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5 advantages of insurance going digital

Cost, convenience, speed, safety and service—advantages that you can get for your insurance policies

Digital services offer convenience, choice and comparison. The financial services industry, including insurance, is also making efforts to tap this space. Life insurance, traditionally sold by agents, is available for online purchase, often at lower prices. According to a report by Boston Consulting Group (BCG), total digital market size for online insurance in financial year 2015 was

Rs.1,000 crore. Life insurance (new business premium) was worth

Rs.350-400 crore; motor insurance (gross written premium)

Rs.300-350 crore; and health and travel insurance (gross written premium) of

Rs.150-200 crore.

The overall online market for insurance sector stands at around 1% for both life and non-life segments. In life insurance, term plans are the most bought product online, while in non-life, it is motor, health and travel insurance. The market has grown six to seven times in the past six to seven years, according to estimates by BCG.

Many services, and sale processes are now technology-based. For instance, paying premiums, making a claim, and tablet-based sales processes in which the agent keys in relevant information in the tablet and the system recommends suitable plans. "The digital platform has standardized the sales pitch and product features are communicated to the customers in a manner that is easy to understand," said Sandeep Batra, executive director, ICICI Prudential Life Insurance Co. Ltd. This also leads to more and better information for the customer.

"Digital orientation can be classified into enriching customer experience and regaining direct control of the customer relationship. This will change the dynamics of the sector," said Pradeep Pandey, chief marketing officer, Future Generali India Life Insurance Co. Ltd.

Digital format holds many advantages for the customer as well. Here's how you can make use of what's on offer.

A digital avenue helps insurers save on various operational costs. This can be passed on to customers in the form of cheaper policies online.

"Usually, brokerage for term plans is around 30% of premium while for unit-linked insurance plans (Ulips), it is 5-10%. The premium difference between offline and online is 35-40%. Even in auto insurance, the difference is 15-20%," said Mahavir Chopra, head—health, accident and lifeinsurance, Coverfox.com, a policy comparison site.

For example, a working woman in her 30s wanting to buy a term plan for a sum assured of

Rs.50 lakh for 10 years and premium paying term also of that long would get a policy online for a premium of about

Rs.3,500, while the same plan would cost around

Rs.5,600 if bought offline. “There is, however, a certain income limit defined to buy a term plan online. It differs across companies,” said Chopra.

The other advantage of the format is speedy sales service and increased efficiency. “Customers are able to get timely and accurate updates on modifications in their policies. This, too, has increased cost efficiency. Technology enables standardization and improves quality of responses and services,” said R.M. Vishakha, managing director and chief executive officer, IndiaFirst Life Insurance Co. Ltd.

Another significant advantage is elimination of chances of fraud and mis-selling, especially by an agent or distributor. For instance, if a customer bought a policy through an agent, and premium is paid in cash, the agent may not deposit the money. Or, an agent may force the customer to churn policies or buy a new one just so she can earn the hefty first-year premiums. But when someone buys a plan online, the premium goes directly to the insurer. Also, you are usually clear about what you want to buy based on price and features. You also fill the proposal form yourself giving accurate information, which reduces the chances of fraud and claims being rejected due to incorrect information. “Agent involvement gets reduced to a large extent; so premium thefts, sliding and other agent initiated schemes get reduced too. But there is a need for data sharing and linking with various government and private agencies so that information submitted gets verified instantly. Even frauds and discrepancies can be caught spot-on,” said Bharat Jeswani, chartered accountant, Bharat Jeswani & Co.

With any online or digital transaction, safety is a concern. In this regard, insurance companies say that safety is maintained since no vulnerable financial data stays with them. “All online applications are tested for vulnerabilities and customer payment information is routed through payment aggregators, hence, no credit and debit card data is stored with insurers,” said Snehil Gambhir, chief operating officer, Aviva Life Insurance Company India Ltd.

But while dealing with policies online, many documents are shared with multiple parties. Therefore, it is prudent to share documents with insurers that have strong data protection controls such as being ISO:27001 and ISO:22301 certified. Check the company description section online or ask the representatives before concluding a sale.

While digital formats bring in cost efficiency and safety, a feature that probably trump the other two is convenience.

A step in this direction is formation of insurance repositories, which preserve data of insurance policies in electronic format. This is similar to having stocks or mutual funds in a demat format. At present, there are five insurance repositories, and insurance companies have to tie up with all of them.

“There are various benefits of holding electronic policies—no physical damage or loss, know-your-customer process is simplified and it is possible to manage multiple policies via a single platform,” said Batra.

At present, however, only life insurance policies can be stored with insurance repositories. The process to get health, motor and travel policies on to the platform is underway.

Ask your insurer if your policy is already with a repository. If it isn't, make a request. Keep the account number with you and access whenever you need to see a policy. Even if the policy is not with a repository, it will be available online with the insurer.

A major complaint against insurers is that once a policy is sold, the customer is forgotten. Social media has changed that to an extent. Most insurers have Facebook and Twitter accounts, which are a platform to receive complaints and to promote new products or features.

“As a practice, we ensure that customer queries received on business days are responded to within 30 minutes across Facebook, Twitter or other online platforms,” said Sanjeev S., head, marketing and e-channel, ICICI Lombard General Insurance Co. Ltd. “We get an average of 100 queries on social media in a month and we look into all the queries,” he added. For instance, Mint followed a case on Twitter in which a customer had complained about claim settlement. Claim was for

Rs.1.09 lakh. It was settled in 11 days from the date the first complaint was made on the microblogging site, and the company replied to the customer's tweet with the settlement details.

If you, too, have a query or grievance, use a social media platform for speedy response. Go to the particular insurer's account, and put forth your comments. Try to give as many details as possible.

Such interactions have the potential to make the grievance redressal system easier. Many insurers have developed their own apps. For example, ICICI Lombard General Insurance Co. Ltd has 'IL Insure', through which customers can buy and renew products in motor, health and travel categories. Bajaj Allianz Life Insurance Co. Ltd. has developed an app called 'Life Assist' and it helps users view policy details, claim status, net asset value updates, and fund value. One can also get an income tax certificate for any year since the policy inception using this app if you need it to claim tax benefit.

Health insurance claims is another segment that is seeing the benefits of digital innovations. For example, Remedinet Technologies Pvt. Ltd provides a system through which health insurance claims are processed on cloud-based platforms; data is exchanged and processed between the hospital and the insurance company. The errors and delays are reduced and the process is more transparent as you can see the data on the platform with timestamps and history. “With such technology in place, cashless claims get passed in 3-4 hours while reimbursement claims take up to 4-6 weeks,” said Kapil Mehta, executive director, SecureNow Insurance Broker Pvt. Ltd.

Without a cloud based platform, cashless claims are generally sent through e-mails, and can take 6-8 hours, or more, to get passed, depending on the insurer's response time.

Adapting to the digital format holds value for the insurer and the customer. The entire experience, from buying to making a claim, can be made smoother.