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Undercurrents of Digital Influence in Life Insurance Distribution in India

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Abstract

Life insurance is impacted by digitization move. Life insurance was visualized as a contract of trust between agent and the customer. Be it information seeking or purchase on internet, life insurance is preferred to in online mode. Ease in process, facilitated comparison of life insurance products, passing on of benefits by insurer are visibly the striking reasons for such change. This research paper aims to assess digital presence, reasons and Value proposition for digital preferences for life insurance products in India. New business data from website of Insurance Regulatory Development Authority - IRDA from the year 2013-14 to 2018-19 was studied, keeping year 2015-16 as base year for year on year comparison of growth of various distribution channels. Face to face persuasion by life insurance agents had been the key revenue generator for life insurance companies. Human intervention in terms of life insurance agents had fallacies like lack of reliability, possibility of frauds, lack of expertise and lack of comparison. Performance parameters such as life insurance density and life insurance penetration showed huge potential to tape untapped life insurance market.

Keywords: Life insurance, digitization, digital footprint, internet sales, online sales, digital footprint, digital influence

INTRODUCTION

Customer centric and trust-worthy distribution channels are being preferred more than the traditional broker, agent model with direct marketing [7]. Digital media is increasingly being seen as simple, cost effective, easier and time saving medium to reach customers. As compared to earlier years now online purchase of life insurance policies is gaining quantum leap [8]. Seeking information, purchase, comparison, modification of details, adding of nomination etc. details are now being transacted on insurer's website [9]. Digitalisation has come in form of contactless orientation in form of website, pre approved offers in case of non-medical cases, artificial intelligence in form of chatbots, video conferencing and online claim registration [1].

Life Insurance Distribution Channels in India

In India, the following are the distribution channels for life insurance products:

1. Individual agents
2. Corporate agents- banks and others
3. Brokers
4. Direct selling
5. Common Service Centers or CSCs
6. Micro Insurance or MI agents
7. Web aggregators
8. Insurance marketing firm or IMF
9. Online
10. Point of sale
11. Others

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Individual agents have maintained their strong position in terms of contribution to new business whereas Corporate agents, who mostly include banks, are the second-biggest contributors in new sales [3].

LITERATURE REVIEW

(Bharad, 2016) [2] mentions of Digi locker as app for identification of individuals, BHIM app for digital fund transfer, myGov.in for online platform for government and connectivity, cyber threats, lack of coordination were seen as major hurdles for digitalisation in India.

(Kulkarni, 2015) [4] holds the view that customers are becoming more and more demanding in terms of services being delivered at their doorsteps. Worksite Marketing, Tele Marketing, Kiosks/ATMs/Franchisees, Post Assurance, Shop Assurance and Mall Assurance are upcoming new distribution channels [5].

(Nicoletti) [6] backs that online or mobile access does not represent digital transformation in full, but also includes change in business model of the insurer.

(Mulliner, 2020) [11] witnessed shift in operating processes towards digitisation in times of crisis with business landing, consumer landing, bank account opening, account maintenance, employee processes, wealth management, corporate banking, mortgage and auto finance [10].

Research gap

In comparison to sales via agents, brokers, sales through websites and through digital media is not encouraging.

Insurance applicant being internet user is known as digital footprint and insurance applicant having done internet search pre insurance purchase or post insurance purchase need is known as digital influence count for major digital disruption.

Objective

1. To compare and to evaluate distribution channel wise new business premium contribution in Life Insurance Sector.
2. To compare and evaluate year or year growth of distribution channels like individual agents, corporate agents, brokers, direct selling, micro insurance agents and online.

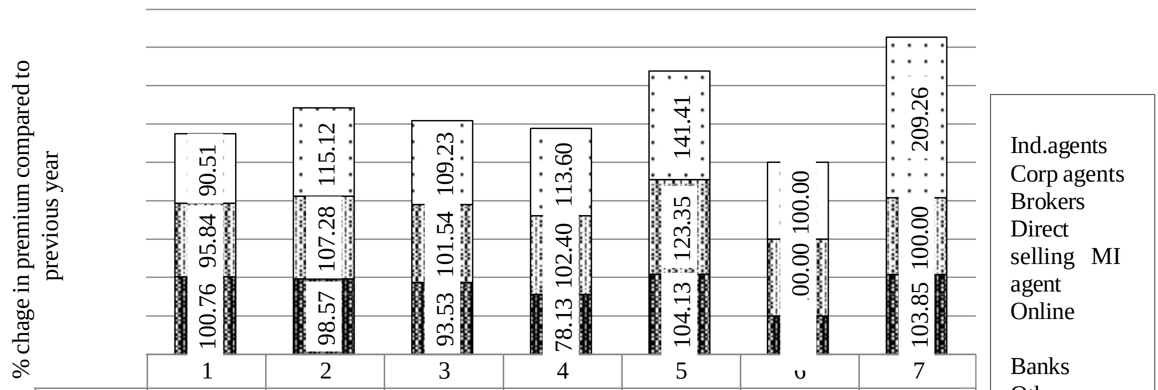
RESEARCH METHODOLOGY

New business reports of life insurance sector available from IRDA website from the year 2013-14 to 2018-19 were studied year-wise. This research having had descriptive research design adopts secondary data. For data collection and analysis Year 2015-16 was considered as base year to compare year on year growth of various distribution channels. For analysis, presentation and interpretation, tables and graphs are utilized.

Data Analysis

Figure 1 New business premiums channel-wise were collected from IRDAI yearly annual reports from the year 2013-14. Year 2015-16 being the year of commencement of online distribution channel for life insurance products, this year was considered as base year and year on year growth was compared.

IRDA life insurance new business premium collection reports online as a distribution channel having brought in 1.13% of new business in individual new business category reaching closer to contribution in new business by broker channel. Online channel has contributed more business than point of sales, micro insurance, and web aggregators as distribution channels Table 1.



	1	2	3	4	5	6	7
2018-19	90.51	115.12	109.23	113.60	141.41	100.00	209.26
2017-18	95.84	107.28	101.54	102.40	123.35	100.00	100.00
2016-17	100.76	98.57	93.53	78.13	104.13	50.00	103.85

Figure 1. Channel wise new business premium- year on year growth comparison.

Table 1. Channel-wise new business premium (Year on year growth).

Year	Individual Agents	Corporate Agents-Banks	Corporate Agents-Others*	Brokers	Direct Selling	MI Agents	Online
2015-16	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2016-17	100.76	98.57	93.53	78.13	104.13	50.00	103.85
2017-18	95.84	107.28	101.54	102.40	123.35	100.00	100.00
2018-19	90.51	115.12	109.23	113.60	141.41	100.00	209.26

Performance by Channel for New Business in the Life Insurance Industry

Looking at channel wise contribution of online as a channel for life insurance distributions, it seems that contribution of online channel is very low as compared to giant contribution of individual agents. Worthy here is to note that the contribution of online channel is growing whereas contribution of individual agents is going down.

Winds of Change from Physical to Online / Phygital

Analyzing factors driving adoption of online distribution channels, rise of internet and it being wide spread is seen as one major factor.

The rise of electronic commerce and its importance in marketing and distributing consumer goods to end users, has led to adoption of online as a channel for distribution. Traditional businesses and business channels have to pursue different strategic approach moving away or extending from brick and mortar style of business. There is clear distinction between transaction based and trust based approach for electronic commerce Figure 2.

An advantage over present resources must be visible for adoption. Innovation adoption follows a social element involving interaction, discussion facilitating the process.

Not only that adoption as a process is followed by individuals such as customers, but also by management of organizations. Characteristics of innovations, behavioural preferences of managers and innovation adoption decisions also impact innovation adoption at managerial level.

The Diffusion of Innovation Theory, created by E.M. Rogers in 1962, aims to explain how an idea or product gradually develops traction and is embraced by the social system. This theory considers the internet as innovation. Here, adoption refers to a person acting in a different way through the use of a new product or the exertion of a new form of behaviour while diffusion refers to people adopting a new idea, behaviour, or product as a part of a social system.

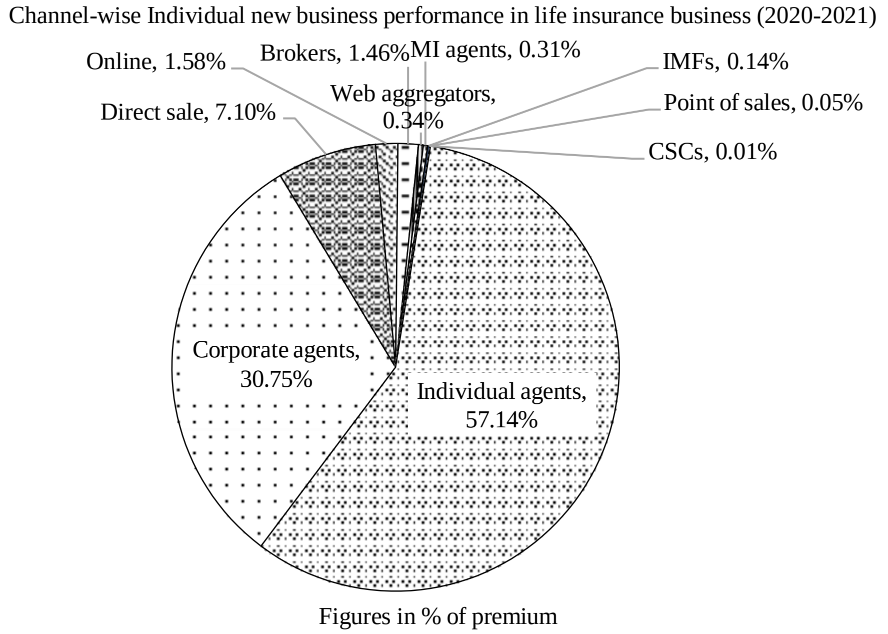


Figure 2. Pie chart.
Source: *(Abhishek, 2022)*

In a social system, adoption of a new thought or behaviour does not take place simultaneously. It is a process where certain people are more likely to accept the innovation than others, thus it is vital to understand the characteristics of the target group before presenting an invention to them. There are five recognised adopter categories, and each adopter category is targeted using a distinct strategy.

1. ***Innovators:*** They are ready to be the first to try the innovation and are interested in new ideas. Very little is required from marketers to appeal to them.
2. ***Early Adopters:*** They pose as opinion leaders, understand the need for change, and are therefore quite at ease adopting new ideas. They don't require facts to persuade them to change.
3. ***Early Majority:*** Rarely leaders, but they frequently adopt new concepts after seeing proof that the innovation is effective. Success stories and proof of the innovation's efficacy are used to entice them.
4. ***Late Majority:*** They are sceptics and only accept an innovation after the majority has given it a try. Penetration among masses woos this category.
5. ***Laggards:*** They are bound by tradition and skeptical of change. They are driven by statistics, fear appeals, and pace of adoption peer pressure.

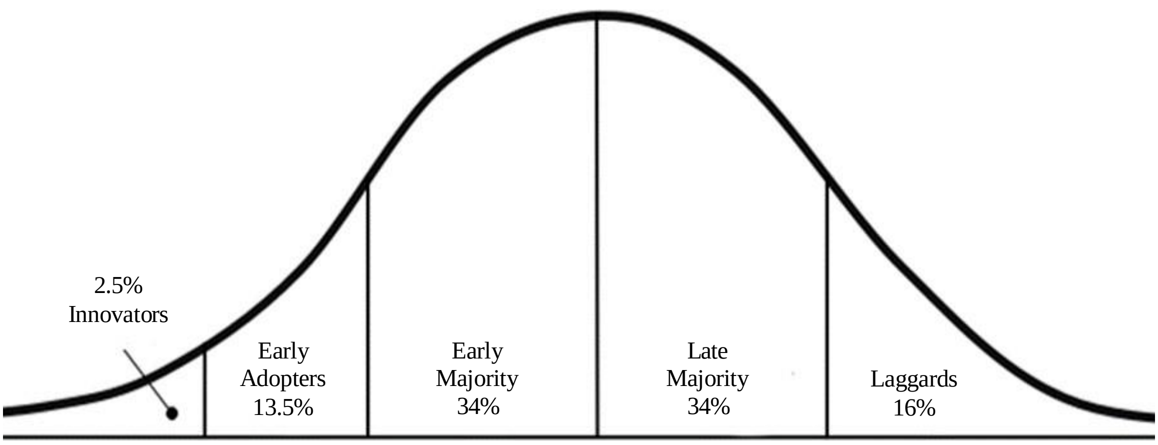


Figure 3. Curve.
Source: *(Rogers)*

Figure 3 Readings from digitisation of life insurance and adoption of digitisation are following:

1. Online sales growth % has taken over sales growth % of individual agents.
2. Individual information search and consequent decision making has replaced personal persuasion
3. online web search and subsequent online purchase has replaced working of direct agents in natural and referral market.
4. Process like application, KYC, claim and medical tests all processes have moved to digital platform.
5. Sales conversion is going to be rapid as information search, application, medicals, underwriting, conversion processes are digital and going to witness exponential growth.
6. Chatbots, social platforms, websites, mobile applications are going to lead in customer reach.
7. Intra-plan, inter-plan, intra-insurer and inter-insurer comparisons are required to be offered online on insurer websites.
8. In times of Covid-19, technological advancements represent opportunity for life insurance companies to offer tangibility to intangible product and to tape untapped life insurance market by having all round digital presence.

CONCLUSION

Covid19, technological advancements and changing customer mindset has brought life insurance sector on the verge of digital revolution. Effective digitalisation and customer reach strategy, insurers can reach prospect and gain customers at lowest cost and in less time.

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