

The HCLTech Trends and Insights podcast

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Hello everyone and thank you for tuning in to the HCLTech Trends and Insights weekly podcast where we'll be discussing the latest key technology stories and events that are impacting and disrupting business and society. I'm Nick Ismail, the head of brand journalism at HCLTech. And today I'm happy to be joined by Srinivasan Varadharajan, a senior director at HCLTech.

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With over 16 years of experience in IT Products and services and ten years in insurance operations. Srinivasan, how are you? I'm good, thanks, Nicholas. Thanks for having me here. No problem. And thank you so much for joining us today. Well, we're going to be discussing the defining insurance trends in the API region. So just to kick off, can you explain about the landscape of insurance and API and what are the largest areas?

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Oh, yeah, certainly analyst So it's a very interesting heterogeneous region, which is Asia-Pacific. On the one hand you can see highly developed economies like Singapore, Australia, and Japan, and on the other hand you can see growth tigers like China, India, Indonesia, and Vietnam. So, it's a kind of a diverse set of nations that make up the Asia-Pacific.

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And the largest market in terms of premiums would be obviously China, Japan, and South Korea, followed by other countries. But if you see insurance premiums as a percentage of GDP, which is a fair measure, then Singapore, of course, way above all these countries and it's pretty much high on the ranking. Thank you. And the difference between countries and the drivers is something I want to get into later.

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But just to continue. So, in general, is the insurance market in Asia-Pacific experiencing growth? And if so, why? Oh yeah. So suddenly after the pandemic, all the economies, how kind of come out of the gate and started raising you know, so the economies are such that they are seeing a tremendous growth rate as compared to the pandemic times and insurance market growth also follows the same trend.

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So, if you look at the economies like Indonesia, India, and Vietnam, they are expected to see higher growth, around 5% growth rate that us some economies like China, they are expected to see around 3%. China is kind of a bit slow to come out of the pandemic and the developed economies like Singapore, Japan and Australia, they have a higher base and, in that sense, they are expected to grow around about 1.5 to 2%.

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So that is the expectation about the growth. But overall, the trend is that the market is growing, the insurance is bound to grow and we would see a healthy growth in the coming time. Six up slow or not to outliers. Sure. And the reasons behind that, you know, insurers are increasingly creating value added services to go along with their products.

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Right. So that's driving growth. Also, there's an emerging consumer class and there's a kind of growing real ecosystem where we're seeing kind of partnership beyond the classic partnerships between insurers and banks. Do you see those other kind of driving trends accelerating this growth? Yeah. So, the litigate of a perfect storm, the changing demographic profile is one lever. And also, the pandemic kind of saw it as an eye opener for the demographic as a whole, you know, so you can see a very healthy demand for health insurance, one unintended and you see some of these specific products.

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That's a higher growth rate. One good example is the pensions product that the economies are seeing higher among the population along the world. Are they just you see increased demand, for instance, product. So overall there are specific product demands that are increasing like health and pensions. The second lever that we see is market. The returns are increasing and therefore insurers are able to see improved investment returns and that translates into better returns for the policyholders, which again drives more investment for in terms of going into insurance.

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Return driver is the change in the demographic profile. And it is a very interesting thing to see that insurers are adapting themselves to reach out to the younger market segments, Iceland, and they have different approaches. So overall these are the levers that I see insurance companies adopting across the region with different strategies. Yeah. Okay, great. And you mentioned just then about demographic.

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I'm just interested to find out the different trends in specific countries driving different growth in different insurance spaces. So, for example, Japan's population is shaping its life insurance market. Can you talk about a couple of regions specifically and what particular factors impacting their insurance landscape? Yeah, definitely. So, all countries like India, Indonesia, we see a return to buying more investment-oriented insurance products because those markets are seeing a higher than average yield.

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So that is one trend that we can see. And again, going back to Japan, not only life insurance, we also see an increase in pension product buying that is happening, but the thing is like increasingly the insurance product manufacturing is highly commoditized and therefore the selling is happening less on new product features, but more based on the way the customers are approaching.

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The way the need for insurance is delivered to your customers. That is what is actually driving the growth. And Srini So thanks for running through countries like India and Japan. But when it comes to Singapore, will the nation state play a role as a global leader in insurance, just as it is in financial services and wealth management? Oh yes, certainly.

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I see them playing a role as a global leader. In fact, Singapore has always been a leader in financial services, including insurance, and they were one of the earliest pioneers in terms of providing a regulatory sandbox environment that the insurers can create products and does liability before they can launch. What sort of broader audience? In fact, they have launched it.

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So many innovative products like, for example, ASG FinTechs, which is providing customers with a dashboard across multiple organizations. It could be multiple insurance companies, insurance companies and banks and so on. And they are running a Project Veritas, which is for ensuring that the principles of Fadden as it takes, they are all incorporated into artificial intelligence and data analytics, and they are also focused on ESG through their project green print.

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And in fact, Singapore has explicitly stated through their industry transformation map of their regulator of becoming the global capital for Asia and insurance and transfer. So, I believe they are very much in the leadership position when it comes to supporting insurance as well as financial services. Okay. Thank you. And just a slightly change on track. The world is moving to a sustainability focus.

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And on the asset side, in insurance, there is a shift towards sustainable investing and there's also kind of an increased customer focus on sustainability. So how will the insurance market respond to calls for more sustainability? Yeah, so insurance industry, as compared to any other industry, has multiple ways of approaching the sustainability and ESG as a whole. So typically, any organization these days they look at ESG adoption as a part of their global strategy, and insurance companies are no exception to that.

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They also focus on adopting the ESG principles the United Nations mandate that see will be principles and other areas like DX. I was a quality and inclusion and so on. They adopt that. That is what we won. We vote for insurance companies, typically insurance companies or long-term investments investors of the public funds and therefore they also increasingly look towards ESG adherent investments.

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So the funds that are ESG compliant are looked more favorably by insurance companies for investing. The third lever for insurance companies is by virtue of their ability to take a significant stake in the invested companies. They also become a shareholder and a stakeholder, and they can drive their all invested organizations towards becoming more ESG complaint for this insurance.

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They don't exist in a siloed environment. They have a partner building system and therefore they are in a position to select partners based on There are data towards ESG adoption and what with them. So as compared to any other industry, insurance companies have various. Yes and increased capabilities to try is the third option. But I have to put in in a caveat here.

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They arc of journey you know towards you are used to adoption from looking as a just as a cost of doing business. All the cost of compliance to becoming the only way of working. It takes time. It is a very long-term journey. Nevertheless, we see that all the insurance organizations are on some stage of maturity in this journey.

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Thank you. And in terms of using technology to achieve that business goals, whether it's sustainable LLC or growth, what are the technologies that insurers in a pack and beyond are looking at embracing? So,

there are various ways you can do that. One is, yeah, message to our ESG adoption as a philosophy and also mandating on the hiring practices, the governance practices when you have to implement that USTR adoption in real terms, it could mean several things.

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One is automation. So, we have seen insurance companies reduce their paper wastage in the office, says it could seem trivial, but it amounts to a significant savings. When you automate the process, when you get rid of the paper trade and make it everything digitally, that is one way of doing things. So again, we are doing things, are adopting the communication tools to avoid rivals that thereby are going towards a carbon neutral portfolio.

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So that is another way of doing it. So increasingly, technology plays a major role in ESG adoption, and it could be different technology such as our communication or automation or even cloud adoption. So, all of these things which actually force us to use the resources on a need to or on a need basis and also on a just in time basis, all these are technologies.

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They deliver value towards ESG absorption. Thank you. And beyond ESG, how are insurers embracing technology or what technologies are they embracing in that kind of day-to-day activities outside of ESG? Yeah, And this actually, we should also point out to the technology trends, our own organization has here that has come up with and more or less ideas.

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There is a positive correlation to that head. Our technology trends report to the technology that we see insurers embrace. First one is essential also in going on kind of technology paradigms that every insurance carrier needs to adopt. First one is a cloud adoption. In fact, all the insurance companies are already on cloud. In fact, they even consider a multi-cloud strategy as something essential.

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Second one is cybersecurity, with things done increasingly on a digital sphere rather than on a physical sphere. You see cybersecurity and info security becoming something very critical. It can make or break their jobs record is yeah, your ML artificial intelligence and machine learning. These days they get weaved into every one of their business processes in terms of delivering value.

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And for this is a surprising thing as a talk to different cables in different regions, I see them increasingly adopting generative AI technologies or alliance, as we call large language models. You know, not just an APAC manner, but also more towards adoption too, in incorporating into their business practices. A good example is like them, they have Fred and a large language model, all their business manuals and then they have done it to their employees who use it as a point of reference.

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There are several use cases and I see that agility through. Yeah, is becoming essential rather than something as an afterthought. Now secondly, this second line of technology adoption is based on their strategy. So, if a company is focused on adoption and they are ready to buy growth, then they focus on technologies like omnichannel, hyper personalization, and that they use analytic, extended deep learning to deliver the customers risk to customers at the right time and deliver the right products for the right customers.

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And also augment their sales channels. If an insurance company is focused on bottom line, we see them coming to us for projects like automation or process re-engineering, which actually makes their independent business processes much more efficient. And typically, they also use analytics for fraud prevention, but they try to plug in the leaks. So, the first layer of technologies that we see audit and SHIELD, that is the second layer of technology adoption is based on their business strategies and goals.

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Thank you, Srimi. And just finally, do you have any predictions for the insurance market, something that's coming in the near future that's going to reshape or that's going to transform the market or the industry for its consumers or the employees? Yeah. So, the or the market that is being targeted by insurance companies are growing ever younger and they are increasingly digital and online rather than offline.

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So the one thing that I can confidently predicts, insurance companies have to go their customers off and you will see an ever increasing online presence. It could be a standard automation technology or it could be newer technologies like ours are adopting them and create a virtual world or these new customers in the virtual world where they are already on.

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That is one thing I'm very confident about. And the second thing I'm seeing is increasing our standards. Adoption. So there's open technology, there's a drive for open technology, there's a drive for open architecture, and that would make the product much more commoditized it and therefore insurance companies would focus. Product manufacturing is a very core competency and sales and distribution.

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And you can see different players emerge which would be there. But the sales or the disruption to be their core competency, you can see breakup of some insurance companies for this reason. So, these are a couple of things that I can see on the horizon. That's great. Srini, thank you so much for your time and for joining us today.

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Thanks for having me here. It's a pleasure speaking on the topics that are close to my heart.

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Thank you to Srini once again for these great insights and to the audience for tuning in. Goodbye!

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Goodbye.