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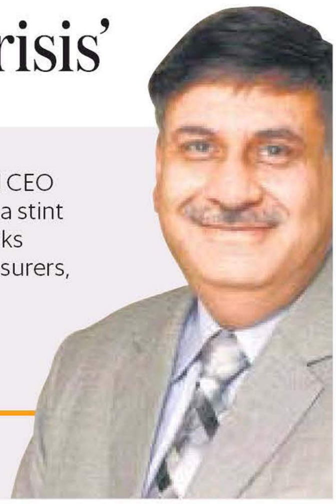
'85% of our policies are guaranteed, carry no impact of debt crisis'



Reliance Nippon Life Insurance Co. Ltd's executive director and CEO Ashish Vohra, joined the company nearly three years ago, after a stint as chief distribution officer at Max Life Insurance Co. Ltd. He talks about the minuscule impact of the ongoing debt crisis on life insurers, the need for a better KYC mechanism using Aadhaar and the company's new cancer insurance plan. Edited excerpts

MONEYGURU

ASHISH VOHRA
Executive director and CEO, Reliance Nippon Life Insurance Co. Ltd

By the end of FY19, Reliance Nippon Life Insurance's persistency ratio rose to 78% from 72% in the previous financial year. What has contributed to consumers retaining trust in you?

Customer retention was one of the pillars for our large transformation agenda that we embarked upon in early 2017. In this period, persistency has moved from a low of 59% to now 78%. We chased this agenda piece by piece, channel by channel, and agent by agent through a slew of initiatives, leveraging education, process changes and technology.

The biggest reason for poor 13th month persistency was the customer misunderstanding the policy features—whether the policy was a single premium or a regular premium, whether there was a waiting period after premiums were paid, or whether the returns were guaranteed or market-linked.

To institutionally solve this gap, we introduced an app called Super Express in 2017. One of the features of this app was an auto-triggered video Q&A with the customer at the end of the sales process. Besides persistency, this brought down customer complaints substantially. But we need to get to much higher levels (of persistency) for long-term customer retention.

Your claims settlement ratio, as of March 2019, is 97.71%, but this is a percentage of the number of policies. The same ratio as a percentage of benefit amount is only 93.6%. Why the gap?

At the end of March 2019, our claims settlement ratio was 97.7% by the number of policies and 93.6% by benefit amount. We rejected 2.2% of the total death claims in the last fiscal year. The two biggest reasons are frauds and material non-disclosures. Frauds refer to things like a fake death certificate, while material non-disclosure is about a pre-existing condition that, if disclosed, would have made us decline the policy at initiation. In our experience, "intentionally mis-disclosed" policies are of a larger than average ticket size and, therefore, the gap.

However, the industry is progressing towards arresting frauds and mis-disclosures at the time of on-boarding. We are currently in the process of implementing facial recognition as an artificial intelligence (AI)-driven initiative.

How has the debt crisis affected life insurers?

True to the nature of life insurance, we are conservative investors and our exposure to some of the names in the debt crisis was small.

> **Participating plans pass on 90% of the upside or downside to customers; only non-par plans are fully insulated**

In most unit-linked insurance plans (Ulips) and mutual funds, investments are done in a combination of equity and debt securities. These pass on over-performance as well as losses in the portfolio fully to customers.

Participating insurance designs also pass on 90% of the upside or downside to customers through a more controlled annual bonus declaration process. Only non-par customers will be fully insulated. The guaranteed designs protect customers completely in times like these. Besides delivering the protection promise and tax efficiency, the market impact is absorbed fully by the company and the guaranteed return delivered as promised. It is critical that customers appreciate the risk-reward of each of these categories and select and distribute their savings wisely, in line with their risk appetite. In recent times, 85% of the new policies are guaranteed with a maximum tenure of 50 years where the customers carry no part of the debt crisis impact.

Is there a need for the KYC (know your client) process to become simpler? What's your take on Aadhaar-based KYC?

eKYC was one of the most progressive steps taken by the government, which provided multi-fold advantages to customers. It had the ability to instantly verify their identity. Besides, it was a foolproof fraud prevention tool for insurers. It also saved costs. We are seeking regulatory approval for a tech-based process to authenticate the customer using eKYC data but not store it.

You recently diversified into a cancer plan. How is it different from what's available in the market?

I passionately feel towards the cause, and have seen examples of customers losing all their savings towards the high cost of cancer treatment and want to do my bit towards delivering cost-effective insurance coverage. Our cancer product covers two instances of early-stage diagnosis, one relapse and 100% coverage at major stage, which differentiates it.

As per National Institute of Cancer Prevention and Research-Indian Council of Medical Research, one out of every nine women could be diagnosed with some form of cancer in her lifespan of 75 years. All our sales personnel sell the cancer product. But when it comes to face-to-face selling, our women sales force sells more of it, given higher empathy with this category.

Regulations encourage insurers who have been in the business for a certain number of years to get listed. Listing does improve transparency, is it helpful for the overall sector too?

With the regulations over the years, the sector is already highly transparent. Further the decision to list depends on the need for capital for an insurer, maturity and timing of hitting the market and governing shareholder philosophy. Our solvency is 260% and we are adequately capitalised.

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