Leveraging Insurance Distribution Technology

The aim is to make it easier for the customer while making the entire process smoother

Panellists (clockwise): Seema Gaur, Mehmood Mansoori, Sachin Goel and Ayan Sarkar / Photograph by Rachit Goswami

Business Today organised a roundtable on Technology and the Future of Insurance Distribution in collaboration with Cloud-based software company Salesforce. It discussed the latest global technological trends in insurance distribution and took a close look at how insurers in India are placed to leverage IT to enhance distribution capabilities.

The panelists included Sachin Goel, Executive Vice President and Chief Technology Officer, Tata AIA Life; Seema Gaur, Executive Director, IFFCO Tokio General Insurance; Mehmood Mansoori, President Shared Services & Online Business, HDFC ERGO General Insurance; Ayan Sarkar, Global Head of Insurance for Salesforce; and Kiran Kumar Kesavarapu, Senior Director - Industry Strategy, Financial Services, Salesforce. Also present were Anand Adhikari, Executive Editor, BT, and Naveen Kumar, Deputy Editor, Money Today. The discussion was moderated by Rajeev Dubey, Editor, BT. Edited excerpts:

Business Today: What factors may be holding up growth of digital insurance penetration?
Mehmood Mansoori: There are two dimensions to the problem. One is distribution. The insurance industry is plagued with awareness issues. In

India insurance is an investment tool, so they are not keen to buy term policies. They want to buy something which gives returns. It happens in general insurance, too. We need to probably do something on the lines of Mutual Funds, Sahi Hai.

BT: So, the onus is on industry?
Mansoori: Industry needs to do a lot to make people aware that buying insurance is about protection and not returns. That's where the industry body is making efforts. The regulator has identified very underpenetrated districts and assigned two districts to each insurance company. More than 100 districts are going to get covered this way.
Sachin Goel: Efforts are on to focus on protection business. Insurers are making it easier through third-party data sources, which means lesser form-filling and documentation needs.

BT: In life, penetration is 3.5-4 per cent. But general insurance penetration is still below one per cent. Why is that?
Seema Gaur: In life insurance, people feel who will take care of my family if I am not there. We have been given health insurance by our corporates and none of us go for it till we are 45. If you want to penetrate smaller towns, you need bite-size products. The government is now coming up with insurance of Rs 2 lakh for Ayushman Bharat.
Ayan Sarkar: There is a broad mismatch between market needs and products offered. We are starting to see examples in some developing countries where home insurance is embedded into a mortgage kind of product. I agree that sometimes penetration starts with small businesses first and comes into personalised adoption too.
Kiran Kumar Kesavarapu: Moments of truth in insurance are skewed towards moments where there is comparison. From our stand point, it's important to build awareness about a product, which precedes buying, and moments of truth that create the ability to minimise risk. Two factors that need a push are engagement, and what Salesforce calls customer transformation. The analogy that Ayan gave about medicine in a sugar candy describes what we call embedding life or general insurance into journeys that policyholders take.

BT: We are witnessing consolidation in the industry. Are weak players moving out?
Mansoori: Being one of the companies that has done two acquisitions, I would shy away from answering that. It is individual business's choice. If some companies struggle, they must be having reasons and need to see how to make business scalable.
BT: What about global players?

Mansoori: It's the same. Some choose to go back. It requires reasonable scale to become sustainable; it requires heavy capital investment, patience, great practices and control on data sciences to do proper risk selection.

Goel: Both at the time of policy purchase and servicing, it's important to use technology to make it easier for the customer. The moment of truth is when law strikes; it's very important that insurers focus on that piece as well. Over the past few years, there is a focused effort to improve claim settlement rates.

Sarkar: Insurance is a very difficult business. You need to have capital and technical expertise. But there is quite a bit of innovation going on; many players have entered the market with their own ideas of how to disrupt. We are seeing significant customer-centric innovation. A sign of a market maturing is when it shifts from focusing only on price to quality of service and claims.

Kesavarapu: The day you take your eyes off the customer, the annuity stream stops. That's the learning that Cloud seems to have brought to the market. The insurance market is not very different from a Cloud subscription model.

BT: Despite good products and processes, are distribution channels delivering at optimum rate? How is technology playing a role in distribution efficiency?

Gaur: IFFCO is more for farmers. We concentrate on tier 3/4 towns. So, you should be taking insurance to the customers' door step. In metros, millennials like being self-service. They do not want any agent contacting them. They browse the portal, whereas in small towns we have human-assisted service.

Goel: Digital technology focuses on two pillars. First is how do you make it easier for the customer and the second is how do you make process smoother. The other aspect is transparency. The customer can understand what he or she is buying.

BT: What are the pain points?

Mansoori: A pain point for us would be how to make customers aware of these products. At HDFC ERGO, for four years, we have had an initiative called 'Insurance Awareness Award' quiz. We reach out to students in Classes 8 and 9. We have covered 250,000 students. We put a high prize and the winners get close to Rs 1.5 lakh.

BT: We have seen reduction in time taken in onboarding customer using technology.

Mansoori: Be it travel, motor, health or home products, you can buy in less than five minutes online. It's unfortunate that some regulation stops us from using Aadhaar. We could have brought it down further. General insurance does not need KYC.

Sarkar: A significant amount of investment has gone towards digitising processes. The only option is to adopt digital at this scale and it comes hand in hand with significant digitisation of the process to the extent that there might be some discomfort. Overall, India is world class in terms of taking the current processes and streamlining them.

Goel: Unlike general insurance, where you could move some checks from an unriding stage to a later ride upstream stage, much of the simplification has come from moving checks to the claim stage because it's use of past data and technology where we've been able to churn.

BT: What is the experience of the international arena?

Sarkar: The question is a bit different for us than for operators. Each operator is going to have their own unique strategy of what channel makes sense. As a vendor broadly serving the market, we don't have to make that strategy. We try to do two or three things. One is make sure that if your strategy needs to shift, you can do that with agility. The second is to be able to make each of those channels smarter.

BT: What is the level of data mining in terms of cross-selling and spot materialisation?

Mansoori: There is a lot more in data analytics that needs to be done. The problem we face is more in general insurance because we do not do KYC. We do not have enough information about the customer. My aim with agents is to see if we can join hands If I do a cross-sell to you, it's additional earning to you as well. And that trust deficit between agent and the insurance company is in those couple of percentage points of additional commission they would like to move to the customer. That is not changing as fast as it should.

Gaur: When you talk of OEM partners or agents, they do not divulge details of customers to the insurer. So, even to send a renewal notice, you only have the address. You don't have their email ID or mobile number.

Sarkar: We see this struggle even in advanced markets. But this problem will not get solved individually operator by operator. In some cases, it's the role of the regulator to step in and make structural changes. Some of that seems to be in motion. I wonder if there is an opportunity for operators to collaborate more.

Goel: There are different initiatives in life insurance. Not so much customer data but in terms of claims, and at under-writing stage, being able to share data across insurers. There are block-chain initiatives going to be on.

BT: Has sandboxing worked?

Goel: We see serious innovation coming into the industry. As a result, bite-size sachet products are coming. It's more about finding the right business models and the right product configurations.

Sarkar: I would separate this into two pieces. We have seen some specific product innovations in other markets. Micro-duration products like car-sharing is an example. We have seen Chinese insurers do insurance that lasted one day. There are good case examples that Indian insurers can see and decide if they apply to this market or not.