



## EMERGENCE AND GROWTH OF ONLINE LIFE INSURANCE IN INDIA

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### Abstract

The future prospect of Indian life insurance sector looks promising. This sector stood very strong at US\$ 72 billion in 2014 and has the potential to grow to US\$ 280 billion by 2020. This growth is primarily driven by India's favourable regulatory environment. IRDA has always assured stability and fair plays in this sector. The development of this sector can also be attributed to innovative product lines, dynamic distribution channels, and vivacious publicity and promotional campaigns run by insurance companies. From last few years i.e. from 2005, the emergence of online insurance has significantly contributed to this growth of insurance sector. This paper tries to study the emergence and growth of online life insurance in India as well as tries to figure out the challenges in nearing future.

**Keywords:** Life Insurance; Regulator; Plan; Insurance Industry, Online Insurance.

### Introduction

In India, online has been a catchphrase from last few years across industries such as travel, retail, banking and education. Already, most of the Indians are using net banking. Fixed deposits and mutual fund investments are the most preferred investments when it comes to online purchase. Money transfer and bill payment through net banking has become a common thing nowadays. Insurance is not far behind. Life Insurance is also witnessing good response from consumers as online purchase of insurance policies is catching up. Earlier, internet was the preferred channel for product search, post sells services like renewals of policies and paying premiums, however, now consumers are also purchasing different policies online in the wake of increased transparency, ease and advantage of saving money. This study finds that over the years, the consumer trend has shifted from purchasing life insurance face-to-face from an agent to purchasing over the phone or online. This paper tries to throw light on the beginning of online insurance phenomenon to the growth story of online insurance. While analysing the present trend of online insurance, it also highlights the challenges and future prospects.

### Emergence of Online Life Insurance in India

Today more than 165 million Indians have internet connections Nowadays Indians spend more time on the internet than watching television and are the third-largest users of social networking sites like Face book already, most of the Indians are using net banking. From a modest beginning, like the banking sector, with online transaction facilities for existing customers, insurance companies are now rapidly moving towards selling products online. It has been found that more than 45% of internet users search for financial services and insurance as a category. Similar to the online travel and retail industry, the online journey of insurance started with emergence of comparison and research platforms. At the same time, the concept of insurance aggregation took off in 2005 with players like Apnainsurance and Bimadeal entering the market. Around 20 other players such as Policybazaar, Zibika, Fintact, Myinsuranceclub and Insuring India including several others launched their own aggregation sites. After testing the aggregation model, startups forayed into selling leads to insurance companies and earned a commission on every lead conversion. In India, with the required approvals in place, Policybazaar and Myinsuranceclub have gone beyond the aggregation model and have started selling policies online. The approval from Insurance Regulatory and Development Authority (IRDA) was a significant milestone for both companies as they now became a channel which is recognized and approved as a growth area even from the regulator's point of view. The overall growth registered by startups in aggregation model is not encouraging; however Policybazaar registered phenomenal 200 % growth over the past two years. Currently, 70% sale of overall online insurance happens through Policybazaar. Also in online lead generation segment where insurance aggregators sell lead to insurers, Policybazaar dominates the market with 4 out of every 5 leads (via internet).

### Online Insurance Regulation

The Insurance Regulatory and Development Authority (IRDA) in India issued guidelines on the distance marketing of insurance products in April 2011, which governed all forms of non-face-to-face distribution of insurance products, including telemarketing and Internet. The guidelines now permit insurance companies to issue policies sold through distance marketing without having a physical application in their possession. For these policies, insurers are required to append with the policy document a transcript of verbal communication or the electronic record of the customer questions and the answers provided.



However, most life insurers still ask their online customers to print out the completed online application, sign it and send it to them for processing.

IRDA has released guidelines for insurers for issuing electronic policies and for setting up e-repositories for holding such policies in electronic form, steps that will facilitate the further growth of the online distribution of insurance policies. IRDA has recognized the important role that web aggregators can play in the proliferation of Internet based insurance sales and has recently released guidelines governing web aggregation. To ensure that online customers get unbiased and factual information about comparable insurance policies, IRDA has clarified that no existing insurance intermediary and/or those parties that are in any way related to any of the insurers or the intermediaries may act as a web aggregator. Moreover, web aggregators are not permitted to carry advertisements, endorsements, rankings, ratings or sponsored content on their websites, or comment on any insurers or their products. IRDA has also capped the remuneration for services provided to web aggregators by insurers, removing the opportunity for bias in information contained on their websites. This has significantly affected web aggregators' remuneration, and it remains to be seen how this business adjusts to these regulations.

#### List of Web Aggregators Approved by IRDA

S.No.	Name of the Applicant	Web Address
1	iGear Financial Services Pvt. Ltd.	www.MyInsuranceClub.com
2	Accurex Marketing and Consulting Pvt. Ltd.	www.accuratequotes.in
3	Great Indian Marketing & Consulting Services Pvt. Ltd.	www.insuringindia.com
4	Voila Consultancy Services India Private Limited	www.buysmartpolicy.com
5	eMudhra Consumer Services Ltd.	www.emudhrainsurance.com
6	I Call Soft (P) Ltd.	www.sastapolicy.com
7	Policy Mantra Insutrade Pvt. Ltd.	www.policymantra.com
8	Deztination Insurance Solutions Pvt. Ltd.	www.policybachat.com
9	Mangotree Solutions Pvt Ltd.	www.quickbima.com
10	Commet Insurance Web Aggregator Pvt Ltd.	www.insurax.in

#### Online Life Insurance in India: Growth

The overall growth registered by startups in aggregation model is not encouraging; however Policybazaar registered phenomenal 200 % growth over the past two years. Currently, 70% sale of overall online insurance happens through Policybazaar. Also in online lead generation segment where insurance aggregators sell lead to insurers, Policybazaar dominates the market with 4 out of every 5 leads (via internet) claimed by them.

#### Online Life Insurance Distribution in India

“An online term-insurance plan is bought every 18 minutes in urban India,” the Asia Insurance Review reports. Cost and convenience are aiding online sales: Premiums are 40% – 60% cheaper, and an average purchase takes 15 – 20 minutes. Online distribution is increasingly attractive to a large and growing list of private life insurers. Recently, the Life Insurance Corporation of India joined the list by launching a pure term product to be sold through the Internet. Reports indicate that in the first six months of fiscal year 2011 – 2012, the total insurance cover provided through online term insurance policies by the seven life insurers currently active in this area stood at US\$1.77 billion, nearly equal to the total cover across all the life insurance policies sold by the five newest private life insurers in the Indian market. Leading life insurers in online distribution estimate that the average annualized premium collected per policy for online term insurance was between US\$176 and US\$195, and the average death benefit was approximately US\$0.18 million, roughly eight times more than the average death benefit for term policies sold through other channels. Initially, term insurance policies were the only products being distributed online, but now a range of protection products, including health insurance, are offered to Indian consumers. Some companies have also launched unit-linked products to cater to the dual investment and protection needs of their online customers.

#### Online Life Insurance In India Set To Cross Rs 20k Cr By 2020

A recently published report by Google India and Boston Consultancy Group (BCG) forecasts that online insurance industry in India will become 20 times its current value and will cross Rs 20,000 crore by 2020. The report titled “Digital@Insurance-20X By2020” was released in Mumbai. At present, online insurance market in India is pegged at Rs 700 crore, out of which



Life Insurance related transactions account for Rs 300 crore, In the coming 6 years, online transactions and activations of life insurance will become 20 times it's current value.

As per the report, online life insurance sector will grow at a compound rate of 3-5% per annum till 2020, which will make it Rs 3500-Rs 6000 crore industry. Whereas online non-life insurance market will grow at a rate of 15-20% per annum till 2020, making it Rs 11,500 crore – Rs 15,000 crore industry. Overall, digital insurance industry will touch Rs 15,000 crore – Rs 20,000 crore volume, growing 20 times of its current market value.

### **Online Life Insurance in India: Challenges**

Online sales channel, while attractive and rewarding has its own challenges. Influencing the customer's buying decision online is a challenging task. That is probably the reason why several industry surveys reveal that online user experience with Indian life insurers has been poor. In Life Insurance, years of efforts by the India's insurance regulator IRDA to ensure insurance companies make their insurance products easily understood by customers doesn't seem to have yielded the desired results. Owing to issues like lack of transparency of information, lack of standardization, arrangement of key terms, most of the online insurers were unable to make an impact. Online insurance today is merely an inward-looking transactional process. It's about collecting data of prospects, setting up backend to handle that & scaling up with the hope of a higher business gains.

In aggregation and selling of insurance policies via third party platforms (such as Policybazaar, Myinsuranceclub), the toughest challenge has been to get IRDA's approval as it is a strictly regulated space. Till now only Myinsuranceclub and Policybazaar got approval by IRDA to sell leads to insurance companies. In April 2011, IRDA had laid some guidelines for insurance aggregators, which eventually made the ecosystem very tough for startups to thrive. Some of the guidelines are

**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. The agreement can only be valid for a period of three years. Fund raising has been extremely difficult because investors are wary of regulations and scale of business. To sell insurance policies online, one needs to have a strong backend team (call centres) to brief buyers about the nitty gritty. Such skilled support executives are in short supply.

### **Conclusion**

This study has enabled us to conclude that there is strong evidence that the way customers want to interact with insurers is changing. The internet is transforming consumer offerings in other retail industries and setting a new benchmark for how businesses interact with consumers. In most consumer sectors, there is now far more information available to allow customers to compare products and prices and to obtain independent opinions before purchasing. Insurers that better understand the buying behavior of online customers, develop innovative, attractive and simple products catering to specific customer needs and, most importantly, have a robust communication and customer engagement model backing their online marketing strategy will emerge as future market leaders in online insurance distribution in India There will always be demand for the traditional life insurance and the face-to-face sale, but that demand is rapidly shifting to the online insurance . We're entering a new era of how life insurance is being purchased. For consumers and agents alike, that's a good thing.

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