

E-Insurance: Challenges and Opportunities in India

Dhaval Nakum

Research Scholar, S.D. School of Commerce, Gujarat University, India

Abstract: *Insurance is a risk management tool. Although India is the second most populous nation in the world, growth of insurance sector is compromised. Regulatory authority IRDA has introduced E-insurance concept where one can store all the insurance policies in dematerialize form. It works just like demat account of securities. PM Narendra Modi has launched Digital India Programme and recently after demonetization also emphasized on Cash Less Society concept. This paper has analysed some of the challenges and prospects of E-insurance. Key challenges includes platform issues over internet, format of E-insurance, IRDA's guidelines for insurance aggregators, chances of frauds, awareness among people and lack of trust on technology in adoption of E-insurance. Currently, most of the life insurance companies are providing only term insurance on online platform. Favourable regulatory changes for insurers like amendments in insurance laws show positive sign for growth of E-insurance. The growing internet segment and consumer behaviour in the e-commerce space clearly corroborated that there is an ever growing market for financial products and online research for insurance is converting into sales.*

Keywords: E-insurance, Digital Insurance, Insurance Repository

1. Introduction

In India, insurance is one of the demanding financial products. This sun rising industry has given a platform for economic growth and employment. IRDA Annual Report (2015-16) shows that density of insurance industry (Insurance density is measured as ratio of premium (in USD) to total population) had gone up from USD 11.5 in 2001 to USD 54.7 in 2015. From April 2015 to March 2016 period, the Life insurance market recorded a new premium income of Rs. 1.38 trillion, indicating a growth rate of almost 22.5%. Insurance is one industry which has changed 360 degree all the way from unregulated industry to complete and perfectly regulated industry in last 16 years. It is astonishing that insurance industry is laggard in adopting E-commerce. UmaMaheswari & Chandrasekharan (2013) data shows that all 51 insurance companies have web presence with respect to their product marketing. Out of 24 life insurance companies, 21 provides online account and online payment facility for existing policies but only 14 have the facility of online purchase of insurance products.

Exponential growth in any industry is inexorable if it promotes their product through E-commerce. Mary Meeker Internet Trends Report (2016) data shows that India is second in terms of number of internet users (375 million). ET Bureau Report of June, 2016 quoted that E-commerce market grew 30% between December 2011 and December 2015 and was valued at nearly Rs. 1.25 lakh crore by the end of December 2015. IRDA Annual Report (2015-16) shows consecutive decrement in penetration rate of insurance industry from 5.2% (2009) to 3.3% (2014). It can be one of the reasons of emergence of concept of E-insurance.

E-Insurance account is the facility available to the policy holder to keep all of their insurance policies in a demat form by opening an account with an insurance repository, it's a one point of contact for all of the insurance contracts, if any change is needed in any of the personal information then instead of going to an each insurer and submitting the request separately to each one of them, here through an e-

insurance account, the policy holder can submit a request to an insurance repository for that change and it will be applicable for all the policies the policyholder possess. It works in a similar manner like we keep our securities-shares, mutual funds in an electronic form.

To grab opportunity or to say increase penetration rate IRDA has opened online channel for insurance marketing as a strategic move towards healthy competition with protecting rights of policy holders by introducing concept of "Insurance Repository" which makes the overall system more transparent. IRDA has taken some initiative in this direction to propagate the concept. Like, Alignment with Digital India Initiatives and making e-policies mandatory for some of the segments which are as follows: All policies of employees / agents / channel partners of insurance companies, all online policies, Policies in the location where insurance companies do not have any presence, all motor policies, all health policies, old policies where KYC details are obsolete, NRI Customers.

Tarun Chugh, MD & CEO of PNB Metlife has said in an interview that how role of IT is evolving in the insurance industry. According to him, product becomes relevant to a customer in three circumstances.

- 1) There is a need of that particular product.
- 2) It is accessible to the consumers where he wants it.
- 3) He is serviced where he wants it and when he wants it.

The solution for this is to go digital. Technology is bridging the gap between the consumers and the insurance companies.

2. Literature Review

P. Dasgupta & K. Sengupta (2002) talks about first mover advantage, more accuracy in E-insurance as most of the process are going to be automated and channelized through software. More Revenue and earning options are available in E-insurance compared to traditional insurance business and will provide additional market penetration.

Ali Akbar Bromideh (2006) studied the impact of E-commerce on the Iranian insurance companies. Researcher has included in study only those respondents who are working in insurance industry. Respondents believed that sales volume will be hiked but companies will get more indirect benefit of brand and image promotion through e-commerce. Research shows less than 3% respondents expressed that e-commerce can adversely affect insurance industry. Study concluded that private insurers are more interested in e-commerce application compared to state owned insurers.

L. Meshkat et al. (2012) proposed an overview of the importance and likely impact of E-commerce on insurance industry. His study shows that Iranian insurance companies have had positive attitude towards implementation of E-commerce in insurance industry. The most important challenges of insurance industry are to cope up with technological issues and lack of other support departments. Most important advantages of going with E-commerce are to have no restrictions of geographical limit.

Farshad Keivani et al. (2013) explained anticipatory effects of E-insurance. Reduction in management and internal administration cost and commission expense is one of the anticipatory effects of E-insurance. Technical and regulatory constraints may not allow it to grow rapidly in near future in some of the countries.

Confederation of Indian Industry (CII) Report (2013) shows positive impact of strategic regulatory changes in growth of insurance industry such as Health insurance portability, M&A guidelines and hike in FDI limits, dismantling existing commercial motor TP pool and setting up of declined risk pool. It also includes challenges and prospects of Life and non-life insurance. Various issues and challenges in channel distribution, customer servicing, taxation and compensation are covered in it.

Supriya Lakhangaonkar (2014) concluded in his article "Online Insurance In India: A Long Way To Go" that around 18,000 policies are purchased online every month which is approximately 2% of the offline sales. She also found that those companies who will cater the need of different groups of customers by understanding their requirements will survive in online insurance business. They must have attractive yet simple product and most importantly a robust communication system to solve every query of customers quickly and satisfactorily to become future leader in online insurance business.

A. Raghunath & M. Panga (2014) studied on problems and prospects of E-business. They quoted that online policy purchase is faster, more user friendly and more secure than traditional processes. E-insurance also provides additional market penetration and also opened other sources of generating more revenues. Although ethical issues like privacy and security and perception of public are hurdles in growth of online insurance business.

Anurag Pahuja (2016) studied the perception of the customers towards benefits of e-insurance and challenges

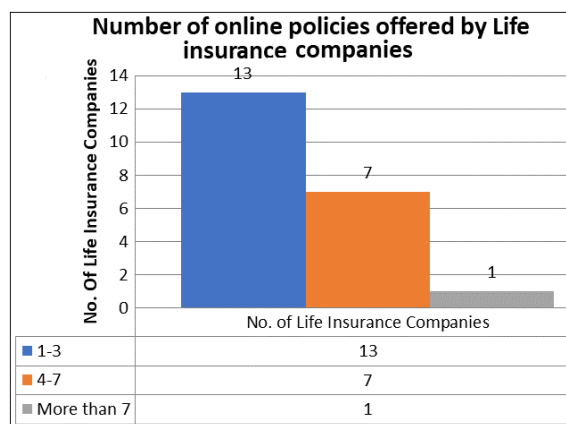
faced in using e-insurance. Data has been collected using non probability convenience sampling technique. Data has been analysed and results are interpreted on 189 respondents. Findings show that major factors influencing the adoption of E-insurance in Indian context is sustainability, cost effective and operational benefits. While major concerning issues are 'security related', 'customer oriented' and 'insurer related'.

3. Challenges for E-Insurance in India

Insurance sector is already laggard in accepting and implementing E-insurance concept. IRDA may have waited so long as insurance is not an easy product to sale online, because anticipation of policy servicing is also indispensable. It is mediocrity to talk about security issues. If there is any security concern then E-insurance might not be officially declared by IRDA. It is an assumption that people in India are not aware about the usage of technology. Statistics indicate that in terms of internet users, India stands at the second place in the world.

At present, there are 24 registered life insurance companies in India which includes sole govt. undertaking LIC as well. We have studied websites of all the life insurance companies and have gathered the following data:

There are 13 companies which provides up to 3 options to buy online policies. Most of companies provide term policy only in name of online buy option. 7 companies provides online option in range of 4 to 7 policies while only Bajaj Allianz Life Insurance gives more than 7 options to buy from online, precisely 15.



Insurers should add more customized options to sale policies online. Insurers have failed to cater the needs of customers. User Interface is also one of the issues. Insurers should provide simple products and platforms for comparison.

Particulars	No. of companies
How many life insurance companies are providing facility of E-insurance	21
How many companies have explained E- insurance and Insurance Repository on website	8
How many companies have pitched into "Online Buy" option?	17
How many companies are providing Discount or rebate on Online Buy" option?	1

There are 17 companies out of 24, which have highlighted the "Online Buy" option. In general, online buy will cut operating cost and commission expense but companies have failed to market it properly as only LIC has exclusively provided discount on online buy. LIC provides discounts up to Rs. 3,000 per policy per year.

Some of the other challenges of E-insurance are listed below:

- (i) Format of E-insurance is also one of the hurdles in its application. The current format do not allow customers to make policy-level changes like nominee addition or change, request option such as fund switch.
- (ii) In India, almost more than 50% of all internet users are accessing internet through mobile (BCG & Google Report, 2014). In 2018, 390.9 million people have used mobile phone to access internet in India and by 2023 this figure is expected to be cross 500 million users (Statista Research Department, 2019). and it is It is necessary for insurers to come up with mobile friendly websites and apps. Few companies have their existence on mobile platform.
- (iii) To sale insurance with the help of third parties like policy bazaar it is tough to get IRDA's approval. In 2013, IRDA had laid some tighten guidelines for insurance aggregators.
- (iv) Karthik Ramon, chief marketing officer and Head of products & strategy at IDBI Federal Life insurance, said that there are some instances of frauds where people have purchased high value covers without any intention to pay future premium. They have to build strategy to overcome this kind of instances without affecting their online business.

4. Opportunities of E-Insurance

- (I) Report of BCG & Google shows following prospects of E-insurance.
 - a) It is expected that by 2020 online life insurance market in India will be approximately Rs. 3500-6000 crores. While non-life insurance market will be Rs. 11,000-15,000 crores.
 - b) Growth in search queries by smart phone in Life, Health, Motor and Travel insurance is 136%, 152%, 182% and 162% respectively from 2008 to 2013.
 - c) In customer sentiment survey in eight countries, barely 30% of insurance owners are relational and value only physical.
 - d) Digitisation and Automation will reduce costs to great extent which will reduce the premium prices which ultimately increases the revenues also number of employees required per processing of policy will lessen.
- (II) Swiss Economist Darren Pain said that innovation refers to the introduction of something new that improves on the status quo. Innovation in insurance is possible by capitalizing need of an hour. Non-life insurance sector has little or no innovation at all. In name of innovation, only more rider options are introduced with little differentiation in pricing. To cater the need more new radical policies should be introduced.
- (III) Digital becomes main channel instead of alternate

channel for customers, distributors and employees. Internet influences people in such a way that people do not engage themselves only in purchasing activity but also in partnering and employment decisions.

- (IV) CCCI's study showed that customer with two years online tends to be three to four times as active as customers in their first year on the internet. This study showed that if right initiatives are taken on right time then growth of Industry is inevitable.
- (V) As per IAMAI's study, greater than 50% of internet users are now present in towns with less than 5 lakh population. We can interpret that rural area also gets covered in near future. Marketing should be changed from push strategy to pull strategy in E-insurance. New options will be opened for insurers to generate revenues.
- (VI) Favourable regulatory changes for insurers like amendments to the insurance laws in India to increase FDI limits to 49% from the existing 26%, Raising capital through IPOs is allowed for life insurance companies who has completed 10 years of operations, EEE method of taxation will boost the insurance market in India.
- (VII) Government introduced Pradhan Mantri Suraksha Bima Yojna (PMSBY) and Pradhan Mantri Jivan Jyoti Bima Yojna (PMJBY) to bring more people under the insurance cover.

5. Conclusion

Whenever we try to adopt something new we face challenges it is common scenario. To meet with the current trends, insurers have to adopt innovative, attractive and simpler products. It is necessary for them to understand the influencing factors of buying behaviour of online customers. The insurance companies have traversed a long distance towards digital transformation. The time now is not to question whether, but more about what when and how. In near future, this move will prove to be a leap for insurance sector. To end- The world is going digital. Are you ready?

References

- [1] UmaMaheswari V. & Chandrasekaran U., "E-commerce adoption by insurance companies in India," International Journal of Management Research and Review, 3 (8), 3300-3308, 2013.
- [2] Confederation of Indian Industry Report (2013). Insurance industry: Challenges, reforms and realignment. Retrieved from: [http://www.ey.com/publication/vwluassets/insurance_industry_-_challenges_reforms_and_realignment/\\$file/ey-insurance-industry-challenges-reforms-realignment.pdf](http://www.ey.com/publication/vwluassets/insurance_industry_-_challenges_reforms_and_realignment/$file/ey-insurance-industry-challenges-reforms-realignment.pdf)
- [3] IRDAI Annual Report (2015-16). Retrieved from: https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_NoYearList.aspx?DF=AR&mid=11.1
- [4] Nandgopal R, "Mary meeker internet trends 2016 report: India driver of growth for the world," June 3, 2016. [Online]. Available: [Volume 8 Issue 8, August 2019](http://indianexpress.com/article/technology/tech-news-

</div>
<div data-bbox=)

- technology/india-driver-of-internet-growth-for-the-world-mary-meeker-report/
- [5] Alwadhi N, "India's internet user base 354 million, registers 17% growth in first 6 months of 2015: IAMAI Report", Sep. 3, 2015. [online]. Available: http://articles.economictimes.indiatimes.com/2015-09-03/news/66178659_1_user-base-iamai-internet-and-mobile-association
- [6] Dhawan S, "Economictimes.com," Oct. 27, 2016. [online]. Available: <http://economictimes.indiatimes.com/wealth/personal-finance-news/e-insurance-is-facing-challenges-with-its-format-tarun-chugh-pnb-metlife/articleshow/55090539.cms>
- [7] Lakhangaonkar S.M., (2014). Online insurance in India: A long way to go, *International Journal of Engineering Research and Applications (IJERA)*, ISSN: 2248-9622.
- [8] Dasgupta P. & Sengupta K. (2002). E-commerce in the Indian insurance industry: Prospects and Future, *Electronics Commerce Research*, 2, 43-60.
- [9] Bromideh A. A., (2006). The impact of E-commerce on the Iranian Insurance Companies, Retrieved from: <https://www.researchgate.net/publication/268259388>
- [10] Meshkat L. et. al. (2012). Electronic insurance and its application in e-commerce, *Interdisciplinary Journal of Contemporary Research in Business*, 4 (8).
- [11] Keivani F.S. et. al. (2013). An investigation of the internet effects on business, *IOSR Journal of Business and Management (IOSR-JBM)*, 13 (6), 96-99.
- [12] Raghunath A. & Panga M.D., (2013). Problems and prospects of E-commerce, *International Journal of Research and Management*, ISSN: 2319-5479, 2 (1).
- [13] Pahuja A., (2016). Perceptual exploration of factors and issues affecting adoption of E-insurance, DOI:10.5296/csbn.v3i1.9623, Retrieved from: <https://www.researchgate.net/publication/304193071>
- [14] Saraswathy, M. (October 22, 2016). Business Standard, Retrieved from: http://www.business-standard.com/article/finance/wary-of-fraudulent-claims-life-insurers-tighten-online-policy-underwriting-116102100913_1.html
- [15] BCG & Google Report (2014). Insurance @Digital-20x by 2020. Retrieved from: http://image-src.bcg.com/BCG_COM/Insurance-at-Digital-20x-2020-Mar-2014-India_tcm21-28795.pdf
- [16] Hariharaputhiran S. (2012). Challenges and opportunities of e-commerce, *International Journal of Marketing, Financial Services & Management Services*, 1 (3).
- [17] Chandrasekaran U., (2015). Online channel usage intent by insurance agents in an emerging market context, DOI:10.21917/ijms.2015.0002, Retrieved from: <https://www.researchgate.net/publication/275027362>
- [18] Indian Insurance Industry Analysis Report (Dec, 2016). Retrieved from: <https://www.ibef.org/industry/insurance-presentation>
- [19] "Making Digitized policy mandatory..." (2015) *economictimes.com*, Retrieved from: <http://economictimes.indiatimes.com/your-money/making-digitized-policies-mandatory-will-give-e-insurance-a-boost-subbarao-mukkavilli-karvy-insurance-repository/tomorrowmakersshow/49643177.cms>
- [20] Alwadhi, N. (2016) "India's e-commerce market expected to cross Rs 2 lakh crore in 2016: IAMAI" Retrieved from: <http://economictimes.indiatimes.com/industry/services/retail/indias-e-commerce-market-expected-to-cross-rs-2-lakh-crore-in-2016-iamai/articleshow/52638082.cms>
- [21] <https://www.statista.com/statistics/558610/number-of-mobile-internet-user-in-india/>

Author Profile



Dhaval Nakum is pursuing Ph.D. from Gujarat University. He has cleared NET in Management subject and also holding JRF Award in commerce subject. He received the M.Com. degree in Advanced Accounting and Auditing from Gujarat University in 2015 and MBA degree with Finance specialization from Ahmedabad University in 2013.