

[How insurance companies are using the AA ecosystem to tackle challenges](#)

The efficiency and reduction in the turn-around time has led insurers to ramp up their partnerships with account aggregators. ET BFSI spoke to BG Mahesh, the co-founder of Sahamati, among other leading voices from the sector to understand how the AA ecosystem is helping them tackle challenges.

Sheersh Kapoor | ETBFSI | Updated: May 06, 2022, 08:18 IST



companies are looking to partner with Account Aggregators, which will give them access to information like their customers' investment preferences, etc.

The ecosystem will allow policyholders to take control of the financial information that they want to share, while insurers can access a customer's banking details from an AA regulated entity. The insurers, here, will play the role of a Financial Information User (FIU).

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Sahamati has become the forum of choice for all regulated Account Aggregator entities, TSP, and Financial institutions to collaborate and take this ecosystem forward.

ET BFSI spoke to BG Mahesh, the co-founder of Sahamati , and other leading voices from the sector to understand the challenges faced by insurance companies and how the AA ecosystem can help solve them.

Policyholder income

One big challenge faced by the insurance sector is how to estimate the income of a policyholder. “The only way for insurers to accurately estimate and verify the numbers being claimed by the prospective policyholder is to have access to their bank statements and AA enables that,” Mahesh said.

Even though some Indian companies want an end-to-end digital process, only 16% of the policies are sold through this straight through process, he added.

The cost of processing and application and issuing an insurance policy is high, and secondly, for the consumer, the turnaround time is actually bad, he reasoned.

“However, with AA both these problems will improve. Currently the insurers are able to access bank statements, but in a few months, they will be able to access GST data as well, further on Saturday SEBI announced that portfolio information will also go through AA. Therefore, as more and more data types and data providers go live through AA, the straight through processes for Insurance companies will improve,” he said.

Manu Lavanya, Director and Chief Operations Officer, Max Life Insurance , believes that AA will serve the industry with an added data security layer for the unserved and underserved segments.

Max Life has allocated concerted bandwidth in working on disruptive technology innovation (Account Aggregator being) over the past two years, and through its Incubation/Accelerator platform, the company has partnered with Finarkein , a Sahamati certified TSP, to build the Tech Stack for the ecosystem.

Though Max Life has been the first adopter of the AA ecosystem in the life insurance industry, Lavanya said that for the ecosystem to truly become value accretive, it is imperative to get broader participation from public and private financial institutions.

ICICI Prudential Life Insurance is in the process of onboarding onto the AA platform. Deepak Kinger, Chief Risk & Compliance Officer, ICICI Prudential Life Insurance believes that it will be a “big enabler” as it can digitize the financial underwriting data collection journey based on customer consent, and can enable significant reduction in policy issuance time.

Control over data sharing

In the current scenario, data plays a crucial role in personal security, said KV Dipu, Senior President & Head - Operations & Customer Service, Bajaj Allianz General Insurance explains that AAs can not view information of any individual and can only pass on the information.

"The AA framework is designed to ensure that consumers can cherry-pick information that they wish to share. For example, if the consumer wishes to only share credit information but not his loan details or financial history, he can opt to do so. Consumers can also control the time frame for which the information is required and/or revoke authorization for the requested data," he added.

One use of these details is for validating the digital identity of a customer as per their bank records and to pre-fill forms during the on-boarding journey, said Prerak Sethi , Co Founder of India Insurtech Association and Founder RIA Insurance , adding that the details will help in financial verification of the customer's data, which can help in assessing eligibility and risk in the underwriting process.

On similar lines, Pankaj Gupta , Chief Technology Officer, Bharti AXA Life Insurance said that Account Aggregators have proven to be successful in several aspects when it comes to the insurance journey, for instance the documentation process for customer onboarding can be eliminated or modified as all the income or salary proofs can be accessed with consent, which will help minimize instances of fraud.

Credit Insurance and similar products

Yogesh Agarwal, Founder & CEO, Onsurity , firmly believes that integration can help InsurTechs and insurers to new product lines as well.

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"IRDAI allowed actual insurers to dive deeper into credit insurance. Typically known as trade credit insurance where the insurance product covers the credit default of the buyer of the product or the credit default of the parties. So basically the AA concept or the integration with different AAs can help insurers and insure-techs to build underwriting models which will enable them to underwrite these kind of products more efficiently and now more easily because of the much easier access to financial data of the SMBs," he explained.

Simplifying Insurance

"With the introduction of account aggregators, we are seeing the initial steps towards creating an integrated and common data framework allowing individuals to share and access data from one financial institution to another," said Rishi Mathur Chief Digital and Strategy Officer, Canara HSBC Oriental Bank Of Commerce Life Insurance.

"Some of the key benefits of this framework are real time verification and filtering of customer profiles across multiple providers, which should be a leap ahead in helping simplify insurance processes for our customers," he added