Enterprise Risk

Securing a future: Nagumantry Roop Kumar on SBI Life's plans to deliver insurance to India's huge population

Securing a future

The head of risk at SBI Life Insurance, Nagumantry Roop Kumar, explains why delivering life insurance to India's huge population is a work in progress

BY ARTHUR PIPER

The Indian insurance sector is growing at an impressive rate. The government's policy to insure the uninsured has helped boost the number and types of policies on offer – with gross premiums reaching about $4.69 billion for financial year 2018-19. Pundits expect the industry to carry on expanding rapidly because of a growing economy, continuing changes in regulation and the fact that fewer than four in 100 Indians have any sort of insurance.

On October 3, 2017, one of the major players in the Indian life insurance industry, SBI Life Insurance, listed on the Bombay Stock Exchange and National Stock Exchange of India. SBI Life Insurance is a joint venture between the State Bank of India and BNP Paribas Cardif – and as at March 31, 2019, it had assets under management of about $20.7 billion, ranking second in the country for new business premium among private players. It is hoping to build on its significant share in the market over the coming years.

But the industry faces stiff challenges, according to Nagumantry Roop Kumar, executive vice president and chief of risk, information and cyber security management at SBI Life, who took the reins as the organisation's head of risk back in April 2014. These are partly due to the sector's

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history. The life insurance industry nationalised in 1956, with the state-owned Life Insurance Corporation of India existing as a monopoly player in the sector. The industry opened up to private companies in the late 1990s. While there are around 23 life and 28 general private insurers in the sector, product distribution and innovation still need to be improved and fine-tuned to meet the needs of the Indian population.

"Selling market segment-oriented products, and focusing on customer aspiration and satisfaction is a challenge," Roop Kumar says. For example, in the past, state-owned insurers relied exclusively on using tied agents to sell their products. This is still an important channel for selling insurance, but it is time-consuming and expensive. Insurance agents need recruiting and once trained often need to meet with clients more than once to secure a sale. Outside of the large cities, rural travel distances can be relatively long, which adds to an already burdensome process.

Changing channels

Bank assurance has recently taken over as the pre-eminent sales channel for Indian insurers. It enables SBI Life and others to sell insurance through their banking partners. Those banks have a captive client base, which they leverage, by cross selling and upselling insurance products in addition to their core services.

"Generally, most of the people with a bank account in India are middle class and upper-middle class, and banks are able to get a good healthy premium from them," Roop Kumar explains. But online sales are also picking up rapidly and insurers need to innovate if they are to significantly improve the country's low level of insurance penetration.

Prospects are promising. Mobile phone use is widespread. Online selling over such devices will better serve a mostly rural population. Because the Indian economy has been growing steadily at around 7 per cent for the last 15 years, India has a rising middle class with higher aspirational levels. This segment of the population is no longer just confined to the big cities alone – and they have disposable income. Reaching those people is the core aim for insurers, and mobile devices are key to unlocking the market.

"To approach them, we should move from a distributor-driven process into a technology-driven business model," Roop Kumar says. "That, again, is going to happen because of the opportunities created by smartphones and access to data

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that people have." Data in India is among the cheapest in the world. It is still relatively less regulated compared with jurisdictions such as Europe; however, stiffer privacy regulations similar to the General Data Protection Regulation (GDPR) are in the offing.

For this strategy to pay off, insurers need to innovate their products. At the bottom end of the pyramid, the government of India is providing insurance schemes at a very low cost, such as term insurance and medical insurance and affordable pension schemes. Roop Kumar says these initiatives are beginning to pay dividends as people become more aware of the potential benefits of insurance.

"Low-cost products which can be priced to give even a marginal profit, multiplied into huge volumes that is the population of India, represent a huge opportunity for insurers," he says. Companies are testing demand, for instance, by creating term products without heavy underwriting, processing and distribution costs – but he says they have not yet been developed successfully enough to take off in a big way.

"Products are being tested and

put in the market and then being refined," he says. "Over the next two to three years, to a maximum of five years, you will see a sea-change in the way insurance is being bought and sold in the country."

Deadman insurance

The insurance industry faces other challenges, not least from the widespread and often imaginative fraudulent schemes that thrive in the region. "We have a strange phenomenon called Deadman insurance – the person is already dead, but the proposal comes in fully manufactured," says Roop Kumar. "Then we get a claim within a year or two. This has become very rampant and fraudulent insurance claims are one of the biggest challenges insurers are facing."

He says the practice has become so common that insurers are seeing underwriting profits being affected, company costs rising and profit margins slimming.

"When we started getting a lot of incidents of very early death claims and fraudulent claims, we set up a risk analytics team within

risk management since he took up the post five years ago in what was then an unlisted joint enterprise. SBI Life was the first life insurance company in India to be compliant with the ISO 31000 ERM Standard, a process that he oversaw. Last year, it added COSO 2017 to its methodologies to help assess the maturity of the business' ERM practices, and Roop Kumar's team is busy making further changes to the risk management processes.

His remit is wide and takes in strategic risk assessment, business continuity planning and governance, all of which have processes that are strongly documented. In addition to the usual operational, market, hazard and product risks you would expect such a function to oversee, he is also responsible for business continuity, information security, data protection, fraud monitoring and business analytics. Each of the latter are distinct specialities in SBI Life with their own heads of function reporting to Roop Kumar. He reports to the company's risk management committee on all of these issues.

Top to bottom

SBI Life has a dedicated central ERM team, which is further supported by operational regions in the country. He encourages his risk managers to seek certification, such as those offered by IRM, and looks initially for staff with strong analytical skills. But networking skills are paramount – without the ability to get buy-in from top management and communicate effectively with the business, risk management becomes relegated to a compliance role, he says.

The risk team broadly follows ISO 31000 and the COSO 2017 framework. What that means in practice is that risk awareness is ingrained throughout the entire organisation, down to what Roop Kumar calls "the last person".

"I have a risk mantra, just like all Indians have mantras," he says, laughing. "Everywhere I go and whatever I do I propagate this mantra through my communications and everything – 'ERM means everyone is a risk manager'. To support it, we have a saying in the company which is put up everywhere in every office – 'be risk aware, be data aware and be secure'."

Five years ago, when he started out in the business, he admits that the industry was not so conscious of risk. Now he says he would describe risk awareness among managers as a significant trait – particularly since he ran a risk culture programme in the lead-up to SBI Life's public listing.

"We wanted to build up the risk awareness level from the top management right to the last person," he explains. "Every employee in the company has a fairly good idea about risk, has the responsibility to manage risk and the tools to understand risk. It is now part of the daily work culture."

This has taken a lot of work and training and is an important, ongoing part of Roop Kumar's portfolio. The regional risk officers, for example, have specially designed risk guidelines and visit their branch offices to conduct training sessions. They also teach staff how to handle risk management tools and how to understand risk.

It is not all one-way communication though. During risk management week, the team conducts a lot of quizzes and competitions. Recently, they held a poster competition – the best risk slogans were made by employees from the branch offices. "The slogans came from them, not us," he says proudly. There is also online training.

In fact, staff are marked on their understanding of risk in a way that feeds into their key performance indicators. "They are very proactive and aspire to get good marks in it," he says, "but I wouldn't be able to do all of these things without the support of the top management downwards."

Data

Recently, Roop Kumar has been focusing on data protection and data leakage. In India, current data protection laws have few teeth, so data leakage is rampant. "The need to do more to raise

the risk function," he says. They examined very early death claims in the company over the previous five years – looking for the triggers in the proposal forms that indicated potential fraud. They also factored in the quality of business from each distributor and fraud incidents experienced by other companies. The result was an in-house program called Risk Score, in which they partnered with the underwriters. In addition, the company created a fraudulent risk claim verification program, which is used to investigate potential fraud, even post-issuance of a policy.

"There are external fraud agencies who investigate, but the volumes are very high and, keeping in mind the cost of investigation, we need to point them towards some specific policies, proposals and geographies which look extremely risky," he says. "We bring it down to something like 3 per cent of policies that we have sourced and then give it to the investigating agencies for verification."

Risk focus

Roop Kumar has been working hard to develop this level of sophistication in

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consciousness about how to secure data and not to be frivolous with it has become a huge concern," he says. "To build processes around data is a challenge that I have."

To help with the issue, the business re-examined the processes to map data flows across the entire company. All data from unprotected formats goes into a data flow analysis, and the risk team consults with individual departments to look at safer ways to control and monitor it.

He has also put in place a data leakage prevention initiative. "Under this project, all the data that is flowing within the organisation and going out of the organisation is being monitored – and we are putting in rules to manage that data flow as we get a better understanding of it," he says.

In tandem with this, the company is strengthening its mobile device data management. SBI Life has over 100,000 distribution staff, many of whom are part-time. They are based everywhere from cities to deep rural areas, and many have started working extensively on smartphones and tablets, creating large flows of data to and from the company's systems. The risk team has put in place a mobile device management program to control this data flow through a secure channel.

As well as there being a solid business reason for taking such measures, there are upcoming regulatory reasons too. Roop Kumar believes that a more powerful data protection act could come into force soon after the Indian parliamentary elections, which had just ended at the time of writing. It will be a big challenge for the risk team because they will need to examine all the contracts where the company handles the data, plug all data flows that could lead to data leakage and potentially modify a lot of systems and processes to comply with the law while simultaneously bringing up awareness levels.

"People may actually be moving data around randomly without understanding the implications of what they are doing," he says. With over 15,000 employees spread over 909 offices (as at April 2019), awareness training alone will require a mammoth effort. "It is going to be a journey and we have already started in anticipation of the upcoming

Above: Four in 100 Indians have no insurance

act, otherwise we would not be able to catch up with it," he says.

Variety

Roop Kumar enjoys the variety that his role provides. He spent 32 years heading business-critical functions such as sales, marketing, operations, legal, IT and customer services before opting for his current role.

"I have a good understanding of how risks originate, how the data flows and how the risks happen in the company," he says. "I use this experience to design and develop effective risk-based solutions – and deliver them to the last person. I try to make it as simple as possible – and make them feel that being aware of risk actually secures them; I sincerely believe in that."

While he admits that there is pressure to demonstrate results to the business, there seems to be an almost moral dimension to his view of the importance of risk. He speaks of personal data as being as important as their other assets – houses, cars or jewellery – which gives the company an ethical

responsibility to protect those people from harm. "Wearing my business continuity hat," he says at another point during the interview, "I see a lot of people who are dispossessed and companies that are struggling, so coming up with solutions for that are important." That is one of the reasons he sees his current role as a kind of capstone to his career. It helps him bring all his knowledge and skills together for the benefit of others. ⓔⓡ

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