

Online Life Insurance: Buyers' Perception

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ABSTRACT

Introduction of economic reforms in the Indian insurance sector along with the passage of Information Technology Act in 2000 have provided an immense opportunity for the insurers to sell policies on line. The present paper examines the perceptions of life insurance purchaser in the post-liberalised insurance sector in India vis-à-vis the internet. The primary information has been collected through structured questionnaires administered to a sample of 200 individuals (existing 160 and potential 40 life insurance customers) chosen on a convenient basis, from Delhi NCR, Mumbai, Kolkata and Chennai. The responses have been analyzed and interpreted using descriptive analysis and percentages. The findings highlight that some customers find it convenient while others are wary of it. The fear of security lapses and being duped online is a worrying thought. The paper concludes by making a few suggestions to the insurers to help the insurance buyer make informed and need based decisions through the Internet.

Key Words: India, Life Insurance, Internet, Buyers.

INTRODUCTION

Introduction of economic reforms in the insurance sector along with the passage of Information Technology Act in 2000 have provided an immense opportunity for the insurers to sell policies on line. With advancements in the field of information technology, the role of E-commerce has tremendously increased. In developed economies sale of life insurance plans takes place through the Internet. The Internet is being used as both a sales channel and a search tool for purchase of major personal insurance lines. The customers feel they would get reliable advice on financial planning and insurance commitments. All Indian insurers have a website providing information on the company, its products and contact details. Earlier, Internet was used for product research, renewal of policies, paying premiums now consumers are purchasing different policies online but these are limited to term plans.

Concept and Benefits

In the Indian life insurance sector agents are the mainstay of the insurance sale process, however, life insurers in India provide on-line sale facility to their customers too. The Insurance Regulator (IRDA) gave permission to the insurers to sell life insurance policies online in 2010-2011, most existing insurers started selling online in 2010-2011. At present there are 57 insurance companies of which 33 are non-life and 24 life insurers, which are offering more than 1000 products online. Online distribution channel is cost efficient and therefore, products offered through the Internet will be cheaper than the offline products.

Objectives of Research

The main objectives of the research paper are

1. To identify reasons for buying life insurance online.
2. To find out the reasons from those who do not wish to buy online.
3. To examine the influence of demographic variables on buying insurance online.

Methods

The present paper is based on primary as well as secondary sources of information. The primary information has been collected with the help of structured questionnaires from a sample of 200 individuals (existing policyholders 160 and Non-policyholder 40) chosen on a convenient and judgmental basis, from Delhi NCR, Mumbai, Kolkata and Chennai. The responses have been analyzed and interpreted using descriptive analysis and percentages. The secondary information has been obtained from the reports and surveys of various life insurance companies, regulatory body (IRDA), magazines, journals and newspapers to study the relevant aspects.

Profile of Respondents

The respondents are from diverse backgrounds. The study is based on the responses from individuals from all the four geographical regions. In the present work 82 percent respondents are salaried and 17 percent are self-employed. The respondents are both workingmen and women. More than two-thirds of them are professionally qualified and employed in public and private organisations. Most of the salaried respondents belong to the private sector, followed by those working in public sector organisations and less than one-fourth belong to government organisations like government hospitals and dispensaries, schools and university. Life insurance purchase is dependent upon one's age and life cycle stage. It is generally believed that persons in the age group of 30-50 years buy life insurance; 17 percent are under 30 years (this group is the one, which the private sector insurance companies are targeting), 26 percent are in the 30-40 years age bracket (this is the age group that is aggressively being pursued by the insurance companies for purchase of life insurance) while 41 percent respondents are in the 40-50 age group.

Since insurance is a complex product, it is extremely important to study the impact of individual's educational qualification on purchase of life insurance plans. The observations have been obtained from highly qualified respondents graduates 28percent, post graduates 33 percent, professionals 38percent.

Results and Discussion

Respondents' opinion about sale of life insurance plans by insurers through the net

The respondents' opinion about sale of life insurance plans by insurers through the net revealed that of the 160 respondents, 63percent(101 respondents) think that all the insurance companies should provide on-line facility whereas 37 percent (59 respondents) did not like the idea of sale of insurance plan through Internet. Of the 40 Non policyholders about two-thirds of the respondents (26 respondents) think on-line facility for buying life insurance policies should be provided by all the insurers.

Respondents' perception about buying insurance policies on-line

The Policyholders' observations have been taken on their use of online facility for buying insurance plans. The respondents are almost equally divided about the use of online service for purchase of life insurance policies. From 160 respondents, 78 respondents (48.8 percent) said they would like to purchase on-line and 82 respondents (51.2 percent) said they would not use it.

The Non-policyholders want insurers to use this channel of distribution, more than half (21 respondents) said they would prefer this facility while a little less than half (19 respondents) said they would not try it. This opinion is in contrast to the response of the policyholders where 52 percent of the respondents said they would not use on-line facility for purchase.

Among the Policyholders, Delhi respondents are more willing than Chennai, Mumbai and Kolkata respondents. Even though Internet and Online Association of India (2005) in a study found that Maharashtra, Tamil Nadu and Delhi had the highest number of e-shoppers.

Postgraduates and professionals said they would use Internet because they are aware of technological advancements while respondents who are just graduates have shown their fear for such technology-based sales. The reason for this could either is their inability to use computers or due to lack of access to Internet or fear of misuse of confidential information. Respondents with higher income i.e. Rs 3.6 lakhs pa and above, said they will make use of this facility. The use of online facility has shown significance with respondents' educational qualification, profession and income'

Reasons for making use of On-line facility Respondents who have said yes to the use of online facility gave the following reasons 59 percent of the respondents feel it is very convenient, 42 percent said that its use saves time, for others 28 percent online service will provide authentic and reliable information and help in comparisons; it would cut out commission costs; paper work is reduced and get rid of pestering agents.

Respondents from different sample areas have given different reasons for the use of online facility. Some respondents expressed that online facility provided them with the convenience to operate from the comforts of their homes and offices without any interference from the agents. This convenience helps them save time also. Respondents below 50 years of age have cited convenience as the biggest advantage, while those above 50 years think time saving is the main benefit. For graduates and those in business it provides them with authentic information. These reasons have shown significance at $p < .01$ with sample area, age,

educational qualification and profession of respondents. These reasons are similar to the findings of a study conducted by Forrester Research in 1999.

Reasons for not using On-line facility for Purchase of Insurance

Reasons given by those respondents who said they would not use online facility. More than one-half of the respondents feel it is too impersonal, as one to one contact is necessary in case of insurance purchase. More than one-third respondents do not trust online deals as they fear security lapses and find it too risky to provide their confidential financial details. 28 percent respondents said they were not comfortable using it. This apprehension could be because they have no access to Internet, do not know how to use it or they think they will get incomplete information due to their inability to access the net and also the fear of being cheated.

Respondents across sample areas feel that online system is 'too impersonal'. Since life insurance is very complex subject people prefer agents to explain the policies' features to them. Respondents from Chennai raised the issue of 'trust' and fear of security lapses and chances of being duped by such online trading. Salaried respondents have said this system is too impersonal while self-employed respondents said they were not comfortable using it either due to lack of knowledge or due to lack of time or both. Respondents under 30 years and those in 40-50 years age group have also expressed similar sentiments. The reason for this could be that the very young need guidance about insurance purchase decisions while those between 40-50 years might not be net savvy and would like information about plans from the agents. All the above-mentioned reasons are statistically significant at $p < .05$ with sample area, age, educational qualification and profession of respondents.

The **Non policyholders** have expressed similar sentiments about the use of online facility as the respondents who have access to Internet find it the most convenient method as it saves their time as well as provides most authentic information on companies' web sites. These individuals also said they will not be hounded by pestering agents and it would help the company reduce its costs. Policyholders also felt the same about using on-line facility.

Conclusions

Even though the number of net users in India is fast growing, using net for purchase of insurance is still not a preferred choice of the people. The insecurity associated with transactions over the net is still an inhibiting factor. Insurers need to design customer friendly websites so that they are easy to use and transactions are seamless. Online products should be such that meet customer needs, and offer features and benefits that can help them differentiate their products in the market. Insurers can also provide chat facility on their websites to provide instant clarification and guidance to customers. Online sales channel, while attractive and lucrative has its own challenges. Influencing the customer's buying decision online is a challenging task, technology will have to be used effectively to provide means of allowing consumers make more educated choices. In order to take informed decision, policy-buyers will use Internet to access comparison websites to choose the most suitable policy, whether they buy online is not guaranteed. Most Indian insurance-seekers are happy to research the product they intend to buy online, but they are unlikely to buy that insurance product online. Use of Internet for life insurance purchase is also affected by the socio-demographic factors such as the age, income, education, profession and region of the policy buyer. The insurers will have to target those who are likely to buy through the Internet.

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