



FICCI-Canara HSBC Oriental Bank of Commerce Life Insurance Company survey reveals consumers' desire for undertaking Need Assessment before buying life insurance products

NEW DELHI, September 30, 2015. A survey by FICCI-Canara HSBC Oriental Bank of Commerce Life Insurance Company brings to the fore that buyers of life insurance policies recognize the significance of professional need assessment for choosing suitable insurance products. To help shape their need-based investment, they would be willing to spend time and money.

The study 'Life Insurance: A Consumers' Perspective' reveals that more than half of the policyholders purchased life insurance policies in a planned manner. However, about 60% of the respondents consider their life coverage to be inadequate and show willingness to pay extra premium to obtain additional cover.

The study has attempted to understand the overall perception of an individual towards various aspects of life insurance and the decision making process that a person undergoes while making a choice in favour or against life insurance. The report highlights that while people understand the importance of life insurance, they are not completely aware of the true benefits of the plans which they currently hold. They consider life insurance to be a key instrument primarily to accumulate savings for taking care of future needs like child's marriage, higher education, etc.

The study also identifies the factors which can boost insurance penetration in India, particularly through the Bancassurance channel. The study highlights that respondents display an inclination to buy from Bancassurance channel in future after understanding product features and benefits in detail, receiving preferential treatment in services and continued security of their money.

The study is based on a pan-India survey conducted during April to June 2015 and covers over 5000 people, including 4488 policyholders of which around 60% were Bancassurance customers and 647 non-policyholders.

More than 80% of the respondents were found to be in the age group of 25 years to 44 years, close to 70% respondents were graduates and above, the annual income of 90% of the respondents were in the range of Rs. 1-5 lakhs. The respondents were primarily Self-employed (47%) and Salaried (40%), while Professionals constituted 6%.

Dr. A Didar Singh, Secretary General, FICCI says *“the survey was conducted in the backdrop of the low penetration and density of the Indian life insurance market. As compared to global average penetration and density level of 3.4% and US\$ 368, India's insurance penetration and density levels are much lower at 2.6% and US\$ 44”*.

“Life insurance is an important asset class which not only provides people an opportunity to save but provides protection to the family members of the insured on the occasion of his/her



untimely death. Therefore, these products should be demand driven. On the contrary, life insurance largely remains a push product even now. This necessitated analysis of the mindset of consumers towards life insurance products on one hand and the robustness of the existing industry practices on the other”, observed **Dr. Singh**.

Anuj Mathur, Chief Executive Officer, Canara HSBC Oriental Bank of Commerce Life Insurance Company said, "the key objective of this study was to assess insurance awareness and understand consumers' perspective on life insurance. The survey reveals that a consumer knows the importance of having a protection cover and how it enhances the quality of life for a secure future."

Mr Mathur further added, "Need assessment analysis is very important. The propositions should be designed to meet the needs of the identified customer segment. Life insurance is not about 'Buy once and then forget about it'. The coverage should be reviewed at every step and hence the quest for providing genuine value to consumer must start with a better understanding of their life needs."

The following are the key findings:

- Life insurance appears as a key asset category for policyholders who have invested about one fifth (21%) of their savings in this asset, followed by bank deposits (18%), and physical assets like gold & precious stones (10%). All respondents have indicated willingness to invest 6-8% of their income in life insurance in near future (next six months).
- Savings for future needs (75%) and security for family (64%) are the top two reasons for which policyholders have invested in life insurance. Non-policyholders perceive life insurance primarily as an instrument to provide protection against uncertainties (35%) and as a tax saving destination (35%).
- There is a strong preference in the respondent group for Traditional Plans (64%), followed by ULIPs (19%).
- 54% of the policyholders indicated that their purchase was a planned decision and they also undertook a need assessment exercise during their purchase.
- Three fourth of policyholders and 45% of non-policyholders indicated willingness to spend time in the range of 30-60 minutes for need assessment exercise in future. Nearly half of the policyholders and around 34% of the non-policyholders showed readiness towards spending money to conduct the exercise as well.
- For 89% of the policyholders, agents or company/bank representatives initiated and approached the customers for pitching life insurance.
- 59% and 68% of the policyholders are not aware of the policy benefits payable on death and maturity, respectively.
- About 60% of the policyholders & 40% of non-policyholders feel inadequately secured with their existing policies and current savings respectively. Respondents are willing to pay extra premium/amount to get additional cover/security.



- 81% of the respondents indicated that they have their operating bank account branch within 3 kms of their residence/ office. Respondents indicated that they will be motivated to purchase life insurance from banks in future after understanding product features and benefits in detail, receiving preferential treatment in services and continued safety and security of their money.
- Overall, there is satisfaction among the policyholders regarding the quality of services provided by the insurance companies/distribution channels. 91% of them received policy documents within a month of paying the first premium and 88% received reminders for premium payments.

Based on the research findings, the FICCI-Canara HSBC Oriental Bank of Commerce Life Insurance Company survey recommends the following actions to enable the life insurance industry to weave a better future.

- Professional need assessment is a key requirement and hence a comprehensive and ongoing process should be implemented as part of the sales engagement cycle.
- Keeping the risk averse nature and customer preference for savings in consideration, focused & localised awareness campaigns and workshops be conducted to further promote benefits of life insurance traditional plans.
- Since gold & bank deposits appear to be preferred investment avenues, life insurance providers should showcase the value proposition of Life Insurance as an alternative / complementary offering for the target customers.
- As a part of the purchase and sales quality review processes, ensuring that prospective customers are informed about type of policy they are buying, key benefits which will be available at specified events and key risks should take primacy.
- There is latent opportunity for the industry to Cross sell & Up sell to promote coverage of the 'mortality gap' - respondents perceive they are not adequately covered and are willing to pay for additional cover.
- Banks are an important access point for the target segment and customers have shown a significant preference for banks as a channel for insurance purchase. Hence, insurance companies need to leverage on their positive association to further reach out to bank customers through their partnerships with banks.
- Alternate channels (online and ATM) can be leveraged by banks to improve customer engagement.
- As customer's first point of contact is the sales person for any policy servicing, adequate emphasis is needed for training salespersons for providing after sales support in claims handling.



About Federation of Indian Chambers of Commerce and Industry

(www.ficci.com)

Established in 1927, FICCI is the largest and oldest apex business organization in India. FICCI has contributed to the growth of the industry by encouraging debate, articulating the private sector's views and influencing policy.

A non-government, not-for-profit organization, FICCI is the voice of India's business and industry. FICCI draws its membership from the corporate sector, both private and public, including SMEs and MNCs; FICCI enjoys an indirect membership of over 2,50,000 companies from various regional chambers of commerce.

About Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited

(www.canarahsbclife.in)

Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited was launched in June 2008 and is jointly owned by two of India's largest public sector banks – Canara Bank (holding 51%) and Oriental Bank of Commerce (23%) – and HSBC Insurance (Asia Pacific) Holdings Limited (26%), the Asian insurance arm of one of the world's largest banking and financial services groups – HSBC.

The Company has access to around 60 million customers and a pan-India network of over 8000+ branches of Canara Bank, HSBC and Oriental Bank of Commerce. By selling through the three banks' branches, seeking to seamlessly integrate systems and processes to reduce costs, Canara HSBC Oriental Bank of Commerce Life Insurance aims to pass on the savings to customers through lower charges thus making the Company's policies among the most competitive and accessible in the market.

The company achieved discrete break-even in 5th year of operations which were essentially an outcome of the customer centric policies, cost efficiencies & effective control processes followed.

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