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Agrami Solei Life Insurance

A CASE STUDY

Agrami Solei Life Insurance (ASLI) company is an Indian life insurance company registered with Insurance Regulatory & Development Authority of India (IRDAI). A joint venture between INR 8000 crore Indian financial services company Agrami Financial Services (part of INR 75000 crore Srikrishna Group) and French insurance company, Groupe Solei, it has been operating since 2002, the early days of life insurance privatization.

ASLI is the seventh largest private life insurance company in India but is the fifth largest most profitable. In fact, its operating profit margin is highest among the top ten players.

Its claim settlement ratio of 98.4% is the highest among private insurers and in striking distance of market leader LIC. Its 13th month persistency rate, at 85%, is also in the highest bracket among the private life insurers.

Different Path

The profitability of ASLI is because of a conscious differentiated path that it has taken. And that has been possible by the vision of Agrami Financial Services' chairman Amod Aggarwal.

After the completion of the three-year stint of Solei nominee CEO, an India-born executive named Amit Bhargava, ASLI directors—like other peers—wanted to hire a CEO from Indian financial services industry or Indians serving in insurance industry in developed markets. Amod single-handedly vetoed the idea and in fact, convinced the board to go for someone strong in technology who also understood insurance. They found such a person in Suman Choudhury. Suman had a peculiar career. After working for a large European insurance company in Amsterdam, London and Paris—the last posting as the country head—Suman was convinced by his friend Ajay Ramakrishnan in 2000 to come to India and head a BPO in which Ramakrishnan and a few other investors had started. Suman has also invested in the company. In three years, Suman made it one of the top insurance-focused BPOs in India. In 2003, it was acquired by American IT services and platform company, ASC—strong on insurance—which not just retained Suman but made him its global (non-US) head for both IT and BPO practice. After a couple of years in ASC, a top head-hunter found Suman for ASLI.

He has been an unconventional CEO in a highly regulated industry. Though he worked in Western insurance companies and then served them as a service provider, he thought, they were not innovative enough. He got the best thing from them—thorough processes—but created a completely different path for ASLI.

Differentiations

One thing ASLI avoided under Suman was falling for easier but riskier group insurance. He thought the market would mature in some time and group insurance could wait for that time. As a result, ASLI's share of group insurance is one of the lowest. He did that to have a sharper focus on building a consumer brand of trust—which shows in the claim settlement rates, grievance rate as well as the high persistency rate.

However, he understood that trust was a long-term game; so, he simultaneously emphasized on customer convenience. And that is where ASLI really used technology. From simple applications like using WhatsApp and Twitter for customer service to identifying customer documents through OCR recognition, it created convenience for customers wherever it could.

One such application that others have not been able to replicate even after trying is, live video call with ASLI executive on agent's tablets when customer wants to clarify something. It did bring in four distinct advantages for ASLI. One, it built huge credibility and goodwill. Two, it closed the deal much faster as in such a case usually the agent visited a potentially large customer again with an executive. Three, this enhanced the productivity of executives, manifold. And finally, it managed to prevent revenue loss, because a postponement of the final contract signing often leads to changed decision.

Also, Suman aggressively promoted digital channel with attractive offers. As a result, ASLI's channel distribution shows a very significant share of direct sales at 24%. What is interesting to note is that this high share of direct (highest in the industry) has come as a significantly reduced dependency on agents (lowest in the industry), even as contribution of banks and corporate agency remain comparable with other life insurers. This shifting from agency to direct is one of the reasons behind high profitability of ASLI.

A significant digital focus also means that the product innovations and changes are made available to the customers much faster. But making that available through banks—the biggest channel—still remains a challenge. And that is one of the things that is worrying Suman.

Topline and Operational Metrics

As discussed, ASLI has charted a fairly differentiated path for itself. That shows in some of its operational metrics as well as in overall performance.

ASLI's asset under management (AUM) in FY 2019 was INR 63103 crore, which was 21% higher than what it managed in the previous year, with three-year CAGR being 27%—good by any standard.

Its first-year premium grew by 16% to reach INR 7201 crore. ASLI's individual policy focus is clearly visible with as much as 4-5th of it coming from individual segment. Its renewal premium was INR 17,812 crore. ULIPs account for 80% of its annualized premium equivalent. Protection plans are showing an impressive take-off in last 2-3 years. About half of its policies are sold by bank partners while about one-fourth is sold directly—the latter an industry benchmark.

The net profit of ASLI in FY 2018-19 was INR 721 crore, a growth of 13% over the last year.

Its customer focus is visible through its high claim settlement ratio of 98.4%—highest among private insurers—and falling rate of grievances, from 221 per 10000 new business policies to below 100 per 10000 new policies. Yet, it is still an item on CEO Suman's plate. He wants to bring it down further.

Its 13th month persistency rate (85%) shows customer stickiness. Its 49th month persistency rate is 57%. While this is among the best—if not the highest—in the industry, Suman thinks this needs a drastic change. He is still grappling with how to dramatically increase it. He believed this 1-2% percentage point increase is a result of efficiency and maturity for a company and is nothing to be celebrated. To change it significantly, he thinks, should be every insurers' Holy Grail.

The Next Challenges

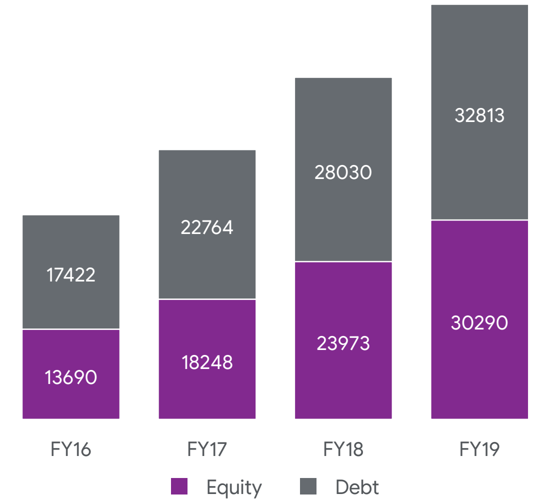
ASLI's journey has been good so far. But there are gaps and areas of improvement. There are a few specifically identified by Suman and his team.

They feel, now, it is time to go for group insurance in a slightly more aggressive manner to enhance both profitability and predictability. The company has already established its brand among the consumers—the focus on which had led Suman to play down group insurance.

Secondly, though ASLI's direct channel is strong, indirect distribution is important. Agents are an important sales channel. And in many small towns and in certain age groups, they are the only way to reach prospective customers. They also act as a

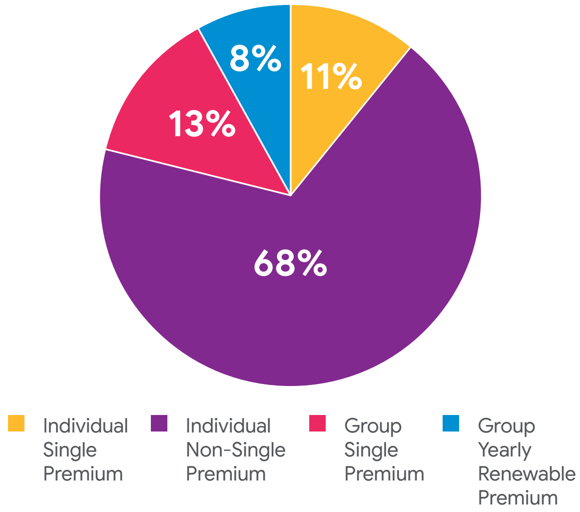
Operational Metrics of ASLI

Assets Under Management

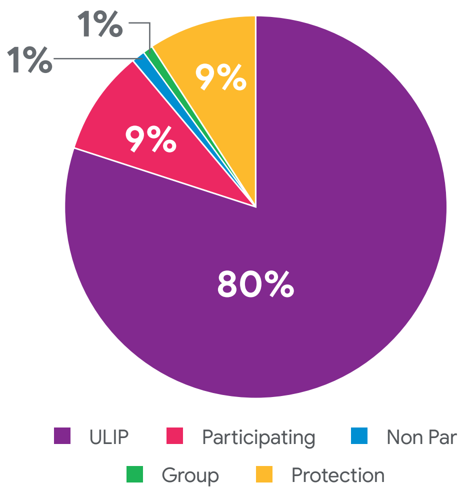


All figures in INR crore

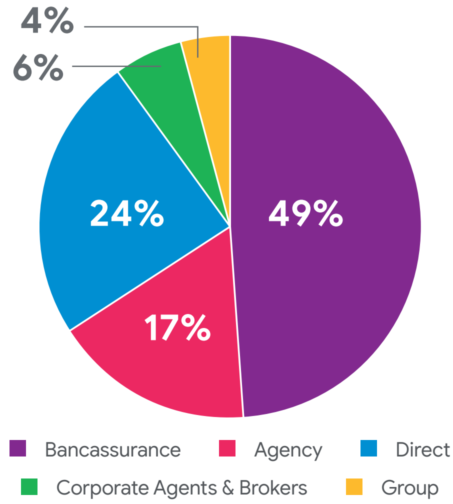
New Premium Break-up



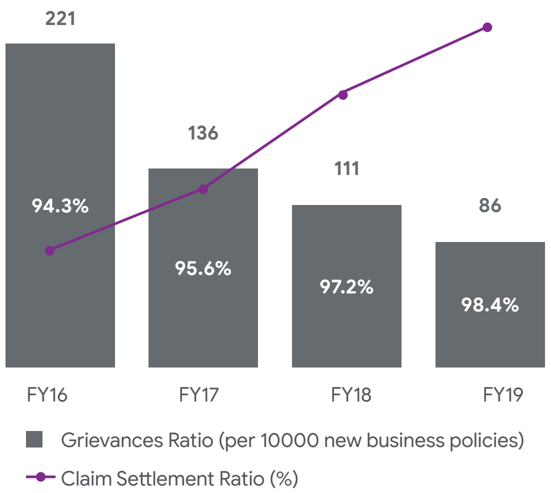
Annualized Premium Equivalent



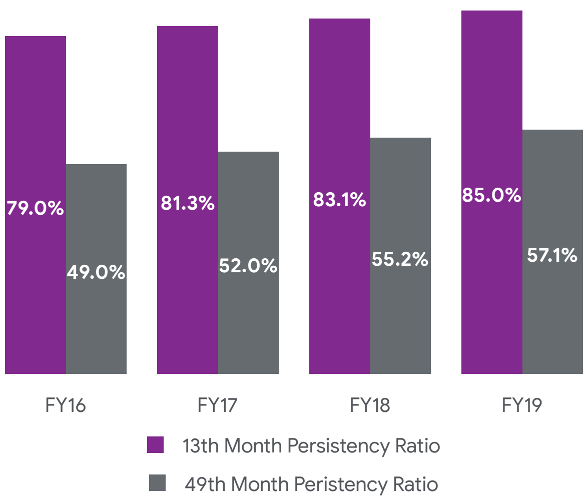
Distribution Mix



Grievances and Claim Settlement Ratio



Persistency Ratio



marketing channel for these customer segments and many others, who may buy directly but first get to know about the products from agents.

Three, the banks are a big channel. But very often they lag in terms of updating themselves with new products, changes in features, etc. This is a challenge. The changes have to be seamless and almost on real-time.

Four, there is an increasing trend of customers buying health insurance policy from life insurance companies. These health insurance policies are still costlier/covers less and are sold purely on relationships by agents and on brand name. Further, claims processing, though outsourced to TPAs, is still a challenge. Life insurance companies are just not used to that kind of continuous claims. So, the entire focus goes towards selling, collecting premia and in case of ULIPs, managing the value of investments. Any enhancement in claims processing is just about settlement ratio. There is no grey area in claim decisions in a life insurance policy; health policies are far more complex.

Finally, competition is intensifying. When ASLI started, there were five-six private insurance companies. Now, there are 24. Also, the newer entrants come equipped with the learning from the older ones and are far nimbler and use technology far more effectively. They do not show on the radar because of their small value of business, but it is a matter of time before they catch up. Sustaining the leadership, going ahead, is also about competing with them, as much as it is about competing with the older. When ASLI started, it was considered a sort of enfant terrible. But today, it is a large incumbent. Can it continue to lead?

ASLINXT

An ASLI internal team comprising selected executives from all levels was given the mandate to brainstorm and work out the contours of change needed to remain ahead. They were divided into seven groups, each focusing on one area: Either a business line or a business metric.

They came out with more than sixty impact points, as they called it. A senior team of two board members, Suman and a couple of senior executives, combined them together to come out with a strategic change focus, called PIN CODE, where each letter corresponds to one specific big-ticket change item.

Here is a brief description of PIN CODE.

Productivity

While ASLI has initiated many innovations to enhance productivity in the past, the newer players have come with completely different metrics. ASLI needed to match them, while leveraging its already-mature systems. For example, today, the agents can connect a prospective customer with company executives on a video call. But the video today is that of a talking head. It has to work on how the information can be presented to them simultaneously. Productivity of agents and banks as well as within the organization can be improved using technology.

Innovation

ASLI understands that what has brought it here will not take it there, what with so many new players. For that, it needs continuous innovation. In an organization-wide contest, employees are asked for ideas. Three ideas that it has selected are—more effective underwriting process, using data analytics and AI; effective claim management; and automate part of customer service while enhancing customer experience. ASLI is clear that anything on the customer management side cannot be done only for efficiency. There is a blanket No for that.

New Areas

As identified earlier, ASLI wants to grow its group policy thrust as well as health insurance. Both have their challenges, especially management of health claims. The company wants to find out how it can leverage technology to make it better.

Customer Convenience

While customer convenience has been one of the earliest mantras of ASLI, the company does not want leave anything that is needed to lead in this area. It is already using chatbots in interaction but more for handling more transactions and analyzing data than purely for efficiency enhancement. The term that it uses consciously is customer convenience and not customer experience, as the latter has, over time, acquired a meaning that is same as better customer service. It wants to go beyond that and is continuously looking for ways and means of bettering that convenience—product design to product mapping to of, course, policy servicing. ASLI is continuously looking for ideas to enhance this.

Operational Efficiency

Operational efficiency is a must to compete with the newer nimbler competitors. It is working on several fronts to enhance operational efficiency. For example, the time between signing a new customer by an agent and that reflecting on the system has to reduce drastically, even for smaller locations. Also, with data analytics, it is possible to take decisions based on data, thus reducing redundancy and operational leakage.

Digital Effectiveness

Among the older players, no one comes close to ASLI when it comes to digital capability. But the newer players, bon on digital era, have built all their processes on digital. It has to go extra miles to compete with them. Better mapping and recommendation of customers and products, multi-channel customer experience, personalized communications and purely digital versions of products are some areas it is working on.

Today, it has one app. It wants to build a dozen app to start with. One challenge is to not just build a large number of apps at one go but to update them regularly and retire older apps and build newer apps. A lot of focus on technology will have to go on this, CIO Animesh Shukla has been told.

Ecosystem Enhancement

An insurance company thrives on its effective ecosystem management, especially the distributors. Today, ASLI faces multiple challenges on this front. Some of the initiatives on the anvil are an API-based connection with banks so that they can quickly, on real time, offer updated offerings, better agency management, customized offers for partners, and a big thrust on educating the distribution ecosystem.

The learning part is a special focus as it is planning to invest on a learning platform and make a new incentive plan that also embeds learning as a component, especially for smaller and individual agents.

ASLI intends to execute the strategic agenda PIN CODE in a period of three-eighteen months, with specific time frames for each actionable item.

Your Task

Your task is to translate each of these seven strategic focus areas into specific actionable items and then translate them into technology. Please note that examples within each of the bouquets are just some of the ideas and ASLI is open to add more to them or discard any, if it is unviable. You need to:

- Suggest what is possible under each of the seven heads. As mentioned, only a few illustrative examples are given.
- While suggesting, you must mention the technologies that are needed to execute it.
- You must also present technology viability and plan for the ones that are already mentioned.
- You have to prioritize based on technology considerations alone. The board may or may not accept it, because there may be other considerations. But you have to give it anyway.
- You have to mention a clear business outcome associated with each tech-leveraged initiative in measurable terms.
- The tech plan should not be very elaborate but must be detailed enough to illustrate what are the components/solutions.
- There should be a roadmap—with timelines and priorities. Please justify your prioritization.
- It should only use the technologies presented to you today.
- Give budgets, resources, and challenges.
- Make suitable assumptions as long as they do not contradict any of the given facts.

Current IT Environment @ASLI

Software: ASLI uses HP Ingenium policy administration, supported by DXC Technology. The cash management system, underwriting and document management have been developed in-house, based on some open source software. The company has a sizeable development team. It uses a software called CRMNext for customer relationship management and Tableau for business intelligence and visual analytics by the strategy and marketing teams. A digital marketing solution has been custom-developed recently. It also uses multiple security solutions for data protection, network security, endpoint security and identity management.

Infrastructure: The company has three data centers—two in Mumbai and one in Noida. The DR center in Noida is co-located with a third party while the two primary data centers are run by the company in its own premises—at different locations in Mumbai.