

PREMIUM



THE INSURANCE LANDSCAPE IS EXPECTED TO WITNESS AN INFLUX OF TECHNOLOGY AND CAPITAL. THE RESULTANT SURGE IN COMPETITION COULD RESHAPE THE INDUSTRY, LEADING TO IMPROVEMENTS, AS FIRMS LOOK TO CATER TO THE EVOLVING NEEDS OF CUSTOMERS

BY TEENA JAIN KAUSHAL

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SERIES OF technological changes appear to have coalesced to transform the insurance landscape. From the use of artificial intelligence (AI) and data analytics to process claims to innovative tech-enabled products and changes in the kinds of cover that are demanded, there has been a sea change in the sector.

This has forced traditional play-

ers to remain on their heels, trying to match new-age, agile insurtech start-ups that are using vast troves of data to personalise cover, recognising risks unique to their customers, with simplified processes, faster claim settlements, and seamless online platforms.

The influx of new insurers such as Go Digit Life Insurance, ACKO Life Insurance, and CreditAccess

PLAY



FUTURE FOCUS

- 1 AI INTEGRATION FOR RISK MITIGATION:** Insurers are looking to embrace AI and data analytics for better risk assessment, fraud detection, and personalised pricing strategies
- 2 INSURTECH DISRUPTION:** Insurtech firms may continue to disrupt the market by addressing gaps in health coverage through innovative technology
- 3 CUSTOMER-CENTRICITY:** Insurers are moving towards customisation, tailoring policies to individual preferences and behaviour
- 4 CLIMATE CHANGE COVERAGE:** There could be an increase in demand for insurance products covering climate risks and natural disasters
- 5 CYBER INSURANCE:** With an increase in cyber threats, there's a rising demand for cybersecurity insurance to shield businesses and individuals from financial losses

Life also means an expanded network of distributors, making insurance accessible to a larger portion of the country. This is much needed, considering the very low penetration of insurance in India. According to the Insurance Regulatory and Development Authority of India (Irdai), insurance penetration was just 4% in FY23, a minor dip from 4.2% in FY22. "Low insurance penetration and huge protection gap stemming from low awareness around insurance is one of the biggest challenges that the industry is facing. There is a need to create a long-term approach towards this product category in the minds of customers," says Vibha Padalkar, MD & CEO of HDFC Life.

Tapan Singhel, MD & CEO of Bajaj Allianz General Insurance Company, agrees with this assessment. "I've consistently advocated for India to have over 1,000 insurers to cater to our country's population, aligning with the practices of other developed countries that boast a similar abundance in the insurance industry with a much smaller population. This surge in competition is set to elevate service standards, leverage cutting-edge technology to reduce costs, and ensure customer satisfaction," he says.

AI AND DATA ANALYTICS

Foremost among the changes reshaping the industry is the increased use of AI and data analytics. Insurers have embraced these technologies to enhance risk assessment, detect fraud, and offer personalised pricing. Besides, newer technologies like facial recognition are also improving processing, like with facial underwriting.

"AI will analyse real-time data to personalise premiums based on individual risk profiles and behav-

hours. AI algorithms can identify fraudulent claims with greater accuracy, reducing costs and protecting honest policyholders. AI can analyse weather patterns, traffic data, and other factors to predict potential risks and help policyholders mitigate them,” says Dhirendra Mahyavanshi, CEO and Co-founder of online insurance comparison platform Turtlemint.

AI can also help analyse macro trends. For instance, in the case of parametric products, AI could help identify areas with heavy rainfall on specific dates, facilitating on-the-go claim processing.

“Blockchain technology could be explored to check the authenticity of records and this in turn would increase transparency. Cloud computing has revolutionised the business through benefits of data storage, enabling remote work, scale and cost savings as well,” says Padalkar.

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THE RISE OF INSURTECH

The advent of insurtech firms—start-ups that use technological tools for insurance—has been a disruptive force, challenging traditional models and prompting innovative solutions. As insurtech continues to evolve, traditional insurers may need to adapt and collaborate with these innovative players to stay relevant.

“One example of this is the National Health Claims Exchange platform, which will help bring transparency, faster claim processing, effectiveness, and an overall better and worry-free customer experience for our citizens,” says Singhel. The National Health Authority has created a digital health claims platform, which functions as a gateway for the exchange of claims-related information.

Besides, such collaboration may also be required considering the trend towards personalised products. These customisable policies

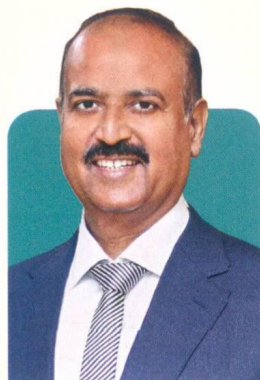
ROOM FOR GROWTH

- Life insurance penetration decreased to 3% in 2022-23 from 3.2% in 2021-22
- Total insurance penetration has increased from 3.71% in FY19 to 4% in FY23

LOW INSURANCE PENETRATION RATE IN INDIA

YEAR	LIFE INSURANCE	GENERAL INSURANCE	TOTAL
2022-23	3.00%	1.00%	4.00%
2021-22	3.20%	1.00%	4.20%
2020-21	3.20%	1.00%	4.20%
2019-20	2.82%	0.94%	3.76%
2018-19	2.74%	0.97%	3.71%

SOURCE IRDAI ANNUAL REPORT



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TAPAN SINGHEL

MD & CEO, BAJAJ ALLIANZ GENERAL INSURANCE COMPANY

can tailor coverage to individual preferences, behaviours, and data, like pay-as-you-drive policies, which only charge customers for the distance driven. “Looking ahead to the next five years, the Indian motor insurance landscape is anticipated to undergo significant transformations. There might be an increased focus on adapting to autonomous vehicles, potentially prompting a reassessment of insurance models to accommodate these changes,” says Neel Chheda, Executive Vice President and Head-Auto and Actuarial Analytics at Tata AIG General Insurance. “There could be an emphasis on redefining liabilities among drivers, manufacturers, and AI systems, reshaping the structure of insurance policies,” he adds.

Such usage-based products could also be used to promote eco-friendly initiatives by offering incentives or reduced premiums for owners of electric vehicles, says Chheda.

That brings us to climate change. Demand is expected to surge for

GLOBAL STANDING

- In 2022, India's insurance industry was ranked the 10th globally with a premium volume of \$131 billion
- India holds 1.9% share in global insurance premiums and is projected to become the sixth-largest by 2032

PREMIUM PAID BY REGION IN 2022 (IN \$ BILLION)

REGION	LIFE	NON-LIFE	TOTAL
Advanced markets	2,140.47	3,356.40	5,496.87
Emerging markets	672.56	612.8	1,285.35
Asia-Pacific	1,032.81	692.16	1,724.97
India	99.5	31.53	131.6
World	2,813.03	3,969.20	6,782.23

SOURCE IRDAI ANNUAL REPORT/ SWISS RE SIGMA WORLD INSURANCE REPORT

products that specifically deal with climate risks and natural disasters. "Climate change is a growing concern across the globe, and India is no different; between 2001 and 2021, we witnessed more than 350 natural catastrophes. Incidents like floods, cyclones, and landslides are on the rise across the length and breadth of the country. The protection gap between insured loss and economic loss is alarmingly wide, at more than 90%," says Singhel.

Insurers, both public and private, governments at the state and central levels, and regulatory bodies have to come together to make country-wide parametric insurance, or insurance related to specific events, a reality. "The product will go a long way in bridging the protection gap and helping Indian citizens rebuild their lives much more swiftly after a [catastrophic] event," adds Singhel.

Among emergent risks, there is the threat of cyberattacks, which is expected to spur a surge in demand for cybersecurity insurance,



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MD & CEO, HDFC LIFE

which protects entities from the financial impact of cyberattacks. "Insurers will go beyond merely covering damage, taking a proactive approach by offering risk management services and security assessments to help businesses fortify their defences. Beyond individual companies, we might see public-private partnerships emerge, with governments and insurers joining forces to create strategies for mitigating cyber risks and amplifying public awareness of looming threats," says Mahyavanshi of Turtlemint.

REGULATORY CHANGES

Not to be left behind, the regulator, IrDAI, too, is preparing to make changes as it looks to meet its target of insurance for all by 2047. For instance, it plans to launch initiatives like Bima Vistaar, a social security-related product; Bima Sugam, a one-stop portal for all insurance-related products; and Bima Vahak, an insurance distribution channel. These could ensure that insurance becomes widely available.

Take the case of Bima Vahak. It operates as a women-centric distribution model, intended to extend coverage to every gram panchayat or household nationwide. The lead insurer takes charge in states allocated to insurers, offering a comprehensive mix of all-in-one insurance products for home, life, and health insurance under Bima Vistaar.

"Currently, the insurance sector predominantly focusses on major cities and metropolitan areas. However, this trend is set to change with the Bima trinity (Vistaar, Vahak, and Sugam) as the industry extends its reach into semi-urban and rural India," adds Singhel.

Considering the low insurance penetration in the country, customers will hope that these envisaged changes come to fruition soon. **BT**

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