



INSURTECH IN INDIA – SLOW AND STEADY, POISED TO WIN

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This special report is based on insights gathered during a Fintelekt insurance industry roundtable discussion. The participants at the roundtable included senior professionals from insurance companies and InsurTech firms. The report highlights the opportunity areas for InsurTech and the implications of InsurTech-led innovation for insurers.

Introduction

The Indian start-up landscape is pitted to be among the most dynamic in the region, with FinTech leading the big bang in the Indian banking industry. On the contrary, InsurTech has been making inroads more silently into the insurance sector.

Insurance companies have so far approached InsurTech-led innovation cautiously, more in an experimental light rather than as an organizational priority.

However, as InsurTechs begin to demonstrate greater value-add to insurers, whether through cost reductions, process efficiencies or radical changes to the customer experience, there will be greater dependence on them from insurance companies.

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InsurTech in India: Why Now?

A number of trends are leading to a greater demand for alternative approaches to insurance operations. On the supply side, an encouraging environment for start-ups is leading to a spur in InsurTech firms that are rising to the challenge.

RISING CUSTOMER EXPECTATIONS

The e-commerce revolution has led to a new generation of consumers demanding better, faster and more relevant services. Customer centricity is no longer just a buzz word among insurers, who are being forced to think differently in order to meet rising expectations from their product and service offerings.

Insurers are therefore looking for innovations that bring about improvements in various aspects of the customer's journey.



"InsurTech is forcing insurers to think more unconventionally about how to become more relevant."

- Akshay Dhanak, HDFC Life



"The Indian Government's Digital India initiative is creating a level playing field for start-ups to compete with established vendors, thus allowing the Enterprise to expand its rural reach with no capex cost."

*- Mohan Chandrasekaran,
AdStringO*

ACCESS TO MARKETS

Strong digital initiatives by the Indian government and regulatory authorities, such as Aadhar-based identification, eKYC, digital lockers, Unified Payments Interface, and more recently, the mandate for e-insurance accounts, are creating enabling systems for simplification of transactions.

Coupled with an increasing smartphone penetration, huge markets that were not cost-effective to service earlier due to lack of reach and distributor interest in pursuing small-ticket premiums, are now becoming accessible to insurers.

Non-traditional approaches and innovations in the areas of channel management and customer outreach, led primarily by digital, are therefore garnering significant interest from insurers.

COMPETITIVE PRESSURES

As competition intensifies, margin pressures are pushing companies to look at more efficient ways of doing business – whether by reducing costs or improving efficiency. Especially in non-life insurance where contracts are of a much shorter duration than in life insurance, there is a constant need to create differentiators that will enable insurance companies to attract and retain customers.

Start-up innovators are providing insurers with avenues to increase speed-to-market without actually investing in building capabilities in-house.

TECHNOLOGY-ENABLED INNOVATION

On the supply side, entry barriers for technology vendors have reduced drastically. Scale and investment are no longer pre-requisites for success. Recent advances in cloud and digital have made technology very easy to create, transfer and adopt. Besides, significant opportunities for impacting the entire insurance value chain have opened up due to digitization.

Start-ups are in a position to offer niche solutions for very specific problems, which can be easily integrated with existing technology systems and infrastructure.

ACCESS TO CAPITAL

InsurTech has benefited from an overall interest by investors in the FinTech and start-up landscape in India. Besides funding opportunities from angel and venture investors, there has been a mushrooming of incubators and start-up accelerators which provide financial, marketing and networking support to entrepreneurs.

In the forefront are large organizations such as Swiss Re, Oracle and IBM who are aggressively funding and supporting InsurTech start-ups, with the objective of benefiting from new solutions and fresh perspectives, as well as safeguarding themselves from the threat of disruption from InsurTech start-ups going forward.



“Insurers are exploring different ways to engage with customers. Products such as wearables or telematics can be used to incentivize customers and retain them with the company.”

- Suresh Sankar, Kotak Mahindra General Insurance

Funding opportunities for Indian start-ups are increasing:

- **Swiss Re** launched a corporate accelerator 'InsurTech' to mentor and help curate startups aimed at disrupting insurance practices in India. The themes identified for the programme include the Internet of Things, systems of engagement & smart analytics.
- Startup incubator **Kstart**, an initiative of Indian venture capital firm **Kalaari Capital**, announced a collaboration with **IBM** to foster the startup ecosystem in India. Together, Kstart and IBM offer training and mentoring sessions to the selected startups.
- **Zone Startups India**, an international joint-venture between **Ryerson Futures Inc** (Toronto) and the **BSE Institute**, with the support of the **National Science & Technology Entrepreneurship Development Board** was set up in 2014. Since then, Zone Startups India has accelerated 66 startups, by enabling an extensive industry connect and customer-focused approach.
- **Coverfox**, an online insurance portal that operates through a broker license from the IRDAI, is backed by Narayana Murthy and has raised USD 2 million from **SAIF Partners** and **Accel India**, and USD 12 million in its series B funding from growth investment arm of US-based **Accel Partners**.
- **RenewBuy**, another auto insurance startup, raised USD 1 Mn in angel funding led by **Mount Nathan Advisors Pte Ltd**, a Singapore-based principal investment and advisory firm.

Sources: Company websites, The Economic Times, Vccircle.com
(Not an exhaustive list)

Overall, slowly but surely, an ecosystem is developing, that is encouraging innovation and in turn inducing insurance companies to leverage the benefits from InsurTech and move forward on technology adoption and process maturity in a big way.

InsurTech Implications for Insurers

InsurTech firms and insurance companies can work together in a variety of ways by exploring upcoming opportunities.

HELPING INSURERS BECOME MORE CUSTOMER CENTRIC

Unlike in banking, InsurTech is being perceived as an enabler - rather than a threat or a disruptor - for insurance companies to improve operational efficiencies and make them more nimble, fast and customer relevant.

In the age of 'connected insurance', InsurTechs are bridging technology gaps in the industry, and creating new opportunities to learn and understand the customer and their requirements.

As insurance increasingly moves digital, there is a compelling need to simplify product offerings, distribution and processes. Several

InsurTechs are currently focused on customer-driven solutions that can help insurance companies understand requirements, engage meaningfully and deliver more relevant services to the customer.



“Diagnostic technologies such as telematics have huge potential among insurance companies who can use the data to price products more accurately, and also help their customers monitor and prevent incidents in future.”

- Hrishikesh Kamat, Shalaka Technologies



“Presently, about 70 to 80 percent of underwriting is automated. For this proportion to go up, insurers will need help from artificial intelligence, robotics and predictive underwriting capabilities that can improve the speed and efficiency of underwriting.”

- Srinivasan Iyengar, Reliance Life Insurance

BENEFITS ACROSS THE INSURANCE VALUE CHAIN

InsurTech-led innovations are expected to aid automation in areas such as underwriting, claims management and policy servicing, bringing in significant cost savings to insurance companies.

Robotics, artificial intelligence and analytics can help improve service turnaround times by reducing the need for intervention, as well as provide radically different experiences for customers through faster claims settlement, easier onboarding and renewals, fraud control, etc.

Newer technologies such as Telematics, Wearables and Internet of Things are helping insurance companies map large amounts of newly

InsurTech innovations are already impacting insurers in a variety of ways:

- Insurance aggregators are playing an important role in product and process simplification by making it easier for customers to understand and buy insurance online. These companies are also aiding faster claims settlement.
- Big data and analytics solution providers are adding value by aiding targeted segmentation and improving satisfaction levels of existing customers that in turn lead to an increase in retention, and cross-selling possibilities for insurers.
- Innovative CRM solutions from start-ups are helping companies streamline customer interaction and move towards delivering an omni-channel experience.

generated data to pricing and risk assessment decisions to the mutual benefit of insurance companies and customers.

SPEED AND AGILITY IN TECHNOLOGICAL ADOPTION

Start-ups are bringing in much-needed agility and flexibility to the technology modernization process for insurers. Cloud and platform-based models are enabling quick adoption of new solutions. In many cases, insurers can plug in and instantly start using systems that earlier took years to build, test and launch, and that too at a fraction of a cost. Moreover, InsurTech provides an on-going cost saving opportunity as companies will no longer need to keep aside huge budgets for creating and maintaining IT infrastructure.



“Domain expertise, an understanding of the regulatory environment and recognizing the fundamentals of consumer behavior will be the critical success factors for insurtech companies going forward.”

- Balachander Sekhar,
RenewBuy



“Insurtech can provide insurance companies with the ability to fuel growth, and increase penetration by leapfrogging a complete adoption cycle and go directly from uninsured to digitally insured.”

- Anurag Shah, Aureus
Analytics

SOCIAL INCLUSION THROUGH DIGITAL

Digital technologies can enable efficient platforms and cost-effective channels to expand the scope and coverage of insurance, especially in the field of micro insurance. In India, government-backed schemes like the Prime Minister’s Jan Jeevan Bima Yojana (PMJJBY), coupled with innovative technologies that harness the advantages of eKYC and Aadhar, are allowing companies to reach hitherto untapped customers throughout the country and especially in the hinterlands.

The Way Forward – Creating a Win-Win

So far, the risk of contractual failure, questions about business continuity of start-ups, data security concerns and the lack of a clear understanding of the underlying value proposition has prevented insurers from embracing InsurTech-led innovation as a strategic priority.

Insurers point out that InsurTechs often cannot demonstrate clear and measurable value, leading to difficulty for the insurer to monetize the invention. Contributing to this is often an inadequate understanding of business dynamics, which leads to an inarticulate value proposition.

On the other hand, InsurTech firms lament that the lack of prior experience is ironically held against them while bidding for projects at insurance companies. InsurTechs expect a hand-holding approach to the partnership in which both parties are invested into the success of the engagement.

In order for a partnership to work, insurers would have to traverse half the distance in assisting InsurTechs and working with them to create innovative solutions to operational issues. InsurTechs, on the other hand, will have to stay focused on creating and delivering tangible value and cost-savings to insurers.

The true disruptive power of InsurTech innovation has still not begun to make itself felt in the country as yet. However, an eco-system is slowly developing and insurers can no longer afford to distance themselves from InsurTechs. In India, success may come down to how closely insurers and start-ups can work together as partners in providing real benefits to end-customers.

“The companies that will succeed, whether legacy players or InsurTechs, will be those who manage to create trust among customers.”

- Srinivasan Iyengar, COO, Reliance Life Insurance

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