

## Online Insurance In India: A Long Way To Go

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### ABSTRACT

The future prospect of Indian insurance sector looks promising. This sector stood very strong at US\$ 72 billion in 2012 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 insurance in India as well as tries to figure out the challenges in nearing future.

**Keywords**-Insurance, IRDA, Online Policy, Web Aggregators

### I. 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. 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 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.

### II. OBJECTIVES OF THE STUDY

1. To study the emergence and growth of online insurance in India.
2. To figure out the challenges ahead for online insurance.

### III. ONLINE 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.

The online journey of insurance started with emergence of comparison and research platforms. At the same time, the concept of insurance aggregation came into picture in 2005 with players like Apnainurance and Bimadeal entering the market. Around 20 other players such as Policybazaar, Zibika, Fintact, Myinsuranceclub and InsuringIndia 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.

Most of the existing insurance companies started selling online in 2010-2011 and at present, almost close to 33 insurers are offering more than 1000 products online. A majority of them are currently focusing on term insurance but many brands are looking beyond term insurance and car insurance. They are considering the Internet as a future channel of distribution which can bring immense expansion to their business. Three insurance companies i.e. Aegon Religare, Aviva Life Insurance & HDFC Life Insurance have already included internet and online aggregators as a major focus in their distribution strategy. Over 65% of insurance based searches are dominated by one player i.e. Policybazaar.

### IV. ONLINE INSURANCE IN INDIA: GROWTH

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).

Myinsuranceclub, a mumbai based startup started in late 2009 reports 2 lakhs unique visitors every month. However, Myinsuranceclub did not reveal any specific number of leads it is selling to insurance companies.

Currently, there are 9 insurance web aggregators operating in Indian Insurance Industry. Until the first half of 2011, majority of the insurance policies were bought by people in metros and tier 1 cities. However, according to Policybazaar data, around 39% of its traffic is from beyond the top 8 metros in the country. It has seen a huge demand for customers from mid-level towns like Jaipur, Indore, Surat, Lucknow etc where they are not only interested in researching but also shown interest to buy. HDFC Life also reported a significant chunk of its sales now coming from tier 2 & 3 cities, as opposed to year 2012 when up to 90% of the sales were from metros.

## **V. ONLINE 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. Sale of

the product to the user is not based on best fit but on who pays the most.

When it comes to challenges with respect to aggregation model and selling of insurance policies via third party platforms (such as Policybazaar, Myinsuranceclub), the toughest challenge is to get IRDA's approval as it is a strictly regulated space. In 2013, IRDA had laid some tighten guidelines for insurance aggregators, which eventually made the ecosystem very tough for startups to thrive. Some of the guidelines are listed below:

- Companies wanting to become web aggregators will have to apply for a license. Only IRDA approved web aggregators can generate insurance related leads for insurance companies. The IRDA grants approval for a period of three years to the web aggregator.
- The lead generation model is being called off by the IRDA. Now, no charges will be payable for leads by the Insurer. Instead, web aggregators are being treated as outsourcing companies for insurance companies.
- A web aggregator is not being allowed to earn through the display of information related to products or services of other financial institutions in the website. This means a web aggregator cannot display or cross sell any product or service other than insurance.
- A web aggregator can not run advertising on their site.
- A web aggregator can not operate multiple websites.
- A web aggregator cannot operate the websites of other Financial / Commercial / marketing or sales or service entities or use other Social Media sites etc. for comparison of products etc.
- A web aggregator cannot display ratings, rankings or bestsellers.
- FDI Limits in investment in Web Aggregator is same as that for insurance sector (49% Foreign Capital). While Web Aggregators are not insurance companies, they are being forced to comply with FDI norms related to insurance.

## **VI. ONLINE INSURANCE IN INDIA: THE ROAD AHEAD**

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 the near future. As per market estimates, almost 13 million searches a month are related to insurance, retirement and pension.

Online insurance is expected to follow the growth route of online travel in the next 2-3 years to come. 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.

By 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 third party aggregators. Similarly, as e commerce industry expects 2-3 players would emerge successful in this space.

## **VII. CONCLUSION**

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

The growing internet segment and consumer behaviour in the e-commerce space clearly corroborated that there is an ever growing market for online financial products and online research for insurance is converting into sales. Currently, around 18,000 policies are purchased online every month. Though the given figure only constitutes 2% of overall offline sales, it grew 200% in from 2010 to 2012. However, it's an industry still in the emerging stage and has a long way to go.

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