

# Insurance



**Featured Article**  
*ANALYTICS- FUTURE  
OF INSURANCE*



**WeChat**  
**Mr Siddesh  
Kerkar**  
Head Of Online  
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Insurance Broking  
Pvt.Ltd

# ABOUT US



## OUR VISION

**“To nurture thought leaders and practitioners through inventive education”**

## CORE VALUES

**Breakthrough Thinking and Breakthrough Execution**

**Result Oriented, Process Driven Work Ethic**

**We Link and Care**

**Passion**

*“The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.” - Alvin Toffler*

At WeSchool, we are deeply inspired by the words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities require a new approach both in terms of thought as well as action. Cross-disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy the mind’s eye needs to be nurtured and differently so.

We school has chosen the ‘design thinking’ approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

## MESSAGE FROM THE DIRECTOR

Dear Readers,

It gives me great pride to introduce SAMVAD's edition every month. Our SAMVAD team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone.



**Prof. Dr. Uday Salunkhe**  
Group Director

As we begin a new journey with 2018, I sincerely hope that SAMVAD will reach new heights with the unmatched enthusiasm and talent of the entire team.

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes ingrained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

SAMVAD is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

**Prof. Dr. Uday Salunkhe,**  
Group Director

## FROM THE EDITOR'S DESK

Dear Readers,

Welcome to the August Issue of SAMVAD for the year 2018!

SAMVAD is a platform for “*Inspiring Futuristic Ideas*” and we constantly strive to provide articles that are thought provoking and that add value to your management education.

With courses pertaining to all spheres of management at WeSchool, we too aspire to represent every industry by bringing you different themes every month. We have an audacious goal of becoming the most coveted business magazine for B-school students across the country. To help this dream become a reality we invite articles from all spheres of management giving a holistic view and bridge the gap between industry veterans and students through our WeChat section.

The response to SAMVAD has been overwhelming and the support and appreciation that we have received has truly encouraged and motivated us to work towards bringing out a better magazine every month. We bring to you the August Issue of SAMVAD which revolves around the theme of “**Insurance**”.

We hope you read, share and grow with us!

Hope you have a great time reading SAMVAD!

Best Wishes,

Team SAMVAD.

*“The difficulty lies not so much in developing new ideas as in escaping old ones.”*

John Maynard Keynes.



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# WECHAT

## Mr Siddesh Kerkar

Head Of Online Marketing at Coverfox Insurance Broking Pvt.Ltd

### Team SAMVAD

**Q1. Could you please take us through your inspiring journey in the Insurance Industry after your college?**

During my college days, I was already working as a digital marketing professional. I was performance handler in the renowned company in terms of revenue, so I was working in more than one departments and Insurance was one of them. In those days digital marketing was new and was at its peak. I was lucky enough to engage with clients like Book My Show, eBay, Amazon etc., and that was my exposure to digital marketing. In my second year of college, I was selected by a UK based company which gave me an opportunity to work with such clients and know what digital marketing was. I was even Google certified at the age of 19 in Digital Marketing. It is after these many years of working in digital marketing, I ended up working with Cover Fox -a startup company which is also my current company. Our working operations were carried from 2 BHK area with about 10 to 15 people and I joined there as Digital marketing head with 0 team members. I was the only person in this field working for the company. From 10 people our company has challenged all the abnormalities and we are a company of 1200 people today (Pan India). Coverfox had initially started as Health Insurance Company but we expanded our service to term insurance, vehicle insurance etc. We spend around 5 crores to digitally market our company to get to our targeted audience.

**Q2. Insurance comes under the unsought Product Category. How do you define your Market Segments?**

As you rightly said it is something which people don't look up to work in this field. But this is also the biggest advantage to the ones willing to work if they have the right skills and patience to sustain into this industry. Simply if I had to tell you about motor insurance, it is something which had been made compulsory. Every vehicle owner in India has to compulsorily buy insurance, so this shows that the audience targeted here is huge enough and can be converted into customers easily if the right resources are used. So here the real thing is segmentation i.e you need to work on your sources from where you can connect with such an audience. Any person who is interested to buy even a vehicle becomes our target audience and later customer. In today's era, people compare things and buy on a detailed level. So people interested in buying vehicles could be found on sites like CarWale, CarTrade etc, where we can market our company and can get in touch with them. It is not that only in urban metro cities that people buy insurance. In the wake of education and economic development, people are more concerned about their lives and the surrounding environment.

If you ask me about term insurance, our major targeted audience was who browse Money Control or the ones who browse financial content but after many formal and informal experiments we found out that people from rural areas too were our target audience. This is when we started doing regional campaigns, to target

people locally. So instead of approaching big companies for marketing we started approaching small-scale regional companies. We wanted to target people who cater to regional content. So we approached news media like Dainik Bhaskar who the majority of people use to review. Jaipur and Ahmedabad were the cities we got the most positive response from.

One thing companies need to understand that it is not always necessary to cash out big and approach media giants to get your work done. It can be done in such ways if thought tactfully and one can get their work done in a best & cheapest way.

**Q3. In your opinion, what are some the challenges that the Insurance Industry is facing in India right now?**

**Interviewee:** So firstly we need to understand what LIC policy is. Under LIC policy, you pay premiums and we cover the risk for you. Now, one biggest challenge that prevails in the Indian culture is that the people in India are not able to comprehend the difference between investments and insurance. We have a mentality of giving and take, so Indian people want something in return when they pay money to someone. So they compare investments with insurance. Indian people should understand that when they make investments, what they receive is returns. But that returns aren't free of cost, they are adjusted for the risk associated with investments. Underinsurance, when they pay premiums, they receive risk cover which is even better in terms of returns on investments. So you are getting covered for the risk you are exposed. For example, a 1 cr term insurance can be taken for as low as 1000 rupees/ month whereas in Life insurance for you may get cover of 10 lakhs for a premium of 1000/month.

Secondly, the awareness in India regarding insurance and comparison of insurances is still not there. To quote in number, total online insurance industry amounts to just 2.5% of the total insurance industry. So bringing such offline people online is a big challenge and also an opportunity as room for growth is still massive. And moreover people are not actively looking for insurance, when I said motor insurance is

compulsory you'll be shocked to know that 30% of cars on road are still not insured. So these are the major problems which the industry faces today.

**Q4. What skills, would you say, are the must-haves to be successful in the Insurance Industry?**

Firstly, insurance is not much interesting field, so person who wishes to join this industry has to be open-minded. They need to be creative & innovative as well. You need to come up with creative ideas which will help the company as well as the person to build his career game. It is now that the insurance field is becoming interesting with respect to new products which are introduced in this sector like Personalised insurance.

**Q5. What advice would like to give students wanting to pursue a career in the Insurance Industry?**

One needs to do a beforehand research in any field they expect to make a career. Same goes with the insurance industry. One needs to look at past data, trends to build up strategies. The insurance industry is more of a call center driven industry, so most of the clients are pitched over phone and sales is carried forward. We at Coverfox let customers approach us on sites which let them easily compare the products online. This makes one thing clear that such customer has a high potential of getting converted into sales as he is already interested which brought them on our sites. So such customers go through a series of virtual networks. Firstly they are tracked on our sites, then they are connected over phone followed by various physical meets before it gets converted into actual sales. So people aspiring to join the insurance industry should know that it is much more than Insurance that you'll learn.

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# OPERATIONS

## ACHIEVING OPERATIONAL EXCELLENCE IN INSURANCE SECTOR

*Shreya Golecha & Aditi Mishra , Prin. L.N. Welingkar Institute of Management Development & Research, Mumbai*

The insurance sector has seen a number of changes by allowing private companies in the market to support insurance and further allowing foreign direct investment. Insurance sector consists companies which provide risk management in the form of insurance policy. Whereas on the other hand, the insured or the policyholder pays a premium to the insurer in exchange for that protection on uncertain future happenings. Insurance sector plays a vital role in the financial service industry. It purely acts as a financial intermediary for the commercial organization but even individual firms can also protect them by getting insured for future losses. Regulated by the Insurance Regulatory and Development Authority (IRDA) which was constituted to regulate and develop the insurance business in India. Their key role is to protect the interest and rights of an Insured party (policyholder).

For players of the insurance sector, decade after the 2008 financial crisis, has been marked by both economic and social change. The aftermath has tightened economy and has increased competitive uncertainty. Because of this many large insurance organization have adopted an operational excellence program in order to monitor and improve on areas of performance. With the pace of change in the insurance sector rising, the concept of doing more with less is no longer the support system of successful operational excellence. Looking at today's market, the question arises what should be essential for excellence in the operational program? This requires a holistic approach and tailor solutions of existing and defined problems. It must focus on providing benefit to all the stakeholders involved, including the insurer, employees, and shareholders. Some of

the benefits are as follows;

### 1) Decreasing risk and cost of operations

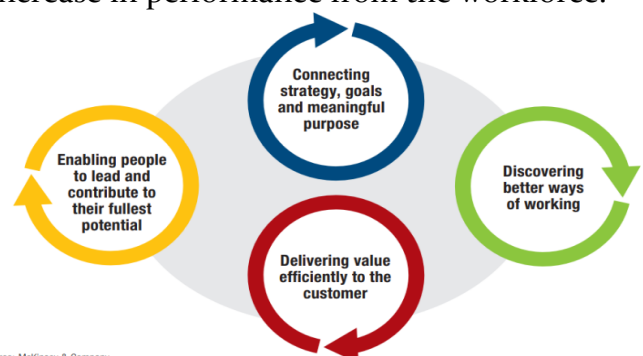
Conservatism & profit go hand in hand. By controlling and keeping a check on operational expenses there is ample opportunity for efficiency for the insurer. It can be done by applying some smarter method which might have been applied somewhere in the past

### 2) Quality of service

In the era of technology & quick service, customers will no longer tolerate errors, delays, and poor service. Service should be delivered by transparency, simplicity, and empathy

### 3) Employee satisfaction & Quality of life at work

By improving employees' satisfaction at the workplace can be an important element of an employer's brand when it comes to hiring and retaining its workforce of the future. This can be achieved by doing by permitting employees to focus on the tasks that interest and challenge them and carry value and further eliminating removing repetitive tasks which add little value. Employees will feel a greater sense of involvement and thereby improving customer satisfaction levels. This will result in the overall increase in performance from the workforce.





In addition to this they need enhanced technology, protect their current competitive advantages and rework on business model by launching new ideas. As operational excellence is changing the view of insurance, then whether it's introducing of practices in the workplace of gaining continuous excellence or transforming by modernizing the estates to simply getting products to market quicker. It can be done by expanding the use of automated technology, using artificial intelligence, cognitive learning. It'll augment solutions to drive value and get a better grip of it. Coming up with cloud-based solutions can help to offer attentive care and combine with interactive customer demand. It can be further reshaped by digital re-engineering. This will offer insurance companies to improve performance across all pillars. Many companies have already capitalized on benefits availed from digital re-engineering. It involves improving the existing process or improving the process itself. Technology will no doubt bring positive results across operational excellence pillars. By leveraging smart practices and new technology in place, it has the potential to make an astonishing impact on customer experience. Virtual assistants will help agents and employees mobilize the perfect expertise in real time. If companies can integrate technology, it'll deploy far more superior data analytics. Next generation promises to deliver a future where technology is fully leveraged to offer benefits to all stakeholders. Business process management (BPM) is an effective option for insurers looking to advance transformational or improvement initiatives. BPM technology goes deeper than a package solution by delivering improved claim processing technology that automatically aligns adjusters and resources under an optimized end-to-end claim process. It also provides a strategic platform that enables more efficient claim operations and an enhanced claimant service experience.

The main operation of insurance organization mostly consist of reinsurance and claiming, meanwhile they also provide other services like accounting, information system, and legal services. Unfortunately, the process involved in

claiming is time-consuming and labor-intensive. It includes multiple systems, outdated technology, and different business units. This causes a lot of delays in processing and issues subject to quality leading to negative experience from the customer. Utilizing highly developed software and re-examining the process, companies and agencies will be able to optimize information flow across business units, increase sales efficiency and thereby improve customer service. Insurers have the challenge of managing massive volumes of daily paper claims. By digitizing information process, costs can be cut by up to 75 %. Other than technology, some human skills also need to be worked upon. Communication must be clear, natural and effective, which would make communication from reactive to proactive.

Other than this we can even rely on data analytics which can play an important role is Insurance business. By working alongside adjuster, analytics can flag the claim for inspection, priority handling, and other activities. Here are some of the areas where Big Data can make a huge difference in the insurance industry

- 1) Fraud
- 2) Settlement
- 3) Activity
- 4) Litigation
- 5) Subrogation

Methods of operational excellence were invented to implement a culture of continuous improvement. The concealed concept is that employees who gave issue in operations, try to initiate regular changes and take vital steps such as ;

- Reducing work that is not adding value
- Removing obstacles and establishing best working practices
- Building skills and capabilities to create the best coverage and flexibility in the organization

These steady activities are supported by proven analytical tools and working techniques that allow measurable and significant improvement by increasing efficiency, quality and customer satisfaction. Operational excellence approach can help organizations to be more efficient and customer focused across all the dimensions of organizations;



of claims types in a single system.

If above-mentioned changes can be executed the future looks promising for the insurance industry accompanied by several changes in the regulatory frame which will lead to further change in the way the industry conducts its business and engages with its customers.

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Some other ways of bringing excellence in insurance operations are;

- 1) Offer 24\*7 self-service for claim inquiry, roadside assistance, and bill payment
- 2) Improve routing & cross-functional visibility
- 3) Simplify customer authentication
- 4) Secure customer information & transaction

The most prominent of all is the simplifying the process of claim settlement. The process of settling a claim is complex and requires multiple steps, settling the claim efficiently will encourage customer satisfaction and improve service. Solution to assist this procedure is using a claims management software system for automation. Another solution is claim management. It is s a comprehensive life insurance solution designed to provide management and processing support for a variety

# FINANCE

## EFFECTS OF INCREASED FDI PERCENTAGE BY GOVERNMENT IN INSURANCE SECTOR

*Nikunj Kedia, Prin. L.N. Welingkar Institute of Management Development & Research, Mumbai*

“Money makes Money”. It’s very true that no one would prefer to invest without gains. Banking & insurance have been the pillars on which the economy rests, largely dependent for the flow of money in any large, prosperous economy. India is a developing nation and an important & major part of this Global Village. The rate at which country’s growth rate has increased in the last decade makes it an interesting investing ground for investors. There is hardly any doubt that India is a top destination for FDI when compared with other global powers like USA or China. It is largely because of intense & bold policy reforms government took to bring pragmatism back in FDI regime. As FDI will increase its roots in India, it will bring many benefits with it, like an increase in capital inflow, increased job opportunities, promotion of financial services, optimum utilization of resources, development of backward areas & change in lifestyle, mindset & approach of country’s population. There is no doubt that FDI will act as a major monetary source for economic development in India. It makes one wonder then, why the Government has precluded a stagnating industry like insurance, which already runs on low margins and even lower innovation, from accessing foreign funds which can lend long-term stability to the economy and reinvigorate a slowing sector.

Before 2014, FDI in Insurance Sector was only 26%, but after the change in government, FDI in Insurance sector was permitted up to 49%, which even included intermediaries which consist of insurance broking, surveyors and loss

assessors. But now the government is considering the option of allowing 100% FDI in insurance, with a view to encourage and attract more funds. The reason behind this move is a weak distribution network which needs to be strengthened which can support the sector as a whole. Penetration of insurance in India is only 3.4% compared against the world average of 6.2%. The insurance sector is highly capable of raising long-term capital from the public as it is the only market where people invest their money for the long term. However, the Government remains adamant that the 49% cap on FDI in Insurance will remain unchanged. If the cap on intermediaries is raised, it will be the first such change in the industry since 2015, when the Government raised the FDI cap from 26% to 49%. Any policy change, however, is fraught with risks, since foreign companies may not have the patience to wait for profits, may not adhere to Indian philosophies and also be riskier, which in turn endangers the economy when a prudent industry like insurance indulges in more than the prescribed nature and amount of risk like 2008. To combat this, the Government in consultation with IRDA can tighten norms, capital, and liquidity requirements, curb voting rights or subject it to additional approvals.

In 2017, India witnessed 10 mergers and acquisition in the Insurance Sector which includes deals worth around 900 million US \$. Pradhan Mantri Suraksha Bima Yojna Enrolments under the Pradhan Mantri Suraksha Bima Yojana, a government-backed insurance scheme saw enrollments reaching 130 million in a 2017-18 financial year. In the budget, the 2018-19 government announced the National Health Protection Scheme as a part of

Ayushman Bharat. This scheme will provide an insurance cover of 5 lacs to more than 100 million vulnerable families in India. Going forward, increased life expectancy, favorable saving schemes & greater employment in the private sector is expected to increase the demand for pension plans. In a similar way, strong growth in the automotive industry over the next decade would be a key driver for the motor insurance market.

The last budget brought with it the merger of a three large public sector insurance companies, namely, United India Insurance, National Insurance Company, and Oriental Insurance Company. All of them are general or non-life insurers. As the non-life insurance premium keeps growing at a faster rate, the market expansion having the benefit of low premium, need for this consolidation remains unclear. Instead, this is a favorable moment to increase competition, capital, and concentration in the market by opening it up to foreign investors. Insurance is a sector where there is no fear of Indian companies being priced out of the market owing to their price advantage and legacy, having built a steady corpus over decades. Any further investments from foreign companies can only spur growth and help state-run corporations perform better by becoming more agile and efficient. With foreign investment comes the golden arrow which is required to reinvigorate the industry innovation. Cutting edge technology, backed by global best practices and an influx of fresh ideas can help awaken this behemoth from its slumber and be instrumental in achieving the kind of growth that economists can only predict in theory.

It is natural that a company investing a large quantum of money in a moderately volatile economy dominated by economic and political turmoil would want greater control over that investment. Ironically, opening up the sector can help control that volatility with a three-pronged approach of building up foreign currency reserves, providing short-term stability to the markets with an influx of funds and raising additional capital for public expenditure through sovereign bond issues, breathing new life into a declining growth story. The manner in

which banking reforms opened the way for a more robust and stable economy, leading India to high GDP growth and increasing investor confidence, insurance can be the next move which will stabilize and improve the dynamics of the economy. It can prove to be a consequential boom for the Indian economy. Foreign investor driven companies are not just competitors, but complementary to the existing companies currently operating in India. These companies stand to benefit the most if their foreign counterparts are allowed to increase their stakes from 49% to at least 74%, if not more.

Foreign direct investment in Insurance can help bridge the gap between the dream of a global economic superpower and finally achieving it. Therefore, in an increasingly potent, growing and underserved market, the Government can afford to be just a little bit more flexible in allowing foreign investment but at the same time, it needs to remain cautiously optimistic.

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# MARKETING

## AUTOMATION: A BOON TO THE INSURANCE INDUSTRY

*Madhur Bhansal, FORE School Of Management*

The insurance industry has seen decreasing interest rates in recent times due to increased competition by P2P insurers over the online market. Due to the traditional model of insurance being held back by its physical limitations such as the limit of data available to assess the behavior patterns of the insured, there is a threshold to which the insurance industry can grow. This article looks at automation with the possibility of breaking through the threshold to provide innovative avenues for the insurance industry to grow anew. Towards that purpose, we shall look at the changes that automation may bring to the industry, its benefits and limitations and assess whether it is truly a boon to the insurance sector

### Challenges faced by the Insurance sector

The insurance sector has grown averagely around 10-12% the last year or so, with the growth of the health insurance sector lagging behind that of the life and other insurance. A brief look at the sector shows us that it faces a few challenges due to physical limitations

- The entry and inquiry of information are done through human means in most cases, with a large volume of operations being performed in a short duration of time. This leads to an increased error rate and a lack of in-depth information inquiry

- Analysis of the information is conducted through legacy software in major insurance companies which cause inefficiency in operations.
- Routine and tedious back-end processes done by human resources become prone to errors and create costs and loss of operations
- Size of operations is limited due to physical limitations, with increased operations requiring larger and larger investment with minimal returns
- Efficiency is greatly reduced during situations of disasters and calamities, due to processing limitations of insurance claims

### Automation in the Industry

Automation of operations such as the use of Artificial Intelligence (AI) to record and analyze information, the use of sophisticated tools and software for claim management etc. can be directly applicable to the Insurance sector. There is an Automation potential of 43% in the Insurance and Finance Industry according to the McKinsey Global Institute Report, 2017 and by 2025, it is predicted that up to 25% of the insurance industry task force may find themselves consolidated or replaced, especially in the Operations and Administrative sector.

### Benefits of Automation

Let us look at some benefits that Automation may provide to the Insurance Industry in its key processes in some detail

- Create personalized propositions and market insights for the customers by analyzing and exploiting social media data sources and finding trends in the behavior patterns of customers
- Provide financial advice to customers based on their income and profit reports through web portals, creating a more direct approach
- Automated underwriting which allows highlighting key points for human decision makers
- Claim analysis automation to reduce claim time, increase efficiency and reduce the error rate
- Machine learning allowing the Artificial intelligence to grow at an incremental rate, reducing costs of operations without any further investment and reduced physical limitations

### Challenges for Automation

While automation may bring plenty of benefits to the Insurance Industry, it does face a few challenges of its own due to which some of the major insurance companies are yet to implement it

- Automation is a developing technology with the possibility of errors existing, it is not a perfect technology
- Claims which require a human touch and inquiries which may need a human correspondent are ignored in the automation model
- Cyber attacks and crime poses a threat to the security of the model

### Conclusion

While Automation may suffer some setbacks, it more than makes up for them with its advantages and benefits, hence At least four insurers — ICICI Lombard, Birla Sun Life, PNB MetLife, and HDFC Life have already begun to integrate it into their operations.

It is certain to say that with proper measures taken to work with the new technology, it can be a boon to the Insurance industry as a whole<sup>i</sup>

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# HUMAN RESOURCES

## HR CHALLENGES IN THE INSURANCE SECTOR

*Sayoni Ghoshal, PGDM Healthcare Management, Goa Institute of Management*

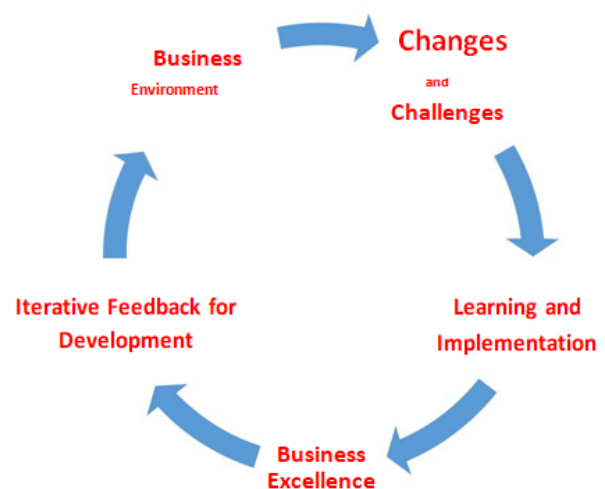
Insurance acts as a shield against financial loss. It can also be elucidated as a type of risk management. It acts as a safety clause against any uncertain loss that can be incurred by an organization or an individual. The provider of insurance can be an insurer or an insurance company. The seeker can be referred to as the insured or the policyholder. All the transactions occur only after a contract called the insurance policy has been rendered to the policyholder. The contract contains the terms and conditions under which the insurer will compensate the policyholder. The amount of money charged by the insurer at a negotiable rate under the insurance policy is termed as the premium. The technique of insurance is an archaic concept which can be dated back to the ancient Chinese and Babylonians which resulted in the famous Code of Hammurabi.

The first life insurance policies were established in the early 18th century. The first company to introduce life insurance was the Amicable Society for a Perpetual Assurance Office, established in London in 1706 by William Talbot and Sir Thomas Allen. "Accident insurance" was introduced in the late 19th century. The first company to offer casualty insurance was the Railway Passengers Assurance Company, formulated in 1848 in England to insure against the rising number of fatalities on the nascent railway system. Over the centuries it has become a safety net for millions of individuals. The insurance industry is in an expanding mode growing at an astounding rate of 15-20%. 7% of

country's GDP is constituted by the insurance industry along with the banking industry.

### Role of HR:

Human Resources are the cardinal need of any organization. They are the most important asset. They bring about organizational success. They help contribute and build the culture and values of an organizational entity. They alter the climate within a corporation significantly. It helps not only as an individual but also as a team to understand the plethora of needs rendered by the customers. Understanding the need of the masses helps to serve them more diligently. It is important to establish a credible and assiduous team to reach out to the possible customers and render them quality service.



**Fig: The Role of HR In An Organization**

Insurance industries face their share of challenges. The constant internal and external pressure results in HR to constantly respond to changes and build a reliable model to cope up. Internal pressures include infrastructure, workforce planning and management, cost management and training and development. External pressures include alterations in government regulations, market conditions and changing employees and demographics.

Some of the challenges are:

**Cutthroat Competition:** Insurance companies compete with other financial services such as banking and securities, for the best and brightest among each year's set of new graduates who are expected to manage company portfolios and generate innovative products. The predominant products include life, health, property and accident insurance, as well as annuities. But the primary issue is that it is not one of the top listed job preferences among intelligent individuals resulting in a talent crunch. In the long run, it leads to the incapability to compete and render quality service.

**Development of Sales Force:** HR plays a crucial role with respect to the development of a company's sales force. An assertive, outgoing personality is more important than a college degree for insurance sales agents. As well as a keen learner in terms of the features and benefits of the products to be sold is a vital attribute. Turnover is relatively high among insurance agents. Another associated challenge is in the retention management. It also includes the loss incurred in the resources utilized for training and replacement when the employees opt for job rotation.

**Technology:** It plays a crucial role in the operations, from the development of the

databases used in actuarial calculations to the formulation of marketing tools. In each company, HR must work closely with the information technology to identify the specific skills that are required in some personnel to be able to make significant contributions from their first day.

**Compliance:** Regulatory compliance may seem like an issue primarily confronting an insurance company's legal and product development departments, but HR departments must iteratively train managers in a broad range of employment law issues, including wage-and-hour laws governing compensation of administrative personnel, and supervisory issues related to the sales force to maintain their status as independent contractors. It is also a significant recruitment issue, apart from the paraphernalia of attributes the HR department should try to identify a candidates' propensity to violate regulatory requirements. The solution is hiring professionals through a talent acquisition model

The use of modern technology and acquiring a congruent workforce can curb the situation to some extent. Some of the necessary steps that can be implemented to amend the situation are enumerated below.

Employee participation through incentives and Augmented employee motivation

Innovative Digital and Mobile offerings

Millennial Workforce

Predictive analytics and Big data

Use of Nascent Technologies (Internet of Things, Blockchain)



# GENERAL MANAGEMENT

## ANALYTICS- FUTURE OF INSURANCE

*Rajat Gupta, IIM Kashipur*



Using advanced Math and financial theory to evaluate possible insurance risks has always been the practice but revolutionary advances in technology and ever-growing data have redefined the insurer's approach. Though Technology adoption has been pivotal across industries, the insurance sector has been laggard in the adoption of new inventions. It took almost five years from 2005 till 2010 when the insurance sector finally started selling policy online. This can be attributed to the risk-averse nature of the insurance industry. Nevertheless, Industry is inculcating advance Data Analytics into insurers DNA which opens new growth opportunities while providing better Risk Management at the same time.

### RISK ANALYSIS IN REAL TIME

Though for actuarial calculations insurance companies rely on Historical Data, they can now get data updates every second. This helps

to minimize the increasing volatile risk by being more responsive. Climate used to be relatively stable, making it less frequent to monitor on an ongoing basis. Today, Climate change is rapid and hosts risk for insurance companies, and changes must be monitored to gauge future trends. Insurance Companies can leverage Big Data with inputs from countless sensors to enhance weather information. The insurers can also benefit from investment recapture. Much of the money flows out of organization once investment product reaches maturity, and the customer may reinvest elsewhere. But with sufficient customer loyalty in place, odds of reinvesting in the same company increases.

In India, Car insurance companies would offer price policies considering two points like the car model and availability of locking system. In the US, there are around 15 plus variables that go into consideration- like age, gender and ZIP code to name a few.

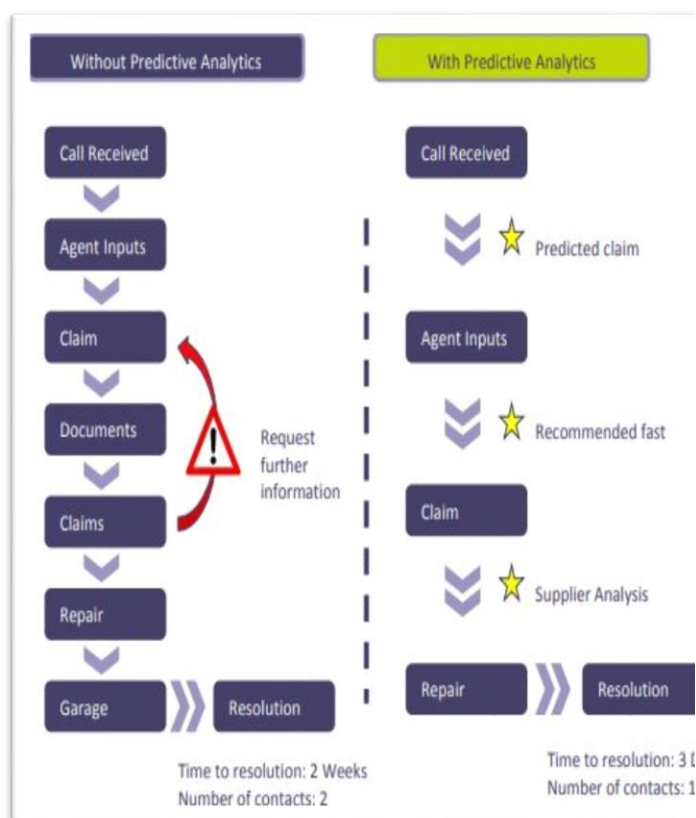
On a different scale, the connected service sends thousands of data points every second, providing everything from their location to breaking and their speed. Going ahead integrated Vehicle-infrastructure solutions will provide high-resolution road conditions- down to pothole level on a real-time basis. The application of telematics shall help insurers to understand driver's behavior and advice for the least dangerous route to take.

### A NEW OUTLOOK OF VIEWING DATA

The growing opportunity brings the challenge of digesting the burgeoning data and making sense of it. In past Business Intelligence data were

processed on the monthly or weekly basis to predict the future trends. These practices are still helpful but to remain competitive they must monitor information on an ongoing basis to search for insights. In Past Relational Databases stored the plethora of information, however, these are not adequate in the age of real-time analysis. Insurance Companies have to pull unstructured data so they can process it seamlessly and this requires breaking down information silos. The new Data warehousing will provide a vast collection of structured and unstructured data that companies can monitor proactively.

### What does this look like for the customer?

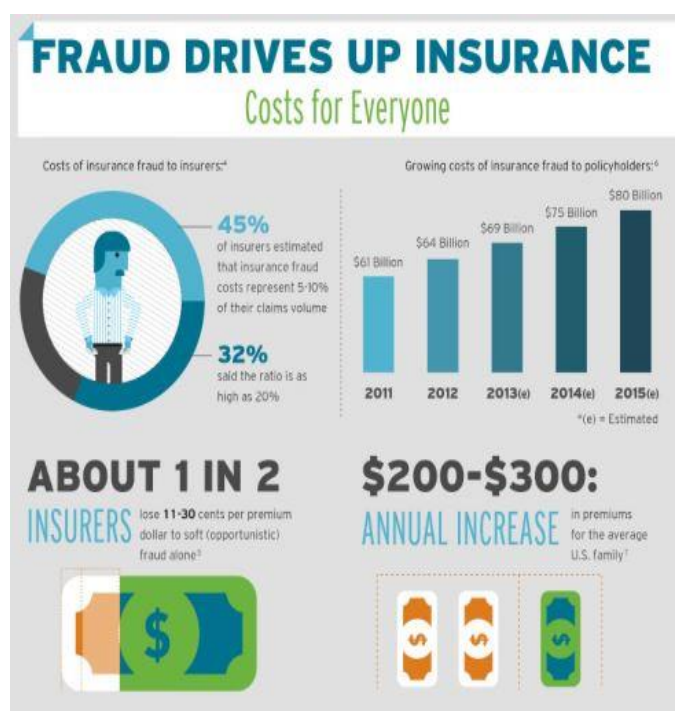


Source: <http://www.presidion.com/blog-post-enhance-customer-experience-in-insurance-with-analytics/>

### CUSTOMER- THE KEY BENEFICIARY

The integration of Data Analytics in a deeper way results in a more customer-centric outlook on business. Customer loyalty is of utmost importance in the highly competitive insurance

industry and understanding of customer data helps in competitive pricing, Value-added benefits, and customized services which are crucial for customer trust and Brand loyalty. With systematic data collection and application of Artificial Intelligence, insurers can surpass their competitors by offering personalized offerings.



Predictive Analytics helps to reach the right customers and predicts who may leave or churn. It can guard against possible insurance frauds which is one of the largest crimes in America resulting in at least \$75 billion in losses each year. These losses at the end affect policyholders as losses reflect in premiums.

One area gaining traction is usage-based insurance, in which customers pay based on the time they used the insured product. Obviously, Real-time data inputs are the core of this model. Allied Market Research Study predicts usage-based insurance to be a \$123 billion industry by 2022, and much of the current investment focus is on vehicle insurance and pricing policies on how much customer drive.

## NAVIGATING THE NEW DATA WATERS

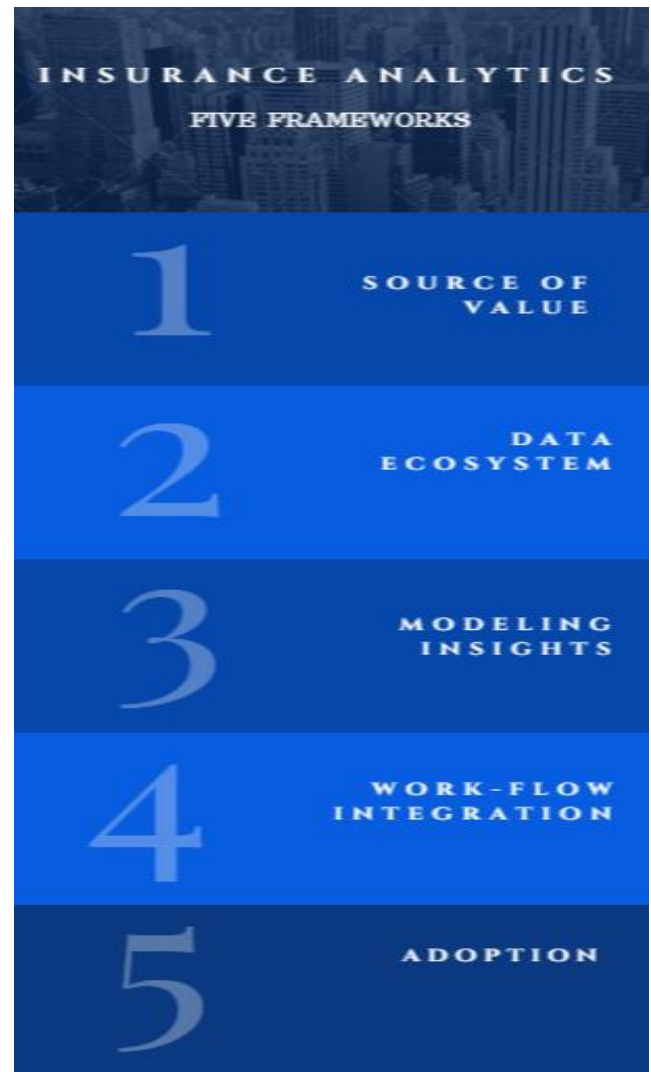
The mining of vast data lake requires speed so data queries can be broken down, with systems like Apache Hadoop and MapReduce for concurrent management. To cope with ever-increasing data the Insurance companies have to rely on Artificial Intelligence and Machine learning algorithms which will mine data swiftly to detect patterns that humans may miss. This requires the development of new skills. The data scientist will be in high demand but Insurers must find ways to integrate technology and information skills with domain expertise to better know "what to look at" and "How to articulate it". The implementation of this new model is not easy and it requires a fastidious blend of technology, people and process to enable the right insights from real-time data at the right time.

Companies usually begin without control of data quality and with finite technology infrastructure. The "Data Ecosystem" is best delivered by those having experience with the external partner development. A fully data-driven culture involves education and the introduction of different performance metrics.

## LOOKING FORWARD

Generally, organizations have fragmented beginnings and later develop into world-class Corporate. However, they have to be wary of Risk modeling and Public Perception. The new products should emphasize transparency and apprise customers of how their personal data is impacting their insurance coverage. In the pool of tremendous opportunity, individual privacy should be prioritized.

Organizations that get an early start on collecting and analyzing this data will have a clear competitive advantage as others struggle to catch up. Insurers that work on opportunities in real-time data now will drive the next era of the Insurance Industry.



Source: <https://www.mckinsey.com/industries/financial-services/ourinsights/unleashing-the-value-of-advanced-analytics-in-insurance>

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# CALL FOR ARTICLES

We invite articles for the September 2018 Issue of SAMVAD.

The Theme for September month- “**Design Thinking**”

The articles can be from Finance, Marketing, Human Resources, Operations or General Management domains.

You may also refer to sub-themes on Dare2Compete.

### **Submission Guidelines:**

- Word limit: 1000 words or a maximum of 4 pages with relevant images.
- Cover page should include your name, institute name, course details & contact no.
- The references for the images used in the article should be mentioned clearly and explicitly below the images.
- Send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05' to **samvad.we@gmail.com**. **Deadline for submission of articles: 30<sup>th</sup> September, 2018**
- Please name your file as: <Your Name>\_<title>\_<section name e.g. Marketing/Finance>
- Subject line: <Your Name>\_<Course>\_<Year>\_<Institute Name>
- Ensure that there is no plagiarism and all references are clearly mentioned.
- Clearly provide source credit for any images used in the article.

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“You miss 100% of  
the shots you don’t  
take”  
-Wayne Gretzky

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