

March 11, 2014

Global Conference of Actuaries 2014 Survey



Milliman conducted a short survey on the Indian life insurance industry at the recently held 16th Global Conference of Actuaries in Mumbai. A total of 356 delegates participated in the survey. The survey results were telecast live at the conference venue.

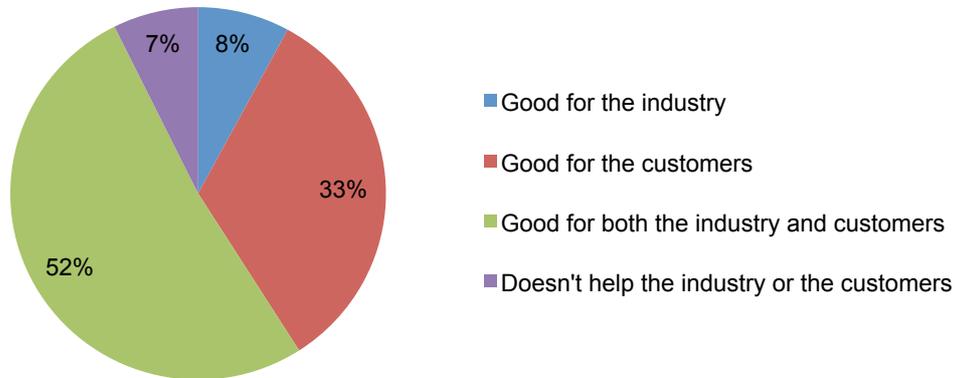
The main results of the survey are presented in this e-Alert.

- A majority of the respondents (52%) feel that the recent regulatory changes will benefit both the customer and the insurance industry. A further 33% of the respondents felt that the regulations would benefit only the customers, whereas only a further 8% of the respondents feel that they would be beneficial only to the insurance industry. This perhaps reflects the perception that the regulations issued by the Insurance Regulatory and Development Authority (IRDA) to improve the value proposition for customers will eventually benefit the industry as a whole.
- More than 90% of the respondents foresee a period of moderate to high growth for the life insurance industry over the next decade. This perhaps indicates that the long-term prospects of the life insurance industry are still strong, despite the impact of the regulatory changes in the recent years.
- More than a third of the respondents (35%) feel that creating innovative products will be the greatest upcoming challenge for the life insurance industry. This is not surprising given the industry's reaction and dissatisfaction with the recent and 'more restrictive' changes to the product related regulations released by the IRDA. Twenty-two percent of the respondents felt that the uncertain regulatory environment would be the greatest upcoming challenge for the industry. Interestingly, operational risks received the least number of votes (12%), possibly because it has been overshadowed by the recent regulatory challenges.
- Interestingly, more than half the respondents (68%) feel that the online channel will emerge as a key distribution channel in the next five years. This marks a significant, and perhaps disruptive, shift away from the traditional distribution channels that have been the traditional source of business for the industry. This result may have been influenced by the profile of the respondents (mostly younger generation actuaries and actuarial students) and their buying preferences. However, it nevertheless indicates the importance of the online distribution channel going forward.
- A large proportion of the respondents (40%) believe that the current regulations on unit-linked insurance products (ULIPs) would lead to low sales of ULIPs. The remaining views were largely split between those who believed that there would be moderate levels of sales from ULIPs (29%) and those who expect ULIP sales to improve as stock markets rise (28%).
- More than three in five of the respondents (61%) feel that they would buy term insurance as opposed to other life insurance products. This underlines the importance of protection-oriented business. Thankfully, only 4% of the respondents said that they did not buy any life insurance products!

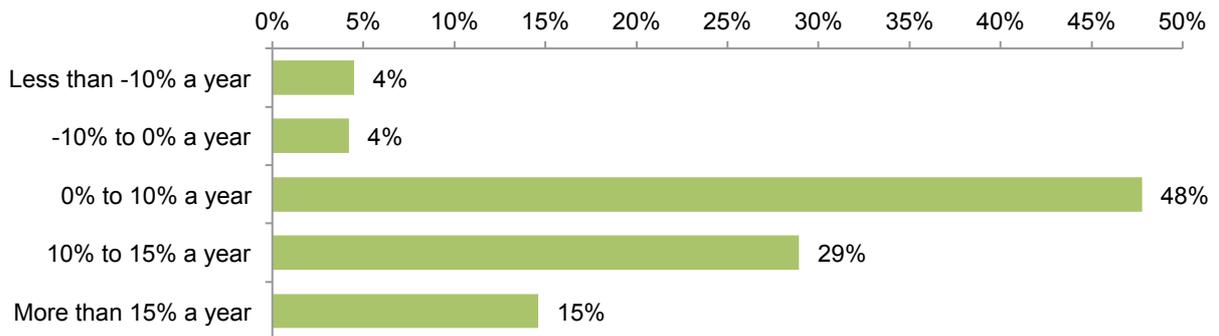
Congratulations to Ajay Kumar Srivastava (valuation actuary, LIC) for winning the iPad in the lucky draw held for all participants in the survey!

Given below are the detailed results of the survey.

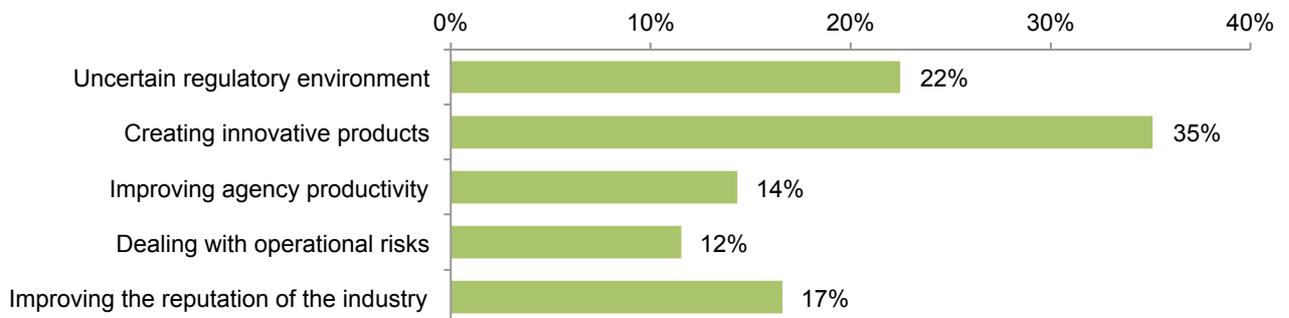
Q1. What are your thoughts on the regulations released last year?



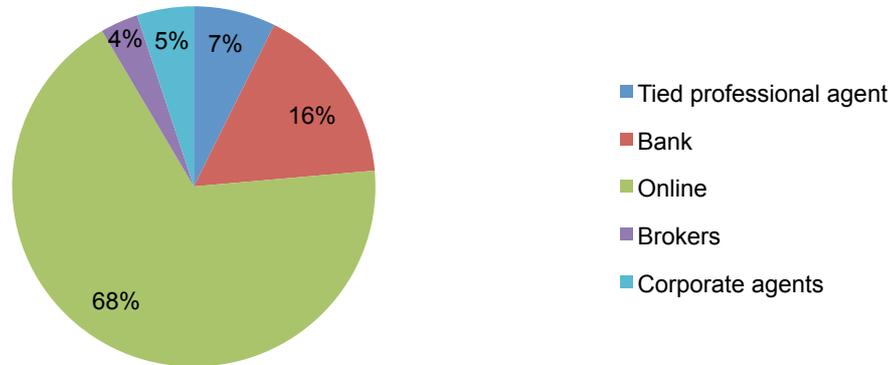
Q2. How much do you expect the life insurance industry to grow in the next decade?



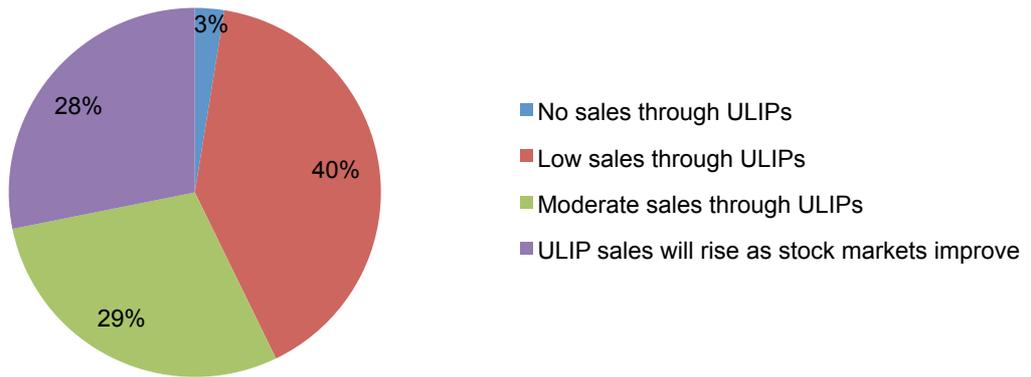
Q3. What is the biggest upcoming challenge for the life insurance industry?



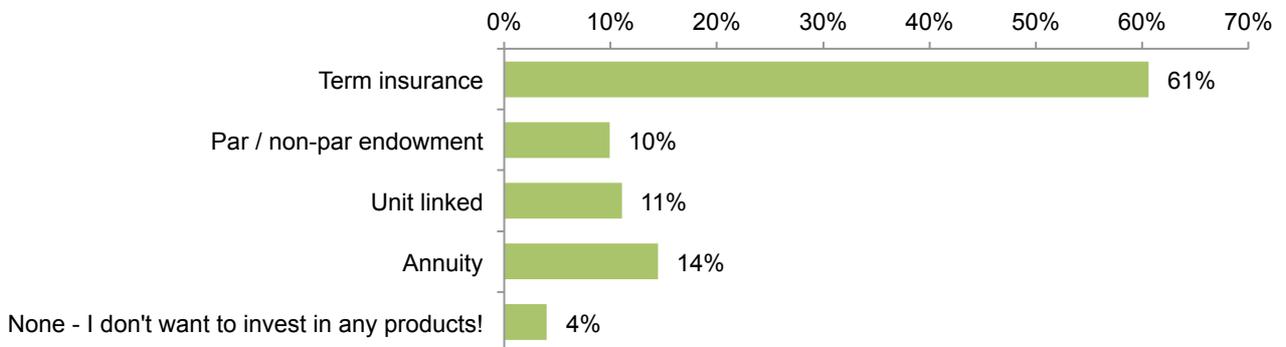
Q4. Which distribution channel is likely to emerge in the next 5 years?



Q5. How does the cap on charges affect the sale of unit-linked insurance products (ULIPs)?



Q6. Which life insurance product would you invest in given the current environment?



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