

**EMERGENCE OF ONLINE INSURANCE IN INDIA:
LATEST TREND, CHALLENGES AND FUTURE
PROSPECTS**

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ABSTRACT

Internet has changed everyone life in drastically and become essential in all decision making. Online buying has become buzzword with increase in the internet and mobile user in India. Insurance has also use this new channel for distribution and creating awareness. This change has brought lots of opportunity to make insurance offline mode to online mode. Web aggregation in insurance had made it easier for consumer to compare policy of various insurers. With this change in selling environment IRDA regulation also plays important role. In this paper we try to investigate the recent trends and future prospects of online insurance in India.

Key words:

Online insurance, web aggregator, IRDA regulation

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INTRODUCTION

Internet and mobile user increased with exponential rate in India in past few years and this make online buying a buzzword. The emergence of electronic commerce (e-commerce) has created a new business paradigm, one that presents marketers with noteworthy opportunities and challenges *Kevin L. Webb, (2002)*. Not only in travel, retail, and education, insurance is also catching up the attention of online users. Earlier People use internet for product research, renewal or policy premium payment but with the increased transparency, ease and advantage of discounts and schemes consumer also purchase different insurance policies. The Internet offers a number of opportunities and threats for insurance sales agents. On the one hand, the Internet provides opportunities to communicate with and reach customers. However, it also introduces the risk of losing business to insurance providers or competitors. These opportunities and threats create a need to understand the characteristics that may affect the views of insurance agents regarding the Internet and its impact on their business. *Eastman et al (2002)*. Currently around 2% of offline business occurs online which is growing fast. The concept of the online insurance started in 2005 where Apnainsurance and Bimadeal entered the market with comparison and research platforms offering. Around 20 other players such as Policybazaar, Zibika, Fintact, Myinsuranceclub and Insuring India including several others launched their own aggregation sites. They once started with the aggregation model, and finally forayed into selling leads to insurance companies and earned a commission on every lead conversion. It was significant milestone for Policybazaar and Myinsuranceclub who was lucky to get early approvals from IRDA for selling policies online and have gone beyond the aggregation model. Tough regulatory frameworks by IRDA pose challenges in venture capital in this sector only policy bazaar Policybazaar is funded by Intel Capital and Infoedge_which collectively invested around \$ 9 million 40 crore) in Policybazaar. Most of the online sales around 65% are dominated by policy bazaar. Their extensive promotion and use of celebrity comedian and actor Kapil Sharma actually paid them well in terms of sales. Alexa traffic trends also show this in term of higher ranking only policy bazaar(770) and Apnapaisa that holds 1623 rank. Myinsuranceclub, a mumbai based startup started in late 2009 reports 2 lakhs (.2 million) unique visitors every month. Today insurers are offering more than 1000 products online. They focused on term insurance and car insurance more but in near future mny brands will look beyond this. Insurance

companies like **Aegon Religare, Aviva Life Insurance & HDFC Life Insurance** had included Internet and online aggregators as a major focus in their distribution strategy. Demand for Insurance had shifted from tier I cities to midlevel towns, according to Policybazaar data, around 39% of its traffic is from beyond the top 8 metros in the country where people use internet not only for research but also for buying policies.

RESEARCH OBJECTIVE

To understand current regulations and environment for selling life insurance online in India

RESEARCH METHOD: Secondary research was used for study.

REVIEW OF LITRATURE

Phau and Poon (2000) studied the factors influencing the types of products and services purchased over the Internet. Their empirical investigation of Internet shopping in Singapore suggested that the classification of different types of products and services significantly influenced the consumer choice between a retail store and Internet shopping mall. It was found that products and services that have a low outlay, are frequently purchased, have intangible value proposition, and relatively high on differentiation are more likely to be purchased via the Internet. **Kevin L. Webb, (2002)** investigated the effect of introducing the Internet channel into an already complex, multichannel distribution system from the perspective of the supplier firm. Study described strategies for proactively managing conflict, both externally with channel partners and internally among the subunits responsible for managing the channels. According to study dedicated channel management groups, documentation of channel strategies, and super ordinate goals were identified as strategies for minimizing unwanted conflict. **Kiang et al (2000)** in their research reviewed marketing channel choice literature and revealed a set of factors and channel choice functions that are considered important in making channel decisions. They derived four major channel functions, namely, product customization, availability, logistics, and transaction complexity which were considered relevant in understanding the implications for Internet marketing. **Ranchhod and Gurau (1999)** investigated the effects of the Internet on the structure of the classical marketing channels. By empirically studied 500 Internet commercial sites they identified the models of Internet-enabled distribution strategy implemented by the

Web-active companies and advantages offered by the Internet have determined many companies to adopt different models of Internet-enabled distribution strategy. Study suggested that the choice and the implementation of these strategies influenced by the characteristics of the company, of its clients, and of the traded products. **Niels Peter Mols, (2000)** analysed the case of Danish retail banking to examine various aspects of the motives, perceptions and expectations connected with the introduction of Internet banking. Research showed response from 60 key managers in the largest retail banks in Denmark who believed that Internet banking became future, whereas all other distribution channels were predicted to become less important. Study also highlighted the relationship between the perceptions of and expectations from Internet banking and the reasons for offering Internet banking. **Black and Lockett (2001)** et al examined the case of the consumer adoption of Internet financial services, which may be viewed as an innovation in service delivery. The qualitative study employed Rogers' model of perceived innovation attributes is augmented by Bauer's concept of perceived risk. The perceived innovation attributes were found to be important determinants of consumers' adoption decisions. **Verhoef and Donkers (2005)**, study used probit models and explored how retention rates and cross-selling opportunities differ among the various acquisition channels a financial-services provider uses. Their results indicated that the direct-mail acquisition channel performs poorly on retention and cross-selling, while radio and TV perform poorly for retention only. The firm's Web site seems to perform well for retention. **Eastman et al (2002)** paper compared insurance sales agents' scores on an opinion leadership scale (**Flynn, Goldsmith, and Eastman 1996**) and subjective knowledge scale (**Flynn and Goldsmith 1999**) with their attitudes toward the Internet. Their finding suggested that insurance sales agents who are younger (than the approximate mean age of 46 years old) are more likely to be opinion leaders and have a higher level of subjective knowledge of the Internet. Perceived knowledge and the willingness to discuss the Internet with others had significant relationship with attitude and use of internet. **Peterson et a (1997)** research provided a framework for understanding possible impacts of the Internet on marketing to consumers. Their research examined internet channel can performed intermediary functions and also suggested classification schemes that clarify the potential impact of the Internet across different products and services. Study revealed similarities and differences internet channel and traditional channels.

THE NEW FACE OF INSURANCE CHANNEL

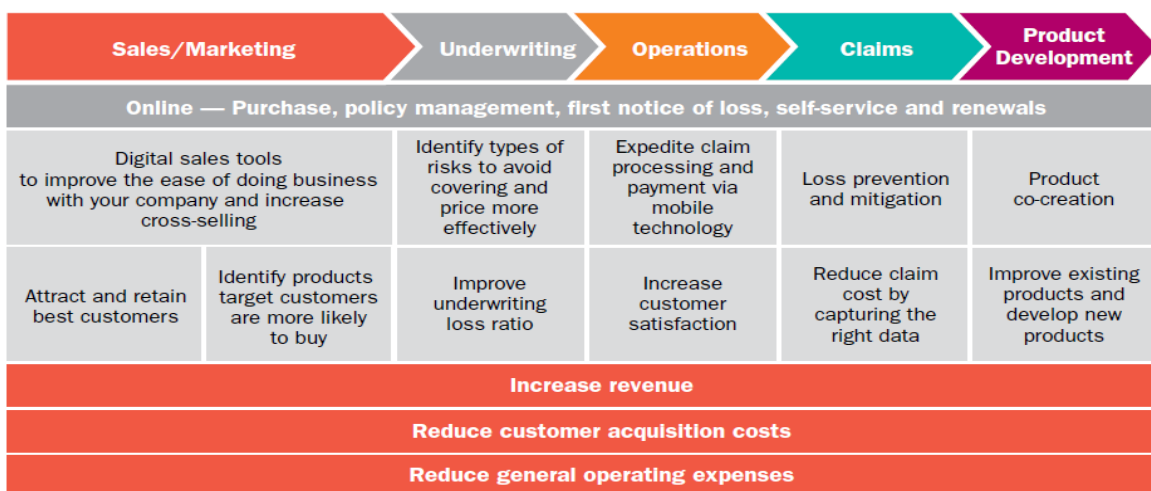
Earlier insurers have traditionally sold insurance products through brokers and agents, nowadays Insurance companies leverage multiple distribution channels to penetrate the market in deep. Distribution channels such as call centres, bancassurance, internet, and mobile have been new age distribution. Web aggregators and Insurance comparing sites also coming in to picture as competition made it critical for saving cost and retention of customers. Changes in customer behaviour and preferences around products, distribution channels, and processes are also acting as catalysts for the development of alternative channels. With exponential growth of internet user, it has become attractive medium to advertise and distribute insurance products. Changes in the consumer buying behaviour witnessed influence of internet in the decision making and product buying process.



The new channels shorten the response time, illustrate product benefits and simultaneously serve multiple customers without much effort. Many companies had launched their exclusive websites for customer knowledge awareness like Birla sun life mutual fund awareness site Janothomano.com. Apart from that Many Insurance Comparing websites also indulge in business in name of web aggregator in which they provide leads to insurance company and gain commission for any conversion of that. These channels benefited insurers to reach their target customers directly. Initially these channels were used to provide awareness related policy or to advertise new offerings now these channels directly communicate with customers and sell

suitable insurance products. The internet has developed into an important channel to gather information and platform to seek feedback through social media sites which help in decision making process. Insurers are providing self help service portals in which customer Customers currently use the internet primarily to research and compare various policies, view policy details, make policy changes, pay premium bills, and contact agents/brokers. However, these trends in internet usage vary across life and non-life insurance products. It was seen that people use internet buying more in nonlife policies while customer still value agents' advice when buying life insurance products.

Figure 1. Transformational digital opportunities and benefits for insurers



Source: towerswatson.com; Emphasis 2015 - Name Two Transformative Disruptors If You Answered Digital Revolution and the IoT, Two Points:By Nicholas Chen

Recent advancement in technology has caused a wave of “Technology- based self-service” offerings in the market (**Dabholkar and others, 2003**). Such advancements have changed the way service firms and consumers interact. E-service is becoming increasingly important not only in determining the success or failure of electronic commerce but also in providing consumers with a superior experience with the interactive flow of information (**Santos, 2003**). Indian insurance has a low online presence as compared with countries like the US, UK, Italy, Spain and Germany where online insurance sales account for more than 30% in compared to roughly 3% in India. The insurance industry there has seen a gradual shift from complete offline model to a more online, less offline, model.

WEB AGGREGATOR – LATEST BUZZ

Web Aggregation has been defined as “Electronic commerce business model where a firm (that does not produce or warehouses any item) collects (aggregates) information on goods and/or services from several competing sources at its website” (**business directory.com**). The firm's strength lies in its ability to create an 'environment' which draws visitors to its website, and in designing a system which allows easy matching of prices and specifications. Insurance Aggregation started in India in 2005 with two companies (i) Apnainsurance.com and (ii) Bimadeals.com. From 2005 to 2011 twenty other players joined this industry. Their importance can be gauged from the number of Unique Visitors to various leading insurance sites for instance the number of hits which was 344,000 in April 2010 became 1,900,000 in April 2011 for Policybazaar.com. Within a short span of time, these websites already account for over 50% of the 1st year premium collected via the Internet in India. For some companies, Aggregators can account for as much as 15% of their new business. The India Online Insurance market size by direct written premium has grown at a CAGR of nearly ~9% from FY'2009-FY'2014. According to the Ken research report, India online insurance market will grow at an impressive CAGR rate thus exceeding INR 88 billion by FY'2019 due to the increasing number Web Aggregators, variety of insurance products and demand for better policies. The licensed web aggregators from IRDA are:

1. iGear Financial Services (www.MyInsuranceClub.com),
2. Accurex Marketing and Consulting (www.accuratequotes.in),
3. Great Indian Marketing and Consulting Services (www.insuringindia.com),
4. Voila Consultancy Services India (www.buysmartpolicy.com),
5. I Call Soft (www.sastapolicy.com),
6. Policy Mantra Insurtrade (www.policymantra.com),
7. Deztination Insurance Solution (www.policybachat.com)
8. Mangotree Solutions (www.quickbima.com)
9. Policybazaar.com

IRDA WHIP FOR WEB AGREGATOR

Some key changes were announced by IRDA (Insurance Regulatory and Development Authority) through an exposure draft which was released on 24th July, 2013.

Some of the guidelines are listed below:

- Only IRDA approval to generate leads for insurance companies
- Only IRDA approved web aggregators can generate insurance related leads for insurance companies. The IRDA usually grants approval for a period of three years to the web aggregator.
- Minimum net worth: The web aggregator shall have a minimum net worth of not less than Rs 50 lakh at any time during the previous three consecutive years.
- Payment terms: Web aggregators can't take advance payments from insurers. Payments can be made to web aggregators only on leads that result in the sale of a policy. The fee for the lead can't go beyond twenty five percent of the commission payable on the first year premium sold.
- The insurers are prohibited from paying any fees for renewal and services such as maintenance of the database, development, communication, advertisements, sales promotion, infrastructure, training, entertainment among others.
- Financial terms: Insurers have to enter into an agreement with the web aggregator approved by IRDA, which shall necessarily include details such as fee/commission for the leads to be shared.

ONLINE INSURANCE – ROAD BLOCKS AND FUTURE PROSPECTS

The online insurance market in India has witnessed a growth in recent years on account of rising demand for insurance products such as Term, Health and Motor. This growth has been largely led by the factors such as high internet penetration, increasing of Web Aggregators and rising awareness of customers. Strict IRDA compliances, cost of acquisition of the customers and Fund raising concerns are few of the major challenges which will affect the growth of this industry in the future. Technavio's analysts forecast the online life insurance market in India to grow at a CAGR of 25.36% over the period 2014-2019. BCG 'Insurance @Digital -20X by 2020' report suggest Online insurance sales market in India to be around Rs 3,500-6,000 crore for life insurance and Rs 11,000-15,000 crore for non-life insurance in future. the report said The online

insurance market is now is over Rs 700 crore, in which life insurance sales contributed Rs 300 crore, motor insurance around Rs 250 crore and other segments like health and travel make up for about Rs 150 crore. Web Aggregator made it easier to compare policy online but only when there is transparency and safe payment gateways. Insurers also accept that online mode affect the consumer buying decision therefore they had initiated online term insurance quotes and policies. At present, insurers have made online mode a priority in their distribution strategy. Though, many insurers are still focusing on term plans, but a few of them have moved ahead beyond term and car policies.

India is going digital in a massive way. Recently Prime Minister Narendra Modi launched the 'Digital India' campaign. Insurance industry in India will not be an exception. More and more people are adopting e-commerce and this trend will continue in future too. With the government of India itself supporting digitisation, the level of trust will go up. So, there is no looking back for a sunshine industry like insurance, which is already experiencing a phenomenal growth.

UK & European markets have clearly shown the way, where online insurance started with aggregation model and now 70% of auto insurance in most of European countries is sold online. The industry expects similar trends here in products life term insurance and car insurance over the next 2-3 years. Some products which are highly complicated will take more time; however, products like ULIPs which have low distribution margin would eventually move significantly to online distribution models.

CONCLUSION

Indian insurance market is driven by latest changes in distribution and marketing practices. Newer mode of distribution channels such as Bancassurance and web based individual insurance cos portals coming to play increasing role. The importance of web aggregation for insurance cannot be ignored. World over, especially in mature markets, majority of insurance policies in Motor, health and property insurance as well as life insurance are bought online through web aggregation. This is yet another effective and neutral platform providing comparative

information on various insurance products of different companies to the intended customers and enabling them making an informed choice based on their specific need and budget. IRDA has rightly put conditions to monitor the content of what's displayed by a Web aggregator to ensure against misinformation and to maintain neutrality.

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