

Policyholders still want to buy insurance physically, reveals study

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Despite best efforts by life insurance companies to encourage people to buy insurance policies online, various surveys reveal that they overwhelmingly prefer the physical mode of buying the products over others.

This is because life insurance has traditionally been a sector with high human engagement and intervention.

The physical mode typically comprises agents, brokers, branches of insurance companies, and the bancassurance channel.

As per PwC India's Insurance Technology Adoption Survey 2019, 55 per cent of respondents mentioned that they continue to prefer buying insurance from agents and brokers.

Moreover, the conversion rate from online modes stands at a mere 4 per cent. Similarly, a study by Max Life Insurance states that 79 per cent urban Indians said they would prefer to buy life insurance from agents, 15 per cent from their bank as against 6 per cent online.

Also, a study by Kantar on annual life insurance – Insurance India 2019 – said that a branch remains a more accessed channel compared to others and a website is a close second when it comes to modes of buying insurance policies.

Abhijit Gulanikar, president – business strategy – SBI Life Insurance, said, "Buying a life insurance product is a decision not taken very often. The life insurance contract is a long-term one, and requires commitment from the customer to pay the premium on time for a long period. Hence, most customers still make the decision only after receiving inputs from trusted or known individuals."

"Online mode is now extensively used by customers as the secondary means of understanding a product. Many of them have become comfortable in buying policies online, particularly when it comes to protection products," he further added.

Piyali Konar, executive vice-president, insights division, Kantar, said, "Customers do wish to speak with/get in touch with human touch-points before they make decisions. Human interactions are important because customers are still a bit concerned about the security offered by various digital channels."

Despite the physical channel being the most preferred mode to buy insurance policies, online mode has made a significant mark in terms of capturing the imagination of policyholders with various technological advancements in the life insurance domain.

Tarun Chugh, managing director (MD) & chief executive officer (CEO), Bajaj Allianz Life, said, "The online channel is a relatively new one and if you were to look at aggregators' and companies' websites, online sales are picking up rapidly. More and more insurers are offering value-packed, simple products with reduced costs within the online space."

"The online channel is also allowing insurers to reach out to customers outside Indian shores and will pick up pace as more and more new-age Indians start investing in life insurance," he further added.

V Viswanand, deputy MD, Max Life Insurance, said, "Insurers must strive to make the online ecosystem more robust by harnessing the power of digital tools such as big data and advanced analytics. Hiring the right talent, creating agile teams and fostering a digital mindset will make this shift possible."

However, the online channel has only been successful in making inroads in the metro cities where people are more likely to visit a life insurance company's website and buy products that suit their needs.

"In general, the digital adoption among metro customers is higher. They are more likely to seek information online, buy a policy digitally, look for discounts on policies bought through the digital channel and visit the website more often," said Konar.

But the conversion rate in the online space is still a very meagre 4 per cent. Despite this, life insurance companies have been increasingly designing products specifically for the online channel. Moreover, policy servicing is also moving to the online space, and more and more companies are expanding their reach in the category.

Regulator Irdai has also opened a path for insurers in this direction with the recent introduction of the sandbox method.