Digital transformation in Indian insurance

Mr Kamesh Goyal

Mr Varun Dua

Can 'online' model be a panacea for tapping the untapped insurance potential and eliminating insurance distribution bottlenecks in India? We speak to two "new-age" insurers to understand more about the digitalisation of the Indian insurance landscape.

By Anoop Khanna

A CII-PwC report released in August 2017 said that the Indian insurance industry is lagging, both in its level of digitalisation and its ability to realise financial results on its digital investments. According to the report, leveraging low-cost digital distribution channels for sales and service and simplification of products will play a significant role in helping the industry deepen market penetration.

Simple and need based products

Speaking about simple products, which are easy to understand and allow customers to choose tailor-made need-based covers, Mr Kamesh Goyal, Chairman of Digit Insurance, said: "The consumer of today is not very excited about buying insurance primarily because the products are complicated and as a customer, you don't really get what you need."

At present it is a 'one size fits all' policy and the focus is on selling "what the insurance companies have to offer and the process is also extremely cumbersome," he added.

Mr Varun Dua, CEO, Acko Insurance, said: "The whole new internet economy lends itself to new ways of conceptualising, delivering and executing insurance and the price point at which we will offer tailored insurance products and focus on unparalleled service, would differentiate Acko from other players in the market."

Reaching out to customer digitally

Mr Goyal was positive about the Indian insurance customer buying insurance products online. He said given the high internet penetration and the sizeable numbers that buy and consume products and services online, "we are building processes that can eliminate physical interaction, wherever possible."

The emphasis on digital transactions is gradually increasing in India. "The Indian insurance customers are becoming mature and are welcoming innovative online solutions that will benefit them and save them from the labyrinth process of getting an insurance policy," said Mr Dua.

"The Indian insurance industry needs to go whole hog in reaching the customer truly digitally – not just superficially by porting offline channel products online," he added.

Digitalisation and insurance penetration

The growth of the Indian insurance industry since liberalisation has been tremendous; however, the potential of Indian population has not been explored optimally. This is primarily due to constrained distribution channels and ineffective communication about the need and benefits of the product.

Mr Dua said: "People will buy insurance voluntarily – but it has to be contextual, you need introductory products which are frictionless to upgrade customers over a period of time as their lifestyle, age and awareness – all mature."

"What we are trying to do is to come out with products linked to life style, easy to buy and easy claim settlement process that works for customers," said Mr Goyal.

"When a customer buys our product, she will know, in one page, what is covered and what is not, in a language, which is easy to understand. We hope this helps increase awareness of need for insurance. There is, however, no short-cut to this," he added.

Prudent pricing and affordability

Affordability has always been a question mark in insurance marketing in India and pricing play a major role, but it needs to be flanked by product, service and trust. Some undercutting would, however, always be there.

Mr Goyal said: "More than the pricing in general, the issue is that there is not much difference in the price for a good customer and a not-so-good customer. This, in a way, works against the interests of good customers."

Mr Dua said that pricing is always a matter of concern in any industry and margins are always under pressure. "Perhaps emphasis on distribution has led to slight lack of focus on investing in underwriting, technology and analytics and because of this, the pricing/undercutting appears epidemic".

"But at an equilibrium – prudent pricing and scale can be achieved together, and I believe that smarter companies will invest in the right areas, identify opportunities and find the right balance," said Mr Dua.

"Online does provide a lot of efficiencies but it is still a channel – for delivering a product. It is not 'the' product," he added.

> **"Online does provide a lot of efficiencies but it is still a channel – for delivering a product. It is not 'the' product."**
>
> **– Mr Varun Dua**
> **CEO, Acko Insurance**

Digitalisation and legacy insurers can supplement each other

Data analytics, complementary products, distribution and services, customer engagement at an overall level, are some of the areas where new-age InsurTech/digital start-ups can partner with Insurance companies to create a compelling experience for the customer. Even allied areas like healthcare, analytics, big data and risk assessment are quite complimentary.

"However, the biggest contribution of digital technology in India will be the change of mind-set, to try out new things, impart speed to the process of IT development and to focus on solving the problems of the customers. This impact can be significant," said Mr Goyal.

Mr Dua said that the traditional insurance industry needs to embrace startups and "start treating them as equal partners in innovation and growth". Many a times "there is a hesitation to work with startups (not only in the insurance industry) because of lack of track record or not paying them fair value as the power equation is lopsided," added Mr Dua.

To stay healthy and reduce the 'protection-gap'

Transparency in dealing with customers and simplifying customer journeys are two most important areas one should be looking at to keep the industry healthy in real terms. Mr Goyal said: "The way the industry deals with its distribution partners need to also evolve if we are to really grow the industry, rather than just compete on price and commission."

"I think we still need to be in an investment mode, with the caveat that even if the short run does not look healthy – the long run goals are worthy to invest in," said Mr Dua.

"I feel that today, there is still a lot of investment that goes towards replicating or taking market shares from each other, rather than creating the market," he added.

Do IPOs contribute to overall development of the industry?

The current wave of going public in the insurance sector does build up a momentum which brings with it a confidence for capital to come into the sector.

Mr Dua said: "In my view, more capital inflow and more market scrutiny will also enable the regulator to shape the future of the industry faster and more progressively – bringing more autonomy to the industry in terms of operations."

"Listing or non-listing of a company does not have an impact on a customer. However, listing does help in improving the brand name," said Mr Goyal. He added: "The corporate governance norms in insurance companies are already very tight. Yes, from shareholders' perspective, it opens up opportunity for M&A and to raise capital to support growth."

Digitalisation is job generator not a job terminator

All breakthroughs give birth to new jobs and new industries. In fact, the most automated and technologically advanced countries have the lowest unemployment rates. "I don't think the jobs are going to perish. They will come up in new avatars," said Mr Dua.

Mr Goyal said: "Digital leads to more productivity in terms of quality and quantity. This will give a boost to grow the industry and should increase the number of jobs."

Hence, even if underwriting is automated, claim settlement is done on blockchain technology and much more, there would always be emerging risks that will need millennials to understand how to come up with products in the new world. Yes, it would certainly need reskilling at all levels.