

**DIGITAL DISTRIBUTION STRATEGY OF LIFE INSURANCE IN INDIA**

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**ABSTRACT**

Online has been a buzzword in India over the past few years across industries such as travel, retail, tourism etc. In insurance is also a positive sign from the consumers. The online business model requires the service provider and the consumer to become partners, a relationship that demands a level of trust. The insurer even entrusts the client to self underwrite. The new intermediary's in this world is "word of mouth" and the clients are rewarded with cheaper premiums. The study focuses primarily on digital marketing, advantages and disadvantages of online insurance, Indian scenario, responsibilities to the insurers, E- insurance, challenges faced by the insurer to implement the digital strategy.

**INTRODUCTION**

The conventional ways of marketing an insurance policy which includes brokers, agents, kiosks, worksite marketing and direct marketing, insurance companies now explore new avenues of innovative and attracting range of distribution channels. Today insurance companies leverage multiple channels for distributing its services.

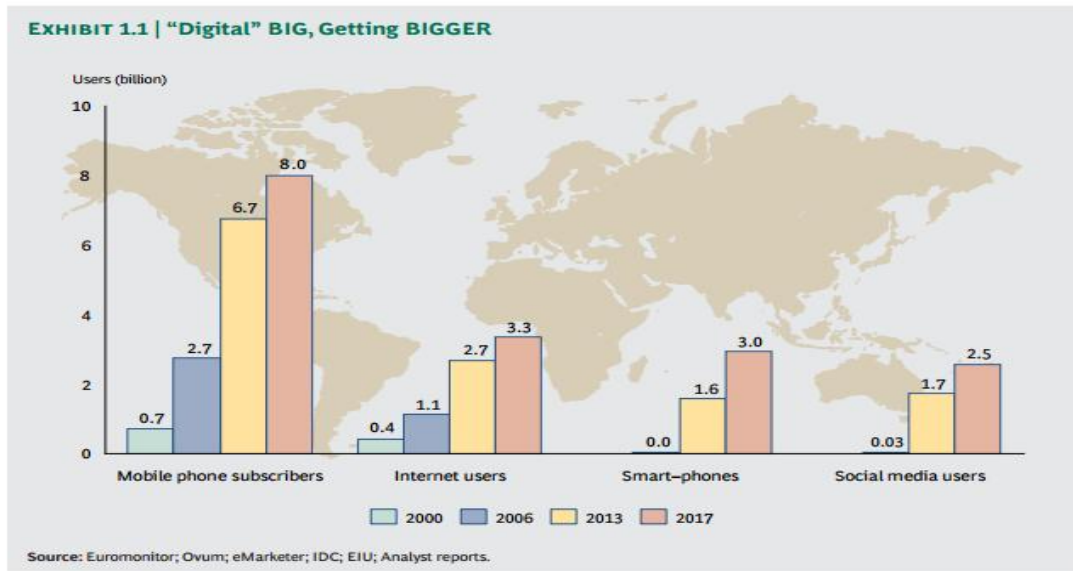
a) Earlier

In the past internet was the preferred channel for product research, renewals of policies and paying premiums, however now consumers are also purchasing different policies online due to high transparency, ease and advantage of saving time and money.

b) At present

Currently around 17,000 policies are purchased through online every month

(Exhibit – 1.1 “Source- BCG CCI India digital influence study 2013)



Above chart clearly shows that there is gradual increase in number of mobile phone subscribers, internet users, smart phones and social media users from the year 2000 to 2017

## OVERVIEW OF INDIAN INSURANCE INDUSTRY

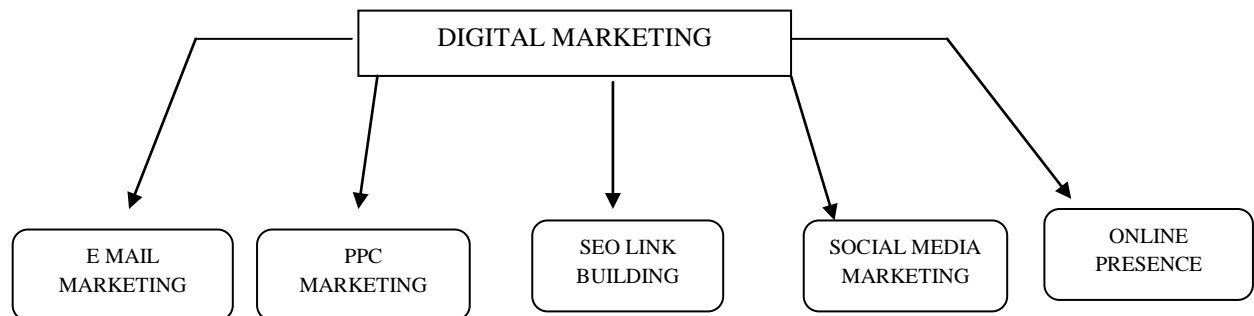
- By the end of 2015, the online insurance industry is expected to grab 25-30% of the overall insurance market; out of 50-60% of volume would be dominated by 3<sup>rd</sup> party aggregators. (Source- (Source- Insurance in a digital world EY Global insurance 2013)
- The number of branches and offices of insurance companies have also multiplied. There were only 2,200 life insurance branches in 2001. Today, between 23 life insurance companies in India, there are over 12,000 branches spread across the nation.
- Online distribution sales market in India would be around Rs 3,500 to Rs 6,000 Cr for life insurance and Rs 11,000 to Rs 15,000 Cr for non life insurance (source (Source- Digital distribution in insurance survey by Swiss Re )
- India has currently 243 million active internet users and is likely to surpass the US in the next 2 years.
- According to Digital@Insurance-20X by 2020 a Google BCG report 6% of all insurance sales in India will occur online. As a result life insurance will contribute about Rs 300 Cr of the total insurance.

- Indian insurance companies has spend 121 billion rupees on IT products and services in 2014, a 12% increase over 2013. (Source- Digital distribution in insurance survey by Swiss Re )

## DIGITAL MARKETING

Digital marketing is marketing, that makes use of computers to engage with stakeholders. Digital marketing applies technologies or platforms such as websites, E Mail, Applications and Social Networks.

**Exhibit 1.2 Usage of Digital Marketing**



E Mail Marketing – Advertising, Newsletter, Retention and Promotion

PPC Marketing – Pay per click and Other Affiliates

SEO Link Building – Content and Keywords, Compliance, Accessibility, Technical Compliance

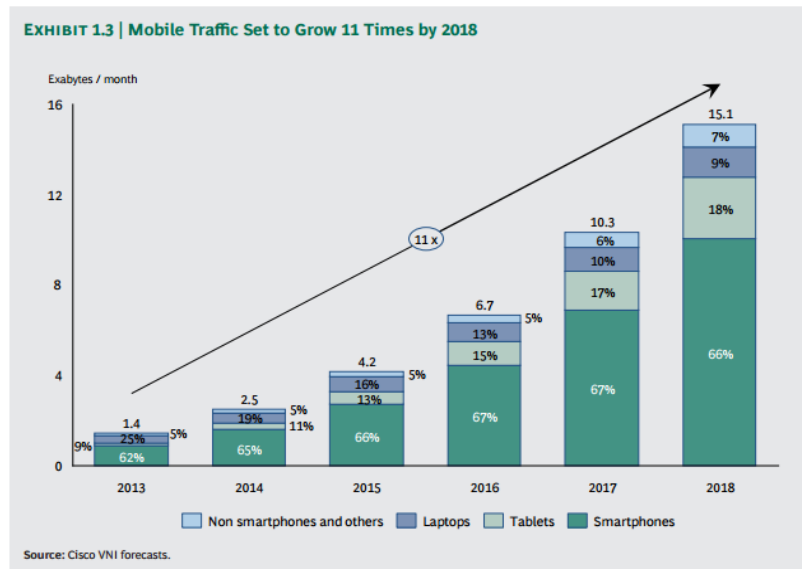
Social Media Marketing – Brand Awareness Opportunity, Online Voice, Conversation

Online Marketing – Website, forums, Blogs, New Portals, Online Advertisement

Two types of digital marketing

- Pull digital marketing – the consumer does not actively seek the marketing content, users have to navigate to the website to view the content
- Push digital marketing – the marketer sends a message without the consent of the recipients, such as display advertisement on websites and news blogs

(Exhibit 1.3 –Source Cisco VNI forecasts Mobile Traffic set to grow 11 times by 2018)



## ADVANTAGES OF DIGITAL MARKETING

- It reach mass amounts of people in less time with no geographical barriers
- Communicates directly to the niche and target market when executed properly
- Easy to visualize real time results like the number of visitors to the site, peak times, conversion rates and much more at a single click. Thus designing a target oriented digital media marketing program becomes easier
- Use of latest technology in digital media marketing campaigns creates a impression that the marketing company knows about the latest technological developments and believes in upgrading itself as per the demand of time

## ADVANTAGES OF ONLINE INSURANCE

- Effortless, in the process of processing an insurance policy over the internet, representatives of an insurance company or agent would never trouble to buy the insurance policies.
- There are no repeated calls and less paper work. There would be no obligation to buy it and need not face any compulsions from agents, friends, and relatives.
- Save enormous amount of time. The stretch of time and the amount of money used for travelling to the insurance office to and fro to submit the insurance documents could be used

for paying first premiums. Both the buyer and sellers both can save lot of time and money without intermediary.

- Absence of medical examination at times. A good example of instant term life. The customer has to enter the questions that pertain to the health background and his family as well regarding hereditary diseases. But most cases, medical tests are still being required by the insurance companies even buying from their websites.
- While buying insurance online in India, the decision is entirely of the customer, based on the recommendations of facts and figures rather than that of sales agents. Many insurance providers also believe that if the customer is literate and has made a choice based on paper research, he/she must be taking well informed decisions. Hence, less risk and appropriate premium is selected. They decide the premium based on their affordability. Obviously, it reduces lapse of policies in the future.
- Low premium must never be the only criterion for choosing a term plan. In few of the cases the cheap premium paid for online insurance often jumps up to 25% after customer undergoes a medical test.
- Also, after the medical test if the proposer would like to decline the policy, the amount paid by him will be refunded to him only after the cost of the medical test was borne by the insurance company has been deducted.
- In most cases, a few leading insurance companies have started offering online term plans without conducting any medical test of the prospective customer. Sum assured is up to Rs 50 lakhs. But one important point is that such customer has to disclose his entire medical history and that can be used as evidence in the case of a claim.

- **Customer Support**

In case of an online plan, the proposer's name has to co-ordinate with the designated call centre for the claim settlement. But in case of an offline plan, the advisor/broker is the one point contact. He will work on the behalf to help at the time of claim settlement from the insurance company. As per the insurance law, the agent/broker is the first underwriter to the customer as he is meeting the insurance buyer. Insurance is thus the contract between the insurance company and the proposer which works on "Uberima Fide" i.e. Utmost good faith. Even small details that were missed out at the time of filing the online application form by the proposer leads to cancellation of claim proceeds.

### **Premium Comparison**

The premium of online term plans varies from company to company and this leads to a lot of confusion among the customers. The premium is factored based on various parameters like mortality rates, cost of medical tests and making costs. While few companies are reducing their costs by offering insurance plans without medical test of the prospective customer. Such plans at most of the instances, do not offer additional riders like accidental death, permanent disability benefit (PDB) rider and critical illness coverage to the customers.

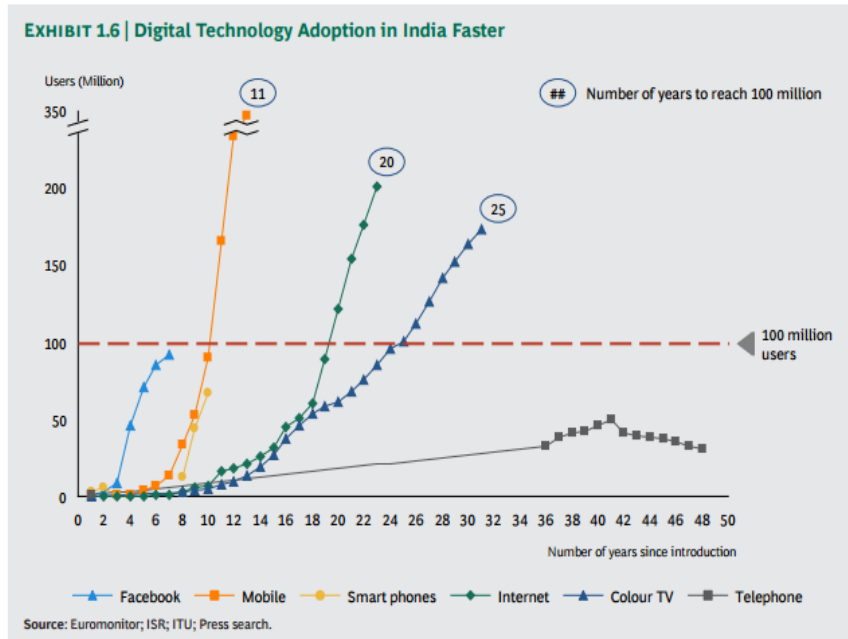
### **DISADVANTAGES OF ONLINE INSURANCE**

- No advisor support on evaluating customer's insurance needs
- Claim settlement ratios is not transparent
- For minor changes in the policy (like address change, phone number change) the policyholder has to coordinate with the call centre of the insurance company making it a cumbersome process
- Rider benefits are not available
- Extended individual support is not available
- The nominee of the deceased has to coordinate with the call centre for the claim settlement process
- While offline insurance offers advisory services to make sure that the customers choose the right insurance products coordinate on their behalf for medical test, issue reminders for payment of renewal and take care of the claim settlement process, online insurance does not offer any of these benefits to the customer
- Susceptibility to scammers. There are numerous problems in the virtual world which would offer increase costs to life insurance.
- There is less security in buying over the internet. More and more scammers have emerged because it is apparent that insurance is a lucrative business.
- No contact with the people. The customers have to answer most of the queries to all the contents in the form and if any issues it will be addressed only through online communication only. Sometimes, there would be a person assigned to answer to the queries through chat support. Payments should be made by electronically.

- The risk and responsibility is fully by the proposer. If suppose the websites does not contain enough information or data the customer cannot asks some body and have to determine by himself
- The sole decision of taking an online insurance lies only on the customer.

## INDIAN SCENARIO

- In India, with the required approvals in place, policybazaar and myinsurance club have gone beyond the aggregation model and have started selling policies online. They got approval from IRDAI, it was a significant milestone for both companies as they now became a channel which is recognized and approved as a growth area. IRDAI has specified certain rules and regulations for online selling



(Exhibit 1.4 Digital Technology adoption in India Faster Source ISR ITU press search)

- Insurers can better understand the buying behaviour of online customers. Accordingly, insurers should develop, innovative, attractive and simple product catering to specific customer needs have robust communication and customer engagement model to backing online marketing strategy will emerge as future market leaders in online insurance distribution in India.

## CHALLENGES

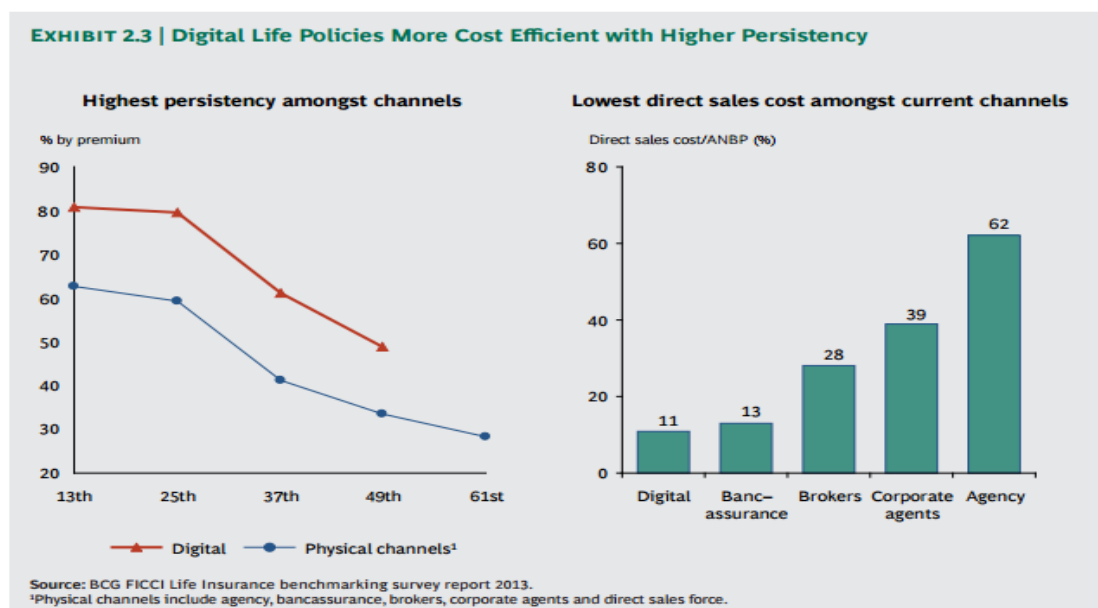
- Toughest challenge is to get IRDAI's approval as it is strictly regulated space.
- In April 2011, IRDAI had laid down some guideline for insurance aggregators.
- Only IRDAI approved web aggregators can generate insurance related leads for insurance companies; IRDAI usually grants approval for a period of 3 years to web aggregators.
- Minimum net worth – The web aggregator shall have a minimum net worth of not less than 50 lakhs at any time during the previous 3 consecutive years.
- Payment terms- Web aggregators cannot take advance payments. The fee for the lead cannot go beyond 25% of first year premium sold.
- Financial terms – Insurer have to enter into agreement with the web aggregator approved by the IRDAI. Agreement can only be valid for a period of 3 years

## COMPANIES (INSRUANCE POLICIES) DIGITAL DISTRIBUTION - BOON OR BANE

Every life insurance player enters into the sector to spread their life insurance business and to reap benefits. After agency channel, direct sales channel also producing better business prospects. Direct selling also benefits the customer, if policy is taken from the agents of the insurance company, some portion of the premium goes to the agents in the form of commissions while in the direct sale commission is saved and the customers will be benefited. The premium may be less compared to policy buying through agents.

(Exhibit 1.5 Digital Life Policies more cost efficient with higher persistency –

Source BCG ICCI Life Insurance 2013)





**E-INSURANCE**

The world is moving towards using less paper and to electronic records. IRDAI has issued guidelines to maintain policies in electronic form to the insurance repositories in order to:

- To maintain store and retrieve the policies and the information in them easily
- To modify or revise insurance policies with speed and accuracy
- To increase the efficiency and the transparency
- To decrease the cost of issuing and maintaining insurance policies

**IMPLEMENTATION OF DIGITAL DISTRIBUTION**

- To implement on digital technologies and process automation, they have to invest heavily in strengthening the administration platforms, building up a data integration layer and service oriented architecture, analytics and mobility.
- To implement a responsive design device, self service portal for customers, enabling them to access their portfolio anytime any where resulting in increase of usage of portal by more than 60% in comparison to the earlier version.
- To implement a tablet oriented sales process, aiming to help the frontline sales persons to sell better. This solution helps the agent to manage the leads better, conduct the need analysis and recommend the products to the consumers. Generating benefit illustrations, in front of the customer, filling up forms, collecting documents are some of the initiatives should be incorporated.

**TREND SETTERS**

The online move has paid off handsomely. In less than a year, Ageon Religare has issued over 10,000 iTerm policies with the average of sum assured of Rs 65 Lakhs and an average tenure of 20 years. The combined cover adds up to a mind boggling Rs 6,500 cr. This runaway success has prompted other insurers to take online route. ICICI Prudential life insurers launched iprotect policy in Aug 2010. In coming months, more insurers may talk to customer directly.

**IT IS A MISTAKE OR MYTH?**

“Insurance companies in India are still lagging behind the consumers and have not invested enough to create the digital assets to engage the mature customers online. Internet allows companies to leverage the pull based proposition around insurance products, because customers are looking for the products

online as suggested by the exponential growth in insurance related search queries on Google” said Vikas Director, Travel Google India.

Though better pricing is a key reason for buying online, convenience and increased transparency are critical factors as well. The inefficiency of digital assets has led to emergence of online insurance aggregators that have seen 4 times growth in the value of insurance premiums.

## **CONCLUSION**

### **“WHETHER CUSTOMERS ARE DIGITAL OR NOT INSURANCE COMPANIES SHOULD BE”**

Online and digital distribution two pillars are “Enriching customer’s experience” and “Gaining direct control of the customer relationship”. Companies can connect customers at every stage of purchase and post purchase processes. So that insurers to share information transparently hence it is trusted source of information for customers. The study exhibits various trends and issues in the online insurance,. Insurers need to adopt new technologies and update their strategy to capture the market at the earliest. Even though online insurance is in growing stage it is expected to develop rapidly in the coming years.

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