



**NATIONAL  
INSURANCE  
ACADEMY**

**I7<sup>th</sup> Insurance  
Summit**

**QUEST FOR COLLABORATION:  
NEW FRONTIERS IN CLOSING THE  
INSURANCE PROTECTION GAP**

**THURSDAY  
14<sup>TH</sup> OCTOBER, 2021  
(OVER A VIRTUAL PLATFORM)**

*Seminar Proceedings*



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## BACKGROUND OF THE SUMMIT

National Insurance Academy, Pune, organized the 17th Insurance Summit virtually on 14th October 2021 on the theme “Quest for Collaboration: New Frontiers In Closing The Insurance Protection Gap Changing Dimension of Insurance Risks-Strategies to combat Emerging Challenges”.

The modern business world that we live in has been progressing at full throttle. People and processes have achieved unfathomable transformation, with insurance also making proliferating strides in recent years. But with changing times, comes the changing dimensions of risks. The Pandemic, which had brought the entire world to a standstill, has also made it evident that Protection Gap cannot be extenuated anymore. Increasing uninsured economic losses and losses of lives have a daunting effect on the growth of a country, especially in the cases of emerging economies. Hence it is imperative to address this Protection Gap to have a secured and sustained future.

The Insurance Summit 2021 aims to provide invigorating insights into closing the Protection Gap through rounds of discussions that would delve deep into exploring new frontiers in a world propelled by technology. These discussions intend to shed light on the intricacies of the Protection Gap in various facets and derive actionable solutions through the coalescence of all stakeholders.

Distinguished speakers from IRDAI, industry, and academic institutions from India and abroad participated in this. The summit was attended by over 446 delegates including CEOs and senior executives of insurance companies, reinsurance companies, risk management entities, brokers, and management students.

## ABOUT NATIONAL INSURANCE ACADEMY

The Academy, a preeminent institution in the insurance space has been playing a very active role in enhancing the skill set of the insurance professionals and creating a talent pipeline for the sector. Every year NIA trains more than 3000 insurance professionals in various facets of the insurance industry. The PGDM, of course, which is the flagship course of the Academy, is accredited by the National Board of Accreditation. NIA has a very important track record in providing a talent pipeline to the insurance sector of our country. NIA has been enjoying a 100 % placement track record in reputed companies for many years. NIA has also been focusing on research and consultancy for the insurance sector thereby contributing to the growth of the sector, as well as providing policy inputs to the people who provide a policy framework for the insurance industry.





## Opening Remarks by G Srinivasan, Director, National Insurance Academy (NIA)

At the outset, Mr. G Srinivasan welcomed Mr. M.R Kumar Chairman LIC of India and Chairman of the Governing Board of National Insurance Academy, Ms. SN Rajeshwari, Member (Distribution), IRDAI, CEOs, other personalities, students, and all others attending the Summit. Before getting into the theme of the seminar, Mr. Srinivasan apprised the audience about NIA and its activities.

### Seminar Theme

Mr. Srinivasan stressed that the theme of the Summit for Quest For Collaboration: New Frontiers and closing the insurance protection gap is very timely and relevant.



### Health Risks

The global pandemic, which has been devastating people for the last 18 months, has made people realize how vulnerable they are as a society. People had to lose their hard-earned savings or borrow to meet hospitalization costs as they had no insurance. Families of people who lost their breadwinners due to Covid had to suffer from economic hardships because they had no insurance to fall back upon. If people had taken insurance, maybe, their economic hardships could have been, mitigated to a very large extent. But many have not taken either health insurance or life insurance, and they had to suffer because of the pandemic. The insurance industry has been talking about insurance penetration for decades. But the pandemic has shown that this is a problem that cannot wait and needs an immediate solution.



## Climate Risks

The other important risk the industry wants to speak about is climate risk. This risk is assuming a lot of focus and importance these days. Today, countries across the world have been talking very openly about this important problem. Increasing carbon emissions and global warming not only contributed to an increasing number of Nat Cat events but also the intensity of the events.

Take the case of India, for example, every year, at least five to six cyclones hit both the East Coast as well as the West Coast. In the previous years, the West Coast never used to be hit by cyclones. But currently, the entire coastline of India is exposed to cyclones. And the number of flood events in India causing huge damages is also increasing. As the result, the insurance protection gap has gone up to as high as 90 %. It is distressing that the people who are impacted are from the vulnerable and marginalized sections of society. Whatever relief they get from the government is perhaps not adequate to take care of their issues.

In the case of Home insurance, too, only 5 % of the people have insurance protection whereas, in many other countries of the world, 95 to 97 % of the population have insured their homes and contents.

## Health Risks and Insurance

As regards health insurance, only 12 % of the population have bought health insurance from insurance companies. About 40 % of the population, in all, is benefited from the government health schemes. In India for the remaining people, there is no health insurance, leaving them completely exposed to a huge protection gap. Even those who are insured, have no cover for OPD and out-of-pocket expenses are almost 60 to 65 % of the health care expenses. And this is largely uncovered by insurance.

## Property Risks

A large number of small and medium-scale industries including (MSMEs) are uninsured. And even if they are insured, they are hardly adequately insured. In motor insurance, third-party insurance is mandatory. But still, a significant number of vehicles are uninsured.

## Cyber Insurance

As you are aware that the cyber risk exposures have been increasing in recent times, particularly, during the pandemic period, which has increased exponentially. India ranks the second-highest country in Asia in terms of cyber vulnerability and exposure. Cyber insurance



which provides indemnity against cyber risks has assumed today very important for organizations and individual customers. However, cyber insurance penetration is considerably low in our country.

### **Life Insurance**

In the case of life insurance, though many people have taken policies, the protection gap is as high as 92 %, which might be due to increased mortality risk during the pandemic and also largely inadequate protection. Life insurance, health insurance, and pension are very critical, and it is to be ensured that the benefit of these products reaches everyone. The reasons for the situation are:

- Lack of insurance awareness across different segments - How do we carry the message of insurance to people?
- Lack of reach of the insurance industry to the people. The question is, how do you build a low-cost distribution mechanism?
- Is insurance a concept being appreciated by the people? and how do we make insurance simple and accessible?
- Do people have the ability to spend on insurance? How do you make insurance affordable?

### **Conclusion**

Mr. Srinivasan concluded by saying that the issues raised above were very fascinating and important. The summit will discourse on these difficulties to identify some out-of-the-box solutions and unique approaches to resolving them. Following the opening session, two panels of experts will convene to deliberate. Mr. Srinivasan stated that the outcome in terms of the various insights from the speakers will be very valuable to policymakers and the industry in ensuring that India becomes a completely and adequately insured society as soon as possible.

## Inaugural Address by Ms. S N Rajeshwari Member (Distribution) IRDAI

### Opening Remarks

Thanking Mr. Srinivasan, for inviting her to the summit Ms. S N Rajeshwari Member (Distribution) IRDAI, extended her wishes on the occasion of Dussehra and Navratri to the participants.

In her opening remark, she has pointed out certain important findings from the IPCC sixth assessment report by Intergovernmental Panel on Climate Change. The report also states that the world has seen an increase in average temperature from the year 2011 to 2020 by 1.09-degrees and it is expected that this will become worse if effective steps are not taken. This global climate risk index, 2021 has ranked India the seventh most affected country by weather extremes.



The insurance industry, which has faced a slowdown in growth in 2021, has encountered some challenges in terms of reduced premium income and also, increased claim payments. It was a tough year, but the industry has proved resilient. The Indian insurance sector registered a growth of 12.78% in nonlife up to September 2021 and around 10 % in the life sector. In the insurance, sector transformation is happening. There is increasing IT penetration everywhere, digital activities are going on largely. The growing younger population is more interested in using digital for their other activities. There is certainly potential for high economic growth



despite last year that set back the countries trying to move forward. Of course, it is always said that the low penetration is an opportunity for the industry to grow further.

### **Relevance of Topic**

Ms. Rajeswari expressed her happiness that NIA had chosen a very important and relevant topic of protection gap for discussions, and was hopeful of finding some practical and implementable solutions. She also stated that she did not view it as one conference but expected many such meetings for sharing the idea again and again which would help in improving the risk protection for the country and the globe. The conference is a timely initiative, amid an unprecedented pandemic on the one hand, and the increasingly adverse effects of climate change on the other, which is further widening the protection gap. She viewed the protection gap as the difference between the optimal and the existing insurance coverage for a country.

She referred to a study on tax revenue; from the various calculation, one can work out the insurance coverage that should have been for the industry, which is one of the factors in calculating the sum insured or the insurance protection required and the gap. This gap is the difference between the economic losses and the insured losses.

It not only discusses what is not insured but also covers the lives and the properties that remain uninsured or underinsured. The gap is dynamic and related to various factors including the GDP of the country, the population, the catastrophes, and technological advancements.

### **Gaps**

The industry is facing newer developments, including cyber risk, which will have a bearing on the protection gap. This gap also has a reinsurance perspective. If the insured is inadequately protected by the insurance, then that also contributes to the gap between the supply and the demand for the insurance capital. So why it is necessary, that the protection gap is talked about? Why is it so important? Because the country's ability to have financial stability and growth is being affected. And if the protection gap widens, it will be a huge financial and fiscal burden in the future. The year 2020 will be remembered because it started with a global health crisis in the form of Covid-19, and it also evolved into an economic crisis across the entire world. In 2020 natural, catastrophic, and Covid-19 widened the protection gap.

### **Effect of Pandemic**

The economically weaker section (BPL segment) and the people working in the unorganized sector were the most affected people in this pandemic as many has lost their jobs and had to



move from one place to another to join their families which led to an employment gap. The education gap for the children of the BPL has increased. This calls for proper risk mitigation strategies to be put in place by the stakeholders to reduce this gap. We should have the right solutions that can be given through affordable and the best insurance products.

### **Major contributors to the protection gap**

Climate change: Earlier these catastrophes were witnessed rarely. But now they occur yearly. Climate risks are affecting both assets and liabilities side of the balance sheet. Glisson estimated that 1 percent of the insurance coverage can reduce the overall costs of - climate-related disasters by 22 %. The gap can further be reduced if the insurance penetration increases.

Secondly, a large number of properties being built in vulnerable locations like flood plains and coastal areas increases the exposure largely. However, with the increased technology adoption and also use of geospatial technologies, early warning systems and disaster risk communications have improved which has reduced mortality risk and enabled the people to be moved to safer places. But the damaged property has to be rebuilt, but what is not monitored is whether the construction and materials being used would protect the construction from the flood or cyclone.

She pointed out the lack of awareness among the people about the government health schemes. Still, there are uninsured even when the scheme is available. A major role is to be played by the government, and the insurance sector. There should be a collaboration of the local sector, of all sectors to tackle climate change. Many state governments are collaborating with insurance companies to bring out a model with the subsidy from the state government. This can be done by educating society and developing affordable solutions.

The health protection gap, there are two factors contributing to the gap. One is out of the pocket expenditure. The other is the treatment that one person has forgone due to non-affordability. So these two will contribute to the health protection gap, which has to be addressed.

### **Data & Technology**

Technology is going to be a great enabler. Insurers are generating enormous amounts of data. But even 10 to 15 % of the data is not being used. Data is being used as it is structured. But the unstructured data is not being used to derive solutions. Machine learning will help bring



out tailor-made product propositions to meet the customer’s needs. They help to ensure that physical fitness is gaining popularity day by day.

### **The gap in Different lines of insurance**

For Customers at the base of the economic pyramid, insurers have to come up with cost-efficient solutions for them. Simplification of products, including digital, enrolment of settlement claims, and proper distribution channel. Leveraging the digital channels, a public-private partnership can take forward the insurance scheme, which is already happening in many government schemes.

The IMF was introduced to deepen the penetration and reach the aspirational districts. The number of people applying and the number getting licenses is probably one-third resulting in a gap.

In life insurance and retirement savings, there is a big gap. Awareness has to be created amongst the people for reducing these gaps. All the stakeholders including the government, insurance companies, financial institutions, and voluntary organizations, have to work together to create awareness. More and more awareness campaigns should be held to improve customer engagement.

There should be an exclusive sandbox for the rural and micro-insurance-specific products. Insurance companies have more than a hundred products, but most of them need to be re-examined or improved. Probably, they have to revisit the products which are quite old. Many microinsurance products that the companies have not experimented with for long so that we can revisit and use more and more innovative solutions. Certainly, that is a major role for the insurer and the Regulator to unlock the potential to increase insurance penetration. Ministry, DFS, and IRDAI are discussing ways to increase the penetration. IRDAI came out with the idea of each insurance company adopting a village so that 100 % insurance is there in each of the villages. Insurance companies can contribute in many ways. They have huge knowledge so they can spread knowledge; they can design the product, they can communicate properly so that the policyholders can understand the issues and then why they need insurance.

### **Conclusion**

Ms. Rajeswari, while concluding, stressed that the challenges must be identified and solutions are to be discovered. She ended on a positive note mentioning that the insurance industry will be contributing and participating in closing the protection gap.



## Keynote Address by Mr. M.R. Kumar Chairman, LIC of India

### Background

At the outset, Shri M. R. Kumar expressed happiness in joining all in inaugurating the 17th Insurance Summit. He mentioned that over the years, the insurance summit has become a platform of very great importance for the insurance industry to come together and deliberate upon issues of significance and challenges surrounding the insurance industry. The summit has proven itself to be very helpful in brainstorming new ideas and giving a general direction to the implementation of solutions, finding some new opportunities amidst the challenges that are being faced. The summit aims to discuss and deliberate on the challenges posed by the problem of protection gaps for an emerging economy of the 21st century. Mr. Kumar emphasized that the protection gap is not just insurance protection but evolves around many other gaps that exist in our lives.



Early intervention in addressing this protection gap also meant collaborating on solutions that would help to achieve multiple goals at the same time, that would drive towards the prosperity of a modern economy.

### Insurance Penetration

The stability of life, health, and pension also need to be looked at differently to ensure that the restorative powers reduce the shocks of economic and financial nature affecting the overall well-being of households, especially those at the bottom of the pyramid. They have



been frequently affected by natural calamities. This pandemic has caused not only the death of the breadwinner but also loss of income due to incapacity. Some sections of society will get subjected to utter poverty in the absence of insurance penetration. Giving the reasons of non-affordability, lack of awareness, etc. Mr. Kumar emphasized that the industry must jointly take ownership of the challenge and should continue to steer towards reducing the production gaps. These gaps exist in all lines of insurance but are more prominent in life, health, and pension businesses.

On the pension front, the Indian household finance landscape is distinctive due to the near-total absence of pension wealth. Pension accounts and investment-linked life insurance products exist in a few States. While in most states, the contribution of pension wealth to household wealth is very negligible, there are states where the central and state governments have joined together to deal with insurance and find ways to reduce the protection gaps. More concerted efforts would be required at all levels to address the protection gap in a very holistic manner.

### **Reduction of Protection Gap**

Three developments that have lessened the trajectories of protection gaps in India, which Mr. Kumar highlighted are

- (i) The contribution of social welfare schemes led by state ministries, along with the participation of the banking and insurance industry, has been phenomenal from around 2015 onwards.
- (ii) The regulator's push for simple and standardized products for both life and the non-life segment is being well received, and these products can fulfill this inclusive insurance goal of the industry.
- (iii) Social health schemes such as Ayushman Bharat are a colossal scheme in improving health and providing quality care.

The Covid-19 crisis has only accentuated the need for closing the protection gap in life and health and this is the biggest task for the insurance community, policymakers, and institutions. Insurers acknowledge that the need for protection varies across the life stages. Life insurance protection in the form of term cover during the early years to keep intact the purchasing power of an individual, whereas long-term care insurance and immediate annuities are preferred, keeping in view the onset of retirement planning years. The prospect of providing appropriate products, a combination of microinsurance, group coverage, and



flexible pension plans, can help in addressing protection gaps. We need to ensure the sustainability of efforts undertaken to close these gaps and find opportunities in closing this gap.

According to Swiss Re estimates, for the Asia-Pacific region, the additional annual premium potential is USD 292 billion per year. India will see a gradual reduction in life, health insurance, and pension protection gaps in the next few years. This is due to the several positives in the economy and tailwinds for the financial sector as a whole, increased per capita income and availability of disposable income in the middle-income groups supported by mobility, awareness, and visibility of insurance intermediaries all through increased participation in economic activities is where the opportunity lies first. Technology and data analytics can certainly help to identify the frontiers instrumental in closing protection gaps with innovative and cost-effective product design.

The protection gap will be reduced by the deepening and collaboration of insurance, reinsurance, and capital markets. This will usher in an era of absorbing severe losses by spreading them over the large pool of policyholders. The insurance industry needs to work closely to monitor handhold and grow business with new distribution entities such as Common Service Centres and Insurance Marketing Firms. These distribution entities are focused on reaching out to people rapidly with government Insurance schemes and other simple products.

Therefore, the insurance industry can grow its presence in rural and urban areas. This would not only fast-track insurance penetration and density in rural areas through the digital channel but also replace the entire physical presence which otherwise would have resulted in excessive cost. Unbundling again of financial services with wallets and payment apps that facilitate services to the users.

The insurance industry would be witnessing the innovation and participation of start-ups in the insurance arena.

- It provides an opportunity for insurers to collaborate with new start-ups for providing relevant solutions. Unbundling of insurance would be a process by which an insurer with several different lines of business would deploy emerging technologies to facilitate its business, backend, and front end and modernize energy.
- For the vast population engaged in the unorganized sector, digital banking and payment infrastructure using UPI can be utilized to nudge them for a small amount



of saving regularly from which small pensions could be managed. Visibility should play an instrumental role in helping people buy the requisite protection.

- The biggest aspect of the insurance solutions designed to reduce protection gaps must be the products that should be affordable.
- As India advances, the pace of development activities in rural areas cannot be ignored. The attractiveness of rural markets has been mostly unrivaled by the pharmaceutical companies in India. In rural and urban areas, India is committed to investing 100 billion U.S. dollars by 2025 in the rural market. This accounts for 40 % of the overall market in India in revenue terms and is anticipated to expand at a CAGR of 17.4% to US 100 billion leading to 25%. The rural destinations may prove viable for the insurance industry.
- The workforce participation in the gig economy is growing and therefore life insurance needs to have a different outlook towards such consumer markets because the gig lacks the structure of formal employment benefits such as life, health, and group covers which are almost absent or voluntary in most cases, and hence there is a large protection gap for people in such work arrangements. Collaboration can be a key to getting a foothold in this fast-growing market as a near-term target.

### **Concluding Remarks**

Mr. Kumar suggested that the insurance fraternity in India must adhere to collaborative governance, along with the participation of apex bodies that would seek to raise demand for insurance by bringing in new segments of the population, where they are excluded or underserved within the system of protection and compensation provided by insurance. He also stressed that there are a lot of opportunities today to discuss and would result in conclusions regarding going ahead. He wished the summit all success and looked forward to the outcome of all the discussions.



## SESSION 1 - PANEL DISCUSSION ADDRESSING THE PROTECTION GAP: NEW VISTAS IN STRATEGIES

The quintessence of Insurance in the face of crisis is – Respond, Recover and Thrive. Closing the Protection Gap poses an imminent challenge that has to be addressed by resilient measures. The first was the Panel Discussion on the topic- “Addressing the Protection Gap: New Vistas in Strategies. In this round, the industry stalwarts contemplated the concurrent approach to Protection Gap, the hindrances that exist, and the emerging frontiers affecting it. Thus this round analyzed the repertoire of Protection Gap in the local and global arena, for arriving at new strategies to close the gap.

There was a discussion about the challenges in tackling the insurance gap in India, the reason for the insurance protection gap, and the solutions to bridge that gap.

### **About the panelists:**

The panel comprised Mr. G. Srinivasan, Director, NIA as the Moderator, Mr. Naveen Tahilyani, MD & CEO, Tata AIA Life Insurance Co. Ltd, Mr. Mahesh Balasubramanian, MD & CEO, Kotak Life Insurance Co. Mr. P C Kandpal, MD & CEO, SBI General Insurance Co. Ltd. Mr. Mayank Bathwal, CEO, Aditya Birla Health Insurance Co. Ltd. Mr. Sanjay Kedia, Country Head, and CEO, Marsh India Insurance Brokers Pvt. Ltd.

The key point of the panel discussion was to find solutions i.e. for collaboration with each other, how we can collaborate with the government, regulator, and various other agencies to find solutions because the protection gap is no longer an issue that is just discussed. In the last 18 months, people not being insured have caused a huge economic and social challenge to the country... the protection gap in life insurance is quite high as several people are not in the life insurance protection net, and most of them are marginally insured. What are the issues that we could discuss and the solutions to address this problem?

Mentioning that it was a serious problem, Mr. Tahilyani, MD & CEO, Tata AIA Life Insurance Co. Ltd, said that the protection gap in India is estimated between 82% to 92%, and this problem is not specific to any one segment but it is across sections of society. In Asian countries like Hong Kong and Singapore, the protection gap is around 41% and 55% respectively. There could be an argument that these are developed countries but in China, the



gap is 70% which is better than in India and all these data are enough to take constructive steps in bridging the gap.

The major reasons are:

**Market Evolution** is the way that the market has evolved, and every market has a peculiar way of evolving on the savings side as well as on the protection side. And the way that market has evolved is quite different from the way many other Asian markets



have evolved. The mutual fund industry as a savings powerhouse has come into being only in the last 30 to 40 years and for a long time, insurance has been seen as a vehicle to save rather than to protect.

**Lack of Awareness** is one of the biggest hurdles in insurance penetration. Indians want to insure their car and get mobile before they want to insure not realizing the value of one life versus one car. The other bigger issue is that many people feel they are adequately insured by purchasing some insurance policies. But what matters is not the number of policies, but the adequate coverage. Customers in our country are confused between the premium paid and the cover provided. Many do not still understand what amount of protection is adequate for their family.

#### **Solution for the issues relating to the insurance protection gap:**

**First**, the industry needs to come together for an awareness campaign like the mutual fund industry. The life insurance industry needs to understand that this is not an opportunity for



competition rather it is an opportunity for collaboration to grow the market. All the key stakeholders should come together and drive the message.

**Second**, the industry needs to work with the government to make sure that this awareness campaign is supported by the right incentives, particularly tax incentives. we can look at expanding the opportunity for tax exemption.

**Third**, products need to be simplified as they are complicated. Simple standardized products are required.

**Fourth**, what is the proposition of the life insurers to the customers? The proposition to the customers is that they may die or fall sick. It is required to move from such a perception and say how insurers can partner with customers to improve their health, happiness, and well-being. Insurance companies in other markets are working hand in glove with their customers to manage their health and wellness regularly educating them about health or diagnostics, nutrition, fitness, and mental health which would help increase their quality of life.

Lastly, our processes for buying life insurance, particularly protection, are very cumbersome. We are still looking to underwrite based on the medical test when it is proven that the validity of the medical test is short. There are emerging technologies that allow understanding the health of a customer over a long period.

### Panel Discussion Highlights

We know that the non-life penetration is still about 1 %, though the insurance awareness has improved during the pandemic time. One of the major reasons is that many do not understand the importance of protecting their life and assets adequately.

- Three mantras for increasing insurance penetration are improved Insurance awareness, simplifying the products, and making them affordable with increased accessibility.
- Pandemic has helped in creating awareness about the importance of risk protection, but it is not enough – people should think beyond the health issues too. For instance, Hurricane typhoon used to hit once a year but it has now become a regular feature.



- Rural areas suffer more, loss of crops or cattle, the money is required to get back into their normal operation. Moneylenders exploit rural customers by charging exorbitant interest up to 36% per annum.
- Create awareness and educate them regularly: one needs to start from the ground, and insurance should be taught in schools. Govt support is essential for creating the required awareness in the selected regions. Even today not much awareness is there for Jan Dhan and Jyoti Bima Yojana. Most accounts are debited but are hardly used by the beneficiaries.
- Banks have huge networks i.e more than 1 lakh branches, and how can the bank branches be utilized in creating awareness. Financial education series can be used for creating insurance awareness.
- The insurance premium is largely seen as a charity as the premium is used to indemnify somebody, how can people be made to understand that, even if one person is rehabilitated, we are contributing to his/her rehabilitation.
- Availability as of now is through intermediaries and branches or corporate agencies, but digital penetration is still very early. Simplification of insurance and insurance information is required keeping both the urban and rural areas in mind.
- Invest in awareness drives through comprehensive channels, taking help from the government, banks and all possible platforms which will help reach a diverse demographic and make them aware of what insurance is and how it is important. Digital engagement with rural channels with simpler language(Nukkad Natak), is to be used.

**The moderator mentioned that distribution is a key challenge and insurers are not able to connect to certain sections of the society. What innovative ideas did the panelists have in mind? Any regulatory aspects that need to be changed?**

As per Mr. Sanjay Kedia, Country Head, and CEO, Marsh India Insurance Brokers Pvt. Ltd, some of the key points were:



1. When the Indian Market is compared with other industries, India has tremendous opportunities. But the current regulatory environment does not support faster growth for the insurer. The regulator has liberalized on the manufacturing side, but there is less focus on distribution. Bundling home insurance with other services is available in other countries. E.g., getting plumbing services insured along with home insurance. But such bundling of allied services along with home insurance, and home solutions is not seen in India. Who all can be allowed to do things related to insurance? We need dialogues on those aspects of combining risk management solutions and allied services.



2. Second, big reform required is that we need to treat mature insurance companies, as adults who can take care of their expenses. The market structure forces the insurance company to have a significant distribution. We have set caps on various other expenses. This ties the insurance companies. If the market is free in terms of pricing of premium and products or everything, then they need to be freed on the commission and management of expenses. Unless this is done there will not be market structures allowing big distribution setups to emerge.
3. Third, big architecture required is that Referral payments need to be allowed as in foreign countries. In India, we do not distinguish between the introduction and sale of insurance. Those introduction payments need to be allowed in different forms by an insurer. And that goes to the logical extension of a dialogue about the whole concept



and experiment on the point of sale, which is nothing but a kind of a sub-agency. Those are present in different forms in most markets. We need to bring that model also while holding the principal sponsor of some intermediaries accountable and then expand them to become full-fledged distribution.

4. The validity of the license for distributors is still 3 years. There is a need to have permanent long-term licenses also to be introduced. Most markets allow products to be filed by distributors as they are close to the customers and then interested insurers can also develop it further with certain modifications. Many reforms are required on the distribution side, which will truly enable them to tap the potential of the country.

**The moderator then asked how to solve the insurance awareness issue, already the pandemic has increased demand how should the insurance industry grab this opportunity?**

Mr. Mahesh Balasubramanian, MD & CEO, Kotak Life Insurance Co. had the following observations:

- First: the pandemic has certainly brought the need for protection to the forefront more than ever before. People have genuinely felt the need, whether it is life insurance or health insurance. It is very important how the industry uses this current wave of awareness swept in to convert it into an opportunity and also thereby increasing the penetration of insurance.





- Second: If one takes a step back and looks at the entire journey of insurance in the last 20 years in this country, insurance was sold in a very different way in India. It was sold as a savings first and protection, later.
- Since our products are sold, insurers are well associated with the distribution channel because they are selling the product. In the digital age, people have been able to deliver on a whole lot of direct-to-customer models because the value proposition has been extremely strong. We think of a product that the distribution channel will like and not the customer.
- Third: We are providing products to customers that they do not understand. Hence the product has to be sold but cannot be bought as it is not simple. Insurers need to start thinking of customers and should come together as an industry.
- Looking at the entire journey of the insurance industry, insurers have to go back to when it started as savings, but now there is a competition between insurers focusing on selling products and not on satisfying customer needs.

This approach of the insurance industry is not correct, we should focus on customer needs first. Insurers focus on distributors first, regulations and laws and at last on customers, all the processes are turned upside down. When we change this process and start thinking about customers, then the insurance industry grabs those available opportunities.

**The moderator then raised the question that the pandemic has created a lot of awareness but still there is a gap, how to curb that? How do reach that part of society which isn't insured & aren't aware of the benefits of insurance?**

Mr. Mayank Bathwal, CEO, Aditya Birla Health Insurance Co. Ltd., had the following observations:

- Need to understand how products & services are offered to customers. Do the customers understand the products? People are looking at their goals and aspirations so the offering should be relevant. Long way to go to bring a change in the way service is provided.
- There are opportunities to expand the whole bouquet of products.
- Customer is not interested in knowing about sickness therefore the health insurance products should be talked about positively. Customers should be incentivized for being healthy; digital transformation will make it happen.



- Insurers need to capitalize on technology to bring a change. Collaboration with customers & InsurTech companies throughout their whole journey will improve the customer experience.

**The next question that followed was that people understand the need for insurance, but they have certain doubts regarding insurance products, there is a trust deficit so how do we make them believe that insurance will come to their rescue?**

The comments by Mr. Naveen Tahilyani followed:

- The solution lies in putting the consumer at the center. There are some green shoots in life insurance to this dimension. Over the last 5 years, there has been an improvement in persistency rates. The complaints from policyholders have reduced in the last 3 years. The following steps can be taken:
- Offer simple standard products so that the customers are not confused.
- The claim settlement ratios have been improved to 99 %. But still, there are few declined claims which means that enough attention was not paid at the underwriting stage.

- Underwriting challenges need to be addressed now on a first need basis, this problem can be countered if underwriting skills make sure that claims are adequately paid and fraud is prevented.
- There is also a need to improve our sales process. The industry can initiate the transition from a tag of “payer” to “partner”. There is a need to engage customers and start confidence-building measures so that there are some standards in the industry to operate.

He mentioned that he was glad that IRDAI has taken initiative by drafting guidelines that if implemented in a true sense will change the Life Insurance Industry.

**The next question put forth was about the Natural Catastrophic (NATCAT) risks. The natural catastrophes when viewed in the context of the protection gap as high as 90%. In NAT CAT events, insurance plays only a limited role., people impacted are people from the poor sections of the society, so how can the industry can ensure the protection of these people?**

Mr. P.C. Kandpal, MD & CEO, SBI General Insurance Co. Ltd. had the following observations:

- First, there are two aspects - one is what is the mindset of the people. They mostly perceive it as either Act of God or the government. But they are not aware of the role of the insurance companies. For example, in the US hurricane Katrina's 16-billion-dollar loss, the relief and rehabilitation measures were done in a very short time with the help of insurers and the government.





- Second, in the event of calamities - how do insurers reach on time, help the affected customers and settle their claims in quick time. If the documents supporting the claims are lost, it becomes difficult to settle the claims, and the individuals don't get the benefit.
- It has to be ensured that claim settlement is faster and the service platform should be settled when these claims happen. The government can help and a help desk can be set up.
- Creating awareness and settling the claims faster will encourage others to secure their risk.

**An interesting question then raised was about claims. i.e. the industry pays a lot of claims. But we haven't done enough to win the confidence back and what were the panelists' views on this.**

Mr. Sanjay Kedia shared the following points:

- Huge pay-outs have been made. But customers only remember the claims which have not been paid. A bad claims experience reduces the confidence of people in insurers.
- The regulator needs to take charge of the issue of large claims taking a long time to settle. The customers need transparency in the process. Regulators must align themselves to the global industry. Insurers should come together and ensure that when their claims are not paid, the reasons should be made very clear.
- Denial of claims tarnishes the image of insurers. The process needs to be user-friendly and transparent to win back the trust of the policyholders. Honesty in the policy is missing. Honesty is the best policy.

**The next aspect discussed was the role of technology in insurance to reduce the protection gap.**

Mr. Balasubramanian had the following observations to make:

- We are going through an interesting time when technology is completely redefining industries. A value chain is started and every industry adopts this change. Like other industries, the fintech industry creates a huge impact by



adopting these new technologies. They are building a good product that understands customer needs by adopting "3V". i.e. video, voice, and vernacular; vernacular needs to go deeper in India.

- 3V is a great opportunity to penetrate the insurance industry, Underwriting process is getting simpler by the day. Insurers do not need to reinvent a lot but need to adopt the technology

The next question was based on product innovation and its need in the health insurance sector. The market is not embracing the new products and what should be done about it.

Mr. Mayank Bathwal made the following observations:

- Today, the health insurance industry is covering only a few of the health care costs. Outside of hospitalization expenses (primary & promotional expenses), nothing is covered. So, there should be a framework for covering other health expenses.
- Primary care should be covered to make sure the customer does not go directly to the tertiary or last level of treatment. Gatekeeping should be done which will help us to analyze the risk.
- The whole network creation for outstation claim requests is in a very fragmented system. Including the local pharmacy or doctor is a mammoth task. If this is not managed properly, it leads to fraud & false claim tickets can be a very big cost. Fraud can be managed with technology through e-pharmacy, e-consultation, etc. The creation of a network on the digital side (an example is Practo) is needed for better tracking.

### Rapid Fire Round

There was a rapid-fire round following the first session in which the following aspects were discussed:

- 1) Why no new Life insurance companies are coming to the Indian market, what could be the reason – can it be due to low penetration?
  - The number of players in the market is not the challenge. The Indian market is different from a foreign market where the demand side is positive and has challenges on the supply side. In India, challenges are from multilateral fronts,



including product pricing, and regulations. The time has come to liberalize the Insurance domain and start treating insurance players as adults to face the challenges.

2) Bancassurance was expected to deepen the insurance penetration in the non-life industry. But it has not succeeded so well, what is the reason?

- Banks are playing many roles apart from selling insurance products or services. But in a recent survey, it came out very clearly that, on a trust level, customers rate bank branches higher than the intermediaries. They rely on bank partners and want bankers to play an advisory role when it comes to evaluating their risks.
- Banks can play the role of advisors to make customers aware of the need for and importance of insurance products. This will help in reaching every corner of the country and bankers can play a major role in reaching out to the customers in rural areas.

3) What are the ways of improving the reinsurance protection gap?

- Reports have suggested that reinsurers can solve large problems in a short period. Currently, Catastrophic Reinsurance is important. Insurers need to expand it to other avenues of large risks. India should bring in more reinsurers. The industry needs more reinsurers, competition, and a level playing field for all. There should not be a concentration of risks in a few reinsurers. Reinsurance needs to be more liberal, and competitive.

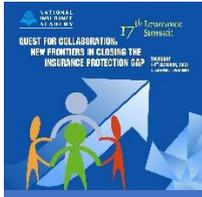
4) How do promote Microinsurance and improve penetration?

- Risk management by using data effectively and working on the 'principle of law' of large data, will improve accuracy. Accessing data available by IIB and making it available to insurance companies can improve policy efficiency.
- Specialization in microinsurance like working on standalone microinsurance could help to improve penetration in microinsurance.

5) Is OPD insurance going to happen in the next 3-5 years or is it just the myth/ imagination?



- It has to happen if the insurance sector has to grow & develop, have to reach where it should. It is not only for OPD insurance but also for the whole industry.
- As an industry to make changes in the offerings, it can be done only with the help/collaboration of regulators of different sectors & tax amendments.
- A large digital health ecosystem will help insurers to make these types of offerings possible both by network technology, administration, etc.
- Businesses are facing new and emerging risks as the global risk landscape becomes more complicated and interconnected. In this context, industry experts from diverse backgrounds explored various tactics and new ideas in their respective professional sectors to close the protection gap.



## SESSION 2 – PAPER PRESENTATION & PANEL DISCUSSION ENLIGHTENING DISTINCTIVE COMPLEXITIES OF PROTECTION GAP: A SPECIALISED PERSPECTIVE

The Panel comprised Dr. Steward Doss, Faculty Member NIA as moderator, Ms. Mini Ipe, MD LIC of India, Mr. Sanjay Dutta - Chief Underwriting & Reinsurance ICICI Lombard, Mr. Hitesh Kotak CEO, Munich Re India, and Prof. Madhusudan Acharyya, Senior Lecturer, GCU University, London.

The session began with individual presentations by the experts, followed by a discussion led by the moderator.

Ms. Mini Ipe, MD LIC of India, presented on the Systematic Policy Redressal for closing the Insurance Protection Gap. In her view, the Protection Gap is a social problem for the country but at the same time, it is an opportunity for insurers. The protection gap is a global problem among the emerging and developed countries but concerning India it is huge. India has one of the highest Protection Gap of 83% in life insurance. All the stakeholders need to take a lot of steps to reduce the Protection Gap.

- The major reason for the Protection Gap is: Saving first mentality, Low financial inclusion, Unbanked section of society, Treating joint families as a Safety Net, Lack of protection Awareness, Cultural nuances, and Insurance is perceived as a cost.
- The insurance ecosystem has a vital role to play in increasing penetration. Need to work on Policy>Products>Channels>Education together to build trust among the customers and this will ultimately reduce the Protection Gap.

Ms. Ipe stressed the need to focus on additional coverage by Government Social Security Schemes: PMJDY, PMJJBY, and APY,

Her recommendations for reducing the Protection Gap included :

- Tax Benefits to incentivize Life Insurance
- Provide an exclusive limit for Life Insurance Premium under section 80c Provide GST relief for Life Insurance.
- Mandatory Employer Life Insurance



- PMJDY accounts to have mandatory Life Cover ·Customized product.
- SHGs, and Micro-enterprises as channels.
- Digital Underwriting and onboarding.
- Dynamic Pricing Based on products and risk appetite.
- Education around the importance of protection.
- Bundle Life Insurance with other risks.
- True customer service.

Mr. Sanjay Datta, Chief Underwriting, Reinsurance & C ICICI Lombard, through his presentation, highlighted the following points:

- Looking at the complexities challenges to bridging the protection gap, all of them have solutions. It is a matter of perseverance and time.
- The key learnings from the pandemic are that lives and livelihood are connected very deeply and the geopolitical risks are accelerated.



- The impact and likelihood of global risks as risks are categorized as economic, environmental, geopolitical, societal, and technological, also climatic action failure being the top second risk.
- Risk can be termed short term, medium-term and long term;
- The global insurance protection gap for health, mortality, and the natural catastrophic risk rose by 6.3% to \$1.4tn in 2020.
- The difference between economic and insured losses results in enormous costs to society when disasters occur. The protection gap is rising, taking it to the extent of a record high, the amount of capacity variable increased, and the increase in penetration.
- There is a higher protection gap on the latest Health risks.
- A survey was conducted to understand the risks and the possible solutions. Geopolitical risks have increased, a key concern is a new-age risk that occurred suddenly and has a domino effect, it is unique.
- A new dimension of thinking is required. There are risk management solutions, but adoption and a systemic approach are a concern.



- Inadequate infrastructure is one of the main challenges. Organizations believe that risks can be better managed when done with insurers. Uninsured losses are growing faster than insured losses.
- Economic losses from NAT CAT in 2020 reached \$210 billion. There is a need for formulating a good framework that could view the risk impacts and fill the dependencies and vulnerabilities. Good underwriting models and risk management is expected. As policy changes, big level steps are taken, risk pools for NAT CAT, and Ayushman Bharat coverage is one of the examples that serve the purpose. Distributors can work with different customers and increase their customer base, but the right regulatory direction is required. · There is a need to implement big forces and the rest is a matter of choice.

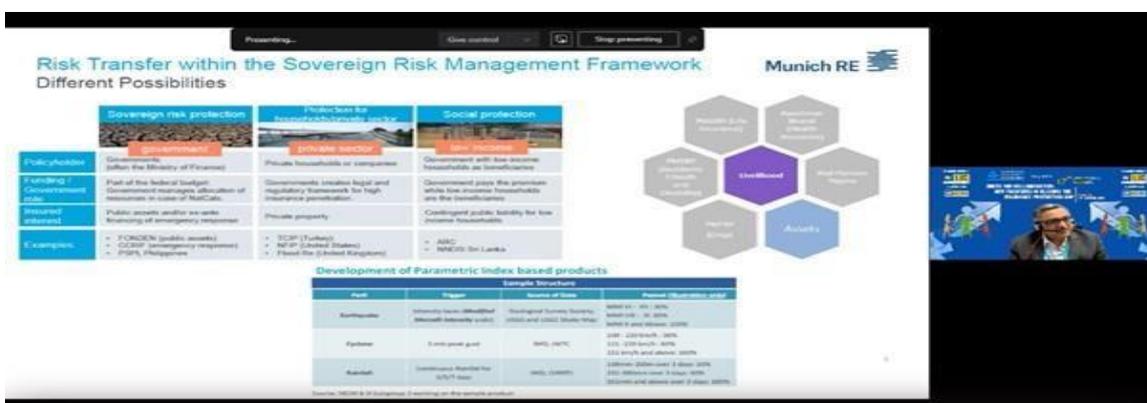
**The moderator enquired about thoughts on how reinsurance and ART solutions can help close the insurance protection gap?**

Mr. Hitesh Kotak, the CEO, of Munich Re India, had the following observations:

- The protection gap will be further accentuated because of climate change.
- Catastrophes are further going to increase human and economic losses. Though the Government is putting immense efforts post-disaster, it is not sufficient to bridge the current protection gap.
- Rapid Urbanisation, asset accumulation in urban cities - vulnerabilities are increasing. Globally this gap exists and in emerging markets, it is as high as 96%.
- In India, the protection gap exists up to 90% which is better than in some other countries. If all stakeholders come together the solutions do exist.
- Government can act as a facilitator
- Livelihood and assets are the two aspects that are missing. Livelihood can have a cascading effect on the economy as seen in the pandemic
- 3 types of solutions are proposed, namely-
- Sovereign risk protection: where the government takes protection for its assets.



- Protection for the private sector: does not depend upon government but helps to create infrastructure creating local pools, and awareness drives. Social protection for the lower segments
- National Insurance Academy and Insurance Institute of India have done important studies in these areas.
- Pitch to the state governments is - to focus on key areas in the state, vulnerable sections, and regions. Create the right infrastructure in place to deal with those vulnerabilities.



- Focus on parametric insurance solutions which guarantee quick payout.
- Academic institutions have given some suggestions to the policymakers to deliberate on these issues.

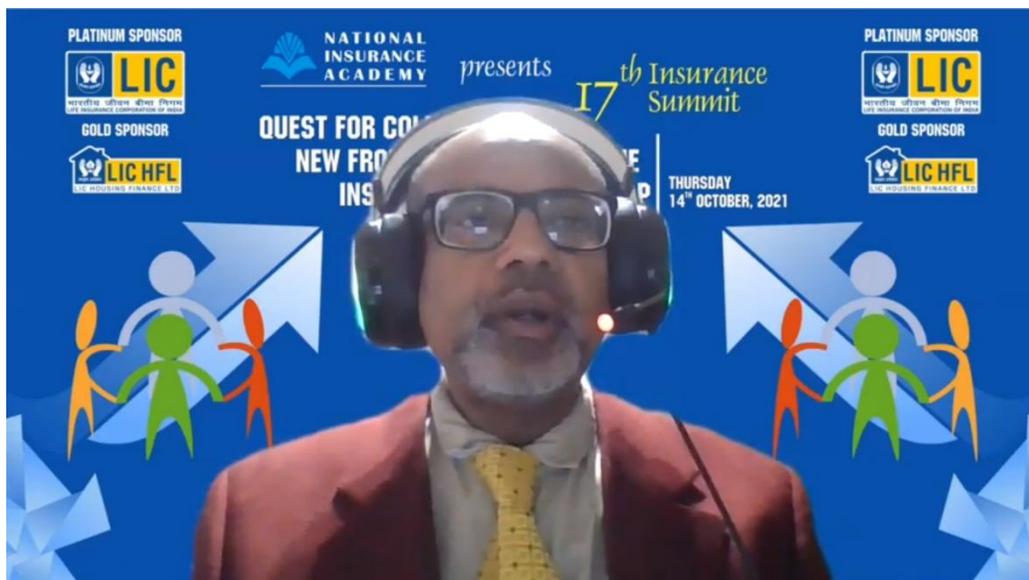


- Sri Lankan Scheme and Turkish Pool - take the best inputs from these schemes and present them to their communities
- The protection gap is 80-85%, it has to be reduced further.

**The moderator then asked for thoughts on climate risk insurance.**

Prof. Madhusudan Acharya, Senior Lecturer, GCU London provided his thoughts as follows:

- Inputs from Swiss Re reports suggest that the combined insurance protection gap for mortality, health, and natural disaster risks is estimated to be 1.24 trillion US dollars in 2020 which is a huge number. A huge number of people are out of insurance protection.



- Talking about the mortality protection gap, globally there is a gap of 114 trillion US dollars. While in India 83% of people are out of risk protection, in China the number is 70% of the population is. The global health protection gap is also increasing. It grew by 5% as compared to last year.
- Regarding complexities of sustainable insurance protection, there are commercial players as well as govt. agencies to mitigate the protection gap. Historically, it is seen that government is the last resort and provides crisis



mitigation. This is a limitation as well as there need to be enough funds with the government. This will solve the situation only for a time being.

- We also have commercial insurance companies that focus primarily on profit maximization. One of the main advantages is they provide risk transfer. Since the focus is on profit maximization, we do not see them in the agriculture sector. It is generally government subsidized. The government needs to come forward and see how it can promote insurance companies and investors to invest in this area.
- NGOs contribute but they also suffer from a lack of funds. We can look forward to PPP (Public-Private Partnership). The pooling of funds needs to come from insurance companies, government agencies, and other investors. The funding must be supported by the capital market. If we need to reduce the protection gap, the risks need to be commercialized. We need to focus on digital platforms and the digital ecosystem.
- This will speed up the process and provide more transparency. Finally, the goal is long-term and not short-term. It should be sustainable. It should cover the protection gap in a nationalized way, not a particular sector.

**The moderator then touched upon using an integrated risk management system that has to consider all the stakeholders. Now how to improve the Protection gap in CAT risks which is still 90%. A little bit of elaboration on this?**

Mr. Sanjay Datta provided his views by saying that we need to take the best elements, that can be possible solutions.

- First have short-term solutions. One of the examples could be Raksha Bima Yojana, a short-term plan, changes can be made if we start with short-term risks.
- Insurers should be more competent. We are talking about accumulating reserves and payout as early as possible.
- We need to have possible solutions available and work according to those solutions.



The next question was about when a disaster strikes, the major portion of liability shifts to the government and so it needs to plan alternative risk financing and the panelists' views on this.

Prof. Madhusudan Acharya commented by saying that the government plays a key role in times of disaster. This is mainly because it has an enormous liability to the public. However, insurance companies have expertise in this field. They know how to file the risk, they know how to manage the risk and they also know how to pay the claim. These companies can come forward and help the government with their expertise. The role of public-private partnerships becomes all the more important here.

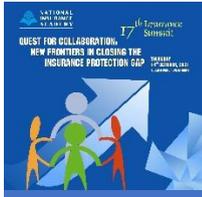
The moderator then mentioned that in India, the protection gap is still 90%. There was talk about parametric insurance as a solution. The other thing is CAT Bond. How can CAT Bonds help in reducing the protection gap?

Mr. Hitesh Kotak mentioned the following points:

- Risk factors are different according to the region – e.g.: Kerala or Gujarat have different factors ·The interest rates in other countries are lower than in India. Investors will not get desired returns in India.



- The asset allocation for such low returns will be sufficient for India ·Data transparency is required for CAT bonds to work.



- Historical data for that analysis is still in the pipeline in India. It will take time.
- Investors rely on private bodies to do this analysis. But from a government point of view, the availability of that data will take time.
- A better solution would be to have a countrywide approach or bring in 5-6 states and involve more and more sections of the society.

### Vote of Thanks

In his vote of thanks, Mr. P Venugopal praised the tremendous efforts of all the distinguished speakers in making the discussions exceedingly informative. He then thanked the audience, the members of the organizing committee, and everyone who helped make the Summit a success.





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