International Journal for Research in Engineering Application & Management (IJREAM)
ISSN : 2454-9150 Vol-04, Issue-12, Mar 2019

Role of Technology in Life Insurance Business – A study on Online V/s Offline Sales

Dr. J. Ravi Kumar, Asst. Professor, Department of Commerce, Osmania University, Hyderabad, India. rkjastiou@gmail.com

***Abstract* - Insurance is contract, represented by a policy in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. Insurance is a unsought product, unless it is forced by somebody nobody will buy the policy, because it is intended to buy to hedge the risk but not for return. At present, Insurance will become mean of investment. An insurance intermediary is a person or a company that helps in buying insurance. They are insurance agents, insurance brokers and financial advisors. Insurance intermediaries are legal entities and individuals who offer or conclude insurance contracts on behalf of insurance companies or other individuals. In the market, insurance companies are increasingly introducing online term plans for lesser premiums to customers Therefore people are willing to buy the policies on their own. Insurance companies are moving slowly from agent based sales force to online sales. Hence, this study is focused on the role of intermediaries in life insurance business, know the trends of online and offline life insurance premium and find the relation among number of agents, amount of Premium and number of lives get insured through online and offline mode of sales.**

The secondary data was collected from annual reports and other publications of Insurance Regulatory and Development Authority of India and Respective life insurance companies. This study concluded that, life insurance companies are focusing on online sales on par with offline sales.

Key words: Insurance, policies, online, offline

I. INTRODUCTION

Insurance is contract, represented by a policy in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. Insurance is a unsought product, unless it is forced by somebody nobody will buy the policy, because it is intended to buy to hedge the risk but not for the return. Now a day, Insurance will become mean of investment. An insurance intermediary is a person or a company that helps in buying insurance. They are insurance agents, insurance brokers and financial advisors. Insurance intermediaries are legal entities and individuals who offer or conclude insurance contracts on behalf of insurance companies or other individuals. In the market, insurance companies are introducing online term plans for lesser premiums to customers Therefore people are willing to buy the policies on their own. Insurance companies are moving slowly from agent based sales force to online sales.

The Indian life insurance industry has witnessed a quantum of increase in terms of no. of players, worth of business, penetration of insurance etc.. Year 2000 is the milestone for Indian life insurance business. Before 2000, only one insurance company i. e Life Insurance Corporation of India (LIC) in life insurance business. But now there are 24 players in life insurance business. Life insurance business is also increased tremendously from the year 2000 to 2018 in terms premium, no. of policy holders and penetration. But at the same time, life insurance companies are changing their traditional approach (Agents) to Modern approach (online selling) to attract policy holders and increase their business. Overall there around 5 percent decrease in agent's size during the study period. In the year 2014-15 business from individual agents also decreased by 20 percent at the same time business through online selling increased. An insurance intermediary is a person or a company that helps in buying insurance. An insurance intermediary includes individual agents, corporate agents including banks and brokers. They intermediate between the customer and the insurance company. Insurance also includes Surveyors and third party Administrators but these intermediaries are not involved in procurement of business. Surveyors assess losses on behalf of the insurance companies. Third Party Administrators provide services related to health insurance for insurance companies.

II. REVIEW OF LITERATURE

Dr. B. Sandya Rani (2017)[1] in her paper on "Impact of Technology on Life Insurance Corporation of India" made an attempt to examine the organizational impact of information technology on LIC of India and to present the alternative channels of premium payment. Constantly

 DOI : 10.18231/2454-9150.2019.0125

changing industry regulations and high customer expectations, insurers need to stay on their toes, when it comes to technology as an enabler, by making it a central and successful part of their operation. How well the technology performs for both staff and customers is vital for future reputation and growth, as insurers vie for business amidst an online price and policy war.

Mr Koushik Radhakrishnan (2015)[2] in his paper on "IT in Insurance - Role of technology at the inflection point of the insurance industry" reminds insurers to harness the might of technology for their business urgently, as any delay or continuing with a conservative approach is high risk, rendering them obsolete with their customers. The insurance industry is a growth play for Asia. On 5 January 2015, The South China Morning Post reported that Munich Re, the world's largest reinsurer by premium volume, mentioned that premium from the Chinese market grew by 25% year on year to EUR1.39 billion (US$1.56 billion)in 2013. China's premiums were also expected to more than double until 2020. There is a compelling need as the addressable market expands within emerging economies. A big rural population that is already on a mobile phone can be a big client base. This calls for singular focus on making the business models minimal while minimising the enterprise risk. And technology today opens that possibility. It is also to be noted that any delay in self-disruption to simplify, or a conservative approach, is high risk – as the next insurance company may be a telecom or retail or a start-up, like what Amazon did to books and Apple to music.

M P Pandikumar, V Manickavasagm and Sekkizhar (2011)[3] *in their paper on "*LIC Agents: Their Regional Preference and Its Impact on Business Prospects" is focused on the success of life insurance industry not only relies on the successful features of its products, but also on the astounding role of agents who take immense efforts towards solicitation of insurance business from public. Though LIC is a pioneer in the industry with more than 11 lakh agential force, it is required to reckon the impulses of agents irrespective of their nature, in taking the products to various groups of policyholders. Understanding and grooming the agents' needs play a pivotal role not only to withstand the competition from the private players, but also to retain quality sales force in order to earn a constant premium income. Having identified the importance of understanding the agents towards their preferences on regions, the paper attempts to study and further explore various factors of influence for region selection by the agents to outperform the private entrants in the industry.

Objectives of the Study

This paper is focused on the following objectives:

- To study the trend of sales force in life insurance business
- To analyze the new business premium of life insurers in channel wise during the financial year 2013-14 to 2017-18.
- To know the number of policies issued though various channels during the study period.

III. METHODOLOGY

This study is based on the secondary data collected from Annual Reports of Insurance Regulatory and Development Authority of India (IRDAI) and respective insurance companies. Simple percentages and Compound Annual Growth Rate (CAGR) are used to know the change between one year to another year and throughout the study period. Channel wise number of agents, new business premium and compiled the total premium collected through offline channels was collected from various websites.

Scope of the study

This study is covered five years period i.e 2013-14 to 2017-18. It covers the sales force of the life insurance companies like individual agents, corporate agents, brokers, micro insurance agents, Insurance Marketing Firms, point of sale, web aggregators, Common service centers etc. and also covered new business performance of life insurers.

IV. ROLE OF TECHNOLOGY IN LIFE INSURANCE BUSINESS

Earlier insurance was a unsought product. People were not showed much interest to buy insurance policy unless they expect some loss in future and forced by the insurance agents. Agents had played a vital role in selling insurance products. There is change in thinking of public towards insurance products due to tremendous changes in the economic environment. Public are coming forward to buy the insurance products without any force from the agents. They are showing interest to buy policies through online after comparing the plans of various companies due to change of technology. People are buying insurance products at cheaper rate through online compare to traditional method. This study reveals the facts about the changing role of insurance intermediary.

The following table explains about the trend of offline mode of business in terms of number of people involved in life insurance companies.

 DOI : 10.18231/2454-9150.2019.0125

ISSN : 2454-9150 Vol-04, Issue-12, Mar 2019

Table 1 Number of people involved in Offline Mode Transactions

Mode of Sale	2013 -14	2014 -15	2015-16	2016-17	2017-18	CAGR
No. of Individual Agents	2188500	2067907	2016565	2088522	2082667	
Change (%)	----	-5.83	-2.55	3.45	-0.28	-0.99
No. of Corporate Agents	689	503	416	533	623	
Change (%)	----	-36.98	-20.91	21.95	14.45	-1.99
No. of brokers	346	384	368	385	426	
Change (%)	---	9.90	-4.35	4.42	9.62	4.25
MI Agents	NA	NA	NA	35723	52907	
Change (%)	NA	NA	NA	----	32.48	21.70
IMF	NA	NA	NA	114	212	
Change (%)	NA	NA	NA	-----	46.23	36.37

(Source: Compiled from Annual reports of IRDAI)

Table 1 shows the trend of number of individual agents, Corporate agents, Brokers, IMF, MI held by life insurance companies for the period 2013-14 to 2017-18.

According to the table 1, there is a decrease in individual agents by 5.83 percent during the period 2013 -14 to 2014-15. Except 2016-17, there is decreasing trend in individual agents throughout the study period. Corporate agents are also decreased by 36.98 percent in the first two years. At the same time, Brokers are showing increasing trend during the study period except 2015-16. Negative Compound Annual Growth Rate i.e 0.99 percent was recorded during the study period related to individual agents. In terms of corporate agents 1.99 percent of negative CAGR was recorded. In other models of agents there is a positive CAGR.

The study shows the life insurance companies are reducing physical agents as they are diverting their channel of business from offline to online selling.

Table 2

Individual New Business Performance of Life Insurers - Channel Wise

Mode of Sale	2013 -14	2014 -15	2015-16	2016-17	2017-18	Study period Change
No. of Individual Agents	47789.83	39568.04	39816.46	53465.34	60709.05	
	----	-20.78	0.62	25.53	11.93	4.90
No. of Corporate Agents	10334.93	12342.95	14701.49	19261.76	24419.39	
	-----	16.27	16.04	23.68	21.12	18.76
No. of brokers	948.53	1019.93	934.18	972.08	1182.14	
	-----	7.00	-9.18	3.90	17.77	4.50

 DOI : 10.18231/2454-9150.2019.0125

ISSN : 2454-9150 Vol-04, Issue-12, Mar 2019

MI Agents	NA	17.01	21.25	17.96	18.88	
	NA	---	19.95	-18.32	4.87	2.64
IMF	NA	NA	0.03	14.52	40.67	
	NA	NA	----	99.79	64.30	67.36
Direct Selling	1883.57	2450.70	2543.97	3529.18	5163.31	
	NA	23.14	3.67	27.92	31.65	22.35
Common Service Centers	NA	0.32	1.00	1.54	2.24	
	NA	-----	46.36	46.36	46.36	62.66
Online	NA	NA	302.83	418.06	498.91	
	NA	NA	----	27.56	16.21	18.11
Web Aggregators	NA	NA	0.03	46.36	68.48	
	NA	NA	---	99.94	32.30	1216.68

(Source: Compiled from Annual reports of IRDAI)

Table 2 represents the new business premium of life insurance companies.

New business premium through individual agents was decreased in the year 2014 -15 by 20.78 percent compared to 2013-14. But there is 4.9 percent of CAGR during the study period. At the same time, new business through corporate agents was showing increasing trend and CAGR is 18.76 percent.

During the 2015-16, life insurance companies were introduced 'Online' mode of business. It was increased by 27.56 percent from 2015-16 to 2016-17 and 16.20 percent from 2016-17 to 2017-18 financial year. There is 18.11 percent CAGR was there in online business.

New business through web aggregators is also raised to 32.30 percent compared to 2016-17 and 2017-18 and there is 1216.68 percent CAGR was recorded because it started in the year 2015-16 with just 0.03 crore business.

It is concluded that, there is overall growth in life insurance business during the study period. Business through online as well as offline was increased during the study period as awareness created by the companies.

Table 3
Number of Policies - Channel Wise

Mode of Sale	**2013 -14**	**2014 -15**	**2015-16**	**2016-17**	**2017-18**	**CAGR (%)**
Individual Agents	36792083	21654232	22099564	21536497	22488896	
		-69.91	2.02	-2.61	4.23	-9.38
Corporate Agents	3029112	2807200	3032209	3182380	3636791	
		-7.91	7.42	4.72	12.49	3.72
Brokers	315769	256740	246421	227614	236381	
		-22.99	-4.19	-8.26	3.71	-5.63

 DOI : 10.18231/2454-9150.2019.0125

MI Agents		482297	548431	575401	619183	
			12.06	4.69	7.07	6.45
IMF			1	2669	5099	
				99.96	47.66	1621.19
Direct Selling	698100	666858	562234	610675	785516	
		-4.68	-18.61	7.93	22.26	2.39
Common Service Centers		2029	7581	5500	24329	
			73.24	-37.84	77.39	86.08
Online			205214	260168	292352	
				21.12	11.01	12.52
Web Aggregators			19	18633	59742	
				99.90	68.81	1365.01

(Source: Compiled from Annual reports of IRDAI)

Table 3 represents for number of policies issued through various channels in the life insurance business. Number policies were issued through individual agents and brokers decreased by 69.91 percent and 22.99 percent respectively during the study period. Number of policies issued through online selling were increased by 21.12 percent from 2015-16 to 2016-17 and 11 percent increased during 2016-17 and 2017-18. Policies issued through web aggregators are also increased by 68.8 percent during last two years. CAGR of online business is 12.52 percent and web aggregators is 1365.01 percent.

As per the table, it is concluded that, due to technological changes in insurance sector, online business is growing and offline business is slowly decreasing year after year. Just three years old online services is showing growing trend.

Table 4

Trend of Offline Premium and Commission

	Premium (Rs. In Crores)	Change in (%)	Commission (Rs. In Lakhs)	Change (%)
2013-14	59073.29		2084637	
2014-15	52947.93	-10.37	1946068	-6.65
2015-16	55473.41	4.77	2026669	4.14
2016-17	73731.66	32.91	2211715	9.13
2017-18	86370.13	17.14	2532594	14.51
CAGR (%)		7.89		3.97

(Source: Compiled from Annual reports of IRDAI)

Table 4 shows the trend of offline premium and commission paid to agents for their services. There is a negative growth in premium and commission in the year 2014-15 compared to previous year. Life insurance companies are paying huge amount Rs. 2532594 lakhs as commission to the agents. If companies concentrate on online business they can save the huge amounts and that can be used for growth of business. CAGR of total premium collected through offline business is 7.89 percent and commission paid is 3.97 percent.

 DOI : 10.18231/2454-9150.2019.0125

V. Conclusion

The Indian life insurance industry has witnessed a quantum of increase in terms of no. of players, worth of business, penetration of insurance etc.. Year 2000 is the milestone for Indian life insurance business. Before 2000, only one insurance company i. e Life Insurance Corporation of India (LIC) in life insurance business. But now there are 24 players in life insurance business.

Earlier insurance was a unsought product. People were not showed much interest to buy insurance policy unless they expect some loss in future and forced by the insurance agents. Agents had played a vital role in selling insurance products. There is change in thinking of public towards insurance products due to tremendous changes in the economic environment. Public are coming forward to buy the insurance products without any force from the agents. They are showing interest to buy policies through online after comparing the plans of various companies due to change of technology. People are buying insurance products at cheaper rate through online compare to traditional method. This study reveals the facts about the changing role of insurance intermediary. there is a decrease in individual agents by 5.83 percent during the period 2013 -14 to 2014-15. Except 2016-17, there is decreasing trend in individual agents throughout the study period. Corporate agents are also decreased by 1.99 percent during the study period. At the same time, Brokers are showing increasing trend during the study period except 2015-16. It is concluded that, there is overall growth in life insurance business during the study period. Business through online as well as offline was increased during the study period as awareness created by the companies. due to technological changes in insurance sector, online business is growing and offline business is slowly decreasing year after year. Just three years old online services is showing growing trend.

References

[1] Dr. B. Sandya Rani (2017), "Impact of Technology on Life Insurance Corporation of India", Osmania Journal of International Business Studies, January – June 2017.

[2] **Mr. Koushik Radhakrishnan (2015),** "IT in Insurance - Role of technology at the inflection point of the insurance industry" Asia Insurance Review, July 2015.

[3] M P Pandikumar, V Manickavasagm and Sekkizhar (2011), "LIC Agents: Their Regional Preference and Its Impact on Business Prospects", The IUP Journal of Risk & Insurance, January 2011.

Bibliography

[4] Rao C S (2004), "Insurance Industry: the Happening Sector", Chartered Financial Analyst, February 2004.

[5] Annual Reports of IRDA from 2007-08 to 2012-13.

[6] Life and Health Insurance -by Kenneth Black, Harold D., Jr. Skipper, Prentice Hall; 13rd edition, September 1999

Websites

[7] www.irdaindia.org

[8] www.licindia.com

[9] www.insuremagic.com

[10] www.icicilombard.com

 DOI : 10.18231/2454-9150.2019.0125