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INSURTECH STARTUPS IN INDIA

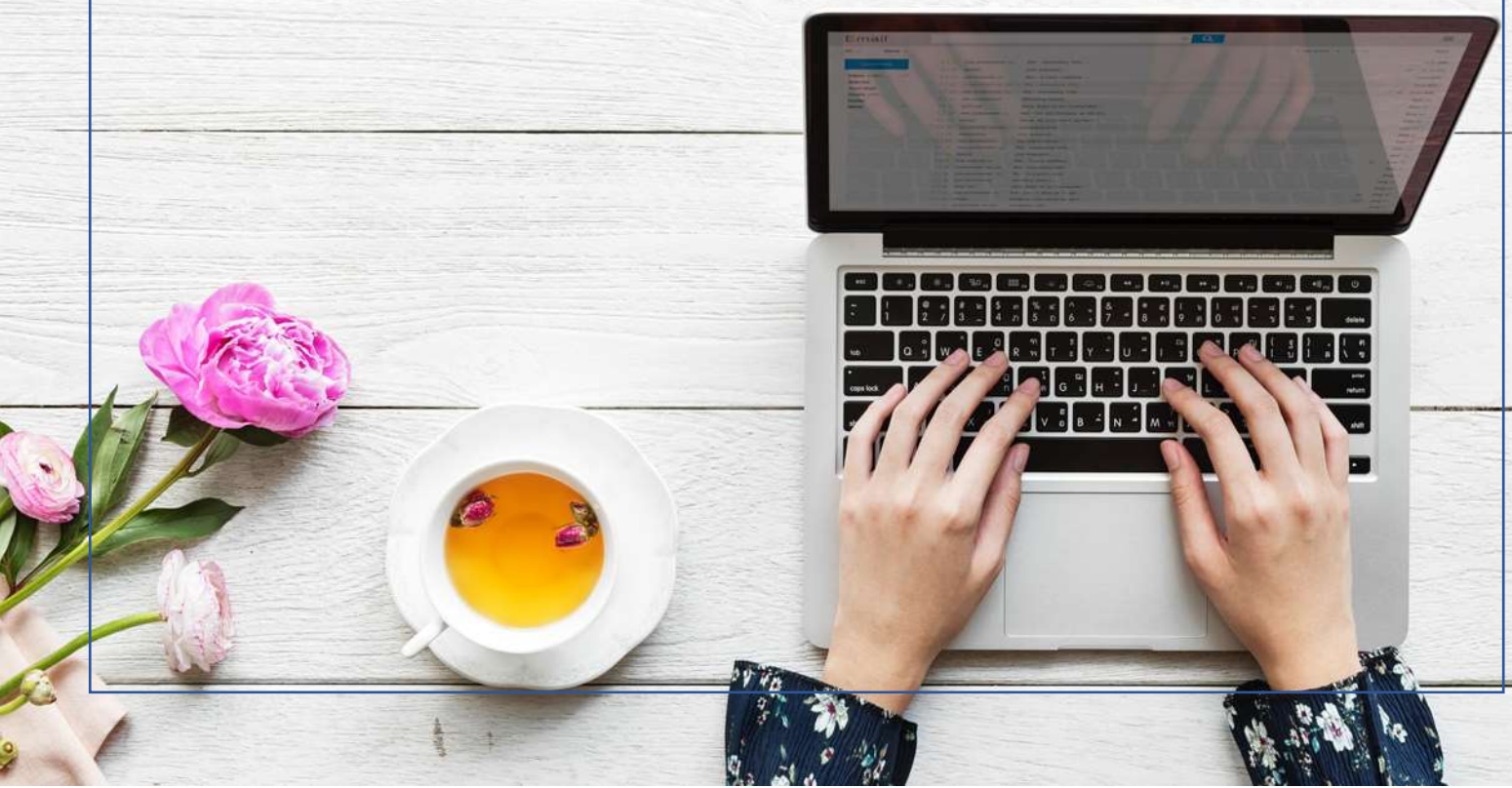


TABLE OF CONTENTS

Market Overview	3
Indian market.....	5
<i>Key Players</i>	6
<i>Current Opportunities</i>	7
<i>Key Trends</i>	9
<i>Future Forecasting</i>	10
Conclusion.....	11
<i>Key Takeaways</i>	11
Reference	12
<i>Industry Reports</i>	12
<i>Newsletter</i>	12

MARKET OVERVIEW

We look at two verticals within the fintech space in India which are gaining rapid traction viz lending and InsurTech. Both these sectors are disrupting well established traditional markets and the potential for growth is enormous, as certified also by growing investor interest in this space making it one of the rapid growing market in India. Investment Firms and venture capitals like: - Softbank, Janchoor partner are also investing in these new age technology-based startups in India. More than \$10 billion has been invested into insurtech since 2012.

What majorly drive this idea to insurers they recognize that the everyday lives of their customers are being transformed by new technologies (**Figure 1.1**). They also recognize that this transformation is affecting their own industry, which is undergoing an ecosystem disruption caused by technology-driven new entrants and existing competitors alike. Insurers are thus facing increasing pressure to evolve and reinvent themselves before that disruption hits the bottom line.

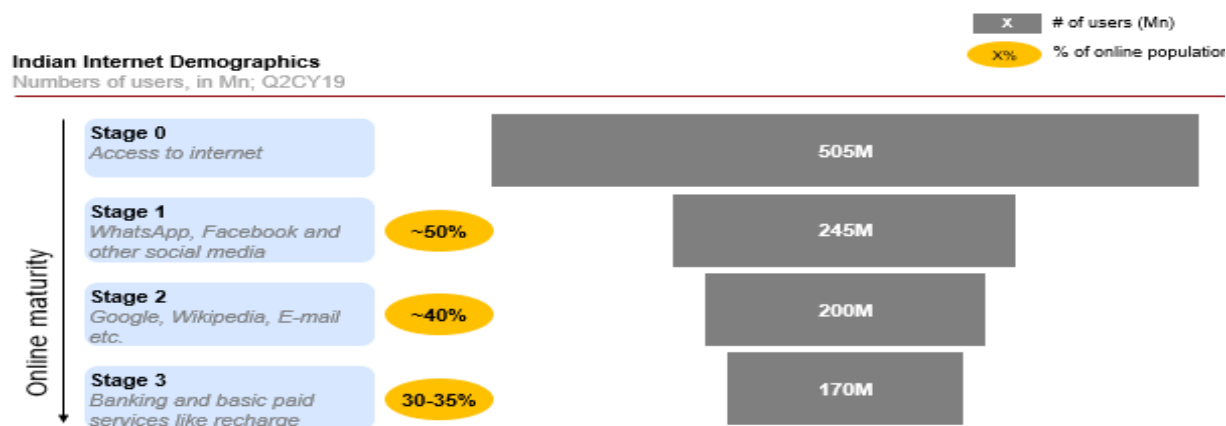
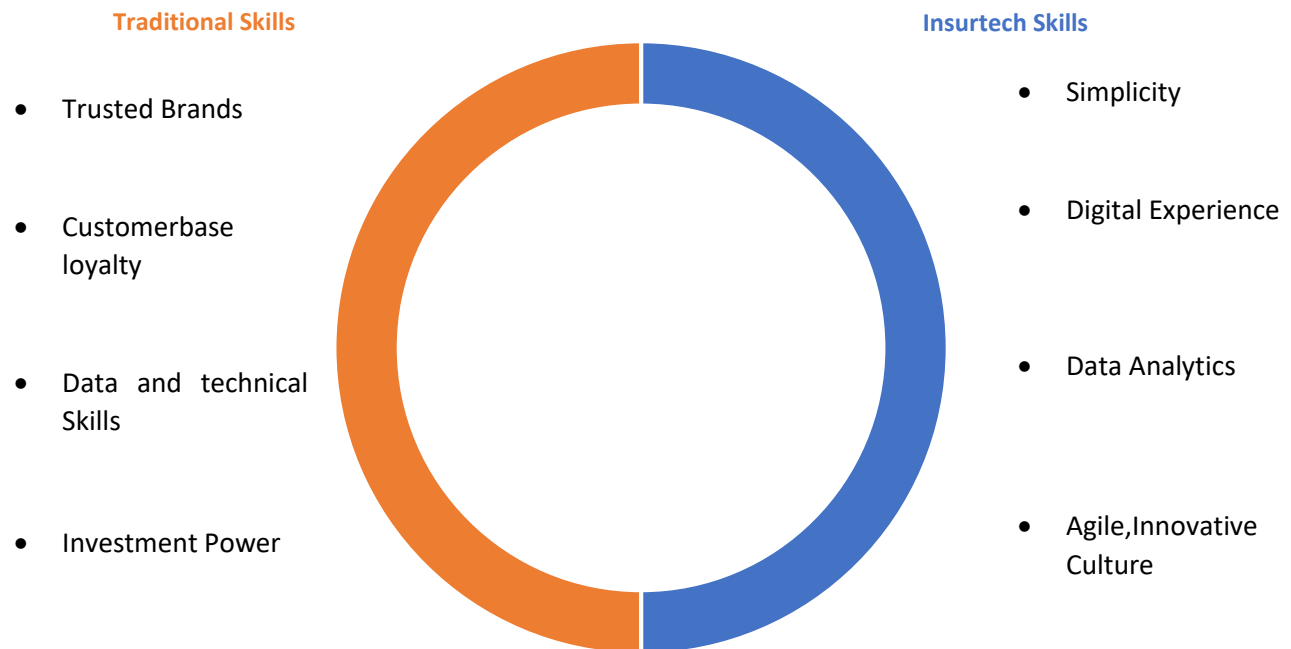


Figure 1.1

In the beginning, insurtechs focused primarily on General Insurance. Now, digital technologies play a role in many more areas. Diversification highlights the fact that insurtechs today are creating digital solutions along the entire business value chain as well as across all lines of business in every business model including P2P lending, Crowd funding and Insurance sector. Currently challenge is no longer insurtech versus traditional insurer—but rather how the two can work together to create tangible value for the customer.



InsurTech companies are now become more powerful who do not have to worry about being profitable company. These new Age of companies are more willing to take risk and innovate compared to the established insurance traditional public companies like Oriental, LIC Of India, ICICI prudential and HDFC egro.

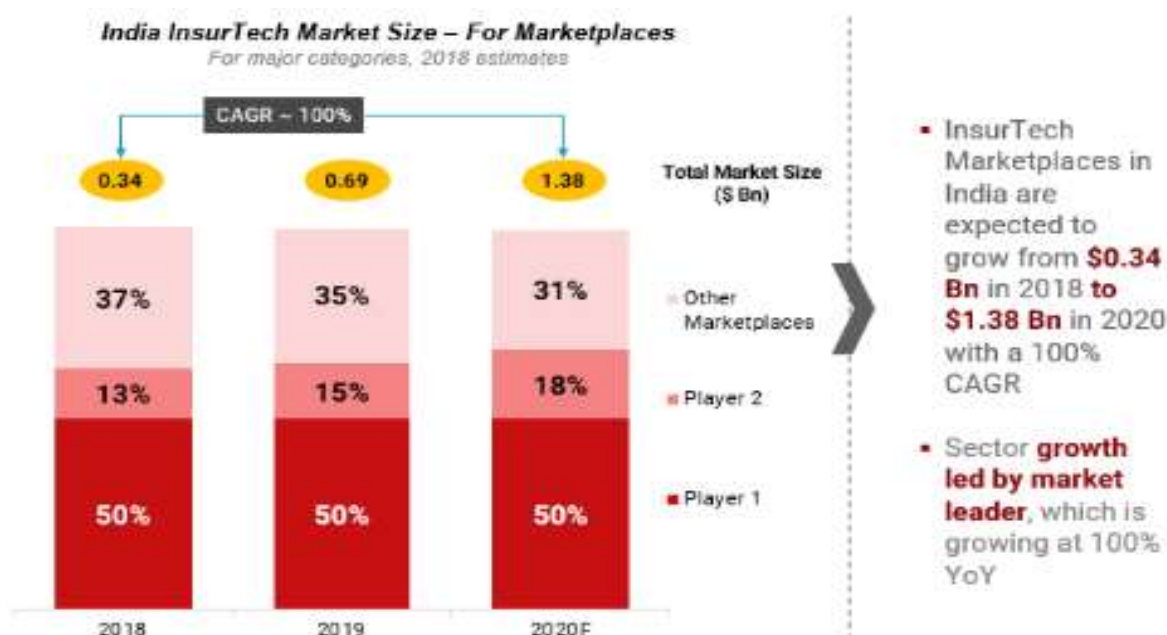
Customer no longer visit government offices or bank and to fill those lengthy papers instead of that they just need to fill all details on digital app and policy gets assigned under there name and plans for health, vehicle or life insurance also they can see on there app. They have become accustomed to purchasing goods on e-commerce websites and expect a similar experience for buying insurance policies. Many of the established players in this sector have now begun investing money in technology and some are even incubating startups in house in anticipation of the disruption.

A lot of inefficiencies exist in the Indian insurance markets which are dominated by public sector institutions. Insurance premium is still calculated using old methodologies despite the drastic changes taken place in consumer lifestyles. Three Insurtech companies which offer the lowest premiums and easy processing of claims for Indians have been evaluated below. Some of these companies also help you renew your expired policy even when the grace period is over.

INDIAN MARKET

Indian InsurTech marketplace is growing Y-O-Y driven by strong growth of both incumbents and new entrants.

- Key growth driver of sector incumbents is wide coverage viz strong presence in most insurance categories, across insurance providers
- An additional growth lever is a strong focus on customer service enabled by a large agent network covering life and non-life policies across multiple insurers.



Also, India is growing with the pace of 2X to 3X in digital lending. The market which is close to \$4.2 billion in year 2018 is expected to grow \$ 17 billion till year 2022. And will be contributing around 60% of total revenue in insurance sector.

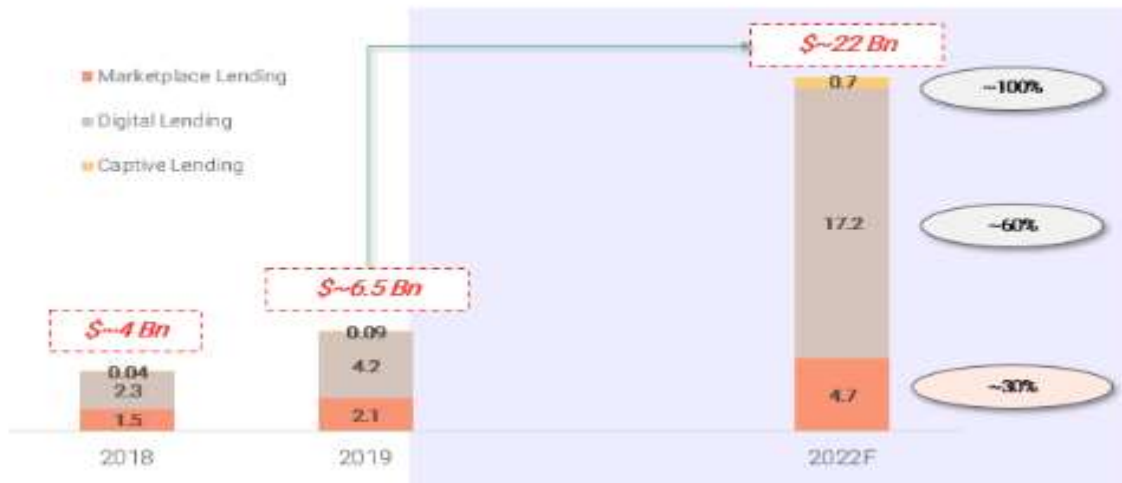
The market is seeing a shift from aggregator-based models to transactional models

Evolving models in digital lending are solving the lead generation/sourcing challenge and hence expected to grow at a higher rate

Captive lending will see growth due to supply chain integration by e-commerce players

The insurance industry in India is going through a fundamental shift. Rising awareness, accessibility, affordability, regulatory reforms and economic growth are some of the key factors impacting the industry. For some insurers, it is a phase of re-establishment and keeping themselves relevant. For others, dealing with these disruptors is critical to their survival.

Tech Enabled/Alternative Lending Market in India Evolution As Value of disbursed loans



Key Players

In past 5 years there are number of new age companies has started in insurtech some of but there are three companies which have close ~75% of market share in insurtaech.

Player #1



Policy Bazaar – Started in year 2008 this Gurgaon based company had almost ~50% of market in insurtech. Also, they have raised till series D funding and have best investor have invested in them like Temasek and Softbank. This online insurance aggregator offers different type of product in insurance based on the Price, Quality and Key benefits

Player #2



Acko – Started in year 2017 headquarter in Mumbai acko had almost ~15% of market in insurtech. The Mumbai based company have one of the e-commerce giants as there investor Amazon. The tech-enabled company are in automotive insurance company providing low-cost insurance products based on data analytics. Its insurance products include car comprehensive insurance, car third-party insurance, bike insurance, and Ola insurance. Offers cashless claims processing with doorstep pickup & delivery services (for repairing of damaged cars)

Player #3



Digit Insurance- Digit is an IRDA licensed internet first general insurer launched by Fairfax Holdings and Kamesh Goyal, a former executive from Allianz. Fairfax holds 45% stake in the company. Offers insurance for cars, mobile handsets, travel, and jewellery. Current Opportunities. Started in 2016 the company has funding close to 100 billion USD.

There are lot of other Insurtech startups like i: e – Coverfox, Turtlemint and Others which have created lot of impacts in insurtech market in very short period. Currently India insurtech market is going through lot of revolution.

Current Opportunities

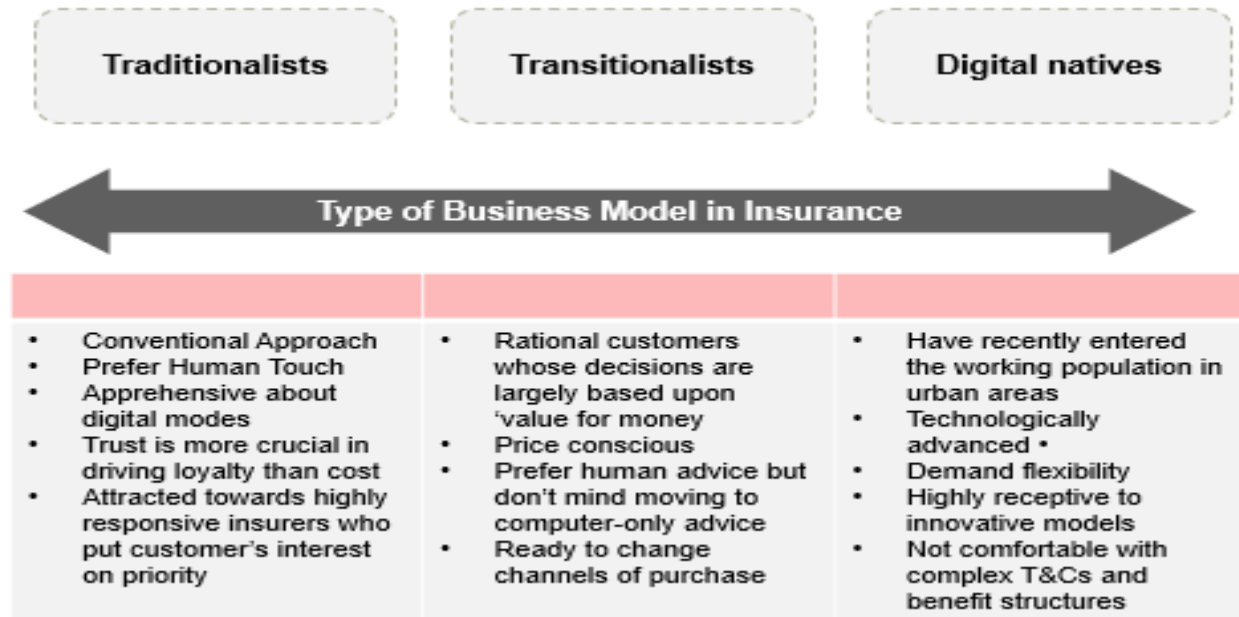
For years, the Indian insurance market has primarily focused on traditional way of insurance. But the dawn of insurtech startups such as policy bazaar, Acko, Digit Insurance, Insure First among others is changing the dynamics of this industry. The insurance market in India is expected to grow to \$280 Bn by FY2020 where insurtech market is expected to grow with 100% CAGR and will be touching around \$1.38 Bn and the use of emerging technologies will drive the next phase of growth for this sector very rapidly.

The Indian insurtech startups, as well as the bigger organizations, understand the massive opportunity offered by the young nation in the age bracket of 21 to 35 years.

Indian Market a Huge Opportunity Below are some key opportunity assessment:

- **Robust Demand** increasing industry in India is expected to reach the US\$ 1.38 Bn by year 2020. Driven by Increasing awareness, Innovative products and growing digital market which is increasing distribution channel
- **Increasing Investment** according to data, 11 insurtech startups have raised \$337.8 Mn between January 2018 and April 2019. Which signifies that Investor are seen the boom in insurtech market which is growing with the CAGR 100% Y-O-Y
- **Digitalization** more technology Influence The industry is at a peak of innovation. After digitalization Indian customer buying behavior is been changed, they are becoming more tech savvy which is the main reason this sector is seeing humongous growth in a small period.
- **Big data and Analysis** this can only drive a competitive advantage or help in new products development if the incumbents have technological capabilities to decode the large volume of data there are lot of opportunities lying in India market for insurtech startups.

- **Business Model** the change of business Model earlier the conventional insurance model used to be product centric and marketing-channel driven, while the modern technologies and ecosystems to tap the customer base. Which involves low risk and customer Friendly
- **Policy Support** the full flexibility is given to insurance regulatory and development authority under the insurance bill to frame regulation for sector. Tax incentives on insurance products while purchasing making it more attractive



With a massive and almost entirely uninsured population, India is a promising dark horse on the insurtech horizon. But while initial market penetration may have been slow, insurtech revenues are on the rise and expected to hit over 1.3 Mn in the next year. India, with its large IT market and tech expertise, stands to benefit from advancements in insurtech but lacks a strong base on which to build.

Factor driving the current opportunities



Key Trends

- **Change in Buying Habits** Customer no longer visit government offices inquiring about new policy plans for health, vehicle or life insurance. They seek this information on the Internet. They have become accustomed to purchasing goods on e-commerce websites and expect a similar experience for buying insurance policies. Many of the established players in this sector have now begun investing money in technology and some are even incubating startups in house in anticipation of the disruption
- **Digitalization** Insurers have bridged the gap, as it is the customer who controls access. So, digitalization is giving them a way to filter the policy and risk according to their affordability. Also, this has given more transparency to customer who can check of each pros and cons of the that policy before purchasing.
- **Promoting Better Social Behavior** Driving feedback based on telematics data can be used to share tips to customers to improve their health habits, also most of them are getting aware of having insurance policy and their benefits which is been changing a lot.
- **Betterment in Claim Handling** Faster claim settlement is been offered now as earlier it takes months to get your claim approved plus there was lot manual process were involved which make claim very hectic now it gets approved in a day on chat or just by giving policy number

Future Forecasting

- **100 % CAGR Y-O-Y** with increasing tech-enabled Digitalization the sector is to improve by 100% CAGR by Y-O-Y. Also increasing GDP will be key metrics in insurtech growth. Market is expected to rise from \$ 0.34 Billion USD to \$~3 Billion USD by year 2022.
- **Artificial Intelligence backed by machine learning** is slowly taking over the role of human decision makers in the hyper competitive world of investment management. Artificial intelligence has led to the development of robo -advisors that makes human financial advisers seem redundant.
- **Insurtechs are using new business models** that are enabled by a variety of technologies. They're using automation, data analytics, connected devices, and machine learning to build holistic policies for consumers that can be switched and off On-demand. In future this will help them to identify their customer.
- **Growing market share of private players** Over the years, share of private sector in life insurance segment has grown from around 2 per cent in FY03 to 31.8 per cent in FY19. This will keep on rising and major boom in insurtech private players where lot of investment is happening.

From banking to wealth management services, the finance sector is going through major disruption and the insurance industry is not immune to this. Insurance technology aka insurtech companies have edged up the game and moved beyond merely aggregating policies. They have started to innovate using technology such as IoT, the blockchain, artificial intelligence and are trying to break the complexity around the product.

This New age industries is been backed by some of the world best investment firm and startup founders like Binny Bansal who himself invested in Acko General Insurance earlier this year, Bansal in a statement said, "Technology-led insurance is expected to play a significant role in the growth of the underpenetrated insurance sector in India.

Traditional companies have also realized this and started this new-age businesses developing new and disrupting models around the insurance products, traditional companies such as HDFC Ergo, India First, etc. have also buckled up and are innovating with new technologies



CONCLUSION

With the backing of world best investment firm like (Softbank and Temasek) , E-commerce giant like Amazon and celebrated Indian entrepreneurs of India like (Binny Bansal) the insurtech startups in India are all expected to grow in coming years with a support of IRDA, Artificial Intelligence backed by Machine learning and Data analysis. This new age business seems to grow in coming years with Huge pace.

Key Takeaways

- Market is expected to grow with 100% CAGR by FY 2020 market is expected to touch \$ 1.38 Billion USD from \$0. 34 USD in FY 2018
- This new age business has received huge amount of backing from investor in just a span of 2 years they have rose a funding close to 700 million USD including top 10 companies in this sector.
- Rise of Artificial intelligence backed by machine learning and Data analysis which has perfectly sink with customer buying habits which has changed in past few years also it helped the customer to filter their product based on their need and affordability.

REFERENCE

Most of the finding collated here is an understanding from my last projects done on Insurance sector while doing some secondary research I have also done some primary interviews of industry experts in this sector profile I have interviewed for this research work are: -

- Marketing Head Digit Insurance
- Sales Manager Policy Bazaar
- Business Analyst ICICI prudential

Apart from primary interviews I have also triangulated my findings by secondary research link for the same is been mentioned below I have mainly gone through some key industry report and newsletter published on this sector. All pictures used in this report is made by me based on findings and data and does not lead to any copyright infringement.

Industry Reports

1. The Rise of insurtech – Accenture report (https://www.accenture.com/t00010101t000000_w_/gb-en/acnmedia/pdf-50/accenture-insurtech-pov.pdf)
2. A new industry model of insurtech – Mckinsey report (<https://www.mckinsey.com/industries/financial-services/our-insights/insurance-blog/a-new-industry-model-for-insurtech>)
3. IBEF report (<https://www.ibef.org/download/Insurance-Nov-2018.pdf>)
4. Insurance Tech Startups in India – Tracxn report (<https://tracxn.com/explore/Insurance-Tech-Startups-in-India/>)

Newsletter

1. Insurers want 100% Stake in insurtech – ET rise news (<https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/insurers-want-100-stake-in-insurtech-startups/articleshow/69243863.cms>)
2. Entrepreneur India (<https://www.entrepreneur.com/article/332191>)
3. The Indian Insurtech Opportunity – Daily Fintech (<https://dailyfintech.com/2018/06/21/the-india-insurtech-opportunity/>)