

SWOT ANALYSIS FOR ONLINE INSURANCE INDIA**S.SUBASHINI MBA, (FIII),(Ph.D) FULL TIME RESEARCH SCHOLAR, KARPAGAM ACADEMY OF HIGHER EDUCATION, COIMBATORE****Dr R. VELMURGAN ASSOCIATE PROFESSOR, DEPT OF COMMERCE AND MANAGEMENT, KARPAGAM ACADEMY OF HIGHER EDUCATION, COIMBATORE****ABSTRACT**

The article proposes a clear action agenda for insurers and lists specific imperatives for each of its element. It suggests that insurers should define digital goal, adapt a digital mindset, inculcate right capabilities within their organisations and accelerate their current digital efforts to benefit from this digital opportunity.

INTRODUCTION

In Pre-privatization era, there were two primary sales channel – the company’s own sales force and agency. Today selling is done through a wide range of channels including online, banc assurance, corporate agents, call centres, brokers, direct and agency. The Indian insurance sector is moving rapidly towards international standards with new and innovative product offerings. The emergence of a more diversified and multichannel distribution network has revolutionized the insurance sector, with increase access and better services to customers. The explosion in smart phone sales and broadband access has led to the internet being adopted as a life style necessary. Most of customers enjoy their first online purchase experience because they “get what they see”. Insurance is one such product category that can benefit from this trend. Insurance companies are exploring cost effective digital distribution strategies. Though the online, channel does not contribute significantly to the total sales pie at this point, the mode of distribution is expected to gain in the coming years. The exploding popularity and reach of mobile devices, internet and social media has made “digital” a core part of life for many consumers across the globe. Digital has been disrupting one sector after another. In insurance industry also, a digital driven changes are taken place across the value chain. This transformation is both an opportunity and threat for the insurers. Insurers have to cope up with rapid changes and newer challenges.

ONLINE INSURANCE EVOLUTION

Similar to the online travel and retail industry the online journey of insurance started with emergence of comparison and research platforms. At that same time, the concept of insurance aggregation took off in 2005 with players like Apnainsurance and Bimadeal entering the market. Around 20 players such as policybazaar, Zibika, Fintact, Myinsurance club and Insuring India including several others launched their own sites. After testing the aggregation model, started selling leads to insurance companies and earned a commission on every lead conversion.

STATISTICS

- Life insurance related queries have grown by over 450% over the last 5 years. It is estimated that 75% of the business will be attributed to insurance digital foot print in 2020. (Source- Insurance in a digital world EY Global insurance 2013)
- In terms of number of policies, India’s life insurance industry is the largest in the world with 360 million policies in forces. The latest sigma report published by Swiss Re in 2014 has ranked India 11th in terms of life insurance premium collected.

- India has witnessed one of the fastest growth rates in terms of penetration of the internet it grew from a mere 0.53% in 2000 to 19% in 2014. On the other hand, no of mobile subscribers crossed 900 million in July 2014. (Source- Digital distribution in insurance survey by Swiss Re)
- Technavio's analyst forecasts the online life insurance market in India to grow at a CAGR of 25.36% over the period 2014-2019. (Source- Insurance distribution model of the future)
- Indian insurance companies poised to spend INR 4.1 billion on mobile devices.
- In 2014 the rate of adoption of mobile devices has gone up to 35% as compared to 2014.

SWOT ANALYSIS OF ONLINE INSURANCE INDUSTRY	
STRENGTH	WEAKNESS
True innovation in online space Online change in insurance Ease the work of insurance companies Benefit to the customer Benefit to the channel partners Benefit to the business Digital influence increases sales Digital already influences insurance Agents productivity increases Digital Advisor	High attrition and low productivity of insurance agents Common problems in buying online insurance Payment related difficulties Delay in issuance of policy No acknowledgement from the insurer Doubts on safety transactions The neglect of rural market
OPPORTUNITY	THREAT
Usage of internet is high Increase in social media users Low cost Personalization Can target below segments	Poor online experience Poor Claim Settlement Ratio Requires strong back end team

EXHIBIT 3.3 | Digital Ageing: Mature Users Engage in More Commercially Relevant Activities

Internet users (conducting these activities)	How long have they been using the internet?		
	<1 year	2 years+	
Search for information	71%	85%	1.2x
Educational information search	17%	24%	1.4x
Discount search	7%	14%	2.0x
Shopping	6%	17%	2.8x
Online booking	5%	18%	3.6x
Online banking	4%	12%	3.0x

Source: BCG CCCI digital influence study 2013.

(Exhibit 1.1 Digital Ageing Mature users engage in more commercially relevant activities Source BCG CCCI Influence study 2013)

STRENGTH IN ONLINE INSURANCE

- True innovation in the online space
Technology will have to be used effectively to provide means of allowing consumers make more educated choices. Technology will have to help identify and provide a set of a specific insurance requirement and not just to the internet company. This would ensure insurers to design websites that are easy to use and ensure that transactions are seamless.
- Online Change in Insurance
Online sales of life insurance have removed the intermediary between the firm and the policyholder. The intention is to increase the sale of online insurance is to avoid intermediary and bring down costs for the customer.

- Digital Technology distribution ease the work of insurance companies
 - a) Customers

The portal of an insurance company can offer a various services to the customers that can be save their time and also purchase policies online. Customers can calculate the premiums, bonus amount, tax calculations, check the status of their policies, calculate the amount of loan, download forms, pay premiums online.
 - b) Channel partners

Online portals can be developed for channel partners such as brokers and agents. Allow them to check their commissions and payments status. Check them claim position, and track the status of the case deposited.
 - c) Business

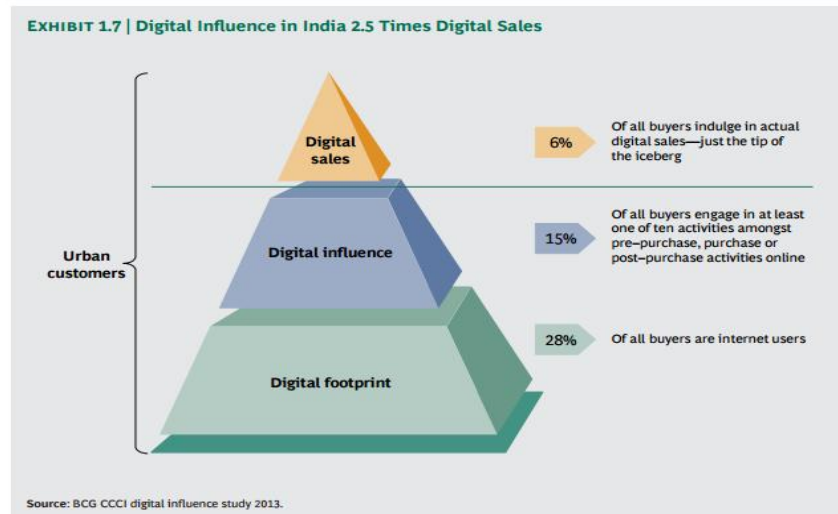
Gain economies of scale from a common set of data and business rules.
Reduce agent based administrative tasks to maximise sales activity.
Provide analytical support to manage the producer and the customer.
Track distribution partner activity and establish key performance metrics.
- “Digital influence” in India almost 3 times digital sales in India

A 2013 digital influence study for India by BCG’s centre for consumer insight (CCCI), shows that one in two urban Indian users acknowledge “Digital influence” in their overall purchase basket. It identified ten commercial related activities

- a) Pre- purchase
 - b) Purchase
 - c) Post- purchase
- Digital already influences Insurance deeply

Internationally, insurance has one of the highest percentages of consumers using internet to buy/ or research insurance as compared to other product categories. The BCG global digital consumer sentiment survey showed that insurance was amongst the top 5 product and service categories where respondents searched via internet.
 - Agents use of Digital increase in importance over next 3 years
 - a) Improve efficiency and quality of interactions with the customers
 - b) Increase process efficiencies
 - c) Expose/ offer self service capability to the customers
 - d) Reduce risks and improve controls
 - e) Collect, pay and reconcile commissions
 - f) Capture quantitative and qualitative customer information
 - g) Reporting, tracking sales pipeline, policy setup, etc
 - h) Using social media providing customer education/ general advice to the market Example – by using blogs
 - i) Delivering or receiving training and knowledge
 - The digital advisor the status after 5 years from now
 - a) Leads
 - 50% of leads from digital engagement activities.
 - Twice as many leads per advisor
 - b) Insurance Advisors
 - At least 2-3 times more productive
 - 50 % fewer advisors
 - 100% tablet usage for all new advisors
 - It is used as a core tool for sales

- c) Customer service - 50% reduction in back office staff. But corresponding Increase in supporting digital services staffs, sales and Lead processes. Digital distribution will transform agency operating models

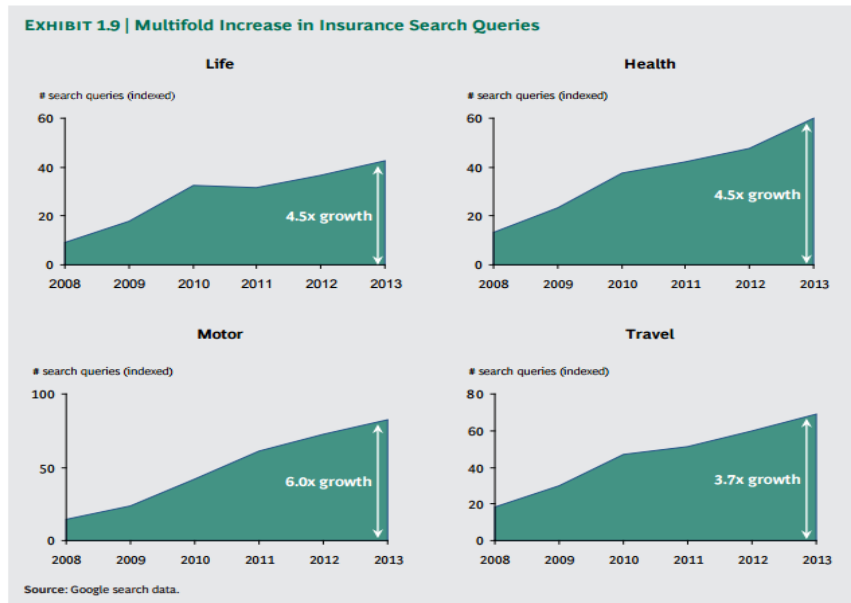


(Exhibit 1.2 Digital Influence in India 2.5 Times Digital Sales Source BCG CCCI Influence study 2013)

- Support from web aggregators in digital distribution of insurance. Examples are easypolicy.com, policymantra.com, buysmartpolicy.com, sastapolicy.com and policy.com are the other web aggregators in the market.

WEAKNESS IN ONLINE INSURANCE

- High attrition and low productivity of agents hit life insurer
Indian insurance companies likely to see attrition rates as high as 31% during next 3 months as employees unsatisfied with annual salary hikes would look out for better prospects. According to human resource experts, the average attrition rate is projected to grow at 31% in Indian firms in the April- June quarter, a rise of 9-10% from preceding quarter. Generally employees would receive their annual appraisals during April- June period and those not happy with their performance review or salary hikes seek better opportunities. Consequently, attrition rates are seen going up in these 3 months, experts opined. Salary and designation are the major factors for higher attrition.
- One of the most effective way is to ensure good working conditions for the employees is to provide them with advancement opportunities. High attrition costs increase the costs to the organisation considerably. The more the people leave an organisation, the more it is a drain on the company's resources like recruitment expenses, training and orientation resources. The high attrition rate also affects the productivity of the organisation. Earlier, a sales insurance employee was not associated with the brand and could not have sold other product, but now companies want to focus on retention, give attractive career opportunities and better compensation. Given low awareness in India, selling life insurance is challenging, hiring the right profile is important but the sector tends to hire in bulk.



(Exhibit 1.3 Multifold Increase in Insurance Search Queries Source Google search data)

Below are the statistics of attrition in low productivity in agency channel is discussed:

- a) Individual new business premium collected through the agency channel has fallen more than 50% in 2013 compared with 2008.
 - b) The individual new business premium of the agency channel for private players was Rs 18,005 Cr in 2008 which declined to Rs 8,059 Cr in 2013.
 - c) The attrition rates amongst agency managers are as high from 6% to 7% per month with a tough syllabus; lower remuneration becoming life insurance agent is no longer as attractive career as it used to be.
 - d) According to IRDA annual report 2011- 2012, there has been a 10.63% decrease in the number of individual agents.
 - e) The number has gone down from 26.30 lakhs as on March 31st, 2011 to 23.59 lakhs as on March 31st, 2012.
 - f) High attrition adversely affects life insurers business, policy persistency and public perception of the agency channel as a stable career.
 - g) While the total no of agents appointed by life insurer's was 7.14 lakhs, the number of agents terminated was high as 9.95 lakhs.
 - h) The scenario was worse for private life insurer as compared to LIC. While private insurers appointed 3.68 lakhs agents, 5.89 lakhs agents were terminated. On the other hand, LIC 4.04 lakhs agents were terminated while appointed 3.45 lakhs agent.
 - i) At the end of the year LIC has 12.78 lakhs number of agents and in private sector 10.80 lakhs agents. Training costs is also high. The industry needs to invest more in the training agency force.
 - j) Together with all these issues, insurer faced fund raising concerns and channel conflicts challenges too.
- Common problems in buying online insurance
Agents sell usually products which gives high commission. They may ignore few insurance plans like term insurance because of it gives very low commission percentage. Online buying of term

insurance can help in such a scenario so that customers can buy directly even if agents do not prefer to sell. An added benefit is that the insurance company makes a note of the customer email id and send reminders about next premium is due.

- **Payment related difficulties**
Problems such as money getting deducted from the bank account but no reference ID are popping up or money getting deducted from the account but not reaching the insurance company or double deduction of payments can sometime crop up. The insurance company can check the bank statement and get the money transferred to their account through the secure gateway.
- **Delay in issuance of policy**
Sometimes an insurance company may require medical proof or get a medical test done at the time of policy issuance and the customer gets a call from the insurer in 7-15 days for medical tests.
- **No acknowledgement from the insurer**
Sometimes even after the payments are made customers do not hear from the company. As a rule, if the premium has been paid the customer is supposed to receive the insurance policy within 15 days from the date of issuance. If this is not done, then customer can take legal action against the company.
- **Doubts on safety of transactions**
The payment should be made either debit/credit or net banking. The final step of any card transaction asks for secure password which is found in bank's site. This is customer generated password which cannot be seen by anyone else. Those who are first time users in online will fear of paying amount. Because it involves a complex payment procedures.
- **The neglect of rural market**
One of the biggest challenges by the digital distribution, the entire rural market is missed out. Ease of technology internet facilities is poor in country like India. Costs of using internet are also high. Low segment people cannot afford. Insurers need to catch up this market early other than implementing digital distribution. To tap the low income markets in rural areas, the insurance companies will have to design affordable insurance products. The income of the rural households is not stable and permanent. The insurance companies also need to develop cost effective models and new distribution mechanism to serve the rural and remote areas.

OPPORTUNITIES IN ONLINE INSURANCE

Digital distribution- Delivering on the opportunities

- **Usage of Internet**
Online policy purchase in India, while currently small (2% of overall offline sales) has grown at the rate of 200% in the last 2 years. The rate of growth is expected to continue to be in triple digit figures in near future. As per market estimates, almost 13 million searches a month are related to insurance, retirement and pension. The year 2012, brought to light many distributing problems of mis selling, cheating and forgery was done by few brokers. With the third largest base of internet users in the world and growing high value and demanding customer segment, many companies are coming up with customized offerings to tap the increase appetite of customers looking for options.
Example:

New India Assurance which launched an “online” platform for its products. The country’s largest general insurer will offer products in motor, health, travel and personal accident through its portal along with policy renewal facilities.

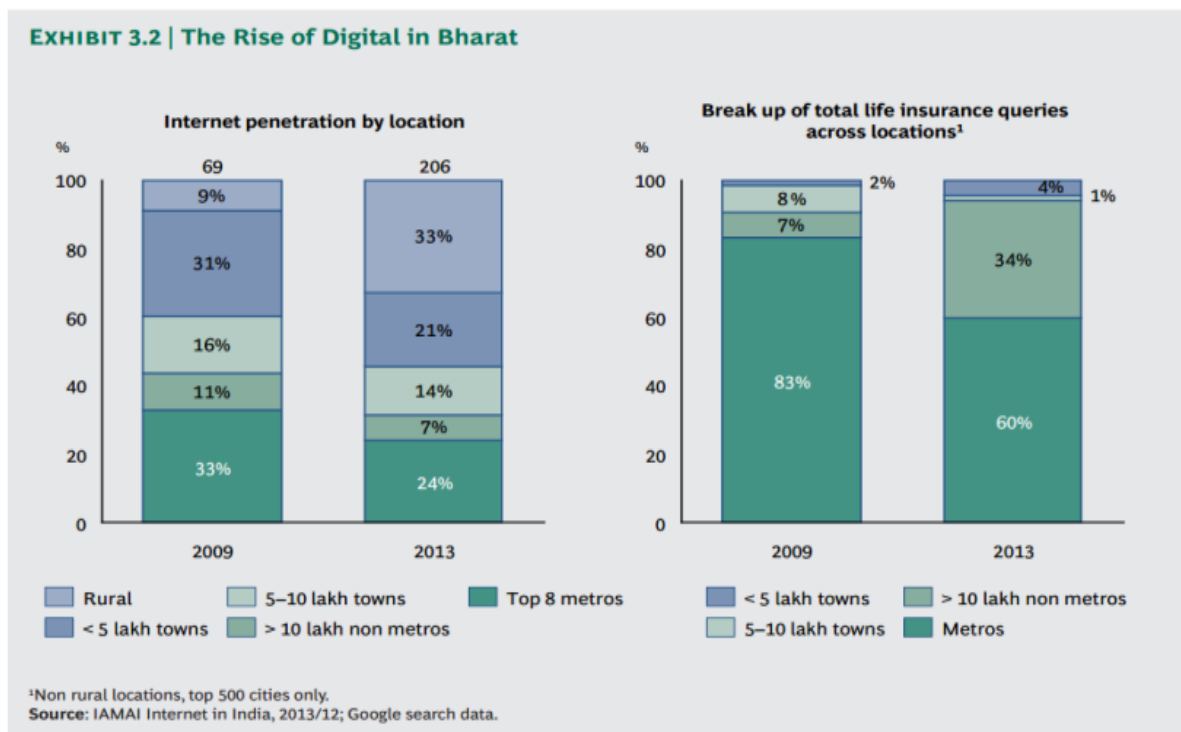
- Increase in social media users

Today it is one of the most effective mediums to communicate to the customers.

It is fast, focused and engaging. The insurance companies should give paramount importance to social media. Most of internet users are young parents; the companies can make them understand the importance of sound financial planning in order to protect their child’s future. Helps to increase the product awareness, by targeting in face book, twitter users with the online plans. The social media platform has started playing a significant role in the distribution strategy of insurance companies. A twitter account or company brand pages on face book are various ways to reach out to prospective and current policyholders.

- Lower Costs

Insurance companies have moved to digital distribution as the market evolved and competition intensifies. These changes have shown significant decrease in the average cost of distribution services.



(Exhibit 1.4- The rise of digital in India Source- Google search data)

- Personalization

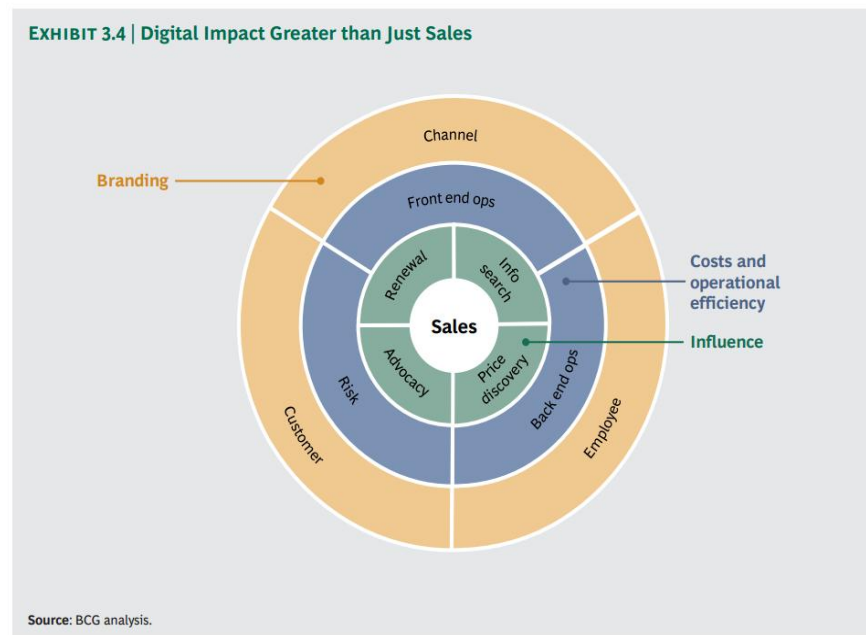
Insurance companies can work on more customized selling by adding a technical websites for selling complex products or providing personal assistance to high net worth individual’s through customer service support.

- Digital distribution strategy can target on below segments

Customers are all individual, families, groups of people, small medium enterprise and corporate businesses that will purchase or have purchased products. The digital insurance company will provide online portals and mobile apps for customers to purchase products, self service their policies and communicate regarding products and services.

THREATS IN ONLINE INSURANCE

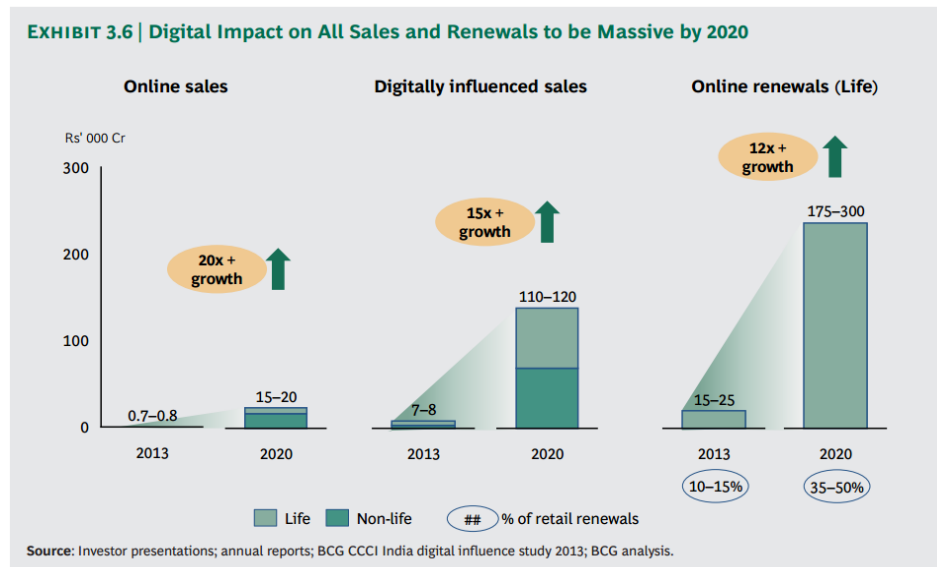
- Challenge is poor online experience
Online sales channel while attractive and lucrative has its own challenges. Influencing the customers buying decision online is a challenging task. The reason is that several industry surveys reveal that online user experience with Indian life insurers has been poor. India's insurance regulator IRDA to ensure insurance companies make their insurance products easily understood by customers. Other issues like lack of transparency of information, lack of standardization of nomenclature of key terms, most of the online insurers were unable to make an impact.



(Exhibit 1.5 – Digital Impact greater than Sales Source BCG analysis)

- Poor claim settlement ratio
The claim settlement ratio for online insurance is not required to be mandatorily disclosed by insurance companies to the IRDA. As per IRDA guideline, such ratio declared by insurance companies is the combination of both online and offline insurance plans. Further, lack of data available on claim ratio of online plans hinders its clarity. As insurance companies have started offering online insurance plans only from the last 4-5 years, early claims will go through high scrutiny before the claim is settled.
- Strong backend team

Online selling should have a strong backend team (call centres) to brief the buyers about products features, procedures of form filling , documents required, proof verification ,renewal procedures and claim settlement issues. All these call centres have to work for 24/7 hours and days .Such skilled executives are short in supply.



(Exhibit 1.6 Digital Impact on al sales and renewals to be massive by 2020
Source- BCG CCCI India digital Influence)

CONCLUSION

Digital disruption is expected to impact insurance significantly, whether considered an opportunity or a threat, insurers need to be creative to leverage this opportunity immediately. Insurers have a unique opportunity to embrace and benefit from the digital wave, which also addresses many key issues. The digital adoption could result in potential savings up to 15-20% of the total costs in life insurance. Choosing a right digital strategy will result in profitability in the industry.

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