

PGDM-IBM, Batch 2019-21

Insuretech

INS-309

Trimester-III, End-Term Examination, June 2020

Time Allowed: 1.5 hours.

(Case Study based question, 30 Marks)

Case Study : Getting an #InsureTech venture live

“We are not entering in to insurance business to sale motor or health policies but to provide an extra ordinary experience to our customers. For years Indian customers have been having an negative perception about the insurance service / claim , we wish to redefine it with a 100% digital platform for all stage of customer journey staring from lead generation to the claim settlement . We know our limitations & that is why we have decided only to operate on motor & health segment of the business that too in retail line. We intent here is not to become the top insurance company in terms of top line but to be on top in net promoter score (NPS). We are determined to run a paperless insurance company from day one of our business going online which may take a month or so” said Mr. Manish Gindotra in the press conference while announcing the launch of the Future Digit Insurance Company (FDIC) in India after getting R3 certification From IRDAI on May 25th , 2020. FDIC is a joint venture of an Indian #InsureTech venture by name #MotorPal & an US based #InsureTech company #MyHealth . Both the partners have a great brand equity in their respective domain . This company has the mandate of , as per their request to operate only in motor & health line of business.

“In spite of motor insurance being a mandatory requirement by the law of the land , around 50% of the vehicle plying in roads do not have insurance cover & blame can not be attributed only to the customers. The industry & the players have not developed the co-system to ease the purchase of motor policy & we are determined to change it by our easy LMS / ML / AI led on-boarding process. Though the Indian automobile sector has witness a sea change in technology deployment very well seen in the numbers of companies & brands available here , the poor insurance buyer is still in 1950’s paying their premium on the model developed on year of make & engine capacity (cc) mode. There is no difference between two different drivers & even on the extent of the use of the vehicle. We have more or less similar issues with the health insurance eco-system. Charging premium on the basis of age is an outdated mechanism . we need to incentivise people to be healthy & use the insurance claim as less as possible. The winning mantra here is not to pay claim quickly but develop an eco- system which enable customers not to fall sick .We are here to change all these in coming days” promised Mr. Manish to the journalist / invitees attending the launch ceremony

Across the globe motor insurance has been the biggest line of business in terms of premium collection. India is no exception. In year 2018-19 motor insurance contributed around 38% of the GWP of the general insurance business which was of around Rs 1.70 lakhs crores. There are 34 general insurance companies selling motor policies & this line of business has the history of growing in size year after year. Almost 10% of the premium were coming from new vehicles & rest 90% were of renewal nature. The business portfolio had never been that great in terms of profitability. The

overall incurred claim ration was of 91% & the industry made a loss if one go for combined ratio. However the performance of the private players as a group was relatively better with an incurred claim ration of 76%. The third party component had a long tail impact & the industry has been struggling with it.

The distribution is also very fragmented. Al most all the channel contribute to the sale , agency being the top contributor with around 40% share. Off late online sale be it through web-aggregator or even directly to the website of the companies have seen good traction. Post the enactment of motor insurance service (MISP)regulation , the OEMs & the showrooms owner have a literal monopoly over the new vehicles. The launch of the many internet based sale platforms such as IMF , CSC & PoS brought a sense of ease for the customers. It also increased the reach.

The servicing / repair post a claim has been an issue for long. Though much improvement has been seen in last two decades with a good number of auto brands setting the showroom cum service station either owned or in franchised mode. However , in tier 2/ 3 the cashless claim settlement remains a distant dream as these garages are not interconnected. Many a times the customer are to pay claim upfront & then get is reimbursed by insurance companies.

Health happens to be the second biggest portfolio in general / SAH insurance portfolio. It contributed around 30% of the industry top line. The incurred claim ratio for the industry was at around 89% while the private GI company had it at 75% & stand alone HI companies at 61%. It is reported that the group medical portfolio has been a constant concern because of under pricing. This table provides the summary of the business distribution(Source IRDAI Report 2019)

Category of business	% contribution in prem.	No of people covered
Govt. schemes	13	36.0 Cr
Group Business	48	7.30 Cr
Individual	39	4.21 Cr

This data shows the huge untapped potential in retail space.

Like motor , agency channel dominates even in medical insurance contributing around 54% of the sales volume followed by direct marketing (mainly corporate sales) at 24%. Online , though having a great growth figure over the previous years contributed only 2%.

The on going Corona crisis gave an impetus in insurance awareness & sale of Corona specific product launched by insurance companies. One surprise element was the growing acceptance of e-commerce / payment platforms such as Phone-Pay , PayTm , Flipkart etc. as a viable channel for selling such small ticket size corona policies.

Industry also witnessed some positive initiative coming from regulator side. The regulator introduced a standard health policy by name #AarogyaSanjivini to be sold by all insurance companies there by making a benchmark. They are also moving in right direction for standardization of insurance terms / conditions. We also had a successful launch of the third cohort of alliance / proposal under “sandbox” approach. This small initiative may bring a greater deal of innovation soon.

Based on the inputs given in the above case & also on the basis of your overall understanding of the insurance market , attempt the following questions :

Questions :

1. Do you believe that the restrictive line of business opted by FDIC is good enough to survive in cut-throat competition ? What kind of organizational set-up you suggest ? (CILO 1) **Marks 5**
2. Identify the specific target segments & the appropriate distribution channel/s to serve the segments ? (CILO 2) **Marks 5**
3. Identify & outline the integration of the technology / platforms so as to have a sustainable business model looking at the target segments & channels so identified . (CILO 2) **Marks 15**
4. Evaluate the privacy & ethical issues while implementing the business model. (CILO 3) **Marks 5**