

Prioritizing Insurance Product Innovation



April 2016

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Recent trends point to the development of an eco-system making it easier for insurance companies to approach product innovation, which is expected to take center stage as competition intensifies.

As the insurance industry in India is maturing, it is facing a host of new challenges. Creating newer markets is now just as important as driving growth in existing markets. Competitive differentiation is becoming as strong an objective as countering disruptive forces. Besides, customers are demanding more and more sophistication from insurance companies whether in products or services. Effective product innovation can help today's companies address a variety of challenges and thereby drive top line and bottom line growth.

A number of recent trends create an advantage for companies that have already made product innovation an organizational priority, and make it easier for those companies who are as yet embarking on the journey:

Experience from more mature markets

Product innovation need not necessarily be a new idea. It can also be an effective adaptation of an idea from another industry or market, or simply a rider or add-on to an existing product. With globalization and economic development in India, it is now increasingly possible to adapt ideas from other mature markets for Indian customers.

Health insurance companies, for instance, are mooting the idea of providing incentives to customers who focus on preventive health and wellness, a concept that is rapidly gaining ground in more mature economies, especially aided by wearables and similar technologies.

Private players with established foreign partners from Western markets could be at a relative advantage in this case, as these companies are able to benefit from the experiences of their overseas partners in terms of behavioural insights, technology adoption and differentiation efforts and utilize them into their own product innovation journey.

Easier access to critical inputs

In the digital era, need identification is relatively easier as there are now multiple sources available for companies to get inputs for product development. Social media is developing as a great source for feedback from customers, either directly or through channel partners. Data analytics is making it possible to get actionable insights on processes. Besides, product innovation is now relatively simpler and cheaper for the company to roll out through technology and digital mediums, which can be used for pilot launches before investing in channel development for new products.

More industry co-operation

The industry has been grappling with a variety of issues that currently constrain effective product development. The lack of data availability is a prime area of concern that hinders companies from being able to assess risks correctly and thereby price new products competitively. Rising fraud that eats into profitability has been another key area of concern.

However, more recently, there has been a drive to counter some of these constraints through various initiatives as well as through co-operation at the industry level.

ICICI Lombard General Insurance recently launched a new health advisor portal that allows consumers to compare and make informed choices with respect to health service offerings in the country. On the other hand, it will provide critical data to companies which can feed into product development.

The Life Insurance Council, which represents life insurance companies in India is working on a centralized database of insurance policies to detect and prevent fraudulent claims. A similar initiative is being planned by the General Insurance Council, which represents the general insurers.

Regulatory direction

The IRDAI-led de-tariffing of the general insurance industry in 2007 provided landmark regulatory direction, paving the way for greater product innovation within general insurance as it moved towards free pricing and subsequently free tariff wordings. Although the ruling was followed by intense price competition, it was intended to make it easier for companies to introduce new products through risk-based pricing. Although not many new products were introduced, it marked the beginning of tailored offerings to customers through add-on covers.

More recently, the 'use-and-file' approach is intended to bring more flexibility for insurers to launch simpler products quickly into the market. The regulation around the policy is still evolving and currently favours general insurers. However, recent directives point to a greater push by the regulator on innovation and speed-to-market, which is good news for insurance companies going forward.

Push from the government

A huge push for social sector insurance schemes such as Rashtriya Swasthya Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, crop insurance and other schemes by the government is leading insurance companies to play a big part in social inclusion. Micro-insurance is already becoming a standardized offering by many companies. The large number of policies being sold through these schemes is bound to help improve penetration and create a future market for mainstream insurance products. The low-premium schemes are also forcing companies to become cost-competitive in their distribution efforts. The improved outreach will enable them to sell other products through the same network in future.

Going forward

A number of industry factors have come together to create an eco-system that is highly encouraging to product innovation, and the forward-looking enterprise will be the one to leverage these factors to surge ahead of competition. Internally, companies will have to work towards

building a culture of innovation, invest in the right resources, especially knowledgeable and creative people and give them the mandate to champion innovation. Companies that will stay invested in product innovation will reap higher dividends in the long run.

Like in any other industry, insurance business needs to find ways to work for the betterment of the customer and provide real value for his money. Only when this happens in a sustained manner, the long-term fortunes of life insurance business can be rosy.

About the Author

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