

November 2020

Going digital

Insights to optimise consumer appetite for online insurance in India



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Foreword

The COVID-19 pandemic has prompted a widespread reprioritisation of tech initiatives and will hasten the deployment of digital solutions across the world. Asian countries in particular will be at the forefront of innovation, with digital platforms in the region cementing their position and diversifying further into financial services. These platforms create a simpler experience, synchronising solutions that are normally independent and distinct to offer customers a holistic experience. Insurers have the opportunity to play a key role by co-creating and adapting their offerings to the new digital environment.

Successful collaborations between insurers and digital platforms have the potential to enable more sophisticated online distribution, predictive underwriting and more efficient claims management. Digital platforms can also benefit from greater business diversification and potentially enhanced customer stickiness by adding financial services to their offerings. The key to successful partnerships will depend on insurers and platforms deepening their understanding of how consumers could engage with these emerging platforms in the wider context of financial services. This will involve assessing how product features may need to change as well as how the experience could be tailored to make risk protection relevant in these new contexts.

To that end, Swiss Re surveyed Indian consumers to understand how they could interact with insurance products made available in these new digital environments. This paper summarises some of the key insights from the survey, which we believe will shed light on how different market players can work together to deliver superior risk protection offerings to consumers in one of the largest markets in the world. As a leading global reinsurer, Swiss Re stands ready to offer customised solutions to insurers and digital platforms to help improve their capabilities in the new digital era.

We hope you find this paper illuminating.



Marianne Gilchrist
Head of Globals and L&H South Asia
Managing Director

Executive summary

COVID-19 has rapidly shifted insurance purchases in India to online modes.

The coronavirus pandemic is accelerating the use of digital platforms in India, offering insurance companies a vital new pathway to connect with and serve customers.¹ Consumer surveys and sales data this year show that the pandemic has rapidly raised public awareness about both health risk and insurance in India – and insurance purchases are shifting rapidly to online modes.² Digital platforms provide a familiar route for consumers to access insurance products online. Platforms are expanding across industries, from payments and e-commerce to mobility (maps, ride hailing etc) and health, to form rich ecosystems. There are encouraging signs that life and health insurance products are gaining traction on digital platforms too.

Swiss Re tested appetite for life and health insurance products designed for digital platforms.

Swiss Re surveyed consumers in five major Indian cities in June 2020 about their attitudes to digital platforms and perceptions of buying insurance online.³ The survey tested acceptance of six digital life and health insurance products tailored to fit a mobile screen, with small ticket sizes and a few health questions. The results found consumers very open to products designed for digital platforms. More than 70% expressed strong intent to purchase all six products we tested, especially critical illness (CI) and hospital cash. There was no meaningful difference by either gender or income, but younger consumers were in most cases more open than those aged 50 and above. Frequent app users also tended to like the concepts more.

The entire experience is important when purchasing insurance via digital platforms.

The survey found that product simplicity and quality of user experience are deciding factors when choosing between online and offline purchase options for insurance. It is not sufficient to simply port traditional insurance products into the digital environment without modification. Respondents had strong concerns around complex product terms and a lack of help to navigate to and select a suitable product. They ranked qualitative factors, such as the ease of making applications and filing claims, as highly as key measurable metrics such as better rates. Insurers must address these concerns when embedding products into digital platforms.

Consumers choose familiar digital platforms and are open to sharing personal data with insurers.

Payment and e-commerce apps are the most popular form of digital platform from which to buy insurance, a sign of the traction these have built up in India. They are used heavily and consumers enjoy having multiple touchpoints with them as they diversify into new areas including entertainment and digital assistance. Nonetheless, consumers value interaction with both digital and traditional distribution channels and we see a role for them both in insurers' distribution strategy. Indian consumers are pragmatic about privacy when making digital purchases. Most respondents do not have concerns about insurers designing customised offerings based on their personal data; rather, many said they would be pleasantly surprised by thoughtful efforts to tailor an experience to their needs. However, they are mindful of the potential monetary value of their personal data.

Insurers will need to customise their approach to create mutual value with digital platforms.

Insurers will need to structure their approach carefully to capitalise on the opportunities offered by digital platforms. To create mutual value with such new players may be challenging given the dynamism with which digital platforms often pivot to different opportunities. There are also differences to negotiate, such as platforms' lack of risk knowledge and insurance expertise. Both parties would benefit from testing new types of products with customers willing to explore new offerings. However, a few obstacles still need to be tackled, such as infrastructure upgrades and regulatory requirements, for example on money laundering and data protection.

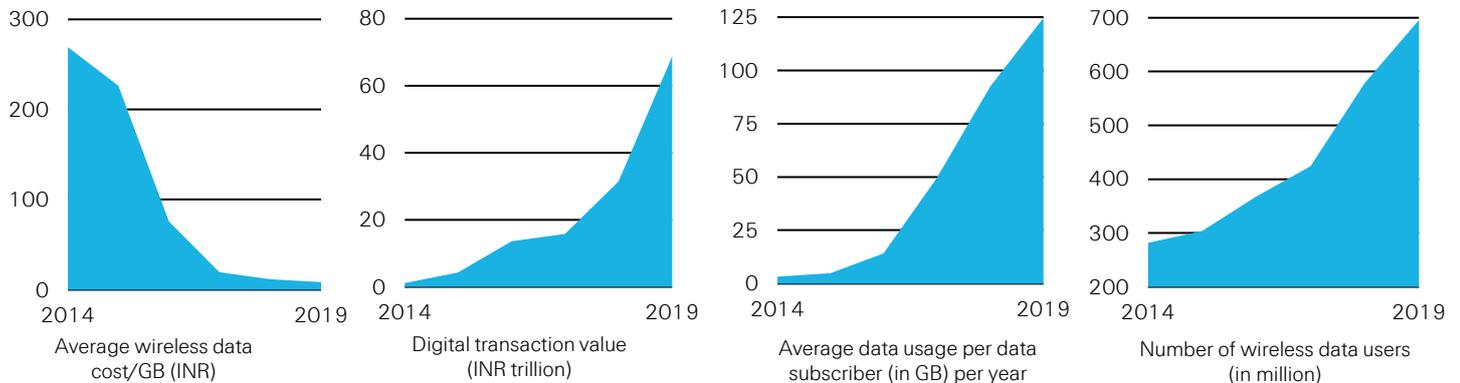
¹ Digital platforms connect parties for social or economic exchange in a virtual manner. These platforms facilitate the buying process and exchange of money in lieu of products or services, which are usually delivered physically outside of platforms.

² "Covid-19: Insurance awareness higher than ever before: Policybazaar Survey", *The Economic Times*, 9 June 2020.

³ Delhi, Mumbai, Kolkata, Chennai and Bangalore. See Appendix for details and methodology.

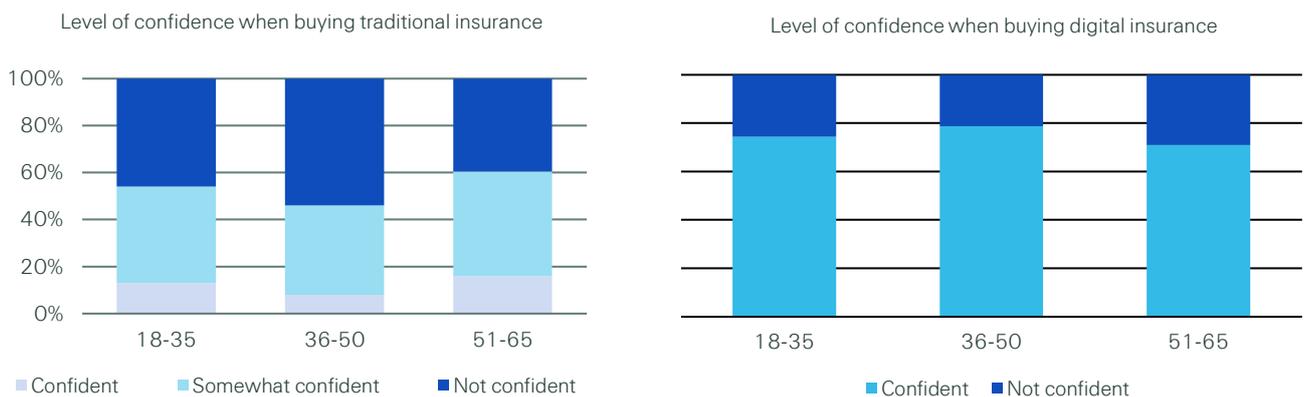
Key takeaways

Key indicators show India's fast pace of digital adoption.



Source: Telecom Regulatory Authority of India, Reserve Bank of India, Swiss Re Institute

Half of the respondents to our survey feel confident buying traditional insurance. Confidence rises to above 70% when considering buying digital insurance.

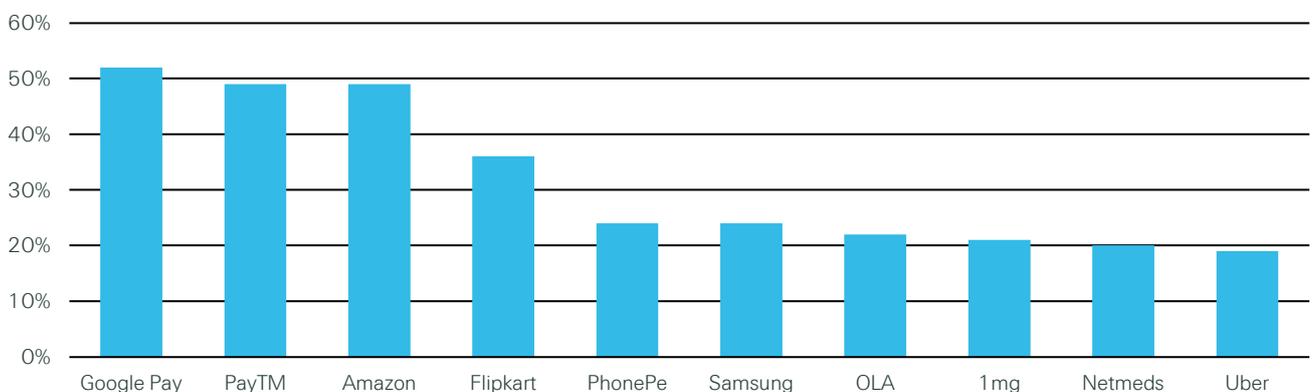


Question 1 (left): Which of the following statements best describes your confidence in buying insurance?

Question 2 (right): Do you feel that you have enough information to be able to decide whether or not you would buy this digital insurance product?

Source: Swiss Re Institute

Payment and e-commerce apps are the most preferred digital platforms for insurance purchases.



Note: Rank based on top five mentions

Question: Which of the following apps would you prefer to buy insurance? (rank)

Source: Swiss Re Institute

Digital platforms: rich ecosystems for insurers

Digital platforms can enable cross-industry ecosystems and drive innovative products.

The pandemic has raised public awareness around well-being.

Indian insurers responded quickly to COVID-19 with new products and sales tools.

COVID-19 has accelerated digital customer service.

Digital platforms are enabling diverse industries to interact and realise synergies that would have been unthinkable even a decade ago. These tech-enabled business models are building new ecosystems for the insurance industry. Insurance can be bundled and offered with products and services in sectors such as healthcare, mobility, e-commerce among many others.⁴ This trend is becoming more visible during the COVID-19 pandemic as consumers turn to digital platforms for a growing range of needs, from work and education to entertainment and shopping.

COVID-19 accelerates insurers' digital adoption

The spread of COVID-19 has rapidly raised public awareness about both health risk and insurance in India. An earlier Swiss Re survey of Asian markets in May 2020 highlighted this sentiment, as two thirds of respondents indicated concern about their health and well-being, and stated that their purchase patterns for insurance would shift to online modes.⁵ This has been supported by sales data: India's largest web aggregator, Policybazaar, reported a doubling of health insurance sales on the platform between March and May 2020.⁶ Millennials (27–35 years old) have also started to enquire about health insurance since the pandemic spread, another survey from Max Bupa Health Insurance found.⁷

Indian insurers responded quickly to the pandemic by developing products covering COVID-19. Some products launched even before the nationwide lockdown began in March. Products have been mostly sold online, often using payment and e-commerce apps for distribution.⁸ Insurers have also launched a regulator-designed, benefit-based COVID-19 product.⁹ Some have also equipped their traditional agency salesforce with digital tools to continue working through lockdown and the subsequent social distancing.¹⁰

Insurers in India were starting to shift to digital-first customer service prior to the pandemic, but COVID-19 has accelerated the pace of change and companies have brought new solutions to market ahead of schedule. These include adapting customer service operations by increasing the use of video-calls, AI-assisted tele-calling and contactless claims servicing. Some have implemented paperless customer onboarding and simplified their claims processes.¹¹ Use of digital conversational interfaces has jumped by 50% at insurers that adopted multichannel approaches.¹²

⁴ Digital ecosystems are "an interdependent group of enterprises, people and/or things that share standardised digital platforms for a mutually beneficial purpose such as commercial gain, innovation or common interest", *Digital Business Ecosystems & The Platform Economy*, Gartner, 2018.

⁵ Survey conducted online in Mumbai and Bangalore with 1000 respondents from 26-31 May 2020.

⁶ *The Economic Times*, 9 June 2020, op.cit.

⁷ "Majority consider health insurance cover as a necessity in post-COVID era, says survey", *The Economic Times*, 27 July 2020.

⁸ Insurers such as Star Health, ICICI Lombard and Go-Digit launched health covers against coronavirus in March 2020. See "ICICI Lombard, BharatPe Partner To Launch Coronavirus Cover For Shopkeepers", *outlookindia.com*, 30 March 2020.

⁹ *Press release*, IRDAI 10 July 2020.

¹⁰ *Agents at Future Generali India Life Insurance Company Limited equipped with a 360 integrated digital platform to combat COVID 19 situation*, *Future Generali*, 21 May 2020.

¹¹ "How insurers are reaping the benefits of rapid digital transformation", *The Economic Times*, 1 June 2020.

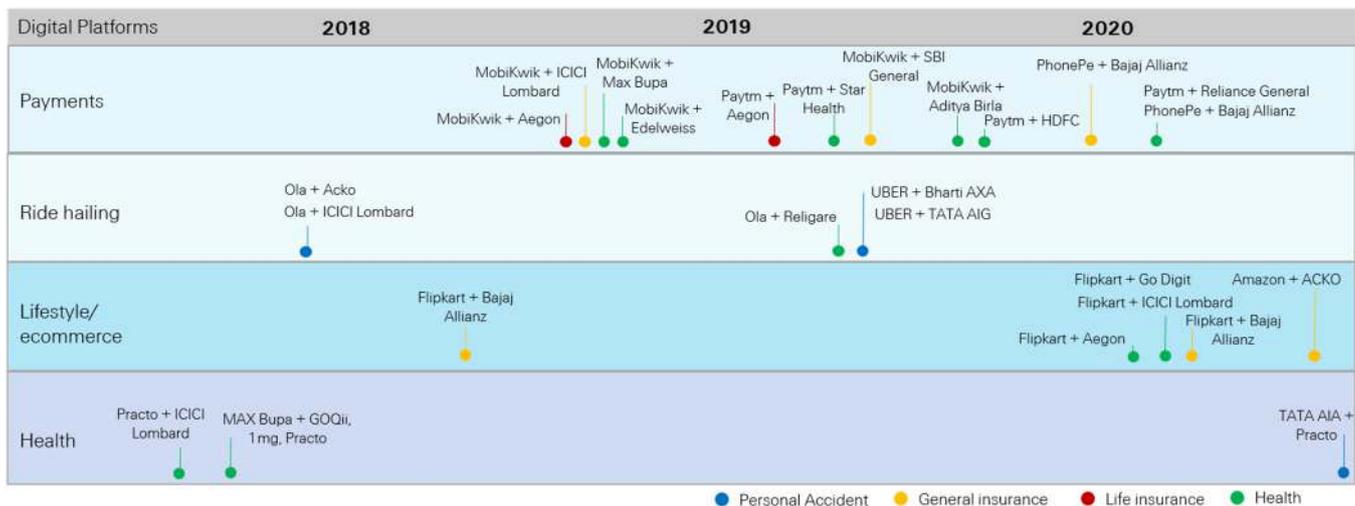
¹² "Covid-19 Heroes: Why Max Life Insurance sees Covid-19 as an opportunity", *The Economic Times*, 4 May 2020.

Digital insurance start-ups are driving a new dynamic.

Platform partnerships can increase the depth of insurers' services

Digital platforms in India range from service providers such as ride-hailing, lifestyle and payments (e.g. Ola, Urban Company, PayTM), to e-commerce (e.g. Flipkart, Amazon) and more (see Figure 1). They have heterogeneous consumer touchpoints and data, which insurers can leverage to enable smoother consumer onboarding and expand the boundaries of insurability.¹³ Such cross-industry synergies can offer insurers closer proximity to consumers, and enable them to manage customer risk dynamically. Digital insurance start-ups are using technology to break traditional barriers, e.g. complex products, limited consumer touchpoints and poor customer service. The incumbents have also started to invest in digitalising business processes and partnering with digital platforms to align with consumer needs.

Figure 1: Insurers' distribution partnerships with digital platforms



Source: compiled by Swiss Re Institute from press releases and news articles

Drivers shaping the platform landscape

Use of digital platforms in India is being driven by rising digital adoption, engagement among younger people; higher smartphone penetration and mobile data availability; and advances in financial technology.¹⁴

India's millennials are the key consumer segment for digital products and services

Affordability of smartphones and internet increase digital adoption

India's millennials are the driving force behind digital adoption in the country and are the primary consumer segment for digitally distributed products and services. They represent around 34% of the Indian population and 47% of the workforce.¹⁵ Millennials are better educated and digitally connected than other age cohorts in India and comprise almost 50% of internet users. They are a catalyst for disruptions to market segments and business models.¹⁶

Surging smartphone ownership is increasing digital penetration.

Smartphone ownership and data usage are surging in India, driven by affordable and quality smartphones sold both online and offline, and better, more affordable internet connectivity (see Figure 2). Analysts expect the trend to continue, forecasting more than 820 million Indian smartphone users by 2022.¹⁷ Indian smartphone users downloaded 19 billion apps in 2019 (behind only China).¹⁸ They spend about 17 hours per week on social media, more than users in both China and the US.¹⁹ These trends have increased the tradability of products and services by digitally connecting buyers and sellers.

¹³ Digital platforms in India can distribute insurance products under a corporate agency licence. A corporate agent can distribute life, non-life and health insurance products by partnering with a maximum of three insurers in each segment.

¹⁴ E-retail market in India has been growing at the CAGR of 36% (2014-19), fastest among the major developed and emerging markets. please see *How India Shops Online*, Bain & Company, 2020,

¹⁵ "Life Insurance Opportunities For Millennials", *outlookindia.com*, 17 January 2020,

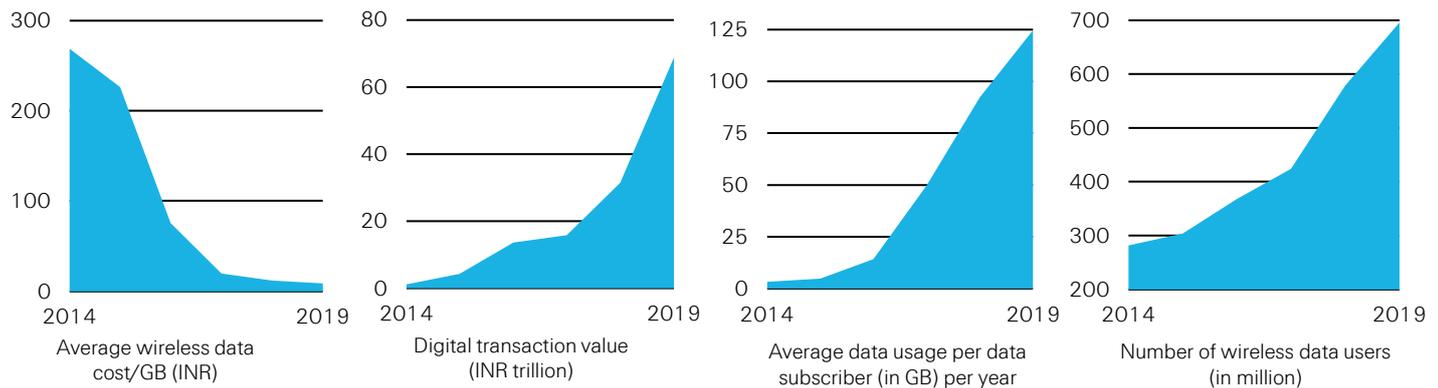
¹⁶ *Digital in India 2019 – Round 2 Report*, IAMI Nielsen, 2019

¹⁷ "India to have 820 million smartphone users by 2022", *The Economic Times*, 9 July 2020.

¹⁸ "State of Mobile 2020", *App Annie*, 2020.

¹⁹ *India's Trillion-Dollar Digital Opportunity*, Government of India, 2018.

Figure 2: Key indicators for digital adoption in India



Source: Telecom Regulatory Authority of India, Reserve Bank of India, Swiss Re Institute

India is investing heavily to provide "broadband for all" by 2022.

The Indian government is prioritising deeper internet penetration and launched a "National Broadband Mission" with a target of "broadband for all" by 2022. This will invest USD 100 billion over the next three to four years, including USD 35 billion to build telecom towers, USD 35 billion to lay fiber-optic cables and USD 30 billion to fund spectrum, R&D and other activities. It should create an economic multiplier effect: a 10% increase in mobile internet traffic can increase India's GDP by 1.6%.²⁰

India Stack and Aadhaar have provided the infrastructure for digital services.

Digital financial services: identity verification, payments and Fintech

India has developed foundational digital infrastructure to allow identity verification without a user's physical presence. Named India Stack, it addresses the biggest hurdle to financial inclusion in rural and semi-urban India – the lack of a unique multi-purpose identification system.²¹ Digital identity project Aadhaar is an outcome of India Stack.²² Combined with other India Stack solutions including "e-know your consumer" (e-KYC), Unified Payment Interface (UPI), e-Sign, and Digital Locker, it enables contactless, paperless and cashless delivery of banking and insurance services. The government is keen to expand online payments and targets a 10x increase in digital transactions per capita by 2022.²³ This would create significant opportunities to cross- and up-sell products, including insurance.

Fintechs are diversifying on the back of consumer familiarity with digital transactions.

Fintech is a mature start-up segment in India constituting 10% of all tech start-ups.²⁴ Despite COVID-19, Fintech continued to be the top-funded sector in the first half of 2020 with USD 1.47 billion in investments, up 60% year-on-year.²⁵ Digital payments, insurance comparison and alternative lending are the most popular use cases and investment platforms, credit score management and internet-first banks are expected to be the future use cases. Fintech start-ups were the first to integrate India Stack into their applications and familiarise consumers with digital payment gateways, which has broadened the horizon for offering financial services to a varying segment of population. Fintech firms that started as loan originators and credit marketplace players are now diversifying into lending, both to SMEs for business loans and to salaried employees and students for P2P credit.²⁶

²⁰ Growth Dividends of Digital Communications, ICRIER and BIF, December 2018

²¹ India Stack is a collection of open API based technologies. A technology stack refers to a group of interconnected yet independent technologies working together towards general purpose tasks.

²² Aadhaar is a biometrically secured national identification system widely used for customer identification by banks and insurers because it makes online transactions more secure and seamless.

²³ Report of the High-Level Committee on Deepening of Digital Payments, Reserve Bank of India, May 2019.

²⁴ Indian Tech Start-up Ecosystem: Leading Tech in the 20s, NASSCOM, 2019.

²⁵ "India Fintech Report 2020", second edition, MEDICI, 2020.

²⁶ Digital lending startup MoneyTap raises USD 70 million Series B, Kr Asia, 28 January 2020.

Digital consumer survey – key findings

Swiss Re tested the acceptance of six insurance concepts designed for digital platforms.

Indian consumers are relatively mature in terms of digital adoption and experimentation.

Swiss Re surveyed consumers in five major Indian cities about their attitudes to digital platforms and perceptions of buying insurance online. The survey tested consumer acceptance of six digital life and health insurance product concepts tailored to fit a mobile screen, with small ticket sizes and only a few health questions.

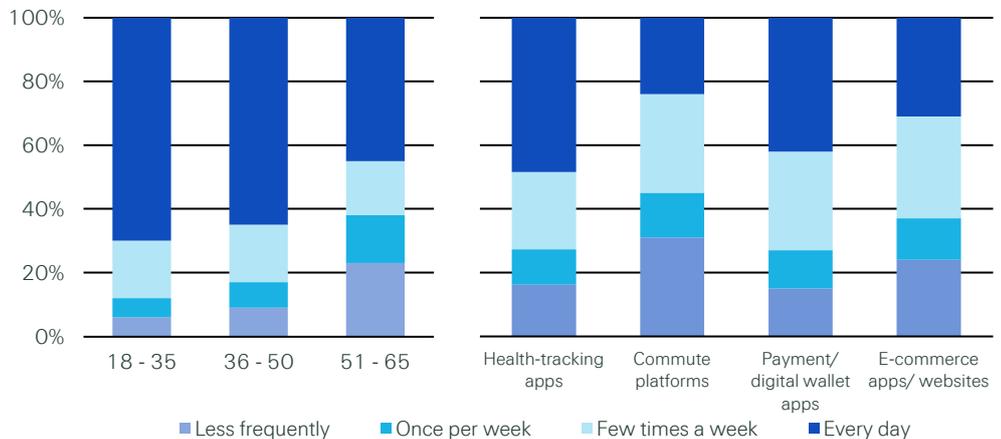
Digital penetration and attitudes to digital platforms

The survey results underline Indian consumers' extensive use of digital platforms. A total of 41% of respondents were interested in trying new apps, higher than Indonesia (23%) and Malaysia (29%). In India, app usage frequency is high even in older age groups (see Figure 3), indicating the potential to offer insurance coverage digitally to a wide spectrum of buyers. Higher frequency of use may mean greater chances of product exposure. However, insurers will have to consider multiple factors, including sums transacted on these apps as well as the frequency of usage, to establish a suitable partner strategy.

Figure 3: Frequency of digital platform use

Platform usage frequency by age (left)

Platform type and usage frequency (right)



Question 1: How frequently do you use the following apps/websites?
 Question 2: Monthly expenditure in following categories of mobile apps?
 Source: Swiss Re Institute

Respondents used health and digital payment apps most frequently.

We asked respondents about their app usage in four categories. On average, respondents use these apps 15 times a month. The most frequently used are payment/digital wallets, health tracking and e-commerce apps (almost every day), followed by mobility apps, used once per week on average. Health tracking apps were used 17.5 times per month per consumer while digital payment platforms were used 16.8 times per month per consumer. Transaction values are highest for digital payment and e-commerce apps, followed by connected commute apps and health tracking apps. The high frequency of usage shows that consumers value convenience in day-to-day tasks and suggests that platforms can be potentially rich sources of behavioural data and consumer touchpoints.

Figure 4: Most-used apps in the past three months in four major categories

Health-tracking apps	Connected commute platforms	Payment/ digital wallet apps	E-commerce apps/ websites
Samsung #1	OLA #1	PayTm #1	Amazon #1
Netmeds #2	Uber #2	Google Pay #2	Flipkart #2
1mg #3		PhonePe #3	Myntra #3
Healthifyme #4		Freecharge #4	Snapdeal #4
Xiaomi #5		MobiKwik #5	
Apple Health #6			

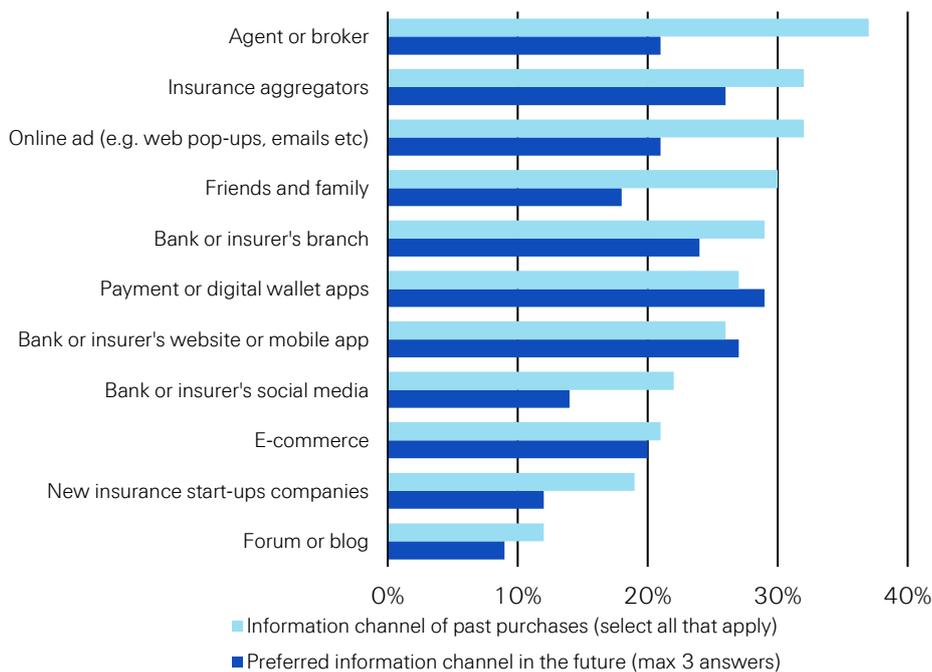
Question: Which of the following apps have you used in the past three months?
 Source: Swiss Re Institute

Payment apps and insurers' websites are becoming preferred channels for information on insurance.

Early signs of a shift to digital channels

Traditional agents, brokers or word of mouth are still the primary channels for insurance-related information searches (see Figure 5), but respondents expect to use agents less and aggregation sites and payment apps more in future. Later in the survey we asked respondents about the perceived advantages of digital platforms to purchase insurance: better prices and ability to find the right product are among the most-cited reasons (see Figure 9). Consumers also value insurers' apps or websites, possibly since Indian insurers have begun to emphasise these for customer interaction. However, insurers need to encourage regular engagement with their websites, since evidence from other markets suggests that consumers only use an insurer's website/app a few times per year. The shift from physical to digital channels is taking place in all geographies and age groups, echoing a separate study that found consumers of all ages adopting a "millennial mindset" of trusting their own research, typically online, to source and purchase insurance products.²⁷ Such low-assistance purchase behaviour is a global trend, expected to accelerate due to COVID-19 and to continue after the pandemic.²⁸

Figure 5: Present and future channels for insurance-related information



Question 1: Where did you get information about insurance prior to your purchase?
 Question 2: If you are going to buy insurance product in the future, where would you prefer to get information about insurance products? (max. three choices)
 Source: Swiss Re Institute

Payment apps and bank/insurers' websites are most trusted by consumers.

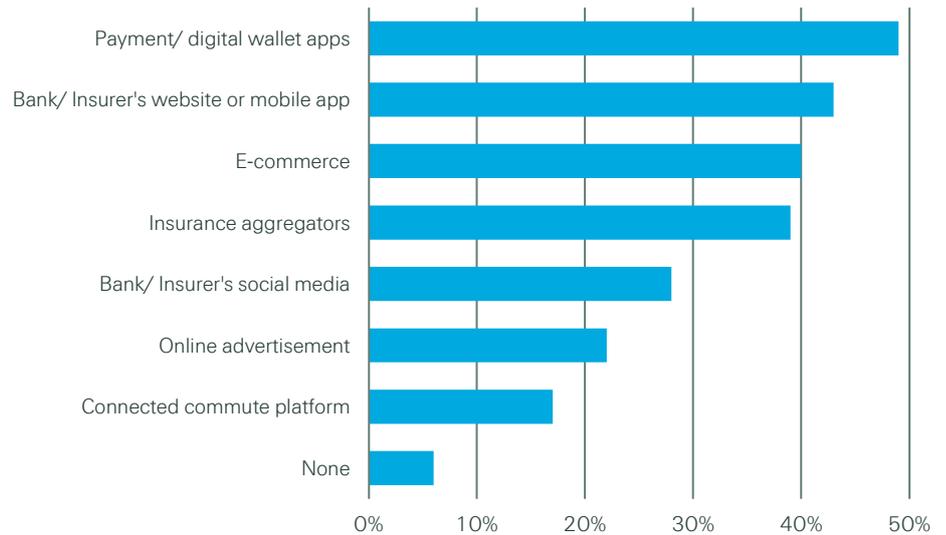
Credibility of different digital channels

Consumers trust a wide range of digital channels. Respondents rank payment/digital wallet apps as most credible (see Figure 6). However, banks/insurers' websites and apps and e-commerce apps follow closely, as do insurance aggregators – likely due to the familiarity. Insurers will have to develop the ability to manage and engage with multiple digital channels, rather than placing bets on one channel emerging as a strong winner. Although connected-commute platforms ranked the lowest in terms of trust in this survey, it could reflect a sharp decline in daily commuting in the current environment.

²⁷ "Capgemini and Efma's World Insurance Report 2020", *worldinsurancereport.com*, 2020.

²⁸ "McKinsey COVID-19 US Digital Sentiment Survey", McKinsey, April 2020.

Figure 6: Digital channels rated by credibility



Question: Which of these are most trustworthy? (max. three choices)
 Source: Swiss Re Institute

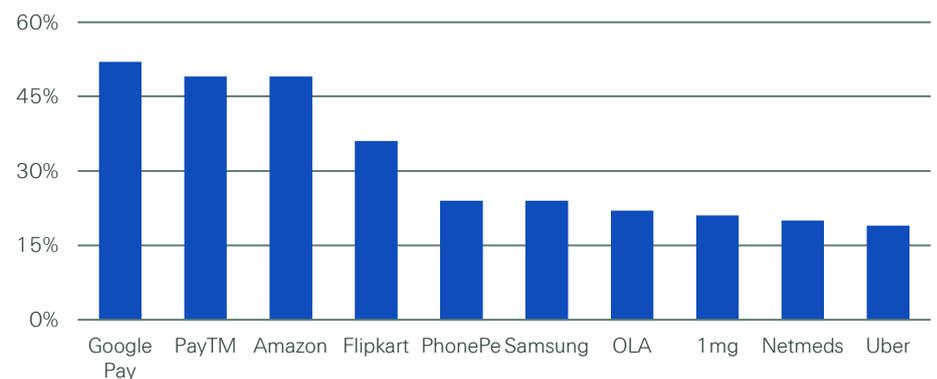
Consumer trust is enabling some payment apps to expand into insurance.

The trust enjoyed by payment/ digital wallet apps seems to be driven by consumers' heavy use of them in recent years and particularly since India's demonetisation in 2016. Most Indian insurers have agreed distribution partnerships with payment and e-commerce apps in recent years (see Figure 1). A few start-up unicorns (tech companies valued at above USD 1 billion) are also taking engagement with the insurance sector further and venturing into insurance directly.²⁹

Payment and e-commerce apps are most preferred for insurance purchase.

Consumers are open to buying insurance through payment and e-commerce apps. Google Pay was ranked highest, with PayTM and Amazon close behind (see Figure 7). Google Pay has adapted to the Indian market, forming a partnership with the government.³⁰ Flipkart is ranked below Amazon, while health tracking apps ranked lowest. Although upcoming apps such as Samsung Health, 1 mg and Netmeds have started to develop a good consumer base, they do not sell insurance currently, and acceptance may be increased by partnering with insurers.

Figure 7: Preferred apps for insurance purchase



Note: Rank based on top five mentions
 Question: Which of the following apps would you prefer to buy insurance? (rank)
 Source: Swiss Re Institute

²⁹ "Paytm enters general insurance sector, acquires Raheja OBE in Rs 568 crore deal", *Financial Express*, 7 July 2020

³⁰ "Ten things Google Pay did to become the top payment app in India", *The Economic Times*, 5 February 2020.

Simpler insurance products are more attractive to purchase via digital platforms.

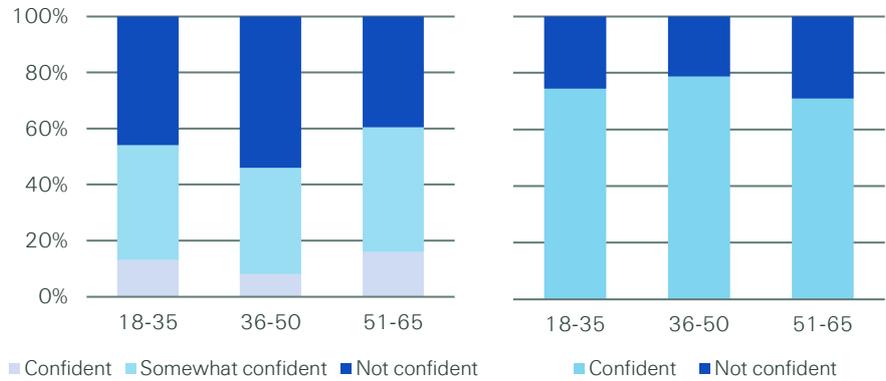
Digital insurance purchases: perceived benefits outweigh concerns

Half of respondents felt confident when deciding an insurance purchase based on information provided in traditional products. Buying confidence increased to more than 70% in all age groups when they were shown a simplified product suitable for digital distribution (see Figure 8). This suggests simplifying complex product terms can address concerns around closing an insurance purchase.

Figure 8: Consumer confidence when buying insurance

Level of confidence when buying traditional insurance (left)

Level of confidence when buying digital insurance (right)

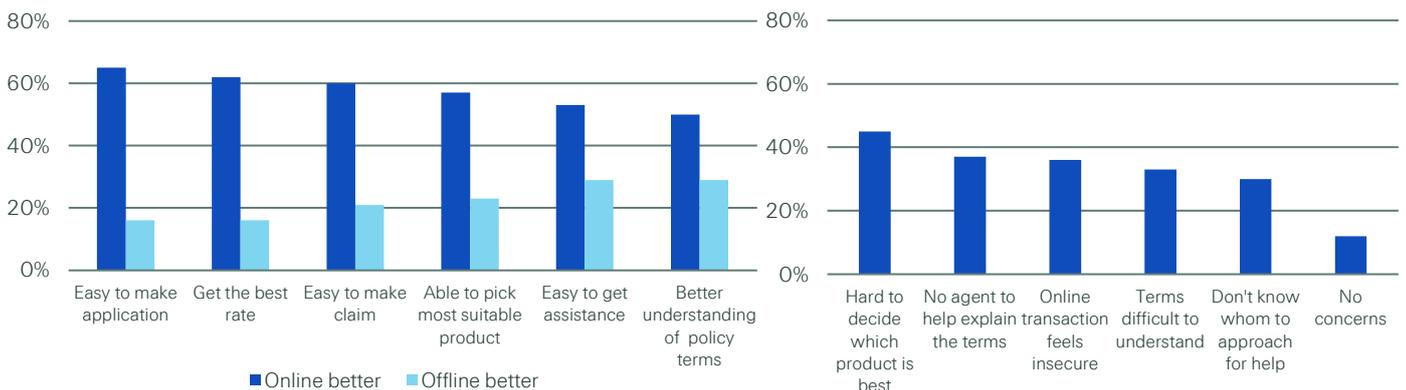


Question 1: Which of the following statements best describes your confidence in buying insurance? Question 2: Do you feel that you have enough information to be able to decide whether or not you would buy this digital insurance product?
Source: Swiss Re Institute

Perceived benefits of digital platforms include ease of making applications and claims.

Respondents cited the ease of filing claims and making applications as key reasons for buying insurance online (see Figure 9). Indian insurers have begun to leverage digital infrastructure to ease operational processes, for example by onboarding customers using Aadhaar. As expected, respondents also cited better rates online as a reason to choose online channels. The importance of price indicates that insurance products are relatively commoditised and suggests a risk that while consumers value innovation and tailored service, insurers may not receive the benefit of higher profits from doing so. Still, a focus on customer service and product offering can differentiate insurers when there is little price variation. Customer acquisition, retention and portfolio quality will be indicators of success.

Figure 9: Benefits of offline and online channels (left); concerns about online insurance purchases (right)



Note: Multiple choices selected. Online includes digital platforms and web-aggregators. Question 1: Do you think it is better to buy insurance offline or online with regard to the following advantages? Question 2: What is your concern about buying insurance online?
Source: Swiss Re Institute

Concerns about online purchases centre on lack of clarity in product terms.

Most consumers are willing to share their personal data if a discount is offered in premiums.

A number of respondents drew attention to concerns around purchasing insurance online, although a comparison of responses in Figure 10 (right hand side) indicate that the proportion valuing the benefits far outweighs those with serious concerns. They highlighted obstacles including the absence of assistance to identify a suitable product and a lack of clarity on product terms and conditions. These underline the need to supplement online sales with offline support options. A third of respondents, covering all age groups, were concerned by transacting online, suggesting insurers should seek to address perceptions around security.

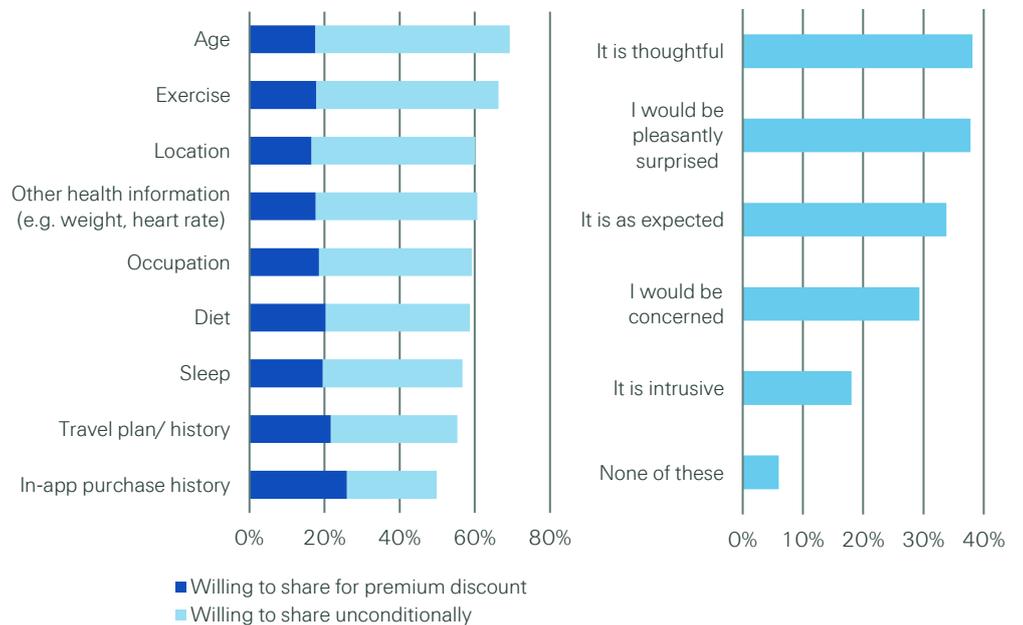
Personal data: consumers value data and may share in return for reward

Digital purchases invariably involve sharing data. Consumers are comfortable with insurers collecting general data such as age, gender or location, but preferences change when sharing more dynamic or personal data such as sleep or travel plans (see Figure 10, left hand side). Our survey indicates that almost half of respondents are willing to share their age, exercise and diet information, while only a third would share their sleep, travel and purchase history data. However, willingness to share data increased substantially if offered a premium discount.

Figure 10: Consumer attitudes to sharing personal data

Data types consumers are willing to share with insurers (left)

Feelings about product customisation based on personal data shared online (right)



Note: Multiple choices selected by respondents. Question 1: Are you willing to share the following data collected by apps with an insurer? Question 2: How would you feel if an insurance company reached out to you with a customised insurance product for you, based on the data you have shared online?

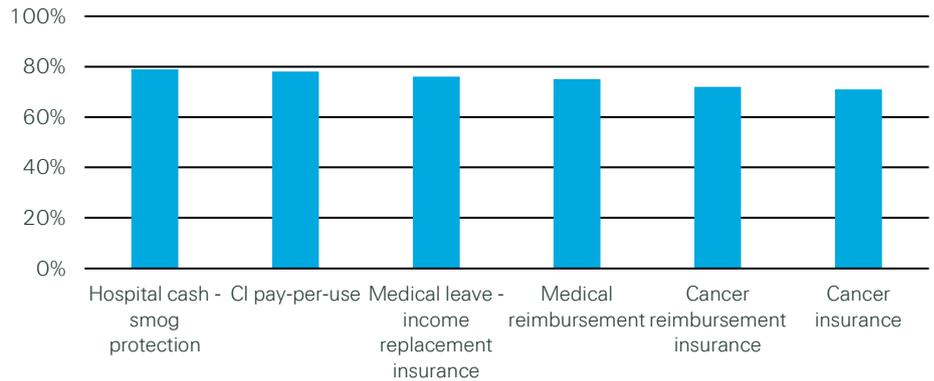
Source: Swiss Re Institute

Consumers favour fair exchange when considering data partnerships with insurers.

Consumers are open to receiving customised, real-time services that add value to their daily life. Around 40% of respondents perceived it as thoughtful and a pleasant surprise; less than a fifth as an intrusion. However, insurers in India do not use real-time consumer data for either pricing or customising mainstream product offerings, primarily due to regulation. Regulators are putting more emphasis on ethical use of data and have enacted more regulation on scrutiny of data sharing. The survey suggests that consumers understand the value of their personal data and are considering the trade-off between data privacy and better products/services. Insurers could look to onboard early adopters who are willing to share data, to understand the extent to which such data can be used in their business models. Consumer acceptance of these new services will rely on insurers quickly reaching the right balance between being thoughtful and intrusive.

Testing digital insurance product concepts

Figure 11: Purchase intent for digital insurance product concepts sold online



Question: How likely would you be to buy this digital insurance product?

Source: Swiss Re Institute

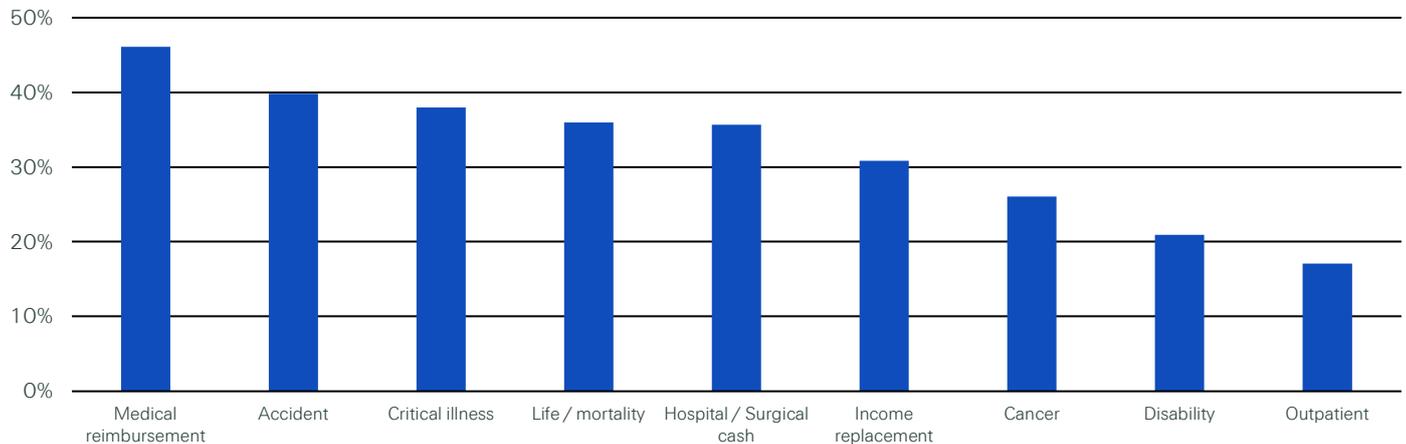
Hospital cash and CI pay-per-use are attractive via digital platforms.

More than 70% of consumers were open to buying all the products tested. As expected, frequent mobile app users were most open to buying the products. Indian consumers were strongly inclined to purchase hospital cash and CI pay-per use through digital platforms (see Figure 11), but the other four products also have high levels of interest.

Consumers prefer to buy traditional medical reimbursement and CI digitally.

We asked respondents to rank their preference for traditional insurance products if sold digitally.³¹ Medical reimbursement, accident and CI insurance were most preferred (see Figure 12). Life/mortality, hospital/surgical cash and income replacement products also show potential for sale digitally. Disability and outpatient benefit products were least preferred, although take-up rates for these products are low through offline channels as well. Around 10% said that they don't want to buy these products online at all.

Figure 12: Purchase intent for traditional insurance products sold online



Note: Multiple choices selected by respondents.

Question: Will you consider purchasing the following types of insurance online?

Source: Swiss Re Institute

³¹ This question was different from the purchase preference question asked for our six insurance concepts tested in the survey. Our concepts were customised for digital channels while this question recorded the purchases intent for traditional products.

The most valued features in the product concepts tested

Most consumers prefer longer coverage periods.

Longer coverage period: Respondents of all age groups preferred longer policy periods, probably to maintain premium and coverage certainty. They preferred longer-term (10 year) and medium-term (1–3 year) policy periods to short periods (less than 1 year), and preferred an annual policy even for seasonal insurance covers usually issued for short periods, e.g. we tested hospital cash – smog protection. It contrasts with the pay-as-you-go trend in non-life insurance.

Bundled products are preferred to standalone disease coverage.

Product bundling: Bundled CI products covering multiple illnesses are more attractive than standalone cancer insurance. This finding corroborates an earlier Swiss Re survey on willingness to pay for CI covers in India.³² It found that on average, disease-specific coverages such as cardiovascular disease, cancer and diabetes were preferred less than a product covering all six main CIs in India.

Consumers expressed strong preference for simpler health underwriting processes.

Simple health underwriting: Almost half (46%) of respondents preferred to answer three health questions to buy insurance, rather than the typical long forms and medical exams. Further simplification yields only marginal gains in purchase intent: only 48% would prefer even more simplification where there is just one question. Nearly 26% would allow access to their health tracking apps for bio-marker data. Only 29% still wanted to undergo a medical exam and were happy with the current process.

An app-based premium is preferred if it varies according to the transaction value.

Annual premium payment: Respondents preferred to pay an annual premium rather than daily, potentially reflecting a desire for premium certainty and a simpler purchase process. If buying a daily premium-paying insurance product through mobile apps, consumers would like to pay a varied premium based on the transaction volume for in-app purchases, rather than a fixed charge for the entire policy period. Insurers will need to understand purchase habits on digital platforms and design affordable products by breaking down premiums into daily-pay mode.

³² *The health insurance frontier in India*, Swiss Re, October 2017.

Digital platforms and the insurance opportunity

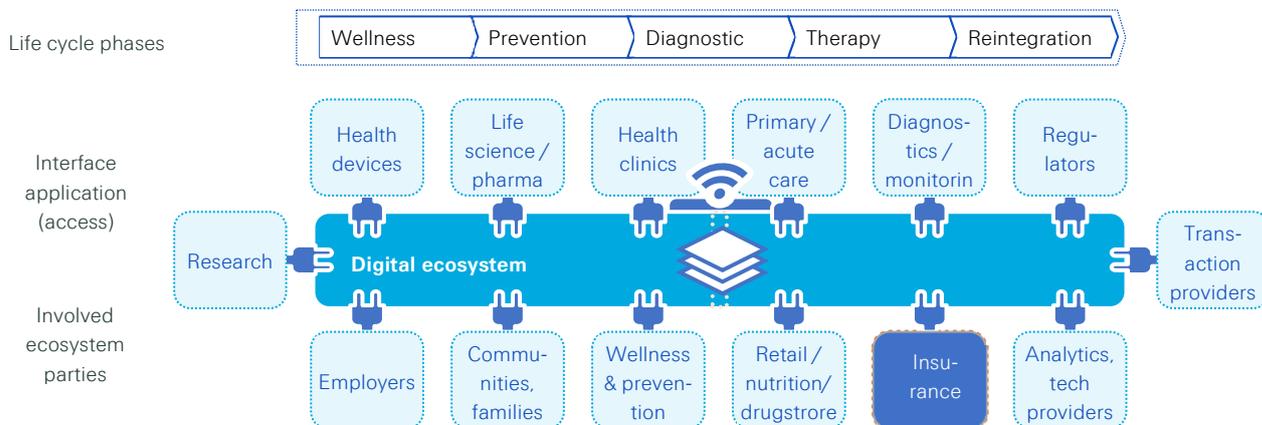
Opportunities for insurers

Platform innovation is expected to create demand for insurance from new risk pools.

Innovative partnerships between insurers and digital platforms have the potential to benefit the entire insurance value chain and unlock demand from new insurable risk pools. Based on our survey findings, we see three key takeaways that insurers in India can use to inform and grow their digital outreach:

- 1) **Work with growing ecosystems to increase insurance penetration:** digital platforms have access to millions of consumers, offering insurers a route to increase insurance penetration. Insurers can plug into existing platforms to connect with consumers who are already familiar with it and who may be under-insured. Insurers that plug in early to a platform will likely be in a stronger position to adapt to its evolution as it expands.
- 2) **Personalisation can drive product innovation:** digital platforms can provide data about policyholders' health and enable insurers to offer consumers personalised wellness programmes linked to points, rewards, feedback and recognition. We found that consumers are likely to be open to this (see Figure 13). This could transform life and health insurance, where risks evolve over time and individual behaviours influence health outcomes, but insurers' underwriting relies on risk assessment at the point of entry and insurers usually have little knowledge of how policyholders' health changes during the policy period.³³ Nonetheless, consumers may have data privacy concerns.
- 3) **Behavioural change will open new risk categories:** Indian consumers' fast, virtually frictionless experiences with Amazon, Uber, PayTm and other digital platforms are reshaping expectations of how the online insurance experience should be. Sharing platforms such as Airbnb, Quickride, Zoom Car and others are also shifting preferences towards on-demand ownership of assets and services. Such changes will continue to open up new risk pools for insurers. For instance, some Indian insurers have begun to offer on-demand insurance, such as per-trip accident cover, mass-market outpatient medical coverage during seasonal smog or haze, mass-disability income insurance, etc.³⁴

Figure 13: Life and health insurance opportunities from a digital platform partnership.



Source: Swiss Re Institute

³³ Behavioural factors play a role in all 12 leading causes of death. See K. Glanz, Health Behavior and Risk Factors, *International Encyclopedia of Public Health*, 2017.

³⁴ "Unbundling insurance: How startups are reimagining the underpenetrated sector for a digital makeover", *Financial Express*, 14 September 2020.

Next steps: personalisation and customer experience

Meet high customer expectations with a frictionless insurance customer experience.

Personalise products based on precise pricing models.

Build a more detailed picture of consumers to price risk better.

Reach consumers faster and in a more bespoke way.

More modern underwriting will consider non-traditional risk insights.

Real-time risk data can benefit portfolio management.

Claims adjudication can be more efficient with faster data processing.

Seamless user experience: consumer expectations of insurers are rising as digital native companies offer convenience and simplicity. Customers are looking for an on-tap service and seamless experience from purchase to claims and renewal. Digital platforms provide a single, simple window of interaction, reduce friction between participants, streamline the purchase journey and make the supply chain transparent.

Personalised products: with better data, insurers can design products tailored to consumers' personal needs based on precise pricing models. For example, Uber or Ola are looking to go beyond charging a fee per ride to a real-time price that incorporates insurance cover for the driver and passenger(s).³⁵ Digital platforms may also enable insurers to develop incident-specific/usage-based products underwritten on micro premiums for micro durations. This could improve consumer persistency by addressing concerns e.g. about a large premium outlay or long-term commitment.

Enhanced consumer segmentation: segmentation has traditionally been based on demographics due to limited consumer data. Digitalisation is moving insurers closer to consumers: value chain components can now be distributed via digital platforms and insurers do not need to host or own all value chain operations themselves. Digital platforms could enable insurers to develop granular segmentation and so more accurately price risk by providing more contextual information about consumers.

Digitalising distribution: a digital platform can be a faster route to market than direct sales. Insurers need to identify the capabilities required to deliver their service and determine whether digital interactions are the best way to gain them.³⁶ For example, the recent strategic partnership between TATA AIA Life insurance and Practo gives TATA AIA exclusive insurance distribution rights. Practo connects the entire health ecosystem so by plugging in, TATA AIA can offer bespoke solutions to millions of consumers based on their healthcare journey.³⁷

Next steps: data-driven, real-time insurance operations

Underwriting overhaul: insurers' underwriting can be enriched by assessing non-traditional data from digital platforms. Chief underwriters may need to upskill their teams to analyse biometric, lifestyle, behavioural and other insights that can generate more accurate risk scores. Underwriting will pivot from risk assessor to a data-driven approach involving close work with product and pricing teams (see *Data-driven underwriting*).

Real-time portfolio management: real-time flows of consumer data and risk attributes can provide a dynamic view of the exposures of insurers' portfolios. This can enable more detailed risk segmentation and support accurate reserving. Continuous data flow can also provide early warning signals of deterioration and can help insurers to adapt existing products to different consumer segments.

Efficient claims management: product innovation using digital platforms should make claims management more efficient, since faster data processing and machine learning methods can expedite and accept valid claims while detecting and denying false claims. To partner with digital platforms, insurers will need analytics and data engineering capabilities that bring speed and accuracy to claims adjudication. This will make insurers more customer-centric, especially as they start to offer more integrated products through platforms.

³⁵ "Ola, Uber's battleground now shifts to insuring its customers", *Hindu Business*, 25 Sept 2019.

³⁶ Online business share increased from 0.54% to 1.13% in 2018-19 for life new business in India. Source: *Annual Report 2018-19*, Insurance Regulatory and Development Authority of India.

³⁷ "Tata AIA Life to be exclusive life insurance provider to Practo customers", *livemint.com*, 6 August 2020.

Swiss Re can help insurers deploy AI-driven predictive models to simplify the consumer journey.

Data-driven underwriting

Data-driven underwriting can help insurers meet specific objectives. Solutions are available on a modular, standalone or stacked basis. An example is Swiss Re's *The Big Six Lifestyle Factors* tool, which incorporates assessment of physical activity, sleep, mental well-being, nutrition, substance use and environment into underwriting. This enables insurers to move beyond clinical factors and incorporate lifestyle factors into L&H risk assessment and management. Swiss Re can process an insurers' data set, using AI-driven predictive models in underwriting and simplify the consumer journey. If still in the data accumulation phase, Swiss Re can support insurers with evidence-based research and data proxies in underwriting. These solutions can all be integrated in Swiss Re's *Magnum* tool, a suite of underwriting engines that use human, AI and machine learning methods to analyse existing and new data for expert risk assessment.

Legacy systems and undeveloped data infrastructure are barriers.

Challenges for insurers to address

Technology and architecture challenges: legacy systems have been a barrier for most insurers to integrate into digital platforms. Although platforms have designed powerful applications to deliver intuitive digital experiences, insurers should also upgrade their IT infrastructure to keep up with the pace of digital transformation. If a bottom-up system upgrade is costly, then insurers can find the right digital platforms to enable a quick "plug-and-play" delivery model.

Slow speed to market can be improved by agile approaches.

Organisational response time: quick response time is crucial for leveraging digital opportunities, but average speed-to-market for new life and annuity products is eight months even in advanced markets, with four months for modifications.³⁸ Agile product development can help insurers to adapt quickly to market changes, ideally by reviewing existing products to see which can be quickly adapted to the new needs.

Insurers should be ready for tighter regulatory scrutiny.

Regulatory concerns: Insurers have started to collect data to underwrite specialised or under-served niches in new risk pools. However, this may invite tighter scrutiny by regulators over the ethical use of personal data. Insurers should be able to reassure regulators that use of Big Data will not lead to excessive use of private data, or result in high-risk individuals facing prohibitively expensive premiums or being unfairly denied insurance. A carefully designed process needs to balance consumer expectations and technological advances.

Resolve any conflicts with traditional sales channels.

Channel partner conflicts: directing resources to new sales channels may be perceived as a threat by current partners. Insurers should reassure channel partners that specifically designed digital products target different consumer segments and digital partnerships will not cannibalise traditional channels. We expect receptiveness to digital partnerships to increase given COVID-19, which is accelerating digital transformation even in traditional channels.

Product adaptation is needed to serve India's untapped markets.

Engineering for geographical differences: Platform business models promise unparallel access to consumers, but adoption in India varies significantly by demographic and geography. For example, Tier II and III city users avoid platforms despite strong purchasing power, largely due to limited fluency in English, perceived complexity of applications and lack of trust. Apps and platforms also need to be compatible with old versions of Android, since users in rural India still use these. Simpler applications (few clickable objects) in the local vernacular address most of these issues. Insurers can learn from such experiences to refine their digital offerings.

³⁸ See *Speed to market for life/annuity insurers* and *Speed to market for property/casualty insurers*, both Novarica, March 2019.

Opportunities for digital platforms

Digital platforms offer unique advantages which make them valuable partners.

Expansion can strengthen resilience and add new revenue streams.

Digital platforms can drive industry-level consortiums.

Steep learning curve, specially from the regulation and governance perspective.

Formulating right partner and product strategy while maintaining speed and agility.

Hiring the right talent from a limited pool.

Partner acceptance: Digital platforms have an asset-light business model, a strong distribution element, and a detailed view of consumer interests in complementary products via their reviews and comments. This not only provides valuable insights into unmet consumer demands but can help address redundancies in other domains. This is a unique advantage to partners in other industries, especially financial services, which has strong distribution structures but lacks timely customer feedback.

Better diversification: Digital platforms can leverage consumer loyalty from the core business to diversify into adjacent domains, provided they are still solving a consumer problem. For example, Uber applied its "Transport as a Service" model to diversify into health and food delivery via Uber Health and Uber Eats. Amazon has successfully expanded into financial services, entertainment and lifestyle. Diversifying improves digital platforms' resilience, revenue streams and valuations.

Lower business risk: Partnerships across industries can offer digital platforms expertise in different domains at low cost of failure and minimal risk to their mainstream offerings. Platforms have the unique ability to harness consumer data from partnered industries to distil industry trends earlier than traditional players. This can enable them to build consortiums with industry leaders.³⁹

Challenges for digital platforms to address

Steep and complex learning curve: Venturing into a new industry involves a learning curve and deep thinking on industry dynamics and the regulatory landscape. Insurance in particular is more complex and regulated than e-commerce or mobility. Digital platforms need to develop know-how quickly as the business model matures and platforms move beyond distribution to operate up the insurance value chain.

Balancing strategy and agility: Rapid expansion by digital platforms has started to narrow opportunities in their core business. Further growth will be dependent on differentiation by partner and product prioritisation. Platforms must find partners that are not only product suppliers but collaborate and jointly own business models. Product prioritisation is equally important, as digital platforms may not have a clear view on product fitment despite having granular customer segmentation. Addressing these challenges may involve blind bets and iterations as well as speed and agility.

Limited talent pool: E-commerce or mobility platforms are more dependent on coding and vendor management skills. Venturing into specialised domains such as financial services may require a very different talent base in addition to tech talent. This involves hiring a separate team of developers, business analysts and product managers. Finding an optimal mix of such talent is usually difficult given the scarcity of relevant talent in India.⁴⁰

³⁹ Tradelens and IBM Food Trust are examples of industry level data sharing consortiums.

⁴⁰ "Tech talent crunch in 2020 likely to go up to 200,000", *Economic Times*, 29 December 2019.

Conclusion

Technology has made consumers used to on-demand, digital experiences.

Consumers are happy to buy insurance digitally when it is simplified and convenient.

Insurers and digital partners need to position themselves to leverage this opportunity...

...but a multi-channel distribution approach is still necessary.

Digital platforms are increasing consumer expectations for a variety of lifestyle, health and financial services. They expect similar ease, speed and personalisation from insurers, which must decide whether they are at their heart a traditional product provider, or an innovator seeking to offer value-additive solutions with digital partners. The timing is fortuitous as insurers seek to address challenges including slim margins, a lack of new risk pools and disruption to distribution models resulting from the COVID-19 pandemic.

Digital platforms present a unique opportunity for insurers because consumers are keen to buy insurance digitally, provided it is tailored to digital channels. Our survey found that consumers' confidence to buy insurance on digital platforms increases substantially when product terms are simplified and application and claims processes made easier. Insurers can leverage this opportunity to access new risk pools and consumers. Digital platforms can hedge the risk in their core business by diversifying revenue streams and intertwining more with consumer life events.

Partnership between insurers and digital platforms requires commitment and agility from both sides, so the intent needs to be long-term rather than a short-term tactical move. Insurers will have to address organisational challenges such as channel conflict and legacy systems for a partnership to work. Digital platforms, too, may need to sharpen their focus in partner and product selection. Successful partnerships will need to be nurtured, with a focus on creating mutual value.

We believe full-scale disruption of traditional insurance distribution channels is unlikely since there always will be a proportion of consumers that favour them. Rather, an omni-channel approach with mix of digital and physical touchpoints will best complement each other through cross and up-selling opportunities. Insurers should consider hybrid distribution models that use behavioural insights to personalise product offerings. This will depend on insurers' data handling and processing infrastructure. Successful partnership between insurers and digital platforms can also reach previously under-served populations. With the proliferation of digital payment ecosystems, innovators can offer a range of financial services to this sub-group, thereby making finance more inclusive and narrowing existing protection gaps.

Appendix: study design and methodology

Objective

Swiss Re designed six life and health insurance product concepts exclusively for digital channels. All products were tailored for mobile apps or other online platforms. Consumer had to answer a few health-related questions and the digital insurance policy could be issued instantly post-payment. The purpose of this survey was to:

- Evaluate consumer's acceptance for each of product concepts in India;
- Understand consumption habits of insurance in the Indian market;
- Evaluate the acceptance of purchasing insurance products through digital channels.

Methodology

Consumer responses were collected through an online survey during June 2020. The total interview length was approximately 20 minutes and the sample size was 600. Each respondent evaluated two product concepts, and each concept was evaluated by 200 respondents with similar profile (with quotas on age and gender). The survey was conducted in Delhi, Mumbai, Kolkata, Chennai and Bangalore, with the following respondent profile:

1. Individuals aged 18–65
2. Household decision-makers
3. Used any of the following apps in past three months:
 - i. Health-tracking apps
 - ii. Connected commute platform (past six months)
 - iii. Payment/ digital wallet apps
 - iv. E-commerce apps/ websites (past six months)

Insurance product concepts

- 1) **Medical reimbursement:** provides medical expenses reimbursement and is available for purchase on apps or online platforms, with the policy instantly issued on the app after payment.
- 2) **Cancer reimbursement insurance:** provides cancer-related medical expenses reimbursement and is also available for purchase on apps.
- 3) **CI pay-per use:** provides a lump sum benefit in the event of serious illnesses such as cancer/heart attack/stroke, with premiums auto-deducted with every transaction the customer makes on the app once they have opted in.
- 4) **Cancer insurance:** pays a lump sum upon cancer diagnosis and is available for purchase on apps.
- 5) **Hospital cash – smog protection:** pays a lump sum if the customer is hospitalised for the listed respiratory diseases within 30 days when the local air pollution index (API) reaches “very unhealthy” level, sold through apps.
- 6) **Medical leave – income replacement:** pays a daily cash amount if the customer is on prolonged medical or hospitalisation leave; product available through apps with one simple health question.

Disclaimer

The survey results may not be representative of the entire population of India, since all respondents were from urban areas with sufficient exposure to digital channels. Results should be considered representative of the target population for digital insurance products.

Published by

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The editorial deadline for this report was 23 September 2020.

The online version of the report may contain updated information.

Graphic design and production:

Corporate Real Estate & Logistics / Media Production, Zurich

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Order no: 1507730_20_EN

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