

# Concept and Reasons of Growth for Online Insurance Penetration in India

<sup>1</sup>Jitendra Singh Chauhan, <sup>2</sup>Dr. Praveen Singh,

<sup>1</sup>Asst. Professor, School of Management Studies, Graphic Era Hill University, Dehradun 248002,

<sup>2</sup>Associate Professor, Department of Management Studies, Graphic Era Deemed to be University, Dehradun, Uttarakhand, India 248002

## Abstract

The insurance industry in India has seen rapid growth in recent years. In India, the insurance sector is at the forefront of economic growth. Over the last decade, gross premiums have grown at an average rate of 7.2%, making the Indian insurance industry one of the largest in the world. Customer behavior has also changed significantly during this time, with 20-25% of them increasingly using digital channels to understand and compare insurance options. In addition, businesses are now more connected and aware thanks to the Internet of Things (IoT) and other technologies that have rapidly taken hold. Although a number of changes have been made to boost the growth of the sector, it still has a long way to go, as its share in the global insurance market is still staggeringly low. The problems facing the sector include low market penetration and density, lack of investment in insurance products, the dominance of state insurers and their declining financial health. Addressing these issues is critical to building a strong insurance business, as India's economic growth depends on how resilient its economy is to shocks.

**Keywords:** Insurance Industry, Online Insurance, Financial Health, Digital Channels Insurance Business

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## Introduction

The period of economic liberalization saw fundamental changes in the insurance sector in India. In the last decade, a paradigm shift has taken place in the Indian insurance market with the deregulation of the insurance sector. Privatization of the sector has also made an important contribution by increasing insurance penetration and density in both the life and non-life sectors. The economic changes in the sector have improved the overall performance of the insurance business. Since economic liberalization, the Indian industry has witnessed a significant shift in the activities of the insurance sector. The changes ended the monopoly of state-owned companies and policies and provided for new insurance companies, new products, differentiated pricing and improved claims settlement. In terms of premium and claims settlement, the insurance company's performance has improved. It has also created jobs in the insurance industry. The Indian insurance industry will benefit greatly from the economic changes in the country. In the last 10 years, a majority of insurance companies have seen a large increase in business. The overall performance of all private insurance companies is excellent and they need to maintain this pace to further increase their market share. The insurance industry in India has undoubtedly undergone a major transformation with the opening up of the industry and the insurance sector to private and international companies. The dominance of LIC in the life insurance industry has been challenged as well as that of GIC and its subsidiaries (Dhanan, 2017 and Vimala, Alamelu, 2018).

The main purpose of life insurance is to provide security for the family by ensuring that there is a continuous source of income after the death of the breadwinner. Similar to life insurance, property insurance also provides protection against the loss of property, businesses and livelihoods. Economists agree that the wealth of a country depends mainly on its people. They represent the nation's human capital. Insurance not only promotes economic growth, but also protects assets and the value of human life, which benefits the economy. To boost the economy, the government has to invest heavily in developing capital infrastructure. No individual or organization can raise this money. Due to the length of life insurance policies. As a result, insurance companies have become the main source of capital for the economy by investing the money that their many policyholders give them. Investment is a critical component of any country's economic success. Insurance companies invest in state security, infrastructure development, the social sector, and in securities and bonds. A significant portion of public funds is mobilized through life insurance. Investments are made with savings from the life insurance fund (Dubey, 2018 and Mishra, Rao, 2014).

Customers in India have not yet become used to the technical aspects and subtleties of online insurance transactions. Customers are hesitant since they are used to conventional interpersonal channels like insurance agents and internet insurance websites. The insurance firms' viability as a business rests on its capacity to keep clients and deliver exceptional service, which breeds loyalty. Using the Internet for insurance business and marketing purposes lowers overhead expenses and enables direct client interaction for the company. Online insurance makes it simpler to communicate with customers and provides better service. These choices aid insurance companies in differentiating their market supply. The level of confidence a consumer has in an online insurance business is a crucial component of satisfaction. Online environments need to foster trust, and security measures on websites affect client satisfaction and loyalty. Customers prefer direct engagement since online service models are faceless and cannot address their concerns or answer their questions. Most clients don't know much about the website and are unaware of how transactions work and how they end. (Khare, Dixit, Chaudhary, Kochhar, & Mishra, 2012 and Dhar, 2018).

### **Literature Review**

In a study it was observed that the agency network has always been the primary means of selling insurance. However, with the advancements in technology offering more practical and user-friendly solutions, the e-channel or internet channel is indeed emerging as an active distribution hub for all insurance companies in India. Compared to the various distribution methods available to customers, it is simple, convenient and most importantly, more economical. Buying insurance for a consumer is cheaper than any other mode of distribution offered. Since the company does not have to pay any commission on the sale of its goods but can pass it directly to the customer, the acquisition cost for the company is also lower when selling online. The full range of insurance products, including health, motor, travel and life insurance, is now available to customers online. In fact, several insurance providers now offer unique online futures that are not accessible through their branches or agents. In addition to insurance companies offering their products directly through their websites, there are also websites that advertise insurance plans and assist in product comparison, offering life and general insurance products online. These websites make it easier for customers to evaluate and understand their alternatives so that they can make wise choices when purchasing insurance (Ray, Bandyopadhyay, 2020).

In a research it was observed that customers who buy insurance online get better value for their money as premiums and insurance costs are lower. Some insurers have products that are specifically designed for online customers and are not offered through any of the various offline distribution channels. Companies can reduce their infrastructure costs if they make more online sales. Consumers also have the distinct advantage of being able to see other customers' online reviews, compare items online and save money on purchases. Since everything is public and available to customers, there is also less chance of a product being miss-sold online. Although customers who buy online are undoubtedly looking for better insurance products, the goal of companies, if met, is to deliver better insurance products at better prices than offline. The online insurance cover offered by the companies is often higher than the regular product offered offline. Often the premium is higher, but tech-savvy buyers are willing to pay more to get a customized product for a small premium. As people in the upper middle class and above shop online and are older and more financially affluent, the platform is better suited for selling products online as the age restriction on enrolment is greater and the policy period is longer (Parida, Acharya, 2016 and Kumari, 2018).

In a study it was analyzed that clients who are knowledgeable and well-informed, who understand the technology better and, more importantly, who trust the internet channel because of its openness, can benefit from its use. Customers who are knowledgeable about online transactions are also aware of the security measures they need to take when shopping online. They also know the customer base that buys items online, their preferences, the trust they have in the online platform and the accessible payment gateways. As more and more tech-savvy consumers and customers who want to save a lot of time and trust the method choose the above channel to purchase items in the near future, this will undoubtedly increase the demand for selling products through these channels over time. However, in order to make an online purchase, customers need to fulfill all the conditions, from filling the forms to submitting them. The company must therefore offer reliable online platforms and improved online help functions, such as online support. For clients who rely on agents, it can be difficult to find the best insurance cover in their absence. Therefore, this is only a good alternative for buyers who are financially literate and confident about the products they want to buy. There is still no online platform accessible to these insurance companies in the area of claims handling, although this channel will help increase sales soon by playing a much better and more significant role in the insurance companies' business. Currently,

there is no online system for processing claims. In order to use the internet as a sales channel, all insurance companies have to overcome this uncertainty factor (Naidu, Paramasivan, 2015).

In a study it was established that although the online sales channel is attractive and lucrative, it has its own difficulties. It could be difficult to influence a customer's buying decision online. This is undoubtedly the cause of customers' negative online experience with Indian life insurance, as many industry surveys show. Years of attempts by the Insurance Regulatory Authority of India to ensure that insurance companies make their insurance products understandable to customers do not seem to have yielded the expected results in the life insurance space. Most internet insurers failed due to problems with openness of information, lack of uniformity and organization of keywords. Nowadays, buying insurance online is essentially an inward-looking transaction. It's about collecting prospect data, setting up a backend to manage it and driving the pursuit of greater economic gains. The biggest obstacle to compiling and selling insurance policies through third-party platforms has been getting IRDA approval, as the industry is highly regulated in this area. Only a small number of companies have so far received IRDA approval to sell leads to insurance companies. The IRDA had imposed several rules on insurance aggregators, which ultimately made it extremely difficult for startups to grow the ecosystem (Kaushal, Ghosh, 2016).

In a study it was observed that all over the world, insurers are using disruption as an opportunity. Insur-Tech is being actively developed by them instead of being fought against. Indian insurance companies are creating business innovation models that can keep a close eye on the latest innovations and customer expectations. Some of the leading life and non-life insurers are also actively working with start-ups by providing not only financial support but also insights into the industry, a testing ground for new ideas and businesses, and access to the market. The talent insurers need to thrive is changing along with the insurance sector, including their backgrounds and career goals. Forward-thinking insurers are developing new human capital strategies and seeking to create workforces that are more inventive, adaptable and technology-savvy. The future expansion of insurance companies will depend heavily on the participation of Millennial and Generation Y. Relevance to the target audience is crucial. The majority of customers do not consider insurance relevant, which has led to low market penetration. Moreover, the industry had chosen to focus more on sales than end consumers, and hurdles had crept in through the legal language of convoluted goods, exclusions and rules. As consumer engagement becomes more important, good customer journeys and experiences become more critical (Choudhary, 2016 and Nakum, 2019). Consumers have been attracted towards online interactions with other consumers also in all fields by the virtue of Social Media (Kudeshia & Mittal, 2015).

**Objective:** To investigate the reasons for growth for online insurance penetration in India

**Methodology:** This study is descriptive in nature in which the data were obtained from the 235 respondents who have knowledge and experience of insurance companies. The respondents could include market research firms, industry associations, online insurance aggregators and government agencies. A checklist question was used to analyze and interpret the data. In a checklist question respondents choose "Yes" or "No" for all the questions.

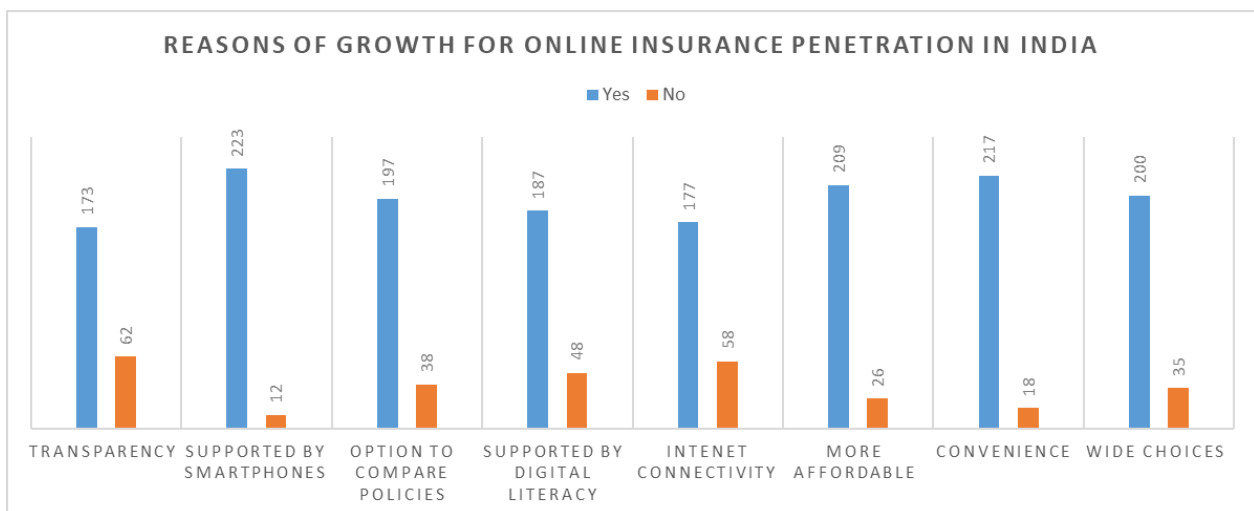
#### Data Analysis and Interpretations:

**Table 1 Reasons of growth for Online Insurance Penetration in India**

SL No.	Concept and Reasons of growth for Online Insurance Penetration in India	Yes	% Yes	No	% No	Total
1	The transparency may contribute to the growth of online insurance penetration in India.	173	73.62	62	26.38	235
2	Online insurance penetration has been gaining momentum due to the increasing use of the internet and smartphones.	223	94.89	12	5.11	235
3	Online insurance policies offer customers the option to compare policies from different insurance companies.	197	83.83	38	16.17	235

4	Online insurance penetration will continue to grow as digital literacy continues to improve in India.	187	79.57	48	20.43	235
5	People are influenced by the internet to make decisions about relationships and jobs.	177	75.32	58	24.68	235
6	Online insurance policies are more affordable for customers.	209	88.94	26	11.06	235
7	Online insurance penetration in India offers convenience to customers.	217	92.34	18	7.66	235
8	Customers can choose the type and amount of coverage they require.	200	85.11	35	14.89	235

Table and Figure 1 show the concept and reasons of growth for online insurance penetration in India. It was found that around 94.8% of respondents accept that the online insurance penetration has been gaining momentum due to the increasing use of the internet and smartphones, offers convenience to customers(92.3%), online insurance policies are more affordable for customers(88.9%), customers can choose the type and amount of coverage they require(85.1%), online insurance policies offer customers the option to compare policies from different insurance companies(83.8%), online insurance penetration will continue to grow as digital literacy continues to improve in India (79.5%), people are influenced by the internet to make decisions about relationships and jobs(75.3%) and the transparency may contribute to the growth of online insurance penetration in India (73.6%).



**Figure 1 Reasons of growth for Online Insurance Penetration in India**

## Conclusion

There is compelling evidence that consumer preferences change when interacting with insurers. Consumer products in other retail industries are changing because of the internet, which is also setting new standards for how companies interact with their customers. Today, the wealth of information available in most consumer industries allows consumers to compare products and prices and seek unbiased comments before making a purchase. Future leaders in online insurance distribution in India will be those insurers that better understand the buying habits of online customer develop novel, enticing and straightforward products tailored to specific customer needs and, most importantly, have a strong customer engagement and communication model that supports their online marketing strategy. The Indian life insurance industry will expand as long as the Indian life insurance business is doing well. Therefore, the expansion of the life insurance industry can be seen as a sign of secure Indians and a secure nation as a whole. The digital route is now the

main route for consumers, traders and employees and is no longer just a backup. People are influenced by the internet to make decisions not only about purchases, but also about relationships and jobs. To stay current, insurers need to offer new, enticing, and straightforward products. They need to understand the elements that influence online shoppers' buying decisions. The road to digital transformation for insurance companies is a long one. In the era of digitization where every single business is moving towards digitization, insurance companies need to take a leap in order to stay profitable in a long run.

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