India’s Insurers Embrace Digital’s New Normal

Our latest study reveals that Indian insurers are contending with business disruptions across the value chain, which are impacting traditional views of their customers, channels, competition and operations.
EXECUTIVE SUMMARY

India’s insurance industry has seen a flurry of trends – heightened merger and acquisition (M&A) activities, increasing participation of foreign partners and reinsurers, the entry of Lloyd’s of London into the reinsurance market, IPOs from public insurers and elevated competition by all of the recent entrants. These carriers are also challenged by low insurance penetration levels (3.49% currently), rising commission payouts, volatile economics and changing regulations.

While insurers are devising new growth strategies, they can’t lose sight of digital tools and should apply thinking to transform their business across the back, middle and front offices. Digital technologies are already disrupting businesses, accentuated by government initiatives and the entry of digital technology providers. Interestingly, the rate at which digital is penetrating in India is faster than ever before. It is thus critical for insurers to develop a future-ready strategy and continue to innovate by having a prudent look at these macro-level disruptions happening in the Indian market.

To capture how digital is remaking the industry landscape, we conducted in-person and telephone interviews of C-suite executives from select general insurers, life insurers and insurtechs (digital innovations-based insurance start-ups) across India. The intent was to gauge the likelihood and impact of digitally powered business change. We then followed a hypothesis-testing model to inform potential responses for each challenge that we believe insurers will confront, and tested our resolutions with various senior executives across our response base to offer a best path forward.

As a result, this white paper not only identifies the likelihood and impact of the potential digital disruptions, but it also illuminates potential future end-state scenarios for the industry. The paper also prescribes key strategy takeaways for insurers to tackle as they build toward the end-state scenarios, with examples of relevant success stories by insurers from the other geographies.
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India is on the move and touted to overtake Germany as the world’s fourth-largest economy by 2022, based on International Monetary Fund (IMF) growth projections\(^5\). Much of this explosive economic growth can be attributed to changing population demographics, conducive and visionary programmes undertaken by the government (e.g., ‘Digital India’) and the rapid penetration of disruptive digital technologies such as online, social and mobile.

India’s youth demographic, compared to other countries, is also a growth advantage. India is slated to house the world’s largest youth population, while the U.S. and China are skewing toward aging populations, which translates to huge domestic workforce availability for India\(^6\). With government initiatives such as ‘Skill India’, rapid urbanisation and increased numbers of women in the workforce, India is also well en route to reap massive economic benefits from its demographic advantage.

Another demographic driver is the massive rise of India’s middle class. A growing economy, increasing successful start-up participations and rising jobs are propelling the growth of this segment. These young middle-class segments have been showcasing traits of increased consumerisation, increased spending and rapid adoption of digital technologies.

The government is also creating the foundation for a transformative digital vision. For instance, it is encouraging digital adoption among industries and consumers through several initiatives such as incentivizing cashless transactions through discounts. Moreover, the government has encouraged industrial companies and start-ups through initiatives like ‘Make in India’, ‘Start-up India’ and ‘Skill India’ to encourage entrepreneurship and reskill the population. Digital infrastructure is also being improved across the country, including the rural zones, through initiatives such as Smart city, BharatNet and NGN (Next-Generation Network) programmes. Smart-city models are also being planned and tested along the Delhi-Mumbai Dedicated Rail Freight Corridor\(^7\).

Many government services have been digitised, such as the DigiLocker, and Aadhar-based e-services like e-Hospital, e-Sign, e-police, e-prosecution and e-courts. The government has increased its budget to promote artificial intelligence (AI), machine learning, 3-D printing, and other technologies alongside its Digital India programme\(^8\). The ministry of electronics and IT has already formed four committees to prepare a roadmap for AI, for the country\(^9\). Regulations are also being eased into and crafted to encourage the use of new-age digital services and products built on the principles of the sharing economy, drones and e-commerce. Efforts have also been taken to improve the security tied to the usage of digital technologies like the establishment of ‘Cyber Swachhta Kendra’ (Botnet Cleaning and Malware Analysis Centre) and collaboration with industry partners\(^\text{10}\).

Thanks to this push by the Indian government, millennial growth and the flourishing start-up ecosystem, the Indian economy has made significant headway in digital during the last year.

Next-generation digital technologies like AI, the Internet of Things (IoT), big data analytics, sharing economy service, augmented and virtual reality (AR and VR), cloud-based transactions and blockchain have already transcended buzzword status across the country.
INSURANCE INDUSTRY HEADWINDS

Accelerating digital technology adoption in the Indian market is propelling many industries, notably the financial sector and insurance. Leading Indian insurers are testing digital prototypes and thinking along the value chain. Prudent regulations and newer government initiatives such as ‘Modicare’ are reinforcing the need to digitise operations, from front to back. In our quest to better understand the pulse of the industry, we interviewed several C-suite executives across leading tier-1 life and general insurers, tier-2 life and general insurers and insurtechs across India. We leveraged our ‘2D digital disruptions assessment framework’ (see Figure 1) to facilitate a scoped-out examination.

Understanding Digital Adoption

![Digital Business Diagram](image)
Our ‘2D Digital Disruptions Assessment Framework’ illuminates the dimensions of consumer adoption of digital tools, the rise of new channels powered by technology, and the rise of new competition with technology prowess, as well as the emergence of new business and operating models. We analysed the current market events around digital change and posed future hypotheses to insurers in terms of likelihood and impact of these disruptions. Based on the responses, the pulse of the market was gauged across tier 1, tier 2 and insurtechs in terms of their expectation of an event’s likelihood in the next three to five years and the potential impact of these events on their business and operations. We plotted these responses on a likelihood (Y axis) vs. impact (X axis) quadrant map to get an overall view. The legend below shows how we defined the quadrants.

<table>
<thead>
<tr>
<th>Quadrant</th>
<th>Description</th>
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<tr>
<td>‘POTENT’ DISRUPTORS</td>
<td>High likelihood and high impact in terms of products, customer expectations, channels, competition and operations</td>
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<tr>
<td>‘LIMITED’ DISRUPTORS</td>
<td>High likelihood and low impact (read as impact across limited areas or impact believed to be lower by the insurers interviewed)</td>
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<tr>
<td>‘MAYBE IN THE FUTURE’ DISRUPTORS</td>
<td>Low likelihood but potentially high impact</td>
</tr>
<tr>
<td>‘WEAK’ DISRUPTORS</td>
<td>Low likelihood and low impact (read as impact across limited areas or impact believed to be lower by the insurers interviewed)</td>
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The table below lists the mapping of the disruptions and synopsis of the responses gathered through the interviews across tier 1, tier 2 and insurtech participants.

<table>
<thead>
<tr>
<th>Likelihood vs. Impact</th>
<th>Key commentary from the interviews</th>
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<tr>
<td><strong>CUSTOMERS</strong></td>
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<tr>
<td><strong>ADOPTION OF ONLINE/ MOBILE CHANNELS (URBAN/ RURAL INDIVIDUALS)</strong></td>
<td>The adoption and trust of the online/mobile channels for buying is said by respondents to have increased among urban and rural populations. Over the last year, a significant % (approximately 10% to 15%) of the rural/urban Indians are moving beyond just researching to buying high-value and complex goods and services like jewelry, PCs, laptops and home decor through online platforms, or buying items like shoes or clothes without needing to physically touch them, or buying services like hotels/holidays online without traditional personal advice. Insurers agreed that this trend would have a high impact for them as it posits increased sales from online channels, a channel to better reach the rural customers and a channel to deliver end-to-end services to customers, and also presents newer insurable risks.</td>
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<tr>
<td><strong>ADOPTION OF ONLINE/ MOBILE CHANNELS (SME)</strong></td>
<td>Online adoption is said to increase significantly in the small- and medium-sized enterprise (SME) space by most insurers with conducive trends like the rise of many online service aggregators (e.g., Shop X), the rise of online service providers such as payment solutions making it easier to conduct business online, and the availability of low-cost domains and government incentives for online adoption. This translates into a significant channel opportunity for sales and servicing with SME customers and newer insurable risks for the insurers.</td>
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<tr>
<td><strong>ADOPTION OF SHARING ECONOMY (URBAN/RURAL INDIVIDUALS)</strong></td>
<td>More than the 80% of respondents said that both rural and urban Indians are likely to trust the sharing economy and share more personal goods and services with others through these platforms; goods can be sold only for a pittance with peers (like books or furniture) or personal services like car/bike rides with others on the same route or personal vehicles with a commercial use (e.g., buses, trucks and tractors) or personally owned work equipment (e.g., farm equipment, drilling machines, etc.). The Indian government is already investigating the use of personal vehicles in ride sharing and it could be a reality in the near future. The rise of the sharing economy is driving the insurers to look at newer insurance products and potentially reengineer their business processes, operations and communications across the policy value chain.</td>
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## ADOPTION OF VEHICLE TELEMATICS (INDIVIDUALS)

All of insurers interviewed noted that telematics will penetrate significantly among Indian drivers, given the entry of players like Jio and Airtel, providing telematics devices/apps, availability of low-cost telematics devices and increased safety awareness among drivers.

Tier-2 insurers said that the industry won't mature enough to decipher the telematics data for risk profiling and thus telematics would remain as a tool for customer engagement and loss prevention only. Tier-1 insurers and new-age insurers, given their customer base and technology prowess, say that telematics will impel data-driven innovations in product design, underwriting and claim processes among other functional areas.

## ADOPTION OF VEHICLE TELEMATICS (BUSINESSES)

Commercial telematics has achieved greater penetration than individual telematics in India today. This adoption is believed to grow further. Respondents said that commercial telematics has achieved significant penetration among businesses and will continue to penetrate more into the future. Logistics and transportation businesses are looking to derive more value from telematics installation in areas such as fuel management, vehicle management and driver management. While adoption is expected to increase rapidly in the next two to three years, the potential impact on the industry is believed to be the same as the individual telematics among tier-1, tier-2 and new-age insurers.

## ADOPTION OF CONNECTED HEALTH DEVICES/WEARABLES (INDIVIDUALS)

All respondents said that adoption of wearables will continue to increase significantly in the near future. They also indicated that Indians would be very comfortable sharing their personal data, such as health, in return for value additions like assistance, discounts, etc.; this is a trend that holds much potential for life and health insurers. Wearables data can help insurers better underwrite, price and manage health claims. Wearables can also be a new interface for the insurers to engage with their customers. Insurers are, however, cautious on receiving enough data in the medium term to be able to make underwriting decisions.

## ADOPTION OF DRONES (BUSINESSES)

Professionals such as photographers are already leveraging drones for improved imaging purposes. Roughly 80% of the respondents indicated that this trend will pivot into other businesses on a larger scale as applicable, as regulations ease. This will open up the scope for newer products for insurers to cover the liability risks of or possible damage to the drone during use.
**ADOPTION OF SMART FACTORIES/SMART MANUFACTURING (BUSINESSES)**

With the ‘Make in India’ pursuit, most major manufacturers are believed to be moving over the next three to five years to increase the amount of intelligence imbued into their operations via greater reliance on connected devices, sensors and robotics. IoT devices are being deployed to improve the building management, energy management and manufacturing outcomes.

The risks profile of insured business is expected to change and there is a potential reduction of traditional risks such as fire, workers compensation, commercial property and personal accident. Data emitted by these devices provides greater contextual and business information that can be used for effective underwriting, claims and loss prevention. However, all of the insurers said that much work remains before carriers can reap higher return on investment (ROI) from such investments.

**ADOPTION OF AR/VR DEVICES (INDIVIDUALS)**

The majority of the tier-1 and new-age insurers said that Indians will become better acquainted with these devices and will be comfortable interacting with business providers, something that was not agreed to by a majority of tier-2 insurers.

**ADOPTION OF AR/VR DEVICES (BUSINESSES)**

All of the insurers said that Indian professionals such as doctors and businesses like hotels and manufacturers will leverage AR/VR devices for their operations, mainly for marketing, training and customer education/engagement. The use of these devices brings forth new product opportunities for commercial insurers. Though on one hand it reduces the risk of error, injury or fatigue, on the other hand it holds potential health risks such as eye strain and motion sickness, cyber risks and professional liability risks. These devices also present new servicing and engagement channels for insurers.

**ADOPTION OF SMART HOME DEVICES (INDIVIDUALS)**

The adoption of smart homes has been growing steadily especially in tier-1 cities. All respondents said that this will be a growing trend over the next three to five years, with the rise of personal home devices (e.g., Alexa, Smart home), increasing offerings by smart home device providers (Xiaomi, MediaTek), the entry of telecom providers (Bharti Airtel) into connected home devices, and increasing reliance on smart home automation by home builders.

Smart home respondents said it will provide an opportunity to increase the current home insurance penetration levels with the urban luxury segments through more personalised, innovative products and better customer engagement.
# ADOPTION OF BLOCKCHAIN & CRYPTOCURRENCIES

All insurers said that cryptocurrency payments will not make it to mass adoption, given the complexity of the technology behind it and government resistance. They said that the blockchain adoption will increase among industries, but won’t achieve a scale that would require the insurers to consider the insurability of the risks that could rise with blockchain adoption.

# ADOPTION OF DRIVERLESS CARS (INDIVIDUALS)

Driverless cars are being tested in India; the first of its kind is by Tata Elxsi. All of the insurers surveyed said that driverless cars won’t find their way into civilian use in the next three to five years, given the country’s chaotic roads, driving habits and government resistance.

# ADOPTION OF DRIVERLESS CARS (BUSINESSES)

All respondents said that low adoption will also characterise the commercial sector. Companies such as Mahindra and Nissan are experimenting with commercial vehicles. Insurers said that these vehicles would remain in the experimental mode over the next three to five years. Businesses with defined driving patterns like farming could lead the way in adoption.

# ADOPTION OF 3-D PRINTING (BUSINESSES)

Several Indian industries - including healthcare, architecture, educational and arts and crafts - will leverage 3-D printing techniques/tools for printing prosthetic limbs, automotive interior designs, and printed circuit boards. But all respondents said that 3-D printing is unlikely to gain significant adoption in the next three to five years.
## Digital Business

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### Channels

#### Rise of Web Aggregators/Marketplaces & Online Brokers/Agencies

All respondents, including new-age insurers, said that web aggregators will be a prominent channel in the future, but it won’t displace the traditional agent and bancassurance channels. Players such as PolicyBazaar, Coverfox and Policy X are looking to expand beyond distribution and are providing claims services, third-party administrators (TPA) services and policy servicing. These channels posit a greater proposition than distribution to the insurers like claims and risk assessment support.

#### Rise of Other Insurance Aggregator Incumbents

Respondents unanimously believed that the industry could see several businesses expanding their value chain into insurance aggregation. Given their established brands, these organisations could serve as new distribution channels for established insurers:

- Flipkart, a retail aggregator, is likely to start distribution of financial products like mutual funds and insurance.
- Paytm, a digital payment provider, launches e-wallet insurance, refunding money from the wallet due to theft or unauthorised access.
- New-age digital service providers like sharing economy participants are bundling insurance with services through their platforms—for example, Ola’s partnership with Bajaj Allianz and Uber’s partnership with Coverfox.
- Traditional institutions are also aggregating insurance for their customers. IRCTC recently introduced travel insurance, in partnership with ICICI Lombard, Royal Sundaram and Shriram General.
- Another potential entrant into this space could be established tech giants like Google and Amazon. Google has recently entered through Areo, aggregating services from local service providers, and Amazon has recently invested in Acko to co-distribute and co-produce insurance products.

#### Chat/Voice Bot Channels

Customer interfacing roles like agents and service representatives will be threatened as next-gen intelligent chatbots go mainstream. All of the insurers interviewed said that customers will become comfortable interacting with chatbots in the next three to five years across transactions such as new business and policy servicing. However, roughly 40% of respondents said that their customers would continue to expect human interactions during claims.
### COMPETITION

#### RISE OF NON-TRADITIONAL INSURANCE INCUMBENTS

All tier-2 insurers voiced a belief that nontraditional players that have entered insurance distribution wouldn't move further into insurance underwriting given the insurance regulation complexity. About 90% of the tier-1 insurers and new-age insurers, however, said the opposite. They see a possible scenario where players like web aggregators and online agencies/brokers could launch their own product or become agents with high underwriting authority.

#### RISE OF NEW-AGE INSURERS

All insurers, including new-age insurers, said that there would be an increased number of new-age insurers in the next three to five years given the conducive start-up ecosystem. These insurers are disrupting the way insurance is sold and conducted. Toffee Insurance, for example, is using innovative on-demand products for anti-dengue and backpacker coverage. These insurers are also winning the backing of technology giants (e.g., Amazon's funding of Acko), which is bound to bolster their presence and efforts.

### BUSINESS MODELS

#### RISE OF PEER-TO-PEER INSURANCE MODELS

Roughly 80% of the insurers interviewed, including new-age insurers, said that peer-to-peer insurance would take more than five years to mature in India.

#### RISE OF NEW-AGE INSURANCE TECHNOLOGY SOLUTION PROVIDERS (INSURTECHS)

All insurers said that the industry is warming up to several technology providers and insurtechs that are developing innovative solutions based on new technologies such as blockchain, AI, drones, IoT and others. Insures can look to partner with these insurtechs to leverage these tech-enabled platforms for operational gains across the value chain.
FUTURE-STATE SCENARIOS FOR INDIAN INSURERS

As one CIO of a leading Indian insurer told us, ‘Digital is changing the Indian insurance landscape. It is imperative for us to innovate and stay relevant’. The potent disruptions and limited disruptors were marked with high relevance for insurers, as they are slated to disrupt different nodes of the insurance ecosystem. Figure 2 depicts a relevance heat map based on the survey results and our viewpoints.

Assessing the Relevance of Digitally Enhanced Business

Based on our interviews, the disruption heat map indicated high-level relevance of the trends - adoption of online platforms, sharing economies and connected devices among customers and industries; the rise of web aggregators and other aggregator incumbents; the rise of chatbots; and the rise of new-age insurers and insurtechs. Relevance levels are factored based on both the likelihood and impact levels.

All relevant disruptions can be projected to identify potential future scenarios for insurers to consider over the near to medium term. Adoption of newer technologies by customers and institutions can translate to a reshaped risk landscape or heightened customer expectations and coverage preferences. The rise of new-age channels means that carriers will have new partners to expand market reach. New market players with innovative business models could also pose more stringent competition. The next section lists scenarios that could play out as possible future states for insurers and is derived from the relevance levels of the different disruptions considered.
Convergence of digital technological advances with Indian consumers and industries is reshaping the face of traditional risks and exposures across the insurance sectors.

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<tr>
<th>SECTOR</th>
<th>CHANGING FACETS</th>
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| Auto          | • Reduction in the ownership of vehicles with sharing economy and rise of telematics device adoption will lead to potential reduction of traditional auto risks and thereby a reduction in traditional auto premium growth.  
• The advent of ride/car sharing will give rise to new risks that are currently not addressed or create gaps in current coverages.  |
| Home          | • The use of shared/leased personal goods and smart devices by urban segments can lead to new risks that are not addressed or that create gaps in existing personal content coverages.  
• The use of smart home devices for security and comfort by urban segments will reduce risks of theft/burglary, damage, leakage, etc.  |
| SME           | • Increased use of digital technologies and services for customer functions and operations by SMEs will present newer commercial risks like cyber risks and professional liabilities.  
• New technology-based products/offers by tech start-ups (like manufacturers of drones, telematics or providers of services as in the sharing economy) pose higher product or professional liability risks than traditional businesses.  
• Diverse business models (the aggregation of downstream services, offerings of new-age service) adopted by Indian SME businesses for boosting revenue will give rise to complex business risks.  |
| Large commercial | • Increased adoption of smart operations, robots, the IoT and smart machines could lead to a reduction of traditional risks (workplace injuries, fire/accident incidents) and open up newer risks of business disruptions, cyber attacks and other liabilities.  
• Manufacturing of customised products for new-age technology-based incumbents can potentially lead to product liability concerns. For example, Hyundai is targeting cab aggregators, ride-sharing companies and taxi operators through a new tailor-made package called Prime*.  |
| Life          | • Increased possibility of critical illness among Indians due to digital lifestyles adopted by consumers. Roughly 60% of life insurers said this could be a possibility.  |
| Health        | • Reduced health risks due to increased health awareness and penetration of health wearables and apps.  |

Convergence of digital technological advances with Indian consumers and industries is reshaping the face of traditional risks and exposures across the insurance sectors.
Your Customers May Not be the Same

The millennial digital Indian customers of tomorrow, thanks to rapid urbanisation and digital penetration, will be more aware and demanding in their product and service choices.

Driven by expectations shaped by online players, both rural and urban Indian insurance customers expect their insurance providers to have simpler products, provide more self-services, deliver seamless multichannel experience, interact more contextually and offer them additional value-added services beyond just risk protection.

Millennial customers are willing to share personal data such as health information if it means reduced premiums. They are less resistant to change and are more open to trying new insurance products and innovations, provided it is less cumbersome and easier to deal with. The commercial customers, especially the SME segment, is also becoming personal in their expectations and needs, given their increased adoption of digital technologies. Insurers must tap into the big data extracted today from their customers’ digital footprints to better understand the mysteries of their traits and code effective strategies.

Your Traditional insurance Products May Take a New Shape

Driven by digital companies’ experiences outside of insurance and their exposure to new-age digital services, Indian customers will increasingly expect more flexibility in their coverages – with the ability to switch on/off coverages, expand/reduce coverage limits and blend coverages to obtain cross-asset protection. Another factor is that mandates to insure new digital products and services could create new product structures with enhanced ROI.

Your ‘Intermediaries’ Will Have a Broader Definition

The traditional insurance agent channel definition will undergo a face lift in the years to come. The term ‘intermediaries’ will no longer be confined to traditional agents or banks, but also expand to include manufacturers, retailers, digital incumbents, rural establishments and other big data ‘hubs’ that are positioned as new spokes of insurance distribution, either through white labeled products or by facilitating aggregation of insurance for their customers/clients.

Your Competition Will No Longer be Homogeneous

As digital technologies become pervasive, they remove the barriers of entry such as prohibitive costs and enable the scaling of operations on demand. As a result, the competitive set is bound to change:

- New-age insurers like Toffee, Digit and Acko will gain popularity among the millenial population, and are bound to capture significant mindshare from traditional players over the next three to five years with more natural buying and customer-centric approaches.

- The rise of aggregation services will put all the insurers on level ground - irrespective of their current market share and brand - making even a small player a potent competitor.

Driven by expectations shaped by online players, both rural and urban Indian insurance customers expect their insurance providers to have simpler products, provide more self-services, deliver seamless multichannel experience, interact more contextually and offer them additional value-added services beyond just risk protection.
PRESENTING NEWER OPPORTUNITIES TO SCALE

Apart from shifts in business, the rise of digital technologies also presents several operational efficiency opportunities to insurers by addressing the cost and effectiveness challenges they face today in core processing, customer interfacing, field operations, etc. Some of the notable business opportunities provided by these emerging digital technologies include:

• **Robotic process automation (RPA) of processes.** Several of the repetitive and manually intensive administrative tasks like document verification, system entry and forms management can be automated through RPA. According to one CIO of a leading general insurer, ‘Process automation is one the key focus areas for us in the immediate future. Most of the industry is paying closer attention toward it, given the technologies available today’.

• **Next-gen customer interfaces.** Several customer interaction functions can be conducted through AI-based chatbots and voice/speech recognition algorithms. Insurers like TIAA implemented robo-advisors to help their clients with wealth management. Most leading Indian insurers such as Bajaj Allianz, ICICI Lombard, TATA AIA, Birla SunLife and IndiaFirst are deploying chatbots for servicing and other customer functions. All of the insurers interviewed, both life and general, cited that they would look to expand and enhance the way they leverage chatbots across functions.

• **Intelligent decision support for underwriters and claim adjustors:** Cognitive technologies like machine learning and natural language processing (NLP) can help underwriters and claims adjustors quickly construct insights from unstructured sources such as social media, documents, videos, etc. and help in advanced decision-making support. Zurich Insurance has begun applying artificial intelligence in the personal injury claims adjudication. Progressive Insurance uses machine learning to predict claims from telematics and geospatial data. Roughly 90% of the general insurers and 60% of the life insurers interviewed said they will apply greater focus on machine learning algorithms for improved underwriting and claims decision-making.

• **Immersive and contextual assistance for field employees.** The insurers can leverage the technologies of AR/VR for an enhanced assistive and immersive visualisation of information during functions like training, risk assessment, loss prevention, loss survey and customer engagement. Travelers Insurance is working with AppliedVR in developing a VR mobile application aimed at industrial safety. SBI Life India created awareness of the need for life insurance through an AR app. PNB MetLife India has launched a VR-based customer service platform conVRse. Customer interfacing through AR/VR can also be leveraged by general insurers, especially commercial players, for complex monitoring purposes like risk assessment, loss prevention and catastrophe claim assessment. Insurers like State Farm have started leveraging drones for property roof inspections to determine nature and extent of damage. The applicability among Indian insurers is initially focused on crop insurance. Roughly 80% of the general insurers we spoke to expect to focus heavily on drone-based assessment over the next three to five years. The Indian central government is also looking to deploy indigenous drones to settle insurance claims under the newly launched crop insurance initiative – Pradhan Mantri Fasal Bima Yojana (PMFBY) – and other such products.
• **Blockchain-based centralised processing.** Distributed ledger technology has huge potential to enhance the industry’s business model. With its inherent characteristics of decentralised validation, immutability and encryption, blockchain can help address some of the key cost challenges that many incumbent insurers face in a digital age by enabling significant automation and cost management opportunities. Bajaj Allianz recently launched a blockchain-based travel insurance app Travel Ezee, which pays out claims automatically when there are flight delays. A consortium of leading life insurers has been formed and they are seen exploring several collaborative use cases to ease operations.

Some of the key blockchain use cases explored by insurers across the globe include death claims management, reinsurance contract management, parametric products (event-based insurance products) and identify authentication. Roughly 60% of the insurers interviewed said that blockchain adoptability will increase in the market, especially when the ledger is owned and moderated by a third party like the regulator or reinsurer. To learn more, visit the Blockchain Primary Research section of our website, and read our latest white papers, ‘Blockchain in Insurance: Risk Not, Reap Not’; and ‘The Future of Blockchain in Asia-Pacific’.

**PREPARING FOR THE FUTURE**

The digital future is ripe for insurers. We believe that it is critical for insurers to frame business strategies to ensure that they are flexible enough to effectively harness technology-enabled forces of change. Figure 3 depicts key mission-critical themes for insurers across products, channels, processes, systems and innovation.

**Future-Proofing Strategies**
Redesign Current Products & Service Offerings

To take on the future forms of risks and increase the ‘buying insurance’ culture among millennial Indians, insurers need to look at remodeling their current products. The traditional ‘one-size-fits-all’ approach will not sail well into the future. Among the product innovations insurers can consider are:

- **Micro-insurance.** This model could be the next thing in the Indian market, in which insurers offer low-priced products for specific coverages. Several experiments by various players in India have met with mixed success. But with the current explosion of macroeconomic and technology influences, and with the government acting as a strong catalyst, the time is ripe for a new wave. Some of the common ways micro-insurance policies can be designed include:
  - **Usage-based insurance.** The low-premium product would have periodic payments based on usage (how much or how you use it, etc.) – for example, a pay-per-mile auto insurance product with price determined on miles that one drives. Life insurance could be priced based on life events or individuals’ habits in a time-bound manner.
  - **Event-based or episodic insurance.** These products are designed to cover only a specific event. For example, a customer might be interested in personal accident coverage while taking a lengthy ride share.
  - **Need-based coverage.** These products are designed based on specific needs of customers. Instead of insuring the home and its contents as a whole, the customer might be more interested in insuring his smart TV or fridge.
  - **Parametric insurance.** These are more automated products with payouts based on parameters directly related to the risk. An example could be a micro-crop insurance that pays claims based on weather, rainfall levels, etc.

- **Products to packages.** Insurers could also look at finding ways to bundle and create customised packages or product offerings for the appropriate customer segments. Many insurers across the globe are bundling group benefits with accident and health coverages. Product packaging also holds a lot of potential for the SME insurance market, given its diverse segments.

- **Products for new-age risks.** Insurers should look at developing new products for new-age risks like the liability risks associated with using digital services across the sharing economy and liability/physical damage risks associated with the use of drones or smart devices.

- **Expanded product services.** To create a viable differentiation in the world of digital innovation and disintermediation, insurers should consider new business models that include a holistic and broader suite of services rather than just insurance. They can develop ecosystems through alliances with other partners that address customer needs in a comprehensive manner. For example, USAA has begun to provide tools to customers, which help them find suitable homes, financing or rents along with home insurance quoting and buying options. Such a model will help insurers garner greater revenue options, penetration, brand recall, customer wallet share and customer retention.
Develop Strategic Partnerships

With the Indian insurance landscape expanding to include new distribution agencies, new-age insurers and insurtechs, it is important for the insurers to explore strategic partnerships to achieve scale across the value chain.

All of the life and general insurers we interviewed said they plan to increasingly focus on strategic partnerships over the next three to five years. Some of the partnerships they should consider include:

- **Distribution.** To cross sell personalised insurance, insurers should look beyond traditional distribution channels and explore strategic partnerships with newer channels such as retail aggregators (Amazon, Flipkart, etc.), telecommunication providers (Airtel, Vodafone, Jio, etc.), smart home devices manufacturers (Amazon, Xiaomi, etc.), AR/VR device providers, telematics device manufacturers, sharing economy providers (Uber, Ola, OYO, etc.), transportation providers (IRCTC, bus providers), and messaging apps (WhatsApp, Facebook messenger, etc.). Allianz, for example, has set up a joint venture with Chinese Internet giant Baidu that enables it to apply data about consumers’ online behaviour to create customised offers.

- **Rural distribution and operations.** Insurers could look at partnering with established digital players in the rural segment and leverage their established digital platforms for insurance distribution. For example, insurers could consider integrating with digital TVs, mobile apps and bank ATM technologies and leverage those platforms for their selling and operations.

- **Process support.** Insurers are presented with several market enablers today to help them improve their supporting processes like payments and know your customer (KYC) functions. They should explore Aadhaar-based biometric authentication for faster customer onboarding and cashless payment processing given the rise of mobile payment modes (Paytm, UPI, etc.). They can also look to integrate with digital data sources/aggregators such as third-party digital lockers used with government or medical records for automated data entry.

- **Product innovation.** Insurers can partner with new-age insurers like Acko, Digit and Toffee and sell innovative products in a white/private labelled manner.

Tech up the Channels

It is equally important for insurers to up-scale their current channels and make them more relevant for the digital world. Artificial intelligence-based tools and solutions can help traditional agents and banca agents to sell better by providing real-time customer insights, products/coverage recommendations and sales support.

AI-based chatbots on online/mobile platforms can help customers get agent-like support through their ability to interact more contextually and provide handholding to complete the transactions. These chatbots can be tuned to communicate in natural languages for the rural markets.

Make Processes ‘Lean’

Insurers should look at making their processes/operations lean and standardised across functions and lines of businesses. Not only does it help to remove waste (non-value-added steps), but it also helps to make processes fungible enough to take on any functional advancement/modernisation infused by
the adoption of new technology. Insurers should start by considering to automate processes through centralised rules engines or through blockchain (i.e., smart contracts) or robotic process automation.

**Future-Proof Enterprise IT**

Indian insures will progressively move to an ecosystem of continuous changes in their operating and business models, rewritten by evolving technology advances. The key to success for insurers is to ensure business agility. Winners will be those carriers that deploy flexible IT systems and processes required to enhance business agility.

Insurers should upgrade their current IT platforms with the ability to scale up to meet growing business requirements through an open architecture (microservices or application programming interface based) that can easily integrate with the growing partner ecosystem, and an easy configuration flexible enough to meet changing business needs. Leading insurers are already adopting IT processes like two-speed IT delivery and DevOps automation to meet the demands of the dynamic business landscape.

**Develop Next-Gen Organisational Structures & Roles**

Indian insurers must increase their focus on restructuring talent pools and upskilling their human resources. Skills are clearly a fundamental factor in creating new digital services. Insurers must therefore identify the right skills required and should look to leverage digital tools such as social media sites to attract today’s younger workforce.

Leading insurers create new executive roles like chief data officer (CDO), chief data scientist, etc. with clear business-driven outcomes to ride the digital wave as a front runner. Insurers like XL Catlin and RSA have recently appointed CDOs. Additionally, new roles like data scientists, data engineers, product designers and technologists with skill sets in advanced technologies like artificial intelligence, robotics, blockchain, etc. are required for insurers to undertake this journey.

Recruitment and compensation for these roles will require different investments. Insurers should look at changing their operating model from line of business (LOB)-based silos to customer-centric organisations. Changing customer expectations are blurring boundaries between lines of business. A leading insurer that we work with combined its SME and personal insurance departments due to the similarities in the customer segments served.

**Ensure Data at the Core**

Insurance has always been a data-driven business. With the digital world beckoning, Indian insurers are entering into an era of information where several unknowns can emerge. Leveraging this data into actionable insights can help businesses future-proof their digital strategies. Indian insurers should look at investing in creating a centralised data warehouse scalable enough to capture and store the real-time data and business intelligence systems to make informed business decisions, backed by an effective data strategy.

They should look at their strategic partners to obtain meaningful data within the data privacy regulatory boundaries. Machine learning and AI-based intelligence systems can help insurers to quickly analyse real-time data and derive more meaningfull insights. Data-driven operations help insurers provide customer-centric operation outcomes that can enhance ROI.
Manage Continuous Innovation

Innovation will become a key differentiator across the industry. Insurtechs and technology-driven start-ups are emerging and disrupting the insurance value chain through their innovations. To keep up with the rapid pace of technology advancement and completion, insurers must tackle innovation and future-proof themselves. Insurers across the globe have employed different mechanisms best suited to maximise their competitive advantage. In addition, insurers should also look at industry collaborations to co-explore mutual use cases across technologies such as the recently formed life insurer consortium for blockchain exploration.

LOOKING FORWARD

The proliferation of digital technologies and thinking, combined with improving socio-economics across India, are reshaping the country’s insurance ecosystem and will continue to bring in dramatic changes over the next few years.

Insurers need to embrace new business and IT strategies that can withstand impending market changes wrought by consumer need, market shifts and new regulatory mandates. Investment in digital technology will prove to be a huge differentiator in the coming years.

‘Innovate soon or perish’ is a new mantra shared by the Indian insurers with whom we spoke. All of them are keeping a close eye on emerging digital technologies to make sure that their organisations are among the survivors.

Various Innovation Approaches Undertaken by Insurers Worldwide

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<td>Set up in-house innovation center</td>
<td>Launch venture capital fund</td>
<td>Participate in accelerator programme</td>
<td>Partner with insurtechs</td>
<td>Partner with Innovation Service Provider</td>
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<td>Set up the physical space teams and platform within their own organisation</td>
<td>Act as a venture capitalist to fund innovation via start-ups, insurtechs and academia</td>
<td>Be part of mentor-driven accelerator programme to foster innovation through start-ups and insurtechs</td>
<td>Partner with (or acquire) insurtechs for distribution, analytics and/or marketing</td>
<td>Jumpstart the efforts leveraging the service provider’s innovation eco-system</td>
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- AIA EDGE LAB
- Allianz Asia Lab
- MetLife Asia LumenLab
- Humana Innovation Center
- IAG Customer Lab & Digital Lab
- Manulife Lab of Forward Thinking
- USAA Innovation Lab
- Aviva Ventures
- AXA Strategic Ventures
- American Family Ventures
- Generali VC Fund
- HSB VC Group
- MassMutual Ventures LLC
- Prudential Gibraltar Ventures
- Transamerica Ventures
- AIA Accelerator 4.0 & KPMG Digital Village
- Microsoft Ventures Accelerator & American Family Insurance
- Global Insurance Accelerator (backed by 7 Iowa insurers)
- Swiss Re InsurTech Accelerator
- XL Catlin & Startupbootcamp InsurTech
- StateFarm & Canary
- AXA – Grab, Shift Technology, MyDoc, UEX
- Manulife – Indico, Nervana, Consensys, BlockApps
- Travelers & Simply Business (acquisition)
- Cognizant InsuranceNext™ Lab and Cognizant Digital Works Collaboratory
- Accenture Digital Solution Center
- TCS Innovation Labs

Note: Organisations employ different mechanisms best suited to maximise their competitive advantage.
Source: Based on publicly available sources
Figure 4
APPENDIX: METHODOLOGY

We conducted in-person and telephone interviews of 12 CXOs of select insurers and insurtechs between the months of January and July 2018. Respondents were split between life (five) insurers, property and casualty (five) insurers and (two) insurtechs. In each of the organisations, we ran the interview sessions with a personalised questionnaire to develop the insights. In addition to the insurance executives, we also spoke to approximately 10 industry experts to gain additional substantiating insights with an outside-in view.
FOOTNOTES


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India’s Insurers Embrace Digital’s New Normal
ABOUT COGNIZANT INSURANCE

Cognizant’s Insurance Practice is one of the largest industry verticals that partners with insurers to evolve their business and technology landscape and enable end-to-end digital transformation. Thirty-three of the top 50 U.S. insurers and seven of the top 10 global insurers rely on us to help manage their technology portfolio across multiple business entities and geographies. We serve the entire range of lines of business within life, annuities, and property and casualty insurance.

Our consulting-led approach, deep domain expertise and partner ecosystem enable clients to address the dual mandate of “optimizing the business” while “driving digital at scale.” From large-scale core system transformation to adoption of cutting-edge technologies like artificial intelligence, analytics, blockchain, automation and machine learning, we partner with insurers to envision and build the digital insurer of the future.

Our partnership includes helping insurers build their own technology platform with the capabilities they need or providing one for them, incorporating digital capabilities to achieve immediate results. Learn more about Cognizant’s Insurance Practice at www.cognizant.com/insurance.

ABOUT COGNIZANT

Cognizant (Nasdaq-100: CTSH) is one of the world’s leading professional services companies, transforming clients’ business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 195 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us @Cognizant.