

Price differentiation is overrated



Reinsurer-led process shifts can empower insurers to offer innovative and customer-centric products in the marketplace, says **Mr Rahul Prasad of HDFC International Life and Re.**

Growth jewels often lie buried under the weight of traditional approaches. While insurers tend to design and develop life products based on understanding customer needs and market demand, they still continue to use existing processes to support sales, underwriting and administration of the products.

Approaches like the above have often resulted in sub-par outcomes, give or take a few. In recent times, the focus and push have largely been limited to creating differentiation centred around 'price points' (read: lowering of premiums), and seldom towards other possible enhancements and easing of enrolment/buying/underwriting procedures.

How many times have we seen major digital initiatives within companies simply force-fitting existing products onto a website without changing the backend/underwriting processes?

That this trend can put serious pressure on pricing for both insurers and reinsurers and can result in punitive outcomes is well understood by stakeholders, but improvements still continue to get shelved for another day. This is mostly due to the lack of visible and compelling options.

Can we, on the other hand, become fans of concepts that reverse this thought order? Can reinsurers become keen proponents of 'process-led product creation' driving bigger uplift towards the creation of compelling life propositions? And can new age reinsurers have a big role to play for this to happen? The answers to these questions is 'yes', and (re)insurer-led process changes should drive the core design/key offering of the proposition, rather than the other way round.

We believe that new and compelling propositions for customers will in the near future be led by practices which give prominence to (a) revising processes to align with the customer journey, (b) matching of buyer's price points to the benefit value; and (c) usage of an ecosystem's advantages/limitations to design the product context; while encircling all of these with tailor-made risk management and underwriting frameworks enabled by an engaged reinsurance partner.

An additional step would entail marrying the above with the belief that purchase behaviour in cluttered markets is likely to get positively influenced by the right


placement of offerings – the good old marketing theorem remains true even in the new digital world! Associated buying tends to create a multiplier for a product's offtake. The crux of finding growth will thus be a process-enabled value offering, further leveraged by availability in the ecosystem of the customer's transaction.

Today, policyholders interact with services through an ecosystem of web/apps where identity is verified and multiple information depending on the ecosystem is made available. Life propositions which allow the use of an existing ecosystem (banks, retail apps, telecom) to enrol/buy benefits in three clicks or two taps or one SMS is now becoming a reality. These offerings are designed with the ecosystem and processes in mind. The ease of purchase is driving behaviour far more strongly than differentiation in benefits could ever hope to do.

There is a significant attractive opportunity created when both reinsurer and insurer co-create propositions based on the principles discussed above. We are increasingly seeing the creation of offerings which fit different ecosystems of transactions, rather than force-fitting products into existing ecosystems. Conversely, there are multiple examples where we see the absence of these and the results are telling.

Reinsurer involvement in the design phase can enable shorter application forms more suited to the customer journey. Similarly, reinsurers are most adept at leveraging existing data to micro-target and hyper-personalise price and benefits. These advantages aggregate into delivering an experience which improves buying and value delivery, without compromising on risk management metrics.

The triumvirate of 'reinsurer + insurer + distributor' is arguably thus the most powerful combination – one which can move markets by coming together to build unbeatable value propositions for customers. The headroom for value creation is substantial and a whole range of market opportunities can open up when these three come together as one.

Will this be the future? 

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