

EXECUTIVE SUMMARY

This project's primary objective is to raise the 13th month policy continuation ratio of AIA Bancassurance department. AIA Insurance Lanka Limited is one of the largest multinational public listed life insurance businesses with its headquarters in Hong Kong and controlled by the AIA Group. AIA Insurance is the country's third-largest life insurer and commenced its operations in Sri Lanka in 2013. As a life insurance firm, policy continuance is critical, and it is entirely dependent on customer engagements and interaction with the company. Because life insurance is a long-term contract with customers who pay insurance premiums for more than ten years, 13th month policy continuation ratio is a significant source of revenue for life insurance companies.

Although AIA is improving its overall performance, the firm has a burning issue in its Bancassurance channel for the previous three years. In this channel, a significant number of customers cancel their life insurance policies within the first 12 months after purchase. Some of AIA Bancassurance's customers are not renewing their policies within the first 12 months after purchase, which has impacted the department's 13th month policy continuation ratio. It was dropped to 78%, 79%, and 78% in 2018, 2019, and 2020, respectively. However, they have to maintain this ratio at 89 percent. This translates to a loss of around 30% of clients who acquired coverage in 2018, 2019, and 2020. This is a big issue for a life insurance business since it will diminish its revenue and, ultimately profitability.

This study focused on analyzing the reasons for decreasing the 13th month policy continuation ratio by identifying each area's possible associated problems and performance gaps in this sales distribution unit. To explore the current situation, the Author has interviewed a few stakeholders, including Bancassurance sales executives and other functional representatives (Marketing, Actuarial, Operations, Finance, Claims, Sales Management, etc.). Further, with the support of all these stakeholders, Author was able to brainstorm possible root-causes through cause-and-effect diagram to find proper solutions and recommendations to mitigate the current problems and improve the 13th month policy continuation of the Bancassurance department.

Author has analyzed all current available data carefully and identified the performance gaps of each area. Author has also analyzed three key areas which are identified through cause-and-

effect diagram. The first area is about the sales management process, second area explained about the training and development and the final area was discussed about the monitoring and controlling system of the Bancassurance channel. The detailed theoretical underpinning has immediately aided in justifying and comprehending the problems and their root causes, developing solutions, and providing appropriate recommendations. Additionally, those three critical areas were selected as essential components of the project.

Further, the Author set certain objectives of this project that includes improve the 13th month policy continuation ratio of the Bancassurance department from 78% to 89%, that improves the revenue generation of the company by LKR 71 million and profit gain of LKR 14.3 million. Apart from that the Author also set sub objectives to increase the standing order payment percentage from 33% to 70%, reduce the policy lapsation from 27% to 11%, reduce the customer complaints from newly onboarded customers from 18% to 4% and also to increase the follow-up calls percentage by 30%. All these set objectives will further support to earn the expected profit of LKR 14.3 million.

Author was also analyzed the current situation of the Bancassurance department under each component and given appropriate solutions for each area. The engagement of top management in the Bancassurance department is necessary for the success of this project. Appropriate solutions were established after a thorough study of the issues discovered within each project component. Each project component is assigned a specialized team with assigned responsibilities. The author further elaborated on how the project can be implemented with its cost element. Cost-benefit analyses have been identified for each project component. Further, the Author also discussed about the outputs and outcomes of the project. The Author also discussed about the findings of the project backed with previously discussed and proven theoretical underpinning. Further to implement the given solutions, author has further elaborated the recommendations for the overall project and for each component. Author has further calculated the cost-benefit analysis and cost benefit ratio which has analyzed as 7.1. Further, the implementation of this project will generate a revenue of LKR 71 million and profit gain of LKR 14.3 million