

Kotak Life Insurance: Enhancing Productivity and maintaining Cost Efficiencies

Kotak Mahindra Old Mutual Life Insurance Ltd (Kotak Life Insurance) is a 74:26 joint venture between Kotak Mahindra Bank Ltd., its affiliates and Old Mutual PLC since 2001. Kotak Life Insurance provides exemplary service through high customer empathy. Kotak Life Insurance's product suite leverages the combined prowess of protection and long term savings. The company covers over 15 million lives and is one of the fastest growing insurance companies in India.

Established in 1985, Kotak Mahindra Group is one of India's leading financial services conglomerates. In February 2003, Kotak Mahindra Finance Ltd. (KMFL), the Group's flagship company, received banking license from the Reserve Bank of India (RBI), becoming the first nonbanking finance company in India to convert into a bank - Kotak Mahindra Bank Ltd.

The Group offers a wide range of financial services that encompass every sphere of life. From commercial banking, to stock broking, mutual funds, life insurance and investment banking, the Group caters to the diverse financial needs of individuals and the corporate sector. The Group has a wide distribution network through branches and franchisees across India, an International Business Unit at GIFT city, Gujarat, and international offices in London, New York, Dubai, Abu Dhabi, Mauritius and Singapore.

Old Mutual is an international long-term savings, protection and investment group, powering a portfolio of highly trusted brands. Originating in South Africa in 1845, the Group provides life assurance, asset management, banking and general insurance in Europe, the Americas, Africa and Asia. Old Mutual is listed on the London Stock Exchange (LSE) and the Johannesburg Stock Exchange (JSE), among others.

Kotak Life Insurance (KLI) has been providing a diverse range of products, catering to myriad insurable needs of its clients across different customer segments. The insurance solutions are available for individuals as well as for groups. Products for individuals are available on both online and offline platforms. The company is one of the fastest growing companies in India and has a client base of more than 4 million people. In the absence of a social security mechanism and given the fact that insurance penetration in India stood at only 4.5%, covering 12% of the population, the company sees phenomenal growth prospects in the future.

The insurance business typically relies on the "TIED Agency channel" for reaching out to customers. Under this model the insurance company enters into an agreement with an agency to exclusively sell its products. Kotak has its own proprietary distribution channel called TIED Agency channel, which has life advisors, spread across different parts of the country. These advisors are responsible for providing customers' insurance advice and selling KLI's insurance plans based on client requirement.

Kotak Life Insurance TIED Agency channel had been posting year on year growth for the last 5 years. 83% of this growth had come from productivity gains that were the best figures in the industry.

Kotak Life Insurance is always looking at ways to sustain and build momentum to make TIED Agency channel the most profitable distribution channel.

One of the ways to enable this was to redefine the role of Divisional Managers (DMs). DMs at Kotak Life Insurance were made responsible for leading all strategic initiative that impact business outcome at branch level. Each branch was treated as profit center. The DM managed execution of tasks efficiently by looking at 1 or 2 business drivers. The management felt that further increases in productivity could be achieved if DM's role was expanded to include multiple business drivers. Focusing on long term planning would require insights of multiple aspects like seasonality, timing, priority, products, mind-sets, available talent, role gaps, competency gaps, reducing on-boarding curve and arresting attrition.

Kotak Life Insurance wanted to increase productivity to levels that were not seen in Indian insurance industry till date. Hence, it was exploring two alternatives:

1. Increasing manpower to improve channel productivity
2. Redefining the role of DM to include multiple avenues for revenue generation and support the transition in role with the help of learning and development intervention

The first alternative was likely to have an adverse impact of costs leading to an unfavorable cost to premium ratio^{*1}. The management was debating whether the second alternative would bring about a change of the desired magnitude.

As a part of annual training need analysis, Dhanashree Kulkarni (VP, L&D, OD & Corporate HR) and Priya Mehta (AVP – Organization Capability) worked with Prerak Parmar (EVP & Business Head, TIED Agency) to assess business challenges to be addressed. Based on the discussions, the L&D team worked out the right approach. It was a blended learning solution with mix of coaching, classroom, simulation, and action based learning. Classroom interventions were planned on a quarterly basis. The intervention was spread out over 18 months with structured input every quarter. The 18 month learning cycle would have 5 modules (Exhibit I), covering 6 critical competencies (Exhibit II) that the DMs had to develop.

The solution drawn up was a robust one with a structured involvement and buy-in of business at different stages of the cycle.

The primary objective of the intervention was to enable the DM to apply learning gained to real life situations to create a significant business impact. KLI decided to use a mix of internal and external trainers, based on the objectives of each module.

Even though the costs were high, they decided to apply the blended learning approach, as this was not restricted to a few classroom interventions, but was a comprehensive 18 month program supported by dedicated coaching.

¹ * One of the important measures to assess the health of the life insurance business is the cost to premium ratio.

- $\text{Cost to Premium Ratio} = \text{Cost incurred} / \text{Premium collected}$
- The lower the ratio the better it is for the insurance company.

This mechanism also facilitated timely and regular feedback. It ensured continuous monitoring, as a critical part of the program.

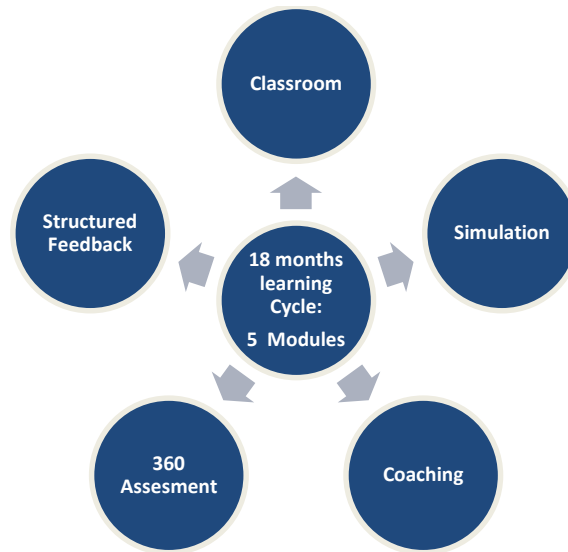
Advantages of this approach are enumerated below:

1. Involvement of all stakeholders in the process would ensure joint responsibility for achieving productivity increases. Stakeholder involvement also ensured that design of the blended learning approach was robust, practical and met needs of the channel
2. Use of multiple methodologies ensured holistic learning and greater retention
3. 360 degree assessment was possible
4. Regular feedback enabled resolution of challenges faced during on the job implementation, in a proactive manner.

Critical finance parameters that saw an improvement post implementation:

1. RDM productivity increased by 10% over previous year. RDM productivity is defined as total business generated divided by the number of frontline managers
2. Business from cross sells grew by 11% over previous year

Exhibit: I (Blended Learning)



Looking at DM development in order to:

- Improving frontline manager productivity further
- Prepare next level of leadership
- Improving business planning ability & horizon
- Improving retention

Exhibit:II (6 Core Competencies Focus)



Focus Area:

- Building long term thinking capability
- Efforts to improve competency
- Build overall business acumen