INSURANCE IN A DIGITAL WORLD

The draft guidelines issued by the IRDA will help the insurance industry serve the customer better.

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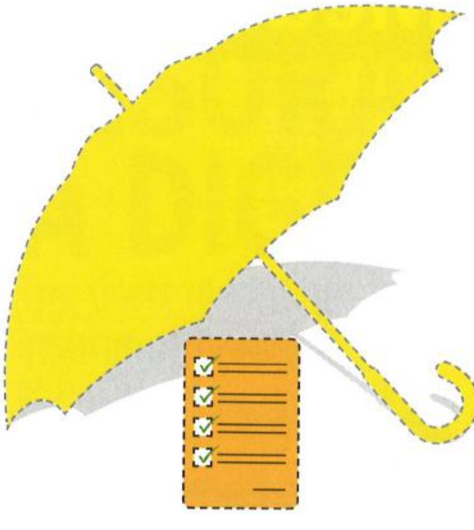
With the Insurance Regulatory and Development Authority of India (IRDA) taking proactive steps to digitise the insurance sector, comparing policies and zeroing in on the right cover is increasingly becoming easier. Says Yashish Dahiya, co-founder and CEO, PolicyBazaar.com: "People are becoming comfortable buying insurance products online, something which has been spurred through the growth of smartphones. People who do net banking, recharge their mobile phones using credit or debit cards, or transact through e-wallets are not hesitant to shop online for insurance." In fact, in April 2016, PolicyBazaar hit a new milestone – recording over 100,000 transactions, which was nearly double of what it had witnessed in the previous month. Besides, says Mohit Rochlani, Director, Operations and IT, Indiafirst Life Insurance, there are other benefits of online shopping, including low pricing.

DIGITISATION

Enthused by the success of online term plans, the IRDA drafted the Insurance e-Commerce Regulations in June 2016. Says S.V. Ramanan, CEO, CAMS Insurance Repository Services: "Digitisation has become a way of life in most financial services. You can transact online for your banking, equities and mutual fund needs. This will catch up in the insurance sector as well." The draft guidelines



THINGS TO TAKE NOTE OF WHILE BUYING ONLINE

- Retain a copy of the policy document bearing policy terms and conditions
- Do not compare too many products that are not of the same nature as this may confuse you further
- Thoroughly understand a product before hitting the purchase button
- When in doubt, seek help. It is better to be under-insured instead of buying a wrong product
- If you buy through an insurance aggregator, ensure that the policy details match with those on the company website
- Take a screenshot of the transaction page, especially the one that shows payment details
- Verify the legitimacy of the company website by looking for website security certificate

for self-network platforms, including mobile apps, websites or both, provide for selling and servicing of policies online.

The idea was to not only make insurance easily accessible to anyone with a net connection, but also to reduce the cost of transactions. Any entity recognised by the Irdai can now sell a policy on this platform and also take care of end-to-end requirements. Says Rajiv Kumar, Head Corporate Planning, Customer Service, Operations and Product Development, Universal Sompo General Insurance: "This initiative can help increase the much-needed penetration if it is combined well with other concepts such as point of sale." Anuj Gulati, Managing Director and CEO, Religare Health Insurance, agrees. He says that along with the inherent advantages of e-distribution, insurers can effectively leverage their services to a vast spectrum of consumers by addressing the key objective of financial inclusion.

The biggest advantage for both the company and the user is the introduction of differential pricing for online and offline products. Says Sandeep Patel, CEO and MD, Cigna TTK Health Insurance: "If a product is sold online and adheres to a process that has been exclusively created for e-commerce, then there are huge structural efficiencies available, especially in logistics. This is where technology will play a pivotal role and enable insurance processes to be more efficient and effective."

The draft guidelines also propose to use the e-Aadhaar and e-PAN platforms for the know-your-customer (KYC) process. If the guidelines are anything to go by, physical signatures will also be passé. It says that "an electronic signature or digital signature or single factor authentication, such as one-time password, PAN and date-of-birth authentication, may be used for underwriting and acceptance of risk for insurance businesses on the self-network platform". This means e-policies issued through the Insurance Repository System will not need a digital signature, but electronic policies issued by the insurer need digital signatures, says Ramanan.

With the online purchase mechanism in place, the need for a mandatory e-insurance account that would allow the user to hold all the policies in digital form will become necessary. This ensures that once a policy is issued, all documents pertaining to it is directly listed in this account. This will ensure that all insurance policies that one possess, whether life or non-life, will be held at a single point. In other words, this e-insurance account is akin to a demat account. Industry players see this as a progressive move as it acts as a one-stop snapshot for the entire insurance holdings. Other than this, the demat insurance account is bound to be useful in hours of distress, as there will be no stress in searching for the policy document.

MANDATORY E-ISSUANCE

The Irdai, in a gazette notification, also made it compulsory for insurers to issue an e-insurance policy if the premium paid is above a certain threshold. In case of life insurance, the threshold limit is an annual premium of ₹10,000 or more, or sum assured of ₹10 lakh for pure term plans.

In case of health plans, if the premium paid is ₹10,000 or more, or if the sum insured is at least ₹5 lakh, e-insurance is mandatory. When it comes to non-life options, e-policy will be made available if the premium is ₹5,000 or more, or a sum insured of ₹10 lakh and above. For motor, personal accident and domestic travel, e-policies will be applicable if the annual premium paid is ₹5,000 or the sum insured is over ₹10 lakh.

THE CHALLENGES

Going digital. At present, the mobile platform is used to acknowledge the submission of claim papers, customer onboarding and other customer advisory outreach initiatives. "The greatest challenge in selling policies online is to create an experience that is highly differentiated and 'Amazon-like' as most online customers would compare us with other online service providers and not necessarily against insurance companies," says Patel, adding: "Given the demography, traditional forms of sales will continue to stay."

Underwriting. It will be another sore point, but Patel hopes that as the industry evolves, technology-enabled platforms will help in a significant way to address such challenges.

Real-time tracking. Currently, the claim settlement process is not very transparent. Even though some insurers provide the user with a login id to track updates, the systems leave a lot to be desired. According to C.L. Baradhwaj, Chief Compliance and Chief Risk Officer, Bharti AXA Life Insurance, customers who have submitted claim forms with the company can visit the claim section on the website to track the progress real-time. Additionally, to ensure privacy, there is a validation criterion. In case a red flag is raised, the claimant can approach the company via the service email id.

For motor insurance, most insurance companies in India have already started empowering customers and surveyors to file for a claim using their respective mobile applications. On the other hand, for health insurance, which is much more complicated and is the toughest to track, intimating and tracking of a claim using mobile devices is not even an option. Kumar of Universal Sompo highlights that health claims require more in-depth study, as the cost of medical treatment varies across hospitals in different locations. "Though the industry and the regulator are working towards creating a centralised database of medical costs, we are bullish to see some streamlining of health claims which can indirectly benefit consumers to have a better grip on their health claims," he adds.

ROAD AHEAD

According to Alpesh Shah, Senior Partner and Director, Boston Consulting Group (BCG), the single biggest reason why insurers would want to go direct is that they get access to collect more and better data from customers directly rather than through intermediaries. "This can be used to enhance engagement with customers and increase cross-sell or up-sell to get more value from the same customer," he says.

Globally, in digitally advanced countries, it has been observed that life insurance has reached 5-7 per cent of online sales, while non-life is around 25-30 per cent. In India, according to January 2015 survey by BCG's Centre for Customer Insights, which covered over 100 product categories including insurance, only 2 per cent of the Indian consumer is buying insurance online.

When it comes to reaching consumers directly, it will be imperative for companies to build multiple channels and offer products that meet next-generation needs. As a result, companies will go lean to achieve operational efficiency as it is a win-win situation for all stakeholders in the industry. This would translate into reviewing the way business is done and increased capital expenditure to put systems in place because India lags far behind global standards. While operating costs to the total premium ratio is around 17 per cent for India's private life insurance industry, in advanced nations the number is in single digits, says Shah.

Suresh Agarwal, Executive Vice President and Head of Distribution, Kotak Mahindra Old Mutual Life Insurance, says products will be more dynamic and data driven, given that differential pricing has received regulatory nod. According to a BCG and Morgan Stanley report *Insurance and Technology*, the biggest winners will be insurers with the foresight to identify new game-changing technology that may not be ready for immediate commercialisation, but could have a significant long-term impact on the industry. ◆

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