

Why online sales is the next big channel for general insurers

General Insurance products seldom excite people. Being financial tools, they have often historically required a last mile connect to ensure sales. This always posed an infrastructure feasibility challenge to insurers who if willing to reach out to the masses would require to set up offices in all the cities, employ people and generate enough revenue to breakeven and be profitable.

The operations and sales of this industry is still mostly limited to the metropolitan markets and penetration stands at a miniscule 0.9 per cent. But despite the low figures, given the growth of the economy, the sector is growing at 18 per cent per annum. Another sector growing at a breakneck speed is e-commerce. According to investment bank Morgan Stanley, this market in India will grow

at a CAGR of 30 per cent with a whopping \$200 billion gross merchandise value by 2026. And so, like all its commercial counterparts, online sales is going to be the next big thing for insurers too.

The online disruption might seem a distant dream to many, since online sales contribute only 2 per cent to the entire industry's GWP. But technology adoption curves are accelerating. As per a BCG India report, if one was to take the benchmark of 1 billion as the number of users, the time to achieve that has been nearly halving with the advent of every new tech. What took 110 years for fixed line telephones, took only 49 years for televisions, 22 years for mobile phones, and a mere 14 years for the internet. It shouldn't come as a surprise that insurance online sales has double the growth rate of the entire industry.

There are a lot of factors that



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are making online platforms a suitable medium for insurance purchase:

- **Habit Building** takes some time. But since the e-commerce sector has gained the Indian customer's trust, they are already habitual of successful online transactions. Financial services aren't much behind and data already shows trends of youngsters buying insurance online. The 18-24 age band is catching up on online purchases of wheeler insurance, followed by 25-34 age band for

car, travel and health insurance.

- **The "On the Go" Culture:** Every essential commodity today is judged on the convenience of availing it. The ease with which a product is understood, and the conviction with which it is converted into a sale, dominates the online realm. For instance, in motor insurance with the help of third party tools, insurers can fetch the vehicle make, model, cc, engine number, chassis number, etc. with the customer entering only the vehicle registration number.

- **Access to Everyone:** With a new and increased outreach, online platforms help cater to Tier II and III cities in a very economical manner. The trend suggests that apart from metro residents, several non-metro cities are also catching up because of online servicing. Cities like Lucknow, Patna, Indore and Jaipur today top the charts,

contributing both to revenue and traffic.

- **Ease of Renewal:** Insurance often requires a man on foot to educate, inform and assure the prospective client. Though the internet attracts a lot of eyeballs, the actual conversions through the online only channel is yet to pick up. But in the long run, people shall prefer the online mode given its simplicity and ease of use to renew policies.

- **Online Only Products:** Several insurance products that shall see the light in the coming future shall be online only consumables. It will be something similar to the personal accident cover bought by customers while booking rail tickets through IRCTC. The scalability of this opportunity is immense, with products ranging from travel insurance to burglary insurance.

Google and BCG India concludes in a report that insur-

ance is among the top five products in which the web is the dominant purchasing channel. In fact, close to 75 per cent of people who purchase insurance do research online before purchasing. In the long run, a lot of this will move to purchase and even servicing online, and it has already begun. As of now one large aggregator and a couple of large general insurance companies rule this space, but there is a huge scope for brands ready to distinguish their product and collaborate with complementary companies.

The digital revolution, hence, is seeping right through the insurance industry framework, not only revolutionizing its channels of distribution but also adding newborn sectors to be insured — sectors that are unprecedented and which require not only contemporary regulations, wordings and coverage but also new skill sets and technological revamping.