customer sensitivity throughout the year at the workplace. The whole organisation and even the industry come to know of the name and work of this outstanding employee of Aviva.

Aviva is concerned about its communities and charity partners. That has endeared itself to the customers across the world and UK in particular. Aviva believes in acting sustainably and responsibly which aligns perfectly to its values. It has tied up with British Red Cross in helping people falling prey to natural disasters. Aviva is playing a vital role in skill-sharing and fundraising for the people in financial distress.

The company is regularly acquiring profitable companies overseas and also entering into joint ventures in other countries. This is building the financial strength of the company across the world. Through strong balance sheets, Aviva has been able to convince its shareholders that the company is insulated from external turmoil of the financial world.

Risk Management is key to Aviva's success. The insurer is able to diversify its risk through its scale, geographical spread, the variety of products and distribution channels. According to the Annual Report of Aviva plc[1], the insurer has recently taken steps to reduce the sensitivity of balance sheet towards interest rates. The insurer is investing primarily in fixed interest securities which closely match with the interest rate sensitivities of its liabilities. The insurer makes close asset liability matching, reducing sales of products with guarantees and shifting sales towards protection and unit linked policies.

The insurer actively engages with the government and the regulator in development of public policy and regulation. This enables the insurer to apprise the policy making authorities about risks that insurers face when there is sudden change in the regulations.

Cyber-crime is a risk faced by the life insurers everywhere in the world today. Aviva manages this risk by continuously investing in IT security. They employ their own "White Hat" hackers who regularly check the IT security system of the insurer. The insurer sends regular communications to the employees on how to be careful in using and sharing sensitive data.

Excellent Corporate Governance is also very important reason why Aviva is a top insurer of UK today. It believes in running the business fairly, honestly and transparently. Every employee of Aviva is given a book called "Good Decisions". It is like a Bible to the employees across the organisation. They understand the values of the organisation through this book and also the decisions they are required to take for honouring these values. These values guide the organisation and its employees to take care of the interests of important stakeholders. Strong Governance also enables the organisation to anticipate and adapt to volatile business environment.

To honour the spirit of good corporate governance, Aviva has people from diverse fields of excellence in the Board. 8 out of 11 Directors are non-executives. Among the 11 Directors, 4 are women. There are experts from the fields of insurance, banking, actuarial, law and technology. Most of these Directors have experience of working for global companies for years.

Aviva is in the business for 320 years as their first fire insurance policy was sold in UK exactly 320 years ago. Later, they concentrated more on life insurance. But, the association with the customers of UK is very very long and purposeful. This gives the insurer the required strength to tackle big issues. And this makes them very responsible for the society as well. It has been able to make the employees responsive to the needs of the society. Any employee can suggest inspirational projects for his local community. Aviva Community Fund (ACF) is active everywhere, including UK, the country of its origin.

Aviva has adopted almost all Sustainable Development Goals (SDGs) declared by the UN. Aviva is a top scoring company in Dow Jones Sustainable Index (DJSI). Aviva is one of the first global fund managers to integrate Environmental, Social and Governance issues in its investment decision making and one of the first to express its views through the power of shareholder voting. Aviva challenges accepted practices and initiates debates on sustainability issues in every industry they invest money in. In the process, they create shareholder value and build a legacy for the customers, communities and the entire planet.

Common Success Factors of the High Penetration Countries

We have seen what drives the insurance penetration in four developed insurance markets of Taiwan, South Korea, South Africa and UK. We have also seen what specific strategies are taken by the market leaders of these countries, to bring more insurance business. Among these four countries, UK has always been a mature insurance market. UK has been quite a prosperous country since 18th century. So, it was easier for the insurers there to increase insurance penetration quite rapidly. But, the other three countries had not been prosperous in the past. Taiwan and South Korea became Asian Tigers only in 1990s. South Africa is still considered as an emerging economy and UK has been facing some pressing economic problems for quite some time. They no longer rule the world. But, all the four countries have done certain things very correctly to help their insurance market to develop and keep the insurance products attractive all through the years. They did something very fundamentally correct for the blossoming of life insurance industry. In this section, we shall try to understand what they did so correctly. We shall try to find out some common success factors that helped these countries register high insurance penetration year after year.

1. **The life insurers of these countries study the changing socioeconomic profile of the people and design products that serve some important financial needs of the people.** For example, in Taiwan, the insurers understand that savings and annuity products are what the aging population need the most. In South Korea, insurers once launched life insurance products to take care of educational expenses of children. “2-in-1 savings4Education”designed by Old Mutual is another very innovative product to take care of all kinds of educational expenses of children. The insurers of high insurance penetration countries launch such products that are really new products and not “old wine in new bottle”.

2. **None of the top four insurers about whom we have discussed earlier at length, are interested in short term gains.** The insurers of high penetration countries have not built their positions in one day. They resisted from focusing just on quick profits and market shares. They believe they are long term players and can improve market share and profitability only be adding values ant not volumes. We have seen that the top insurers have not just sold products, they have been able to set benchmarks in the realms of Corporate Social Responsibility, Sustainable business, Employee Engagement and Corporate Governance.

3. **All the top insurers have been able to build excellent relationship with the customers.** The top insurers we have discussed about here have high levels of customer loyalty and customer advocacy. This has been possible because they have built meaningful relationship with customers. These insurers take care of aged customers. They help the customers in maintaining better health. All this make the customers more loyal to insurers. Again, there are very few cases of mis-selling there. That means, agents and other intermediaries are not unduly greedy to make money by unfair means.

4. **All the high insurance penetration countries use innovative means to spread financial education in their countries of origin and operation.** Top insurers there invested a lot of money and energy in helping people understand the need for saving through life insurance and managing various risks through life insurance also. People in these countries understand the value of life insurance and buy insurance even though returns from life insurance are low. Samsung Life invests a lot on spreading financial education among youths. Old mutual does that in more entertaining ways. These efforts go a long way in changing the mindsets of people.

5. **The high insurance penetration countries are able to get the best talent from the campuses.** Insurers like Fubon Life, Samsung Life, Old Mutual and Aviva are most sought after employers in their countries. These insurers not only recruit best talents, they have excellent training and mentoring programs to develop the best among them as future leaders. We have seen how they recognize the great work of the top performers. As people come to know about this, they become excited to join such companies.

6. **All the top insurers of the four countries under discussion have impeccable track record in discharging corporate social responsibilities.** The insurers have not just invested money, they have also involved their employees in serving the communities. The employee volunteers have improved the brand image of the companies manifold. They are the faces of the organizations.

7. **The high insurance penetration countries are also high on Corporate Governance.** The Boards of each of the top insurers ensure that they do not just register growth and high profits but also know how to take care of the interests of all stakeholders. They ensure that business is conducted ethically and transparently. Majority of the Directors are independent and have strong domain knowledge and relevant experience.

8. **All the top insurance companies mentioned here have effective risk management mechanism in place.** That helps the company to maintain solvency and profitability under all circumstances. All four top companies are global companies and it is quite a task to maintain so much of risks emanating from different countries. But, they have developed risk management experts to do the job properly, year after year.

9. **All top insurers of high Insurance penetration countries are using FinTech.** They have adopted Artificial Intelligence, Machine Learning, Block chain etc. to improve customer engagement and persistency. They all are in the path of fourth industrial revolution which enables them to cut costs, know customers better and design personalized financial solutions.

10. **Top Insurance penetration countries do the basics right always.** Their emphasis is always on proper selection of lives, proper underwriting and correct pricing of risks. They earn their money by doing these things right. Investment management is there but making profit just from that is not the focus. The primary focus remains insuring lives of people, charging competitive prices and selling products to large numbers of people.

11. **Changes in regulations favoured the life insurance industry of these countries.** The governments of these countries quickly understood that life insurance industry had already played a very important role in building the nations. So, they brought in changes in regulations to encourage people to buy more life insurance products. Actually, life insurers were in a good position to influence the decision making of the governments and regulators.

12. **Bancassurance played an important role in increasing the insurance penetrations of these countries.** All these countries started with one channel, that of tied agents. Later, they proved to be flexible enough to switch over to other distribution channels because they found that for certain product lines and certain customer types, tied agency channel may not be too effective.

13. **There is intense competition among the players in all these countries.** The competition is bringing out the best out of the insurers. Even the market leaders fail to grab more than 23% of market share. That means there is perfect competition and each insurer is working hard to earn

more market share, customer loyalty and persistency. There is healthy competition and main beneficiaries are customers. They get better products and better services. So, people become happier with the institution of life insurance.

14. **All the market leaders of these four countries are powerful conglomerates and all their subsidiaries act like cohesive teams.** That helps them to make more intense engagement with the customers. They know a lot about the customers. This benefits their life insurance business as also other businesses. By increasing customer touchpoints, they are able to get the Customer Lifetime Values of each life insurance customer.

15. **All four top life insurers we have discussed about have glorious visions for their customers and the country.** Through their activities for years they have been able to convince people that they do not just sell insurance products, they actually give people better lives. They work not just for their customers but also for the society. They live up to their vision statements. That makes them earn more customer loyalty and advocacy as well.

16. **All four top insurers are concerned about sustainable business.** They do business in sustainable ways and invest in businesses that do business by sustainable means. These insurers have accepted the SDGs adopted by UN and naturally walk the talk. The people of these countries like the business that is run in most sustainable ways. The customers like their insurers just not because they pay more dividends or settle claims in one day but also because the insurers work for the betterment of the environment and all sections of the population.

17. **These top insurers carry out regular market researches to understand the changing customer needs and aspirations.** The research techniques adopted are quite innovative and the customers take part in such projects happily. The researches cover the entire market and done with utmost sincerity. What is most important, insurers take action on the basis of such research work. So, customers are happy to see their suggestions and opinions being given due importance.

Can we implement some of the measures adopted by these top global insurers?

The objective of this paper was to understand the reasons of high insurance penetration countries maintaining high life insurance penetration year after year for the past several years. We have made the study in the previous sections and have also identified the common success factors of these countries. Although we have analyzed the strategies of only the market leaders of each of these countries, there are many other important players of these markets who follow similar strategies. The real purpose of this exercise was to examine whether some of the strategies of may be replicated here in our country, to improve life insurance penetration. After all, it is a matter of deep concern that the life insurance penetration is hovering around just 2.7 while there is a protection gap of 92% according to a study made by Tata AIA. So, there is need for more insurance cover for the people but the insurers are unable to tap the untapped potential of the market.

In this last section of my paper, I would like to suggest certain measures which can be taken by the Indian insurers, regulators and the government to improve insurance penetration. These measures are as under:

1. **Insurers should focus on long term benefits of the society and not just on short term gains in premium income and market share.** Life insurance industry is a social service oriented industry. Indian life insurance industry can realize its full potential only if it can add values to the lives of all segments of people. An insurer can grow only with the growth and development of the people. Any business has to be financially viable. In life insurance, an insurer can remain viable, i.e. "Solvent" if it sells right products to right people in large numbers and the customers remain loyal to the insurer for a long time. It is very unfortunate that for most insurers, more than 50% policies get lapsed or surrendered within first five years from the date of commencement. This serves the purpose of neither the insurer nor the insured. Insurers can have a healthy long term growth only if they have their presence in all market segments. Ticket sizes of all market segments will not be high. But, to earn people's trust and loyalty, the insurers must have their presence in both urban and rural areas. They have to reach the people with right products and that can be even group insurance or micro-insurance products. Jan Dhan accounts information can help the insurers to identify people living in vulnerable conditions and then offer them micro insurance by using tech enabled distribution channels. The country is progressing rapidly. It is a low-middle income country now with a rank of 125 in terms of per capita income (on PPP basis). But, it is poised to become stronger economically within foreseeable future. People will need more of protection and savings products. If insurers have to capture the Customer Lifetime Value, they cannot leave any customer. Every customer should be considered as precious. The insurers have to patiently serve each market segment, keeping in mind its own long term interest.

2. **Insurers have to build better relationship with customers.** This goes beyond settling claims on time and providing a great ambience at the offices. In this paper, we have seen how the top insurers of Taiwan, South Korea and Aviva are maintaining excellent relationships with customers. They provide such services which they are not legally bound to give. Healthcare teams of Fubon provide special services to customers suffering from critical illnesses. Samsung Life waives payments of a few premiums if an assured meets with some serious accident keeping him away from normal work. The top insurers show their human faces to the customers and win the hearts of customers passing through difficult phases. Indian insurers have to be innovative to find out how they can provide such value added services to the customers. They can start by providing such premium services to the customers who have already shown loyalty to their respective insurers by keeping policies in force for say more than half the term.

3. **Insurers must spread financial education among people and especially among the youths of the country.** This is their job. They have admitted this fact on the recently held Business standard Insurance Round Table 2018. In this paper, we have seen how innovative Samsung

Life and Old Mutual are in spreading financial education in their countries. Old Mutual of South Africa has made financial education a fascinating subject even among the children. In India, people must understand how much to save and invest on the basis of their risk and economic profiles. In our country, IRDAI is doing some job in this direction through their initiative "Bima Bemishaal". But, insurers have to do lot more so that the people of this country understand what insurance is and how it differs from other savings and investment products. Insurance is still least understood, yet most essential financial product. It is a product to be properly sold to people. According to a recent Deloitte study, India's millennials (people in the age group 25-35) are possessing 71% of household income. So, this is the segment of value for the insurers. But, youths have to be properly educated on the advantage of buying insurance at early ages. Vigorous financial education through print and electronic media and other corporate level campaigns are required to make life insurance a sought after product. Marketers of other financial products are more aggressive and innovative than the insurers. If the life insurers are not active in spreading financial education across the country, they will lose market share to other players of financial planning industry.

4. **Indian life insurers should thoroughly review the process of selection, training and nurturing talent.** The organizations should have more youthful look. It is not just pay package and promotional opportunities that excite talented youths to join an organisation. The top insurers described here have made the employees' working life very satisfying. Apart from usual allotted jobs, these insurers engage the employees as volunteers to serve the community. Fubon Life of Taiwan encourages their employees to attend gyms and basketball courts set up near the workplaces so that the employees are in the best of their health and spirits. There are counseling services too, for employees who require them badly. Samsung Life encourages the promising employees to undergo a "Junior CEO" program. This makes the insurer create leadership pipeline. Aviva recruits youths expert in the domains of Artificial Intelligence and Robotics. They make the tech talents and finance talents work together. Indian insurers need to encourage employees to grow in knowledge and experience in serving the communities. More employees should be engaged in CSR activities. The employees can be the best ambassadors of the insurers. They can do community work and spread insurance education as well. The customers are habituated to see the insurance agents only who have generally one-point agenda, to earn more commissions quickly. The customers will love to interact with employees who are of the same age, cultural background and tastes/preferences. Again, there should be more work-life balance for the employees as the youths today have to be given their own space also. Insurers traditionally work in "selling mode" only because they get credit for registering growth in business. Emphasis should also be on incentivising great work done in the areas of customer sensitivity and community service.

5. **Indian insurers should improve their record on Corporate Governance.** The top insurers of the high penetration countries have impeccable corporate governance records. They balance the interests of all stakeholders. Insurance customers of India still do not know much about the

products that they are buying. There is still a lot of mis-selling of policies. Otherwise there would not have been such high rates of lapsations and surrenders. The agents are nearly two million in number and the insurers find it difficult to monitor their activities. To the innocent customers, there is not much difference between the insurer and its intermediaries. Not all insurers disclose the statistics of claim settlement in public domain. Employees do not follow any set code of conduct across the country and this is not the right way to do business. Clearly, there should be more transparency and more sharing of information with the general public. The four top insurers whose stories have been narrated here are all listed in the countries of their origin and operation. That makes them extremely accountable to the stakeholders. Life insurers handle lakhs of crores of rupees. For better management of the companies and their funds, one more level of "regulation" is required. In listed companies, "Public" is an important level of regulation. When a company is listed, better corporate governance is expected to happen. In 2017-18, two life insurers have been listed in India. There are many more to be listed and that should happen fast for the benefit of the stakeholders. However, a life insurer, listed or not, should be more transparent to the public and there should be much fewer cases of grievances and litigations. There should be stricter enforcement of the provisions of Insurance Amendment Act, 2014 in the areas of mis-conduct/mis-selling by agents, Section 45 and payment of claims. I suggest that the insurers should talk to the customers (preferably over telephone) to ensure that the policy conditions, sum payable at maturity and death, exclusions (especially under health insurance plans) have been well understood by the customers.

6. **Indian insurers have to use more of FinTech.** So far, Indian insurers have used Information Technology for faster and more accurate processing of data. The global insurers have gone a few steps further. The insurers about whom we have mentioned here have used more advanced technology like Artificial Intelligence, IOT and Robotics to understand customers at personal level and design more personalised products and services. Advanced technology is helping them in understanding risks in a better way, pricing the products properly and engaging the customers at personal level at the platform chosen by the customers. For Indian insurers, it is very important to engage the customers at personal level because most of the customers do not know the basic features about the products purchased by them and the various products available in the market. FinTech makes far more manual processes (e.g. consultation with financial advisors) automated and assist the individual customers (and not push selling products) 24x7. Life insurance is a high involvement product. The insurer needs to engage the customers on a regular basis, to make her more knowledgeable about life insurance products and services.

7. **Bancassurance and other alternate channels have to be used much more in improving insurance penetration.** We have seen that Fubon Life now gets 50.97% of its business through Bancassurance although tied agency channel was once the mainstay of their distribution channel strategy. In South Korea, foreign insurers have grabbed a lot of market share simply by using Bancassurance channel. In South Africa, many prominent banks are acquiring insurance

companies or tying up with multiple insurance companies for selling insurance products. In India, private insurers are using Bancassurance quite well as they procure 53.5% of their business from bancassurance (IRDAI Annual Report[2]). But, the market leader, LIC, still depends heavily on tied agents for business and they get only 2.39% of business through Bancassurance channel. A lot depends on how the market leader functions in the market as they have more than 70% market share and have been in the market for the last 61 years. End result is, Indian life insurers get only 23.48% of their business from Bancassurance. LIC should make stronger tie-ups with banks, so that they get more business from banks which have branches all over the country. In fact, LIC has tie ups with some leading nationalized banks having pan India presence. Channel like direct marketing should also be used more as this is a cost effective channel and a lot of tech savvy youths prefer buying insurance without the intervention of tied agents.

8. **Indian life insurers having diversified business operations through their subsidiaries should work as single teams.** In this paper, we have seen that the top global insurers do not consider their subsidiaries as different business entities. In most cases, there is no separate annual report for life insurance vertical. They consider interests of all verticals together and then prepare business plans for the sustainable growth of all entities. Fubon has operations in the areas of life insurance, non-life insurance, banking and wealth management. No vertical is allowed to prosper at the expense of the others. In India, the financial service providers have life insurance business, non-life business, mutual fund business and asset management business. All are allowed to grow in their own ways. LIC has more operational areas. They do housing finance business, credit card business and also care home business. It makes customers confused about the real purpose of the service providers because one subsidiary says something that are not in the interest of the other subsidiary. The better approach will be to integrate the functions of life business, non-life business (if any), mutual fund business and housing finance business. Insurers should be able to clearly tell the insuring public how much to save through life insurance, how much should go for funding health insurance and how much can be invested into mutual fund, given the risk profiles of the individual customers. No vertical should be in conflict of interest with the other vertical. Each has its own purpose.

9. **Indian insurers should become true financial conglomerates.** All the top insurers we have talked about are having operations in the areas of life insurance, non-life insurance, banking and fund management. They have their strong presence in all mature insurance markets of the world. Old Mutual and Aviva have their presence in all continents. This enables them to improve their brand image and diversify risks of operations. Indian insurers are capable of emulating these legendary insurers. GIC Re is already competing with global companies and doing the job quite successfully. They do not benchmark any Indian company but the global re-insurers only. The insurers like LIC, SBI Life and HDFC Life have it in them what can make them true multinationals. LIC already has its branches and joint ventures in many countries. It has to be more serious on international operations by equipping its employees with knowledge, confidence and overseas working experience. It has to look beyond Indian diaspora, if it wants

to make its presence stronger in the overseas markets. The organization has competent professionals in the areas of marketing, claims settlement, fund management and actuarial science. Top private insurers like SBI Life, HDFC Life and ICICI Prudential can also make successful forays in overseas markets.

10. **Indian insurers have to be more concerned about doing sustainable business.** This is an age of doing business sustainably. The insurers should not just grow, the growth has to be sustainable. The growth of insurance companies should benefit the society in getting better environment, better development of the underprivileged class and betterment of living standard of their employees and salespersons. All high penetration countries are seriously concerned about sustainable development and many of them are signatories to Principles of Sustainable Insurance declaration. They have also adopted Sustainable Development Goals declared by UN. Indian insurers too, have to be more concerned about the environment and society. The aspirations of the Indians and especially Indian youths are not too different from other countries. They prefer an insurer that takes care of the environment, needs of the society and interests of the youths. Indian insurers have to invest the money in industries that use environment friendly technologies. The insurers' representatives, as members of various companies' Boards, have to raise their voices whenever some decisions are going to hurt the environment or the interests of the society.

Finally, I have to say that Indian insurers have to reinvent themselves at this hour. Life insurance penetration is horribly low at 2.72 while the average of emerging countries is more than 5%. The insurers are not able to collect a greater share of the money people are ready to save/invest. The life insurers are having their presence everywhere in the country. But, somehow their messages are not creating the desired impact. In this paper, I have shown how the top insurance penetration countries are able to sell insurance products (and mostly traditional products like endowment, whole-life, annuity etc). I have also tried to discuss on how the Indian insurers can make a turnaround. Life insurance is one of the least celebrated industries in this country. The insurers have to join hands together to project this as an essential financial product, at least for the 80% people of the country. The country is still a low-middle income country, with people not possessing insurance cover anywhere near their Human Life Value. The life insurers have to position their products properly, do more serious market surveys and launch products that serve the real financial needs of the people. Insurers should create exciting workplaces so that best talents join the industry. The youths do not want to hear how exciting their future can be, if they work hard. They want to get the youthful and energetic workplace right now. That will make them work hard with all their abilities and youthfulness.

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