JM FINANCIAL

Digital Insurance

Channel choices driving market expansion

Digital Premiums: A USD 37bn opportunity by 2025

Non-life to drive online penetration

Web aggregators to gain market share

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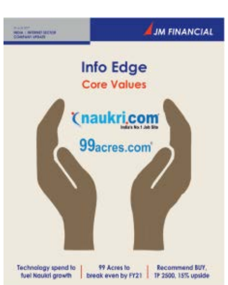

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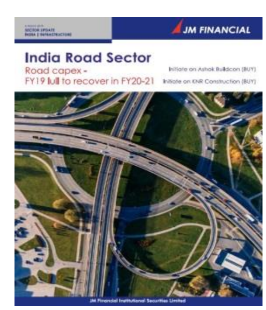


India Road Sector

Channel choices driving market expansion

India's Fintech sector has been a major focus of VC investments in the country, especially over the past 2-4 years. This has likely been driven by the movement of people online, leading to several transactions taking place digitally. According to Tracxn, Fintech has contributed 19% to the total tech investments flowing into Indian start-ups as at end-Jul'2019 (vs. 4% in 2014). In our inaugural report on India's Fintech sector, we meticulously analyse the digital insurance industry, which attracted USD 291mn worth of funding to start-ups in 2018 (up from USD 76mn in 2015). This is the first of four reports we are to release over the next few months. The other three topics we will cover as part of the Fintech set are digital payments, digital lending and wealth-tech.

The Indian Insurance market is still primarily driven by the offline agent channel, with online sales contributing an estimated 16% of overall premiums. Our discussions with life insurance providers revealed that the offline mode is the most used during the first premium payment while an estimated 35% of total renewal premiums are paid online. Our meetings with non-life insurers indicated that the online component in non-life insurance is catching up. Our model suggests that digital insurance premiums market is INR 1.1tn (USD 15bn) in FY19 and likely to grow to INR 2.6tn (USD 37bn) by FY25F. A small share of policies is sold online by banks (bancassurance) and web aggregators. Some new-age underwriters, although currently small in size, also distribute policies online. The online purchase trend is likely to be fueled by investments from traditional insurers on their own portals, web aggregators (e.g. Policybazaar), new-age underwriters (e.g. Acko), and increasing use of technology enablers.

Web aggregators and banks get paid for every transaction that takes place through their portals. The commission ceiling is fixed by IRDA for different insurance products and ranges 15-40% for the most popular policy types. However, for life renewals, the commissions ceiling is low up to 7.5%. Basis our discussions with various web aggregators and underwriters, we estimate that the market for commissions will post a CAGR of 34% from an estimated INR 8.4bn (USD 120mn) in FY19 to INR 48.5bn (USD 690mn) by FY25F. This growth is likely to come from the increasing share of online policy distribution by web aggregators, taking the web aggregator market from an estimated INR 4.5bn (USD 65mn) in FY19 to INR 38.5bn (USD 550mn) by FY25F, at a CAGR of 43%.

Online insurance market

In India, online insurance sales (for new business) are in a relatively nascent stage. Our model suggests that online insurance is an INR 1.1tn (USD 15bn) market in India (in policy premiums) and is likely to grow to INR 2.6tn (USD 37bn) by FY25F. However, a major proportion of online sales come from life insurance renewal premiums (estimated 94% in FY19). Our discussion with non-life insurance providers and new-age underwriters indicated that while digital sales of non-life policies are gaining traction, they may impact volumes more than the value, as ticket sizes are relatively small. Players such as Acko and Toffee Insurance provide bite-sized options, which is likely to expand the market.

Commissions market carries immense potential

Commissions generated by insurance intermediaries and banks for online sale of policies remain limited as the adoption of the online medium for policy distribution is relatively new in India, although several buyers conduct research online for insurance products. We estimate that the commissions market in India could be valued at INR 8.4bn (USD 120mn) in FY19 and this is likely to grow to INR 48.5bn (USD 690mn) by FY25F, at a CAGR of 34%. We estimate the web aggregator model should ramp up pace further going forward, posting a CAGR of 43% over FY19-25F and reaching INR 38.5bn (USD 550mn) by FY25F.

Business models and innovations

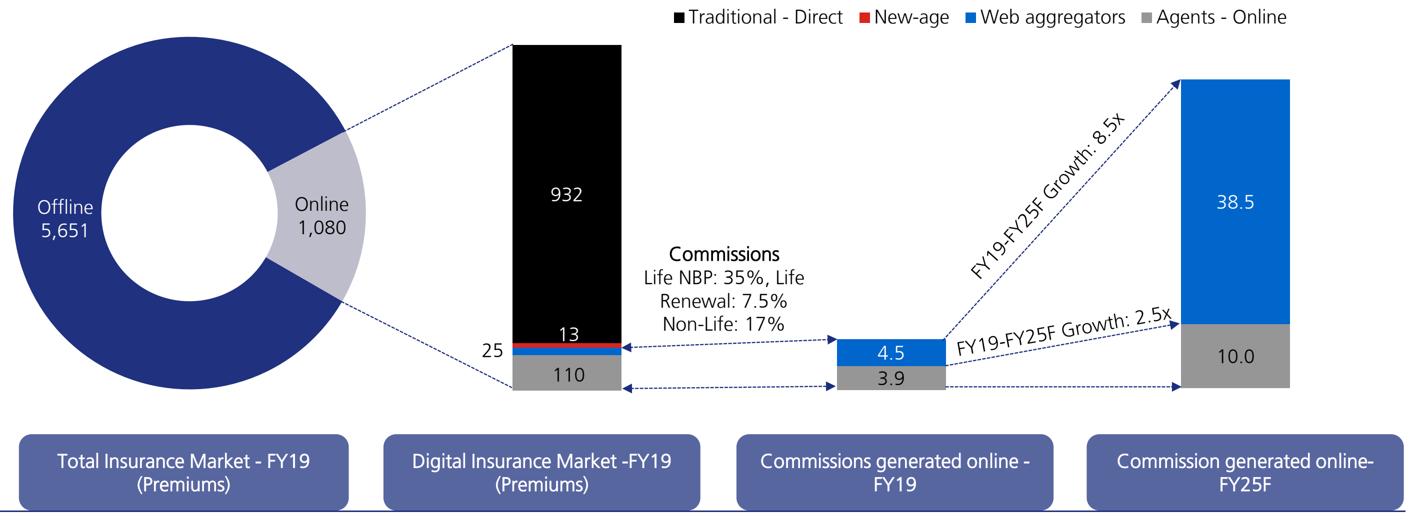
With increased ease of doing business in India, many start-ups have emerged with varied offerings across the insurance value chain. These have attracted major investments from large PE/VC firms such as Tiger Global, Softbank, Sequoia, etc. While the major investments so far have been in new-age insurance companies and web aggregators, many other models have started getting funding among brokerages and software providers enablers. We think future innovation in the insurance industry can be in the areas of advanced analytics, wearables, telematics, blockchain technology, AI and robo advisors.

What we learn from global insurance markets

Our study of different global markets indicated that each country has developed differently in the digital insurance space. For example, the Philippines market is similar to India (Insurance Commission regulates and curbs mis-selling just like the IRDA does in India). The European market, on the other hand has seen web aggregators operating for two decades now and some specific insurance segments even derive 50% of sales via web aggregators. In China, the adoption rate of first online purchase is substantially high, but due to low ticket sizes, the online penetration is restricted to c.10% in GWP terms.

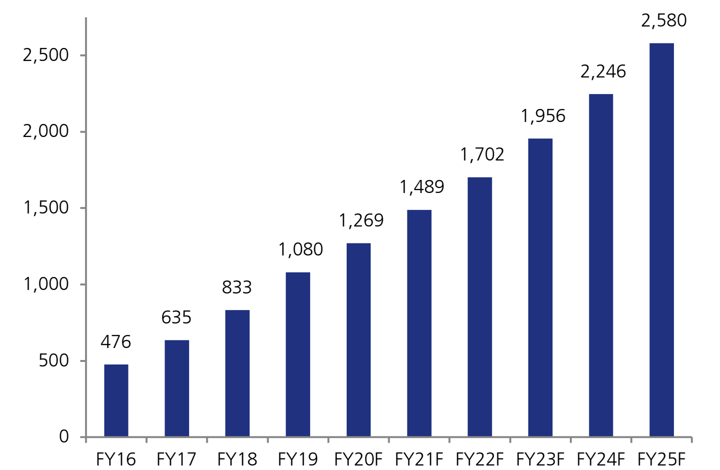
Focus charts

Exhibit 1. Market break-up for digital insurance premiums and generated commissions (INR bn)



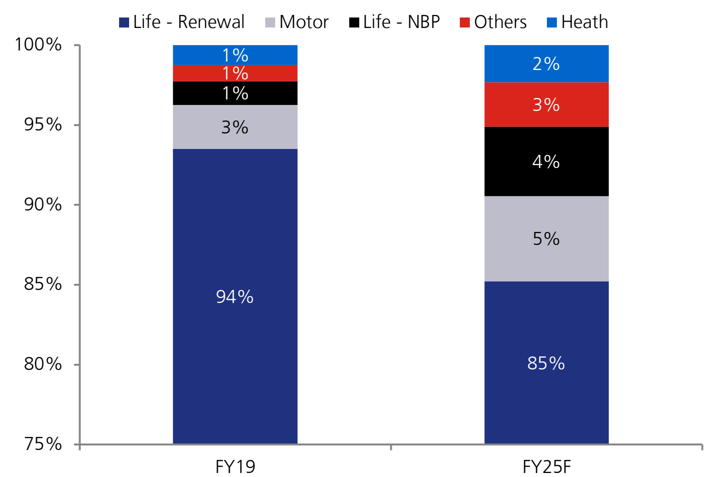
Source: IRDA, Industry, JM Financial

Exhibit 2. Digital insurance market in premium (INR bn)



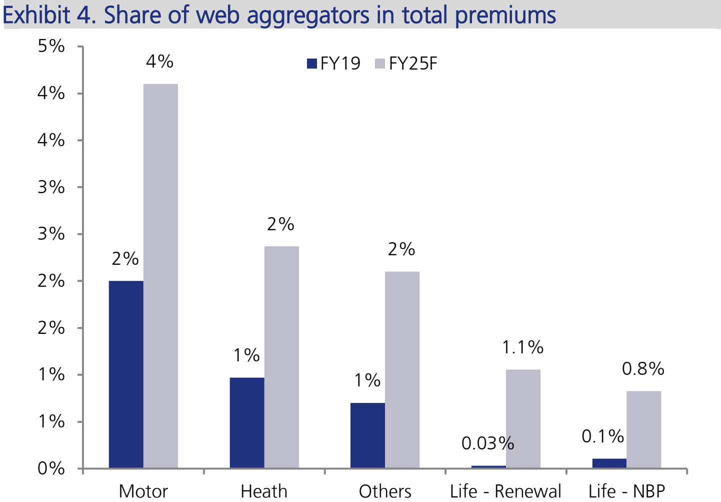
Source: JM Financial

Exhibit 3. Product share in digital insurance (by premiums)



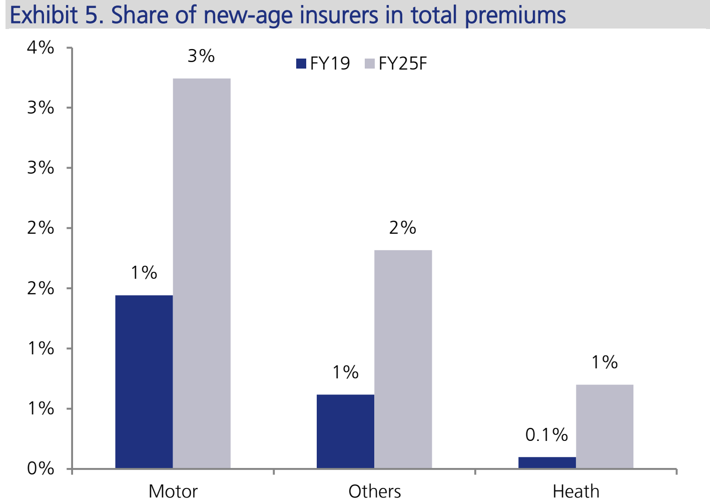
Source: JM Financial

Exhibit 4. Share of web aggregators in total premiums



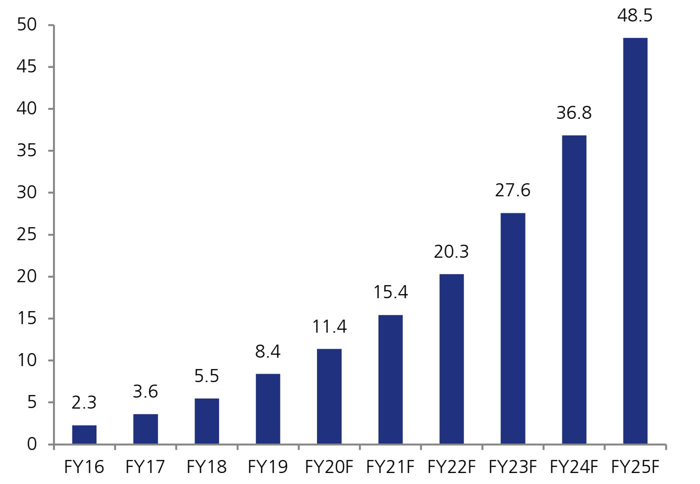
Source: IRDA, JM Financial

Exhibit 5. Share of new-age insurers in total premiums



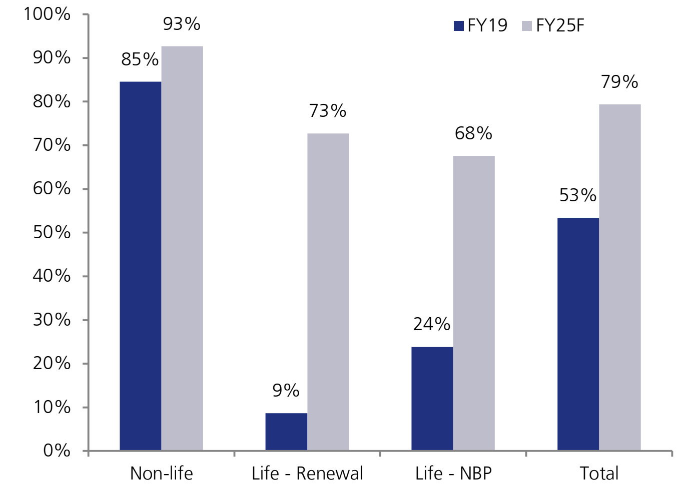
Source: IRDA, JM Financial

Exhibit 6. Digital insurance commissions market (INR bn)



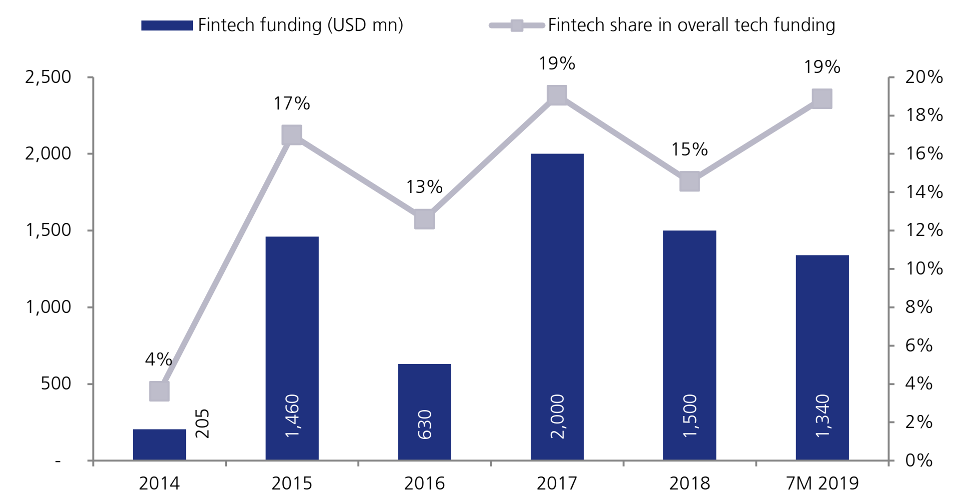
Source: JM Financial

Exhibit 7. Share of web aggregators in commissions



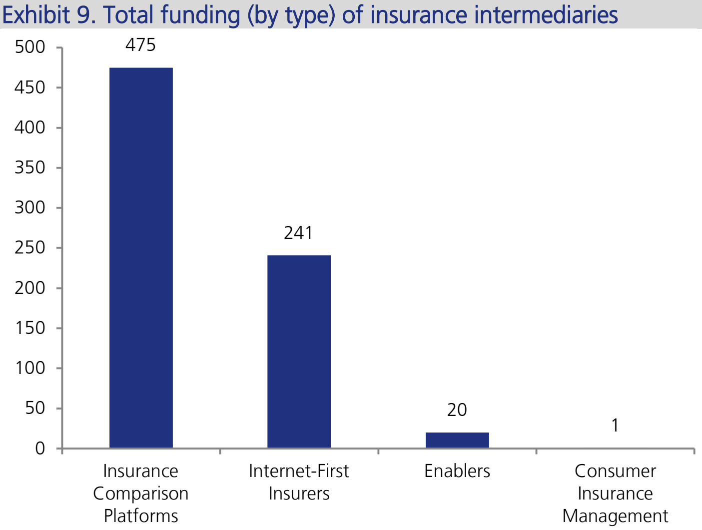
Source: JM Financial

Exhibit 8. Fintech funding in India and as a proportion to total tech funding



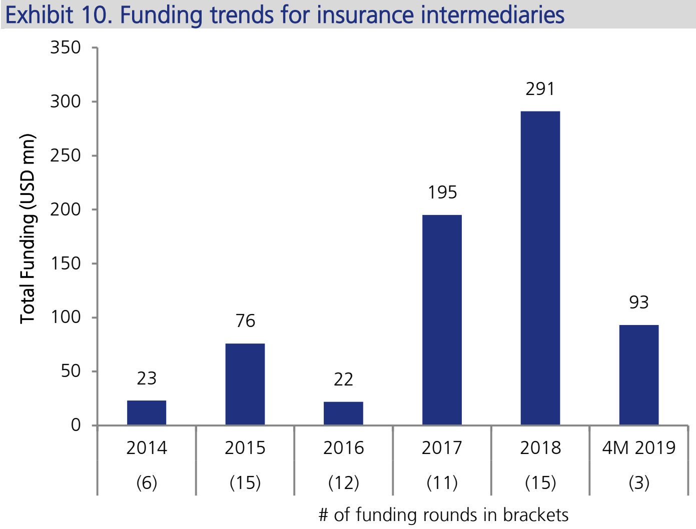
Source: Tracxn, JM Financial

Exhibit 9. Total funding (by type) of insurance intermediaries



Source: Tracxn, JM Financial

Exhibit 10. Funding trends for insurance intermediaries



Source: Tracxn, JM Financial

Fintech – attracting investments from global VCs

Digital insurance

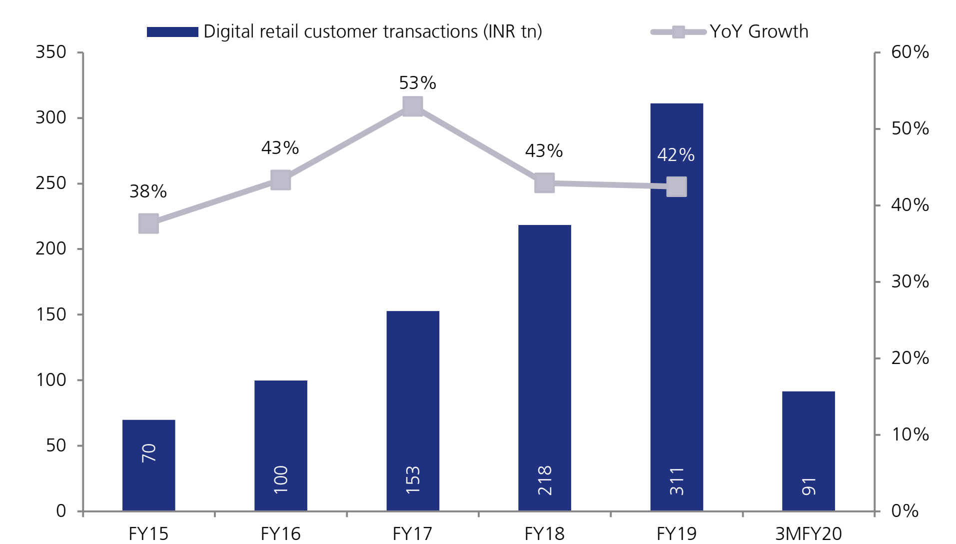
Digital payments

Digital lending

Wealth-tech

- Fintech companies primarily offer a convenient and personalised financial services experience to customers driven by data and analytics, which are arguably better than banks or other financial institutions. Although gradual, growth of Fintech in India has been taking place in steps, beginning from initiatives such as 'Aadhaar' and 'bank accounts for all' to 'platforms for moving money digitally'. These have consistently been supported by the government with a big push after Demonetization. Many Fintech start-ups have used the opportunity to position themselves strongly in the digital economy. Given the Fintech revolution, investors outside India have shown interest in this space.
- The sector has been attracting large VC investments, especially in the past 3-5 years with about 19% of the overall tech investment in India going to Fintech as at end-Jul'2019. This share of funding was as low as 4% in 2014, but due to a huge shift in the popularity of the online medium and a large number of transactions taking place digitally in the past five years, several Fintech start-ups as well as traditional players have seen their volumes rise. Demonetization provided an additional boost to the sector.

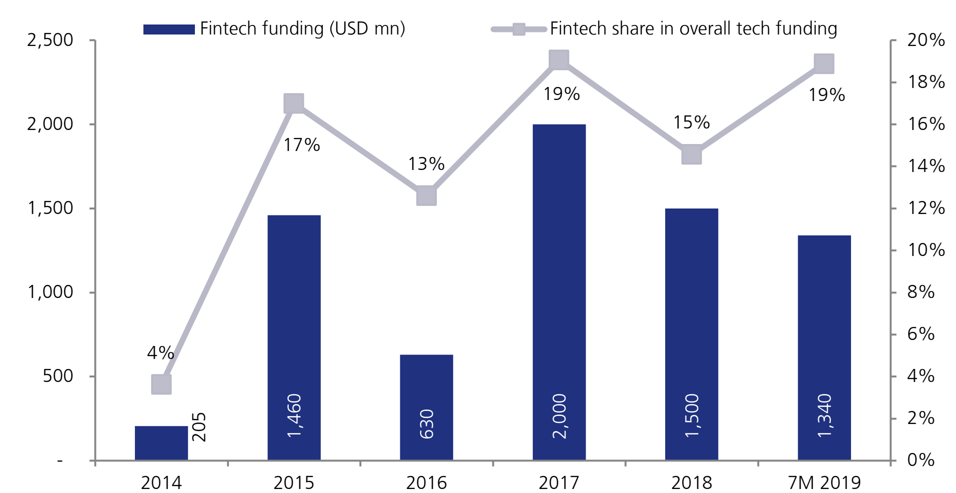
Exhibit 11. Robust growth in digital retail transactions



Source: RBI, NPCI. Digital retail customer transactions include UPI, Retail electronic payments (ECS/NEFT/IMPS/NACH), credit and debit cards at POS, prepaid payment instruments and mobile banking

Digital transactions are growing fast, driven by UPI and affordable data costs.

Exhibit 12. Fintech funding in India and as a proportion to total tech funding



Source: Tracxn, JM Financial

Fintech start-ups have attracted sizeable funding in the past 5 years

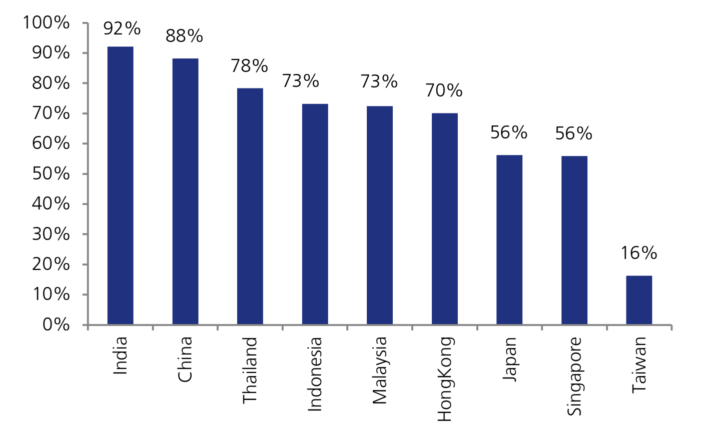
- This is our inaugural report on the Fintech sector. We will cover the digital insurance industry in detail in this report, which will be followed by reports on digital payments, digital lending and wealth-tech over the next few months.

Insurance industry and the digital insurance market

Globally, India had one of the highest insurance 'protection gap' as of 2014 as well as amongst the lowest insurance density (in 2018) in both the life and non-life sectors - at USD 54 and USD 18 respectively - while the world average is USD 370 and USD 312, respectively. While life insurance penetration in India, at 2.7% of GDP (as of 2018) is lower than global average (3.3% of GDP), it was better than China and Brazil. However, penetration is particularly low in the non-life segment at 1%, whereas the world average is 2.8% of GDP.

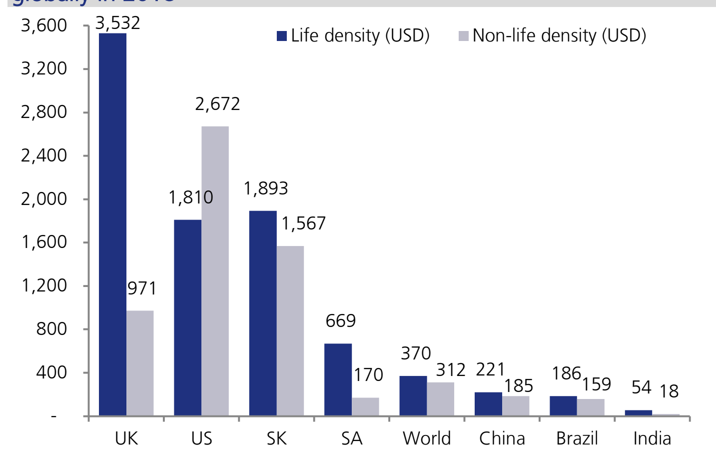
This lack of insurance purchase is generally attributed to limited information and understanding of insurance products. As mentioned earlier, that despite several start-ups trying to bridge the gap in information through the Internet and apps, there remains a huge population that does not have access to these means. Even in the case of offline channels, most insurance companies target metro and tier-1 city population, which is easier to convince to buy insurance products. A media article indicates that for the private sector in general insurance, 96% of the insurance branches of companies are in larger cities despite a sizeable chunk of the population living in smaller cities. Even when it comes to brokers (typically the largest channel for general insurance distribution), 85% have offices in just 7 states. Several companies are trying to crack this problem.

Exhibit 13. As of 2014, India has one of the highest insurance 'protection gap' in the world…



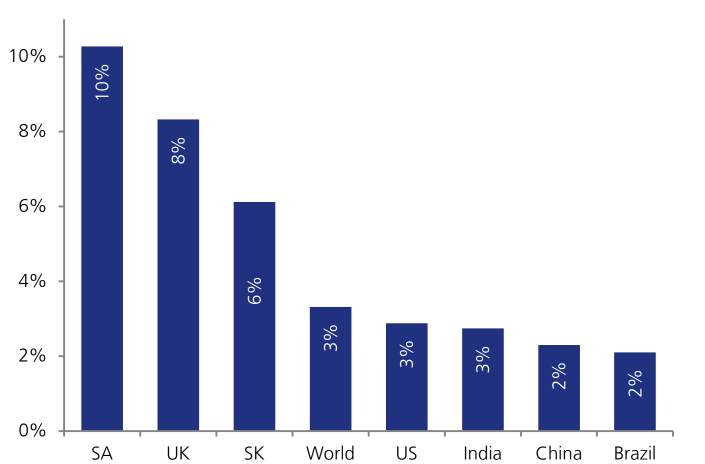
Source: HDFC Life, JM Financial. Note: The insurance 'protection gap' refers to the difference between required cover and the cover actually availed.

Exhibit 14. …with simultaneously one of the lowest insurance density globally in 2018



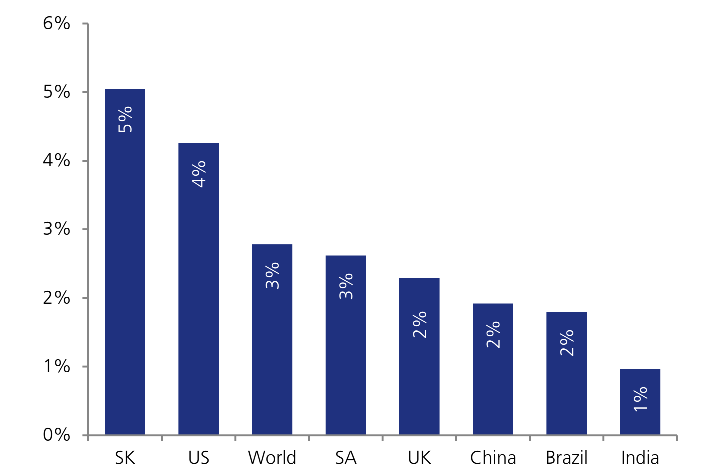
Source: Swiss Re, IRDA, JM Financial. Note: 1) We have used SA, UK, SK and US as abbreviations for South Africa, United Kingdom, South Korea and United States of America, respectively. 2) Insurance density is measured as ratio of premium underwritten to total population

Exhibit 15. While life insurance penetration is slightly better than other developing economies China and Brazil (in 2018)…



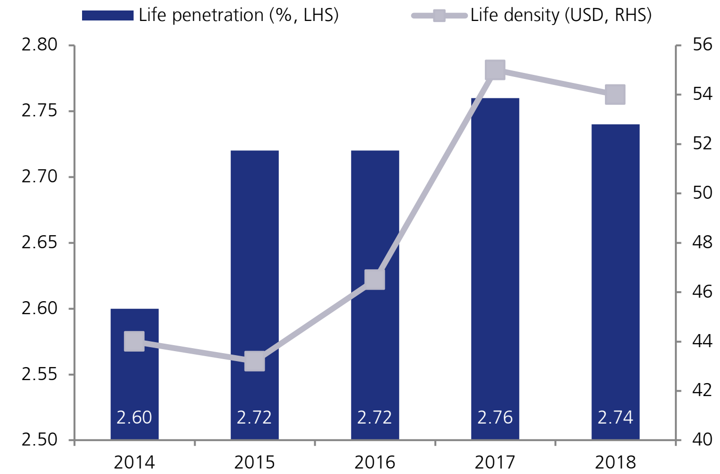
Source: Swiss Re, IRDA, JM Financial. Note: 1) We have used SA, UK, SK and US as abbreviations for South Africa, United Kingdom, South Korea and United States of America, respectively. 2) Insurance penetration is measured as ratio of premium to GDP

Exhibit 16. ..non-life insurance penetration is amongst the lowest amongst major economies / global average (in 2018)



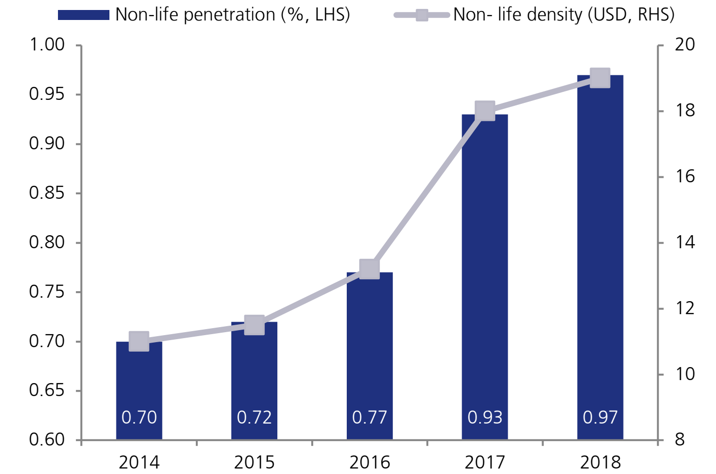
Source: Swiss Re, IRDA, JM Financial. Note: We have used SA, UK, SK and US as abbreviations for South Africa, United Kingdom, South Korea and United States of America, respectively. 2) Insurance penetration is measured as ratio of premium to GDP

Exhibit 17. Life insurance penetration and density in India



Source: Swiss Re, IRDA, JM Financial. Note: 1) Insurance penetration is measured as ratio of premium to GDP 2) Insurance density is measured as ratio of premium underwritten to total population

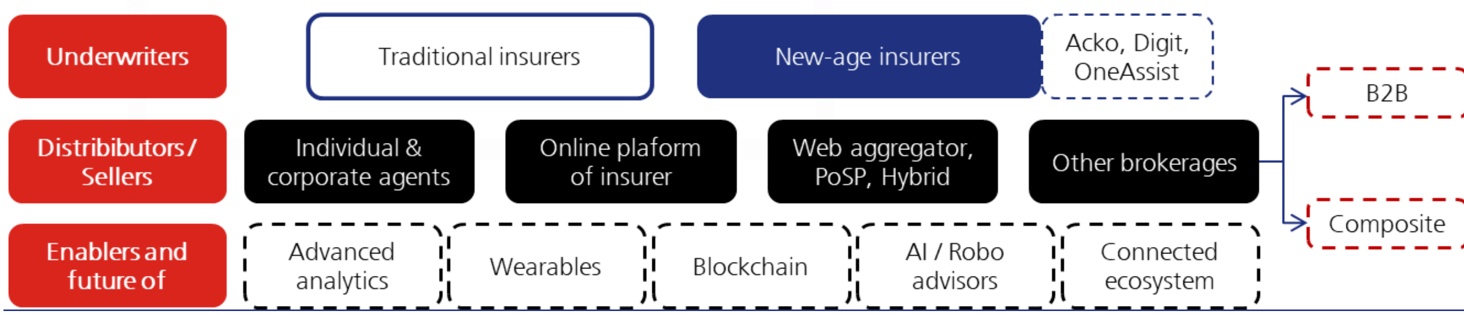
Exhibit 18. Non-life insurance penetration and density in India



Source: Swiss Re, IRDA, JM Financial. Note: 1) Insurance penetration is measured as ratio of premium to GDP 2) Insurance density is measured as ratio of premium underwritten to total population

Defining the Insurance landscape

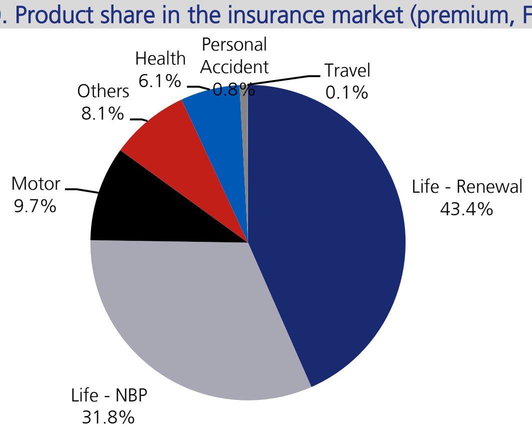
Exhibit 19. Insurance ecosystem landscape



Source: JM Financial, Industry

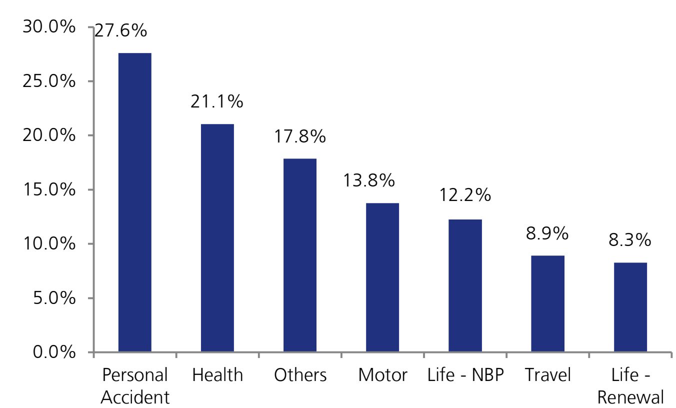
- We segment the insurance business in India across **three layers – underwriters, distributors/sellers and enablers/innovators**. Among underwriters, we include primarily traditional underwriters (such as ICICI Lombard and HDFC Life) who sell policies mostly through offline mediums; and new-age insurers (such as Acko, Digit Insurance, OneAssist), who primarily sell policies online.

Exhibit 20. Product share in the insurance market (premium, FY18)



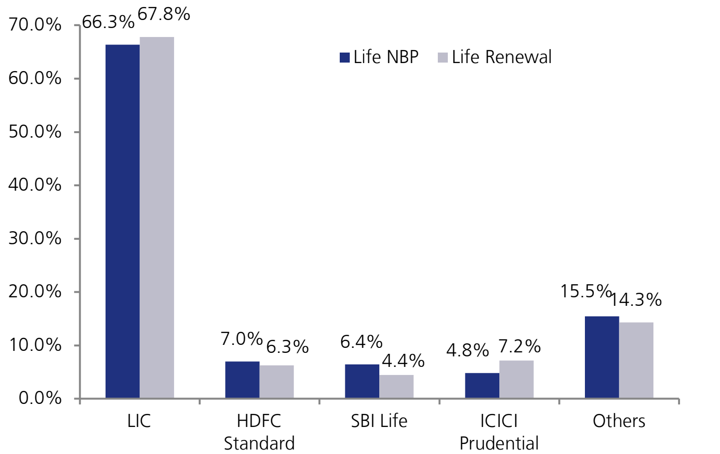
Source: IRDA, JMFL

Exhibit 21. Product-wise growth over the last five years in India



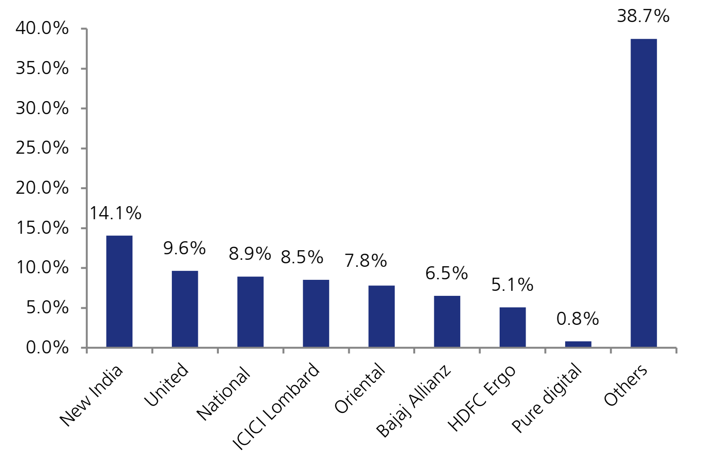
Source: IRDA, JMFL. Note: We have used FY14-FY18 CAGR for Personal Accident and Travel, CAGR is calculated over FY14-FY19 for remaining products

Exhibit 22. Market share (in FY19) of leading players in life insurance (premium)



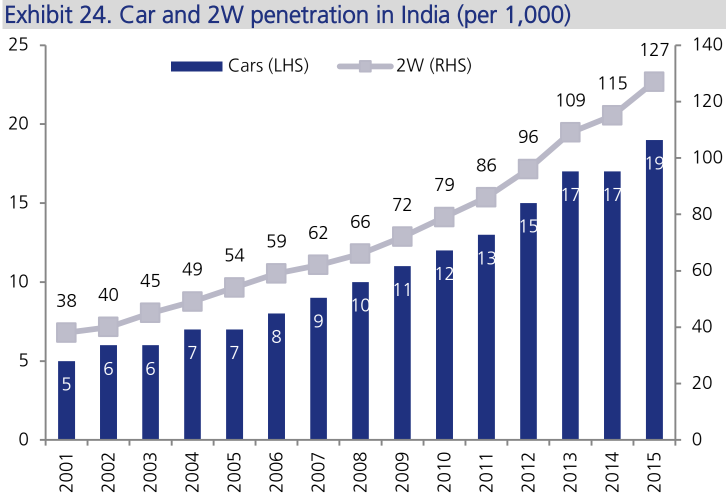
Source: IRDA, JMFL

Exhibit 23. Market share (in FY19) of leading players in non-life insurance (premium)



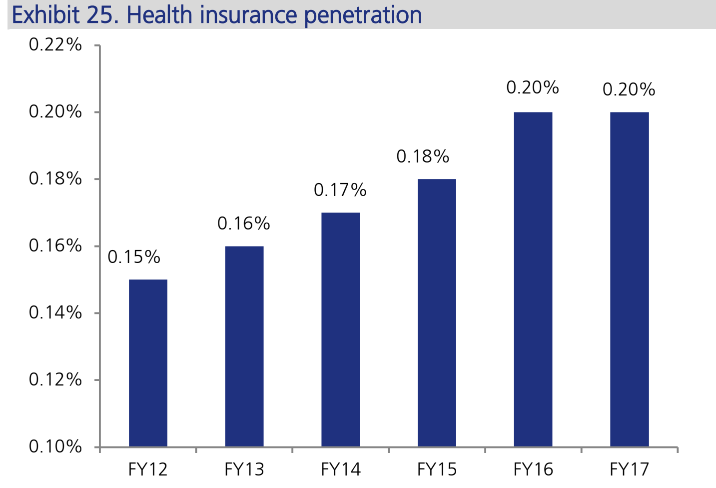
Source: IRDA, JMFL

Exhibit 24. Car and 2W penetration in India (per 1,000)



Source: UN data, CMIE, JM Financial

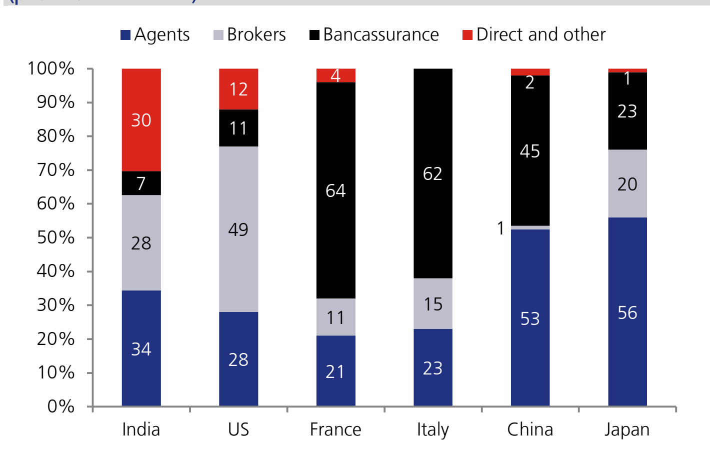
Exhibit 25. Health insurance penetration



Source: IRDA, CMIE, JM Financial

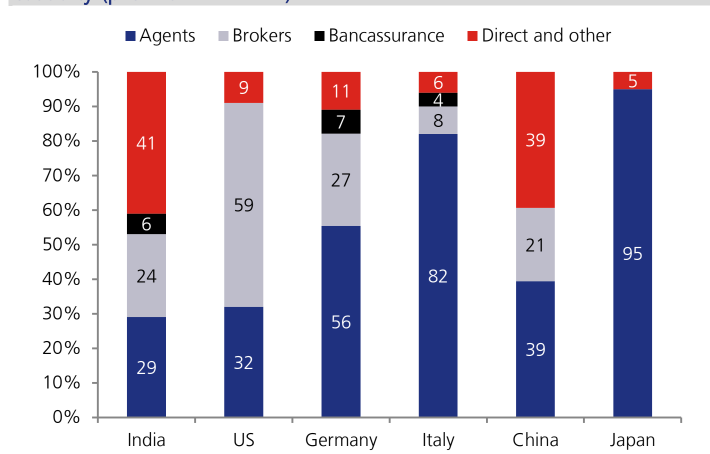
- **The second layer comprises various types of insurance distributors** such as agents (individual and corporate), web aggregators (such as PolicyBazaar and Easypolicy), licensed B2B and composite brokerages (such as SecureNow and Gramcover) and online platforms of various insurers themselves.

Exhibit 26. Country-wise distribution channels for life insurance (premium in 2016)



Source: McKinsey Report: Global Insurance Pools trends and forecasts: Distribution (2019), IRDA FY17 Annual Report for India, JMFL

Exhibit 27. Country-wise distribution channels for property & casualty (premium in 2016)



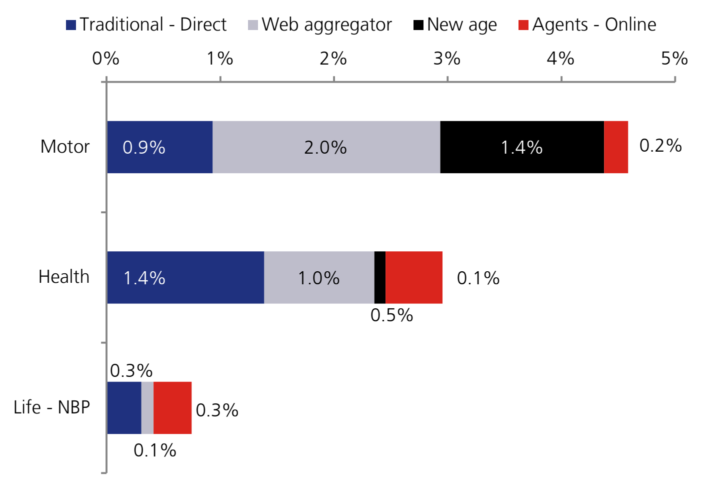
Source: McKinsey Report: Global Insurance Pools trends and forecasts: Distribution (2019), JMFL

Exhibit 28. Channel-wise distribution (FY2018)

Channel	Life - NBP	Motor	Health
Brokers	1.1%	26.0%	25.2%
Corporate Agents	14.5%	14.3%	11.1%
Individual Agents	31.8%	45.8%	1.3%
Direct - Online	0.26%	7.9%	28.6%
Direct - Offline	52.2%		30.0%
Web Aggregators	0.04%	NA	0.5%
Others	0.1%	6.0%	3.3%

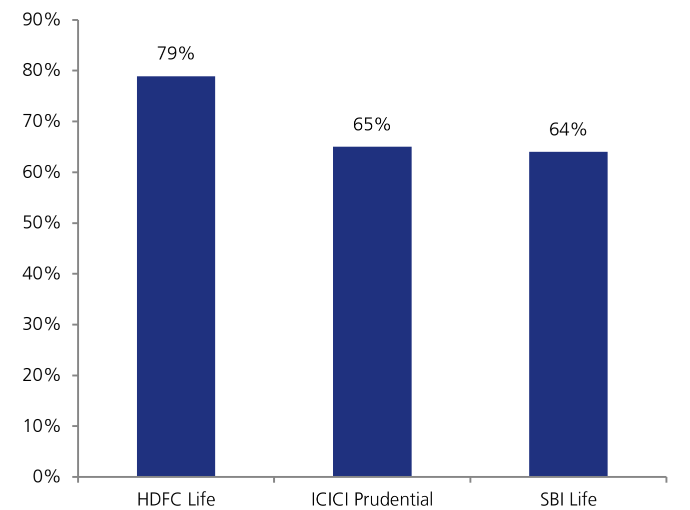
Source: IRDA, JM Financial

Exhibit 29. Digital channel share in insurance distribution (FY19, premium)



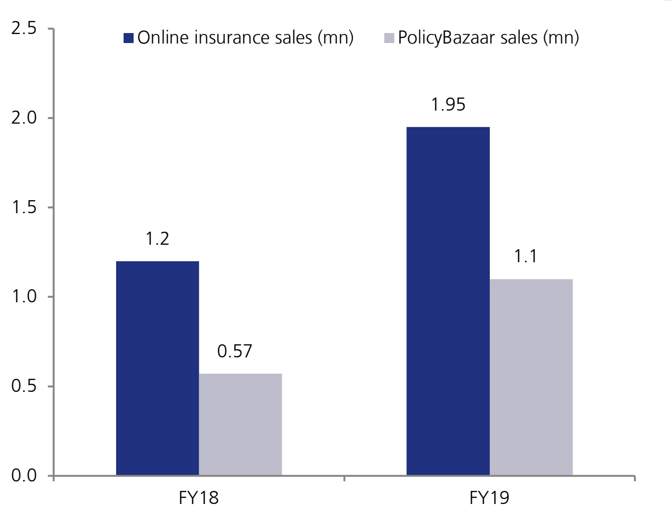
Source: IRDA, JMFL. Note: Agents – Online primarily includes insurance policies bought through banks web platforms

Exhibit 30. Renewal premium collected digitally



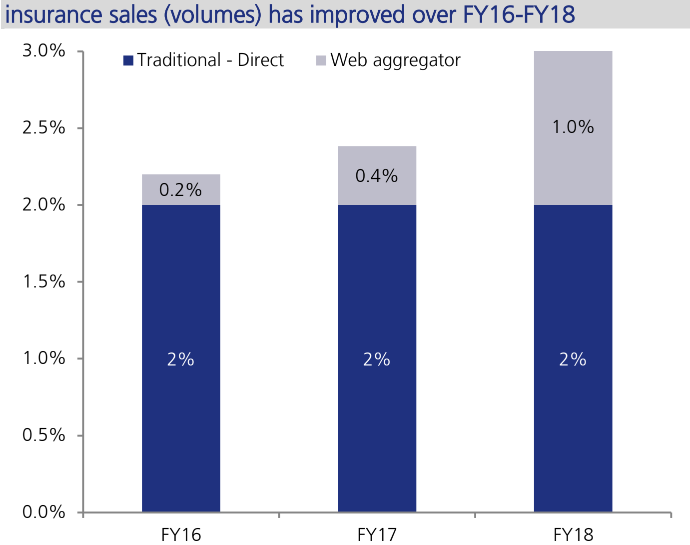
Source: Company, JM Financial

Exhibit 31. In volume terms, online policy sales now account for ~9% of total motor insurance policy sales (~22mn policies)



Source: Media Report, JM Financial

Exhibit 32. Similarly, the online channel's share in total health insurance sales (volumes) has improved over FY16-FY18



Source: IRDA, JM Financial

Exhibit 33. Permissions granted by IRDA to different insurance companies

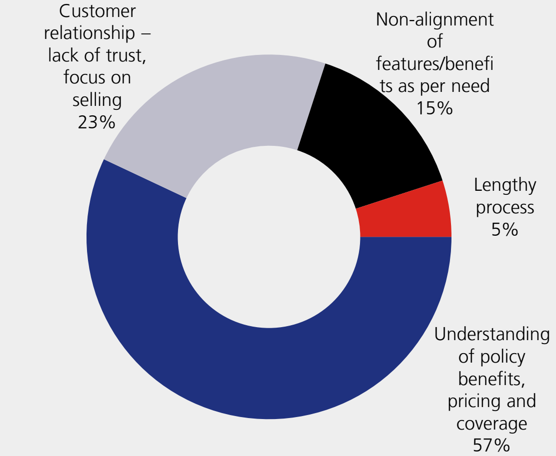
Process	Traditional Insurers	New-age Insurers	Web Aggregators	Agents	Brokers
New business underwriting	✓	✓			
Policy distribution	✓	✓	✓	✓	✓
Comparison between different company policies			✓	✓	✓
Policy renewal	✓	✓	✓	✓	✓
Claims management/settlement	✓	✓	✓	✓	✓

Source: IRDA, Media Reports, JM Financial

- **The third layer of insurance is formed by enablers** (wearables, advanced analytics and connected ecosystems) and technology advancements (blockchain, AI and robo advisors) which would define how future innovation in insurance will take place going forward. While in the Indian context we believe adoption of such technologies is still less likely, any innovation in these areas could boost the overall market.

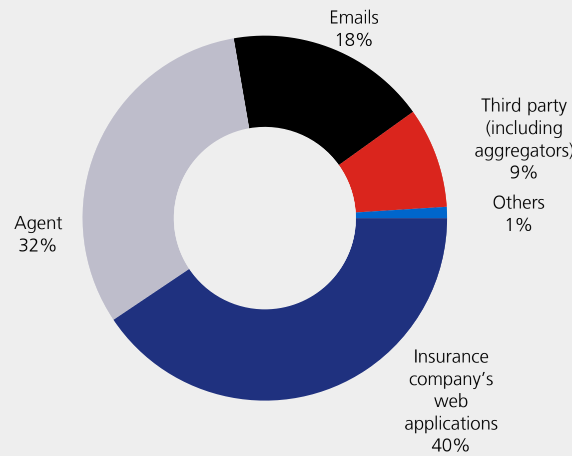
Insurance Survey – why digital modes are gaining traction

Exhibit 34. Customers face challenges with traditional insurers due to underwriting complexity, pricing and lack of trust…



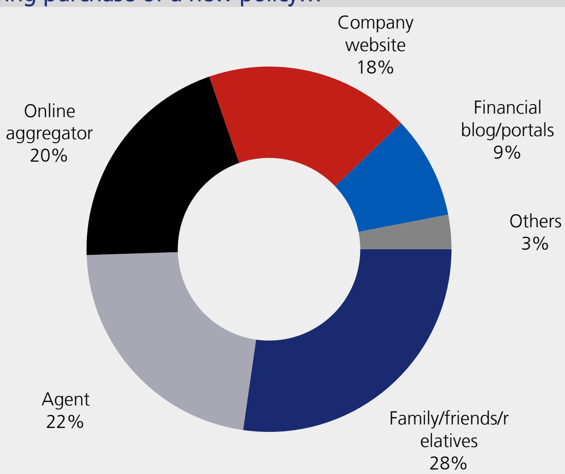
Source: PWC Report June 2019 (Competing in a new age of insurance: India is adopting emerging technologies)

Exhibit 35. …and are increasingly adopting online channels for policy management



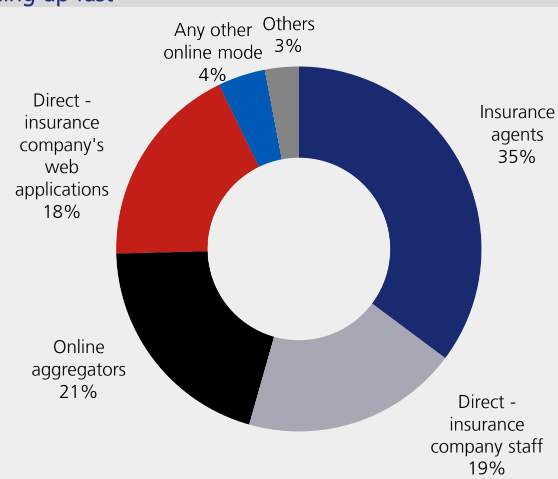
Source: PWC Report June 2019 (Competing in a new age of insurance: India is adopting emerging technologies)

Exhibit 36. Information available online is used very often when considering purchase of a new policy…



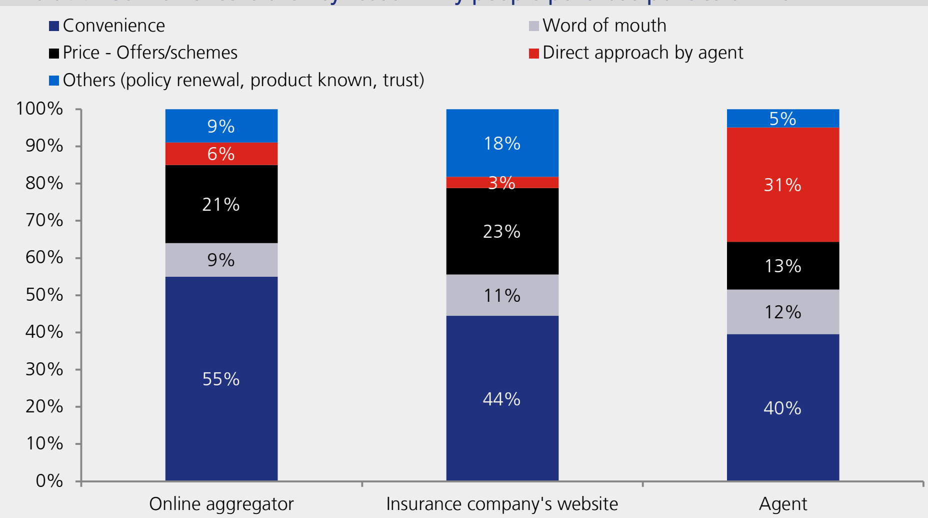
Source: PWC Report June 2019 (Competing in a new age of insurance: India is adopting emerging technologies)

Exhibit 37. …while the actual purchase from digital means is catching up fast



Source: PWC Report June 2019 (Competing in a new age of insurance: India is adopting emerging technologies)

Exhibit 38. Convenience is the key reason why people purchase policies online



Source: PWC Report June 2019 (Competing in a new age of insurance: India is adopting emerging technologies)

New-age Insurance companies and Intermediaries in India

New-age Insurer – Underwriting; selling & distribution

- **Underwriting + selling + distribution:** A few companies have taken the route of underwriting policies themselves. Acko General Insurance and Digit Insurance for example, underwrite insurance policies and sell them through their own distribution networks (primarily online), thus saving on commissions that are as high as 20-30%, and go towards agents, brokers or web aggregators. They are thus able to provide policies at lower premiums compared with larger counterparts. Since India continues to be a price-sensitive market, a potential policy buyer does consider price to be an important factor during a policy purchase. Other metrics such as ease of purchase, claim settlement ratio and assistance in claim processing are examples of factors people use to compare policies. New-age insurers have a high focus on technology to provide insurance based on data analytics, while traditional insurance companies likely have limited bandwidth to use customer information and underwrite customised policies and price them efficiently. Based on our discussions/media reports, we note that insurance companies such as ICICI and Max Life are focusing on technology inititatives to process policies online.

Some companies have started underwriting insurance products and selling and distributing them on their own, thus saving on agent commissions (which range from 20-30% of premiums) to be able to provide insurance at more affordable premiums

- **Assistance and protection services:** Just like insurance, assist and protect services are aimed at protecting one's personal belongings that may either be expensive or prone to theft/damage because of frequent use. Such belongings are generally not specifically covered in any other insurance plans. The belongings can range from simple objects such as wallets/phones/ backpacks to lathe-ticket electronics such as laptops. These companies offer help by not only insuring these products but also assisting in protecting data, pick-up and repair services for damaged goods, warranty services, assistance services via tie-ups with OEMs, etc. One of the largest companies offering assist and protect services is OneAssist, funded by Trifecta Capital, Sequoia Capital, Lightspeed Venture Partners, among others and remains the only adequately funded player in this space.

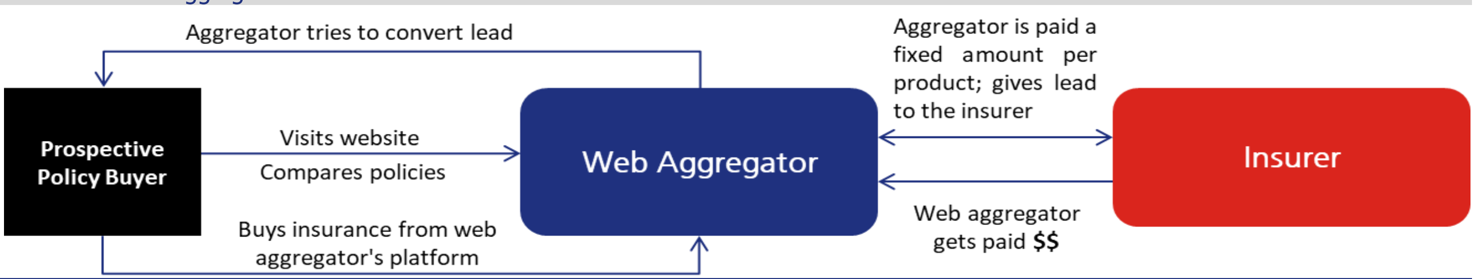
Smaller ticket insurance policies for specific needs and protection services for high usage products such as wallets and mobile phones are gaining traction as these aspects are otherwise not covered by other insurance policies

- **Bite-sized insurance:** Buying a full-fledged insurance policy is complex. While many insurers offer smaller-size insurance products via service providers (such as travel insurance for a particular flight via MakeMyTrip, or insurance on a particular purchase on Amazon), Toffee Insuarnce works in this niche and specialises in providing these bite-sized insurance options where potential buyers can opt for a specific insurance need through a digital policy purchase option. The claim process and documentation is covered by the company. The insurance options are a result of market fit analysis and are made affordable for anyone who is looking for insurance for smaller belongings/need and the policy is underwritten by one or more insurance partner(s). For example, a bicycle insurance product covers theft, damage and accident insurance, wherein a particular insurer underwrites theft and damage protection, while another insurer underwrites personal accident insurance for the company. A combination of the three becomes a Toffee product.

Web aggregator model

- **Web aggregator model:** According to the IRDA, web aggregators compile and provide information about various insurance policies of companies on a website. The web aggregator gets paid a fixed charge for listing of insurance products as well as when it converts leads for insurers.

Exhibit 39. Web aggregator model



Source: JM Financial

- **Characteristics of a web aggregator model:** The web aggregator model is an eCommerce B2C brokerage model, wherein consumers come for discovery on the platform of the web aggregator and compare various insurance policies with different plans and tenures. In life insurance, for example, these may include participating (savings plus protection) or non-participating plans or the simplest form of term plans. The policy terms vary from 5-40 years depending on the insurance underwriter. The consumer can directly buy insurance from the web aggregator (for which the aggregator gets paid a commission). Web aggregators get a certain renewal premium cut as well. The strength of the B2C model lies in the fact that take rates are high and not shared with any other intermediary. However, because of no direct intermediation from the IRDA, there is the possibility of mis-selling in such a model as insurance products are complex and a representative of a web aggregator may or may not be able to completely understand and fulfil the precise requirements of a potential policy buyer. Companies such as PolicyBazaar use the web aggregator model extensively but are trying out PoSPs as well.

In a web aggregator model, potential policy buyer seeks insurance discovery online and may buy insurance on the platform itself

Hybrid model - Point-of-sales Person (PoSP) & online selling & distribution

- **Hybrid – offline + online model:** The concept of PoSP was introduced in 2015 by the IRDA. PoSP is an individual who has minimum specified qualifications and has undergone training to be able to sell an insurance policy. Both insurance and insurance intermediaries may use a PoSP and the same entity is responsible for conduct of the PoSP, according to IRDA. PoSPs typically sell pre-underwritten and simple insurance policies such as motor, travel and personal accident insurance. The commissions are shared between the PoSP and the entity employing the PoSP. Companies such as Policybazaar and Turtlemint (Mintpro) use both online (lead generation and selling+distribution) as well as PoSP model to convert leads.

In 2015, the IRDA allowed PoSP as a new kind of distributor, wherein simple policies (such as motor, travel, personal accident) which require minimum amount of training and underwriting, can be sold by such individuals

B2B insurance brokerages

- **Brokerages act as a bridge between SMEs and insurance companies:** Insurance companies find it difficult to price group plans such as group health insurance for SMEs, due to several variables that impact pricing such as location, average age and profile of employees, nature of business, etc. B2B brokerages such as SecureNow help the insurers price such a product for SMEs after the terms of agreement are mutually agreed upon. Representatives from the insurance broker work with businesses to customise their insurance plans, thus helping them get the best quotes. Such brokerages typically work in areas such as life insurance, motor insurance, group health insurance, fire insurance, workmen compensation and liability insurance. Composite brokers (registered with the IRDA, such as Gramcover) are allowed to conduct all activities of a life/non-life broker and are also allowed to facilitate selling of reinsurance products.

B2B insurance brokerages help SMEs connect with large insurance providers which otherwise don't have access to economical group plans

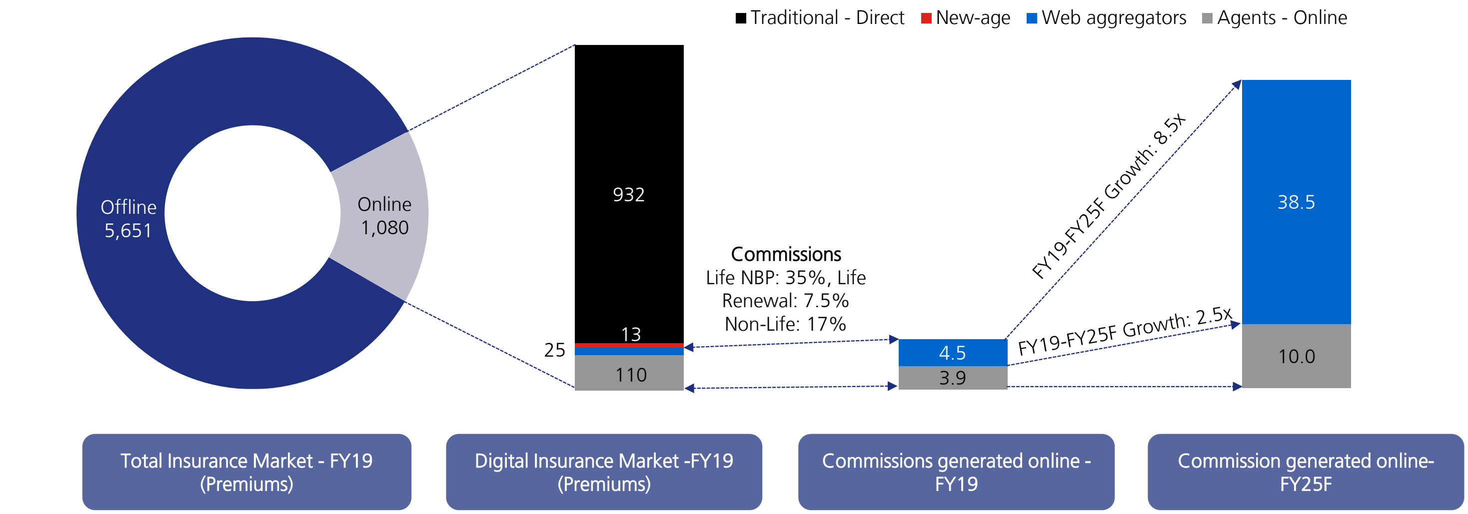
Insurance software solution providers / enablers

- **Comprehensive insurance software suite:** Currently in its nascent stage, software solutions have potential of use in several cases in the insurance industry. Agile Financial Technologies is one of the leading companies in this space. The 11-year old company offers comprehensive solutions for the BFSI industry. Its product for the insurance industry covers the entire business cycle from underwriting and claim management to reinsurance and accounting. Outside India, the company is using technology to help farmers insure their feeds. It has tied up with weather services companies that help them pre-empt certain events and act on either prevention or the claim initiation and processing automatically. Many individuals in India are already using wearable devices to monitor health and take preventive measures to control their calorie levels, blood pressure, etc. These IoT devices can potentially partner with insurance underwriters and intermediaries to provide targeted insurance policies. Similarly, motor insurance can use telematics to price vehicle insurance products in a much more efficient way. DriveSmart is one such optional facility provided by Bajaj Allianz to better gauge /monitor pre- and post-sales risks, helping them in pricing the policies effectively and at times mitigating risks.

Tech-enabled health and motor insurance is in the nascent stages in India but has potential to become a key methodology when pricing policies in future

Digital insurance market sizing

Exhibit 40. Market break-up for digital insurance premiums and generated commissions (INR bn)



Source: IRDA, Industry, JM Financial

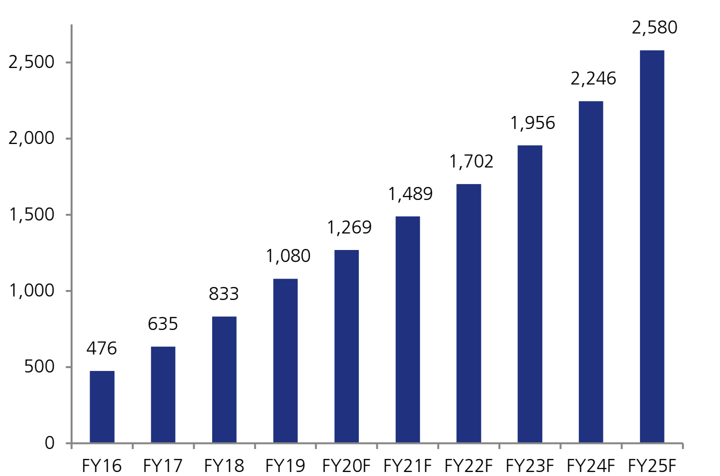
Estimating the online insurance market (premiums)

We forecast the overall insurance market in India - after discussions with our insurance team, to post a CAGR of 13% over FY19-25F (for life and non-life combined).

Based on our interactions with insurance companies, data from the IRDA and on available industry estimates, we estimate that the total insurance premiums written through various online/digital-only channels to be approximately INR 1.1tn (USD 15bn) in FY19, a substantial portion of which can be attributed to renewal premiums for life insurance policies. This is mainly because most life renewals take place through ECS mandates or through web applications of banks/insurance underwriting companies.

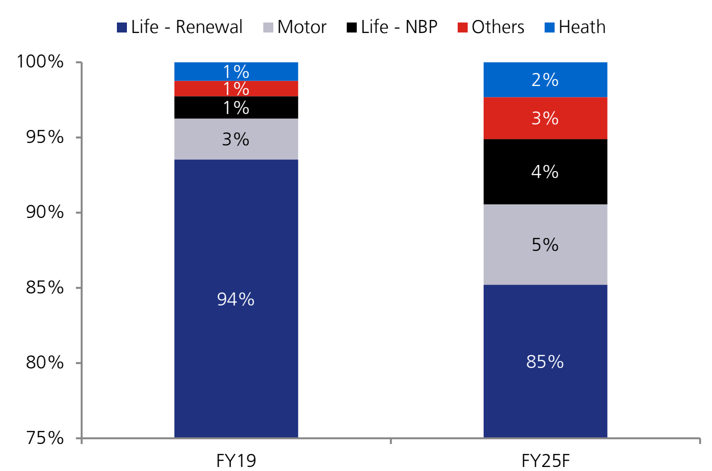
We estimate the online insurance market to post a CAGR of 16% during FY19-25F taking the total market to INR 2.6tn ((USD 37bn) by FY25F, driven by strong growth in life – NBP and non-life insurance.

Exhibit 41. Digital insurance market in premium (INR bn)



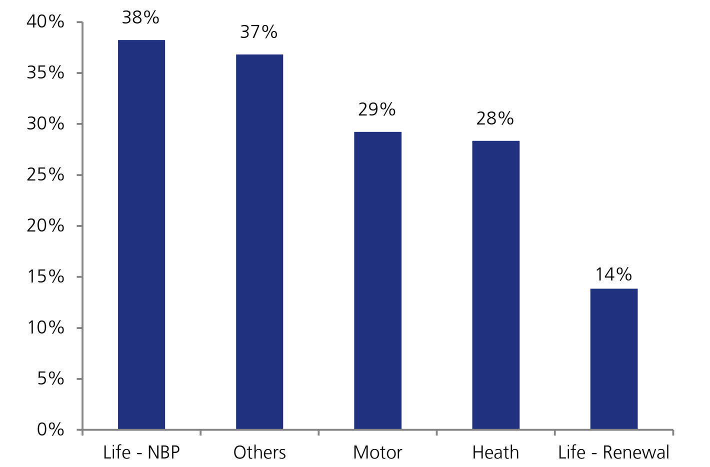
Source: JM Financial

Exhibit 42. Product share in digital insurance (by premiums)



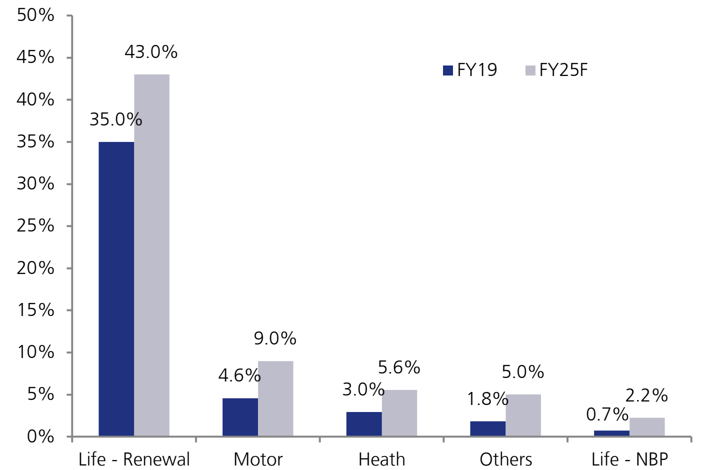
Source: JM Financial

Exhibit 43. Growth forecast in digital premiums (FY19-FY25F)



Source: JM Financial

Exhibit 44. Digital insurance penetration (premium)



Source: JM Financial

Due to the small size of the industry, not much documentation is available on the online insurance market. While the IRDA provides some data points on distribution channel-wise premiums, the digital share of each is unavailable. In order to reach the relevant market size, we divide the industry into three components – **(1) Life – new business premium (NBP); (2) Life – renewals; (3) Non-life.**

Exhibit 45. Digital insurance market premiums (INR bn)

	FY16	FY17	FY18	FY19	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
Non-life	13	18	27	54	72	95	123	162	210	269
Life – NBP	6	9	12	16	22	32	43	61	84	112
Life – Renewal	456	608	794	1,010	1,175	1,362	1,537	1,733	1,952	2,199
Total digital insurance market premiums (INR bn)	**476**	**635**	**833**	**1,080**	**1,269**	**1,489**	**1,702**	**1,956**	**2,246**	**2,580**

Source: IRDA, Industry, JM Financial

Life insurance – NBP: A PWC report suggests that 0.77% of new business premiums for life insurance came from the online medium in FY16. While this was in volume terms, we assume that 0.6x of the share was accounted for in value terms - based on our discussions with life insurance providers - which leads us to a 0.45% share in premium terms. With the help of some data available from the IRDA on traditional insurers and web aggregators we back-calculated online share of corporate agents; this in turn gave us penetration numbers. We assumed a similar online penetration increase for traditional insurers and banks/agents over period FY16-19 since there were no other channels for insurance distribution at the time. However, after FY19, we assume that both web aggregators and insurance companies' portals would provide similar growth for the online distribution of life insurance policies. As a result, we believe online channels would penetrate life NBP policies to the extent of 2.25% by FY25F.

Exhibit 46. Key assumptions on penetration – Life-NBP

Gross online premium penetration	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
Traditional Insurance Companies - Direct digital	0.38%	0.48%	0.58%	0.73%	0.88%	1.03%
Web Aggregators	0.18%	0.28%	0.38%	0.53%	0.68%	0.83%
Corporate Agents (Banks + Others)	0.35%	0.36%	0.37%	0.38%	0.39%	0.40%
Grand Total	**0.90%**	**1.11%**	**1.32%**	**1.63%**	**1.94%**	**2.25%**

Source: JM Financial

Life insurance – renewal: Based on our discussions with life insurance providers and our understanding of the renewals market, we estimate that 35% of total renewals (in value) took place online in FY19. We believe this should grow 1-2% each year until FY25F. However, a major portion of sales comes from online portals of insurance companies or from bancassurance, while web aggregators form a rather small part of renewal premiums due to their short history.

Exhibit 47. Key assumptions on penetration – Life-Renewal

Gross online premium penetration	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
Online Direct	33.1%	34.6%	35.2%	35.7%	36.1%	36.4%
Web aggregators online sales	0.1%	0.2%	0.3%	0.5%	0.7%	1.1%
Bancassurance	3.8%	4.2%	4.5%	4.8%	5.2%	5.5%
Renewals Online (all channels)	**37.0%**	**39.0%**	**40.0%**	**41.0%**	**42.0%**	**43.0%**

Source: JM Financial

Non-life insurance: The IRDA provides gross direct premiums for motor, health and other non-life insurance types. The regulator also provides details of premiums written by new-age underwriters and online sales by web aggregators and insurance companies in their health businesses.

In motor insurance, we assume that a large part of growth in the online business over FY19-25F should come from new-age underwriters or web aggregators as policies are simpler to understand and purchase online. According to our discussions with non-life insurers and FY13 data on online sales, we assume 75% of the online business came from traditional insurers and 25% from bancassurance. Since banks cannot promote/push sales of insurance policies, we assume flat penetration for online bancassurance. For traditional insurers, we assume 0.05% annual penetration growth to FY21F, after which we assume a 0.1% increase in penetration for non-life insurers owing to ongoing investments in technology by these companies. We believe penetration growth for new-age underwriters and web aggregators over the next three years should marginally be impacted, due to the recent IRDA guidelines that mandates purchase of at least 3 to 5 years third party insurance during new vehicle purchase, see media report. Consequently, for new-age underwriters, we assume a 0.2% annual growth in penetration till FY22F, and 0.4% thereafter till FY25F, assuming an increase in popularity of bite-sized products sold by these companies. For web aggregators, we assume annual penetration growth of 0.2% up to FY22F and 0.5% thereafter.

In health insurance and other non-life businesses, we use a similar approach of higher growth assumption for web aggregators (at 0.3% annually) than the traditional players and new-age underwriters (at 0.1-0.2% annually).

Please note that we have derived past data from media sources and insights from our meetings with insurance companies, web aggregators and new-age insurers.

Exhibit 48. Key assumptions on penetration – Non-Life

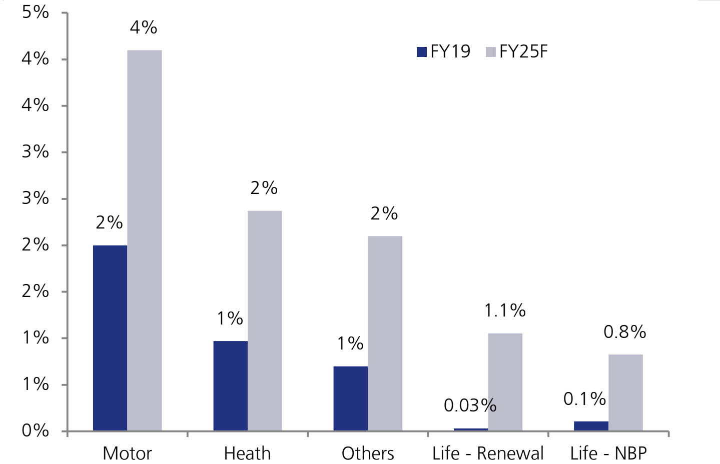
Gross online premium penetration - Motor	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
New-age Insurance Companies - Direct	1.6%	1.8%	2.0%	2.4%	2.8%	3.2%
Traditional Insurance Companies - Direct	1.0%	1.0%	1.1%	1.2%	1.3%	1.4%
Web Aggregators	2.2%	2.4%	2.6%	3.1%	3.6%	4.1%
Corporate Agents (Banks + Others)*	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Total	**5.0%**	**5.5%**	**6.0%**	**7.0%**	**8.0%**	**9.0%**
Gross online premium penetration - Health	**FY20F**	**FY21F**	**FY22F**	**FY23F**	**FY24F**	**FY25F**
New-age Insurance Companies – Direct	0.2%	0.3%	0.4%	0.5%	0.6%	0.7%
Traditional Insurance Companies - Direct	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%
Web Aggregators	1.3%	1.6%	1.8%	2.0%	2.2%	2.4%
Corporate Agents (Banks + Others)*	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Total	**3.5%**	**4.0%**	**4.4%**	**4.8%**	**5.2%**	**5.6%**
Gross online premium penetration - others	**FY20F**	**FY21F**	**FY22F**	**FY23F**	**FY24F**	**FY25F**
New-age Insurance Companies - Direct	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%
Traditional Insurance Companies - Direct	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%
Web Aggregators	1.0%	1.3%	1.5%	1.7%	1.9%	2.1%
Corporate Agents (Banks + Others)*	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Total	**2.4%**	**3.0%**	**3.5%**	**4.0%**	**4.5%**	**5.0%**

Source: JM Financial

Estimating the commissions market

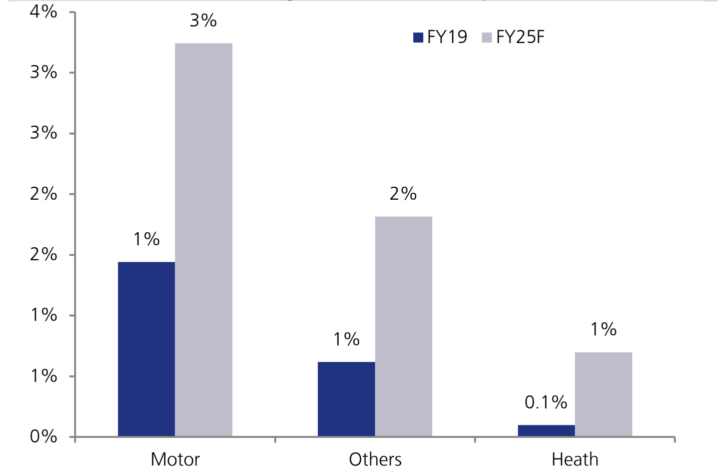
We estimate the market for commissions generated by web aggregators and corporate agents who facilitate sale of insurance policies online to be nascent at INR 8.4bn (USD 120mn) as at end-FY19. We believe this market has the potential to grow ~6x over the next six years, especially due to the growing popularity of motor and health insurance policies among the younger generations. We assume the take rates from a combination of IRDA guidelines on commission rates (Please refer to the IRDA section in our report) and from our discussions with web aggregators.

Exhibit 49. Share of web aggregators in total premiums



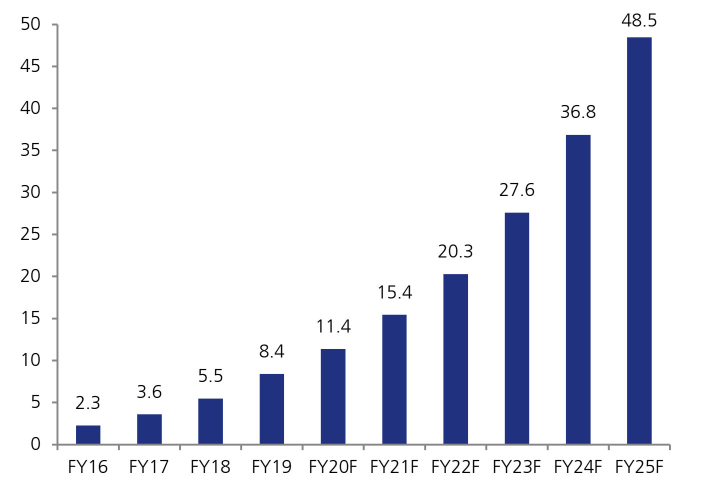
Source: IRDA, JM Financial

Exhibit 50. Share of new-age insurers in total premiums



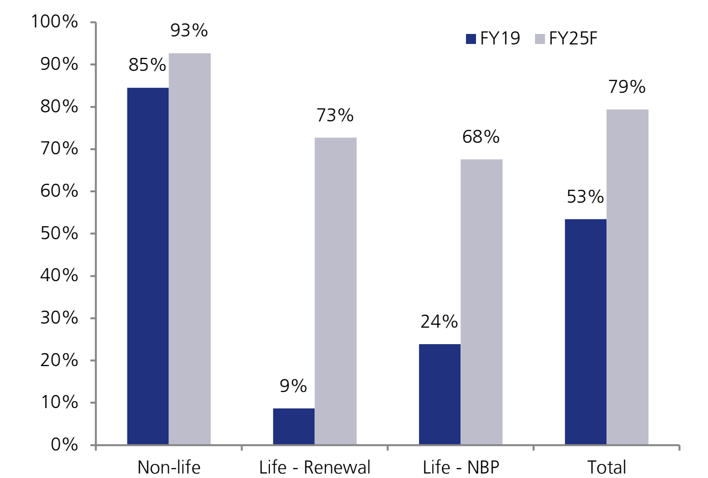
Source: IRDA, JM Financial

Exhibit 51. Digital insurance commissions market (INR bn)



Source: JM Financial

Exhibit 52. Share of web aggregators in commissions



Source: JM Financial

Exhibit 53. Digital insurance market commissions (INR bn)

	FY16	FY17	FY18	FY19	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
Non-life	0.8	1.4	2.3	4.3	5.8	7.8	9.9	13.0	16.9	21.6
Life - NBP	1.1	1.7	2.5	3.3	4.5	6.3	8.5	11.9	16.1	21.3
Life - Renewal	0.4	0.5	0.7	0.8	1.0	1.4	1.9	2.7	3.9	5.6
Total digital insurance market commissions (INR bn)	**2.3**	**3.6**	**5.5**	**8.4**	**11.4**	**15.4**	**20.3**	**27.6**	**36.8**	**48.5**

Source: IRDA, Industry, JM Financial

Estimating the web aggregators market

In FY15, the IRDA granted web aggregators the permission to provide not only comparison services but also distribute insurance policies online through their own platforms. Despite the web aggregator channel being relatively new, buyers seem to increasingly use their services to compare policies in a transparent manner without the need for human-to-human interactions, which in turn has led to an increase in web aggregator-driven insurance sales. As of FY19, we estimate the total web aggregator market to be valued around INR 4.5bn (USD 65mn), with potential to grow to INR 38.5bn (USD 550mn) by FY25F, a CAGR of 44%. Further, we believe the contribution of web aggregators to total online commissions (53% in FY19) is also likely to increase to 79% by FY25F, led by non-life insurance sales such as motor and health, on account of their inherent characteristics such as low duration and less complex contracts.

Exhibit 54. Web aggregator revenue (INR bn)

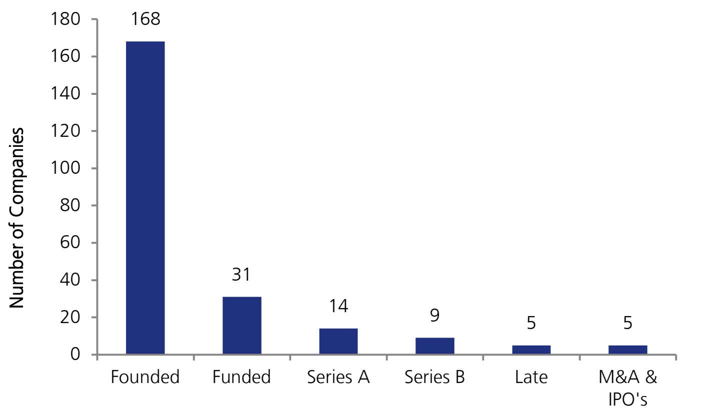
	FY16	FY17	FY18	FY19	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
Non-life	0.4	0.9	1.8	3.6	5.1	6.9	8.8	11.8	15.5	20.0
Life – NBP	0.0	0.2	0.2	0.8	1.5	2.7	4.3	6.9	10.2	14.4
Life – Renewal	0.0	0.0	0.0	0.1	0.2	0.4	0.9	1.5	2.6	4.0
Total web aggregator revenue (INR bn)	**0.4**	**1.1**	**2.0**	**4.5**	**6.8**	**10.1**	**14.0**	**20.3**	**28.3**	**38.5**

Source: IRDA, Industry, JM Financial

Funding of insurance intermediaries in India

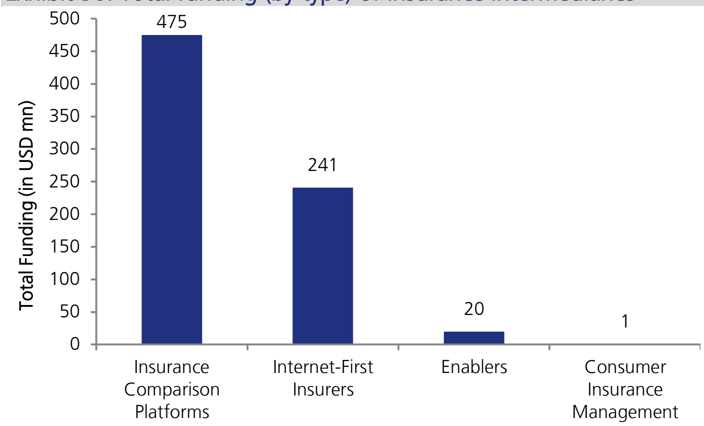
- **Several Insurance intermediaries have attracted major investments from large PE/VC firms** from India as well as global VCs such as Tiger Global, Softbank, Sequoia, TPG, Blume Ventures, Nexus Ventures, SAIF Partners and Temasek. The space has been especially buoyant in the past 2 years, wherein funding has increased 4x (from FY15 to FY18). While skewed by a few major players such as PolicyBazaar, the funding trend indicates growing interest of large investors in the digital insurance space in the country.

Exhibit 55. Funding of digital insurance companies by round



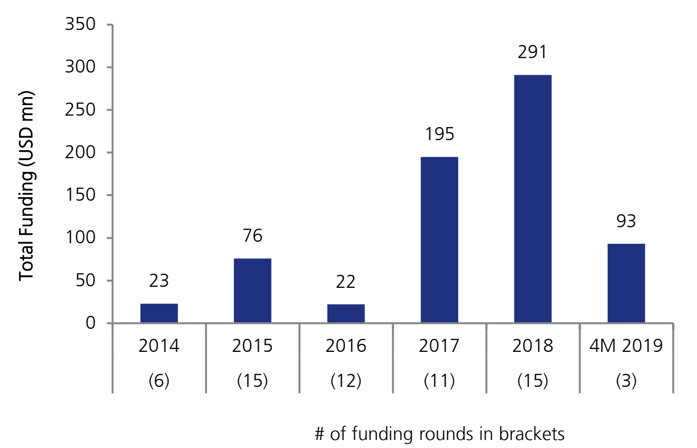
Source: Tracxn, JM Financial

Exhibit 56. Total funding (by type) of insurance intermediaries



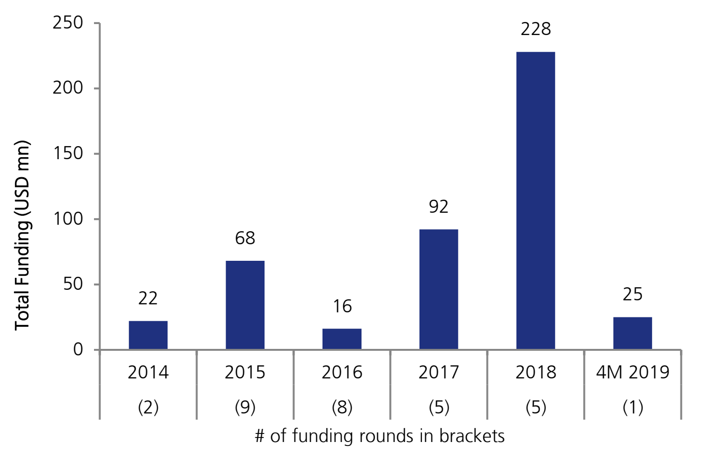
Source: Tracxn, JM Financial

Exhibit 57. Funding trends for insurance intermediaries



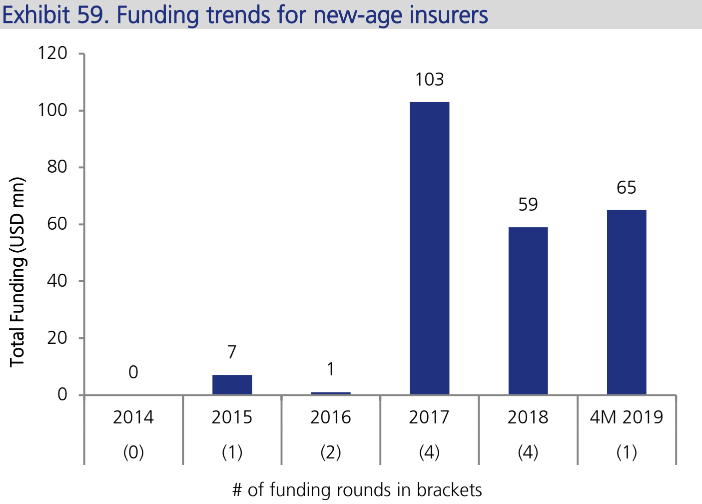
Source: Tracxn, JM Financial

Exhibit 58. Funding trends for insurance comparison platforms



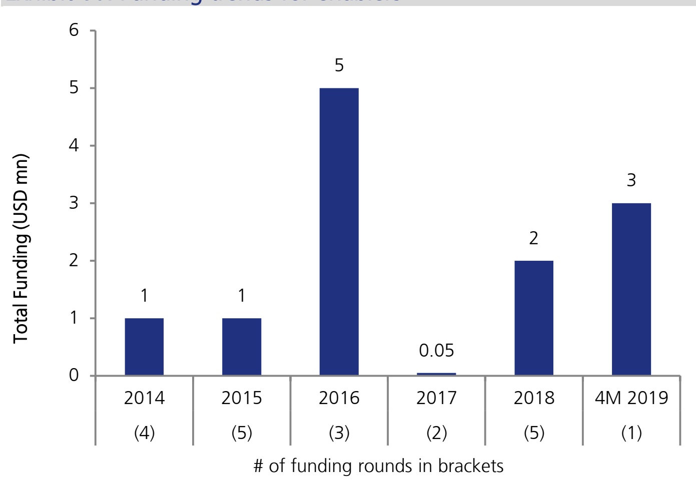
Source: Tracxn, JM Financial

Exhibit 59. Funding trends for new-age insurers



Source: Tracxn, JM Financial

Exhibit 60. Funding trends for enablers



Source: Tracxn, JM Financial

Exhibit 61. Funding rounds for digital insurance companies over the last one year (Apr'2018 - Apr'2019)

Company	Funding (USD mn)	Round	Period	Investors
Policybazaar	200	Series F	Jun-18	Temasek; Tiger Global; Info Edge; SoftBank
Acko	65	Series C	Mar-19	RPS; Intact Financial; SAIF; Amazon; Accel; Techpro
Digit Insurance	46	Series B	Jul-18	Fairfax Financial Holdings
Turtlemint	25	Series B	Jan-19	Sequoia; Blume Ventures; Nexus Venture Partners
Coverfox	22	Series C	Apr-18	IFC; Transamerica; SAIF Partners; Accel; Catamaran
Acko	12	Series B	May-18	Amazon; Catamaran Ventures
Turtlemint	6	Series A	Nov-18	Sequoia Capital
Aureus Analytics	3	Series A	Feb-19	Connecticut Innovations; Alpine Meridian; Multi Act
Toffee	1	Seed	May-18	Kalaari Capital; Omidyar Network; Accion
McXtra	1	Seed	Jul-18	Undisclosed
13Systems	1	Seed	May-18	Unitus Ventures
Aureus Analytics	0.025	Seed	Apr-18	Hartford InsurTech Hub
Pentation Analytics	0.025	Seed	Jun-18	Hartford InsurTech Hub
Easypolicy	Undisclosed	Series B	May-18	Unilazer Ventures
OneAssist	Undisclosed	Series C	Dec-18	Undisclosed
Perilwise	Undisclosed	Seed	Jul-18	Axilor Ventures

Source: Tracxn, JM Financial

Exhibit 62. Leading investors and their investments in the digital insurance ecosystem

Investor	Insurance Company Platforms	New-age Insurers	Enablers
Sequoia Capital	Turtlemint	OneAssist	Vymo
Accel	Coverfox	Acko	
Brand Capital	InsuringIndia		iTrans Technologies
Chiratae Ventures	Policybazaar		Agile Financial Technologies
Hartford InsurTech Hub			Aureus, Pentation Analytics
Microsoft Accelerator			Vymo, Aureus Analytics
NuVentures	Coverfox	Acko	
Plug and Play Tech Center			Vymo, Aureus Analytics
SAIF Partners	Coverfox	Acko	
Transamerica Ventures	Coverfox	Acko	

Source: Company, JM Financial

Exhibit 63. Some prominent insurance intermediaries and new-age insurers

Company name	Founded	Total Funding (USD million)	Key Investors	Business type
New-age insurance underwriters				
Acko	2017	107.2	Amazon, Catamaran, Ashish Dhawan	New-age Insurer
Digit Insurance	2016	100.0	Fairfax Holdings	New-age Insurer
OneAssist	2011	32.5	Sequoia Capital, Assurant, Arun Sarin	New-age insurer for wallets, cards and phones
Web aggregators				
Policybazaar	2008	317.6	Softbank, Info Edge, Temasek, Tiger Global	Web aggregator
Easypolicy	2011	6.1	Unilazer Ventures and Burman Family	Web aggregator
Bankbazaar	2015	NA	NA	Web aggregator
Ask Arvi	2017	0.3	Policen Direkt Group, Angel Investors	Chat-bot based B2C web aggregator
Other intermediaries				
Coverfox	2011	42.1	IFC, Transamerica, SAIF Partners	Online brokerage
Turtlemint	2015	34.3	Sequoia, Bloom Ventures, Nexus Venture Partners	Hybrid model
RenewBuy	2011	6.1	Unilazer Ventures, Gaurav Burman	Online brokerage
SecureNow	2011	2.2	Elevar Equity, Amit Sinha, Abhishek Goyal	B2B insurance brokerage
Toffee Insurance	2017	1.6	Kalaari, Omidyar, Accion, Vivek Gujral	Bite-sized insurance policies
Gramcover	2015	1.18	Omnivore Partners	Online brokerage

Source: Industry, JM Financial

Takeaways from management meetings

Our meetings with large life and non-life insurance companies gave us some interesting insights – (1) while clearly, the online selling in insurance is a very small market, renewals do see a sizeable proportion of digital transactions; (2) since insurance is a complex product, first time buyers typically prefer human interaction for sales; (3) the portals of insurance companies are slowly gaining traction and all the top insurance companies are investing in some or the other way in technology initiatives; (4) As of now, insurance companies are not worried about more sales through their own portal due to a small market, but when they grow large in online platform sales, it can provide huge operational leverage; (5) New-age insurers primarily sell non-life insurance and ticket sizes are typically very small; (6) wearables, IoT, blockchain and other kinds of innovations are very difficult in the Indian context and even if it happens in India, it is still some time away.

Meeting with IR of a Life Insurance Player

- Query: What is the size of online life insurance market in India and how have been the trends in the past?
- Answer: Online life insurance is very small in India, currently it will be around 1.5-2% total sales, although the growth has been phenomenal. This is mainly because life insurance is a long term contract with several complexities, and people tend to trust a personal touch given by an individual/corporate agent (mainly banks). Today, many millennials tend to search and compare the life insurance policies online but a significant proportion of these end up buying through the offline route only.
- Query: What proportion of the sales are directly through your company's own web portal/mobile application. Do you see the rise of web aggregators as a matter of concern?
- Answer: Online sales through own web portal/ mobile apps are less than 1.5% of the company's total sales. From our perspective as of today, it does not matter if the sales are through our own channels or through intermediaries like web aggregators or banks. This is because the costs associated with own online channels are more or less similar to the commissions paid to the intermediaries. Economies of scale through direct online channel will only emerge when volumes increase substantially and this will take some time to happen. So for now the focus is to improve integration with the intermediaries.
- Query: Do renewals have a higher share of online?
- Answer: Around 65% of the company renewals are online i.e. through company portal/online bank accounts /web aggregators or ECS mandates. Some companies include cheques based payments in the online figure, but we feel that is not the correct way to look at it.
- Query: Is there any incentive for an online intermediary to ensure that the renewal payments are made through their own channels only?
- Answer: The intermediary commission is the same irrespective of the mode of renewal. So it neither affects the life insurance company or the intermediary. E.g. If a policy was sold through Policybazaar in the first instance, irrespective of how the renewal takes place, i.e. through bank/company/Policybazzar/other offline mode, Policybazaar will continue to receive a fixed commission from the insurance company.
- Query: How do you think the life insurance market will evolve going ahead?
- Answer: With insurance companies investing in improving the online customer experience (through backend integrations such as automated form filling, online KYC, easing financial and medical underwriting through CIBIL and leveraging prior medical records), we expect the online only channel for life insurance to grow to ~5% of total sales over the next 4-5 years.

Meeting with IR of a Non-Life Insurance Player

- Query: Please give us brief understanding of the online non-life insurance market.
- Answer: Defining the online insurance market is critical. It should include only those sales which are originated and completed online. So, a transaction that was originated offline by an agent/broker with documentation and payments completed through a tablet, should not be considered an online sale. Further, a growing number of people today use the internet channel to search and compare different insurance policies online but a significant percentage of these end up buying the policies offline (through individual agents, brokers or banks). Consequently, today pure sales of non-life insurance policies through the online channel is just a very small proportion of the total market. While online will grow going forward, the traditional channels will remain strong for the next few years at least.
- Query: How does your company optimize the online channel for sales?
- Answer: Most of our online sales are from our own website/apps mainly because we do not offer our motor/health insurance products through the web aggregators in a big way. Even today, the only policies that we sell through web aggregators are for SME's. Another online channel that we are currently exploring is digital alliances with internet companies, where we sell small ticket policies for travel, etc.
- Query: Does sourcing customers online directly through own applications benefit you?
- Answer: Sourcing new customers online directly on our applications comes at a cost similar to paying to other channels as it involves paying Google for advertisements and other overheads. However, we do benefit if these customers use our applications for renewals, since the cost comes to around zero and there is no need to pay commissions.
- Query: How do you see competition from new age companies such as Acko and Digit?
- Answer: We are amongst the largest players in the non-life insurance market in India, with robust systems and a strong offline network backed by years of data for analytics, artificial intelligence or machine learning. The new age companies definitely are gaining space on the back of low base, but they currently seem to be relying on discounting tactics to capture the price sensitive customers. While we do not underestimate any competition, these companies will take time to build their own brand, systems and scale to become profitable and a strong competition.
- Query: In some developed countries, there are companies that use wearable devices, RFID's or telematics to price individual policies differently based on customer habits. Do you think such concepts can work in India?
- Answer: IRDA does not allow us to discriminate between two customers. So, the question of offering different premiums to customers with good habits does not arise at present. Moreover, companies that have been using telematics data etc. to price the policies have noticed that customers are generally self-aware about their habits and buy policies accordingly from insurers. E.g. A customer with a record of rash driving will not approach a company using driving related telematics data to price an insurance policy, as he knows he will be charged a higher premium for the same.

  However, if used differently the telematics data can be very useful for the insurance companies and the OEM's in case of motor insurance. E.g. The telematics data can provide insights for the insurer that the customer is highly likely to make a claim due to rash driving habits and for the OEM the possibility of requirement of certain parts/or their performance so that value added services can be offered.

Innovations and technologies in insurance

- Data analytics (big data) – Extensive use of data analytics and big data (with help from data from connected devices) can help analyse risks better and hence price it accordingly.
- Wearables – Just like IoT in non-life insurance, wearables can help price life insurance premiums better. Wearables such as fitness trackers, skin patch sensors, implantable devices, etc. can provide a regular stream of health data to the insurer, hence helping them to price the risk better. With improving technology, the risk could potentially be linked to various specific diseases as well.

John Hancock's wearable and financial incentives

John Hancock (a US based life insurer) rewards its customers with vitality points for indulging in regular healthy lifestyle activities such as exercising, walking, meditating, taking adequate sleep and eating well, that can be continuously tracked using wearable devices like Apple watches and FitBit. The customers can use the accumulated points to avail up to 15% discount on policy premiums or purchasing goods and services of partner companies. While the wearable's based insurance market has tremendous growth potential, it is still very nascent and will have to likely address an important issue of data misuse, before gaining widespread acceptance.

- Blockchain – A digital ledger that stores active data on transactions and has no intermediate control as a consensus system is used to validate these transactions. Apart from fraud detection and claims processing, blockchain can be used for a secure and high-tech product development.

Nexus Mutual's risk sharing platform

A risk sharing platform run by its members, Nexus Mutual is building a risk sharing platform that is likely to overcome the agency issue associated with a traditional insurer. The platform uses the block chain technology to offer financials protection against risks at lower costs, in a more transparent and decentralised manner. Members who take part in risk and claims assessment receive additional benefits.

- IoT and social media – Impersonalised data sets have long been used to price insurance products in India. However, connected devices and social media can be used to extract personal data which can help in pricing the risks better. For customers, the effective price gets reduced while for insurers, the products may become more sophisticated and automated with little human intervention required.

  - Telematics in car insurance – using a device connected across multiple cars at multiple locations to be able to track various parameters based on which underwriters are able to price the risk better
  - Fire risk – connected fire and CO_2 sensors can help alert in case of emergency
  - Water sensors – can alert emergency response team in case of leakages

DriveSmart facility from Bajaj Allianz

Developed economies have been using smart programmes for many years to price insurance products, especially motor insurance. Drivesmart uses driving patterns and related data to help price motor insurance risk in more efficient way, apart from driving costs down for the policy buyer. The insurance company provides a device which is to be connected to a car for data collection. Benefits for the policy buyer include roadside assistance, safety alerts, priority claim services, car analytics, etc. The concept is nascent in India and adoption may have just started. It remains to be seen whether such devices actually help reducing costs and whether the benefits provided make sense for a policy buyer.

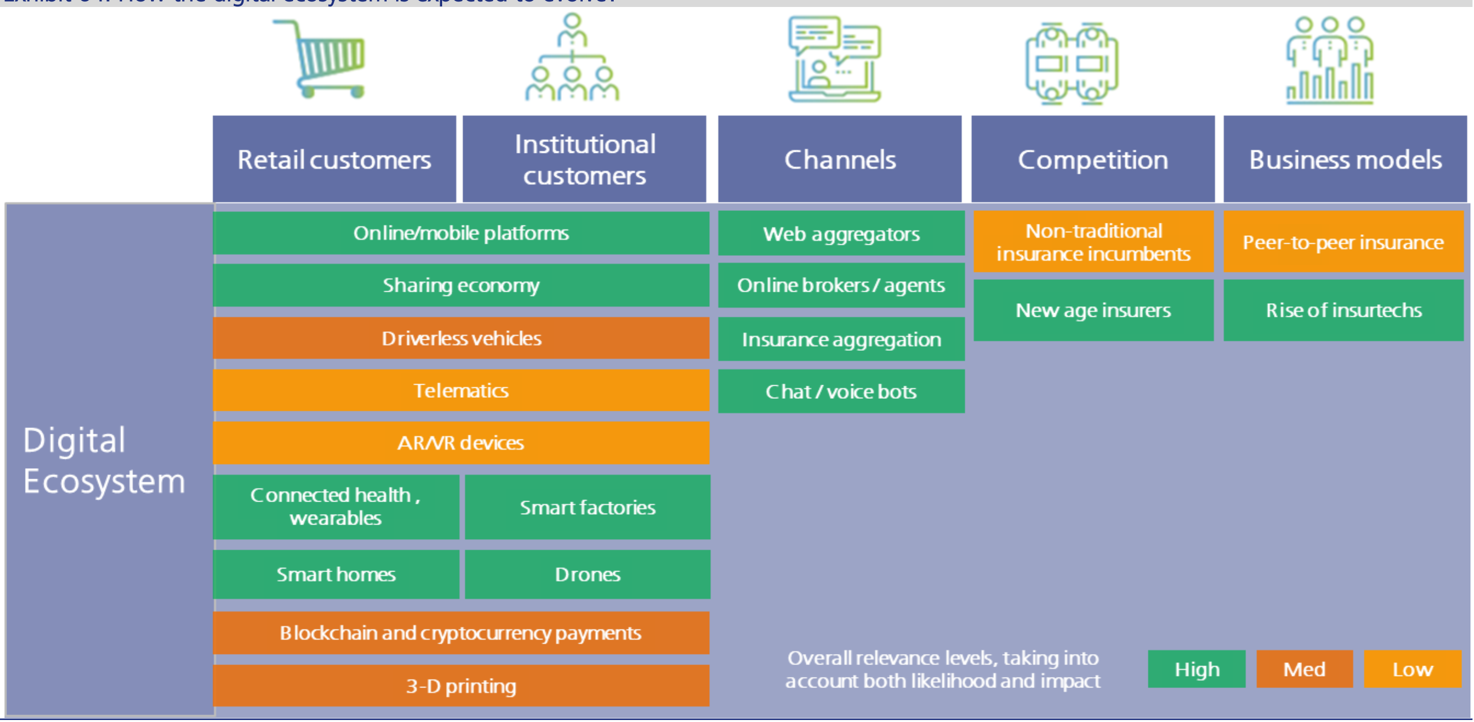
- Algorithm-based Robo advisors – Algorithm-based Robo advisors are online automated advice engines (with little or no human intervention). In wealth management for example, robo advisors use a simple questionnaire for gauging client-specific needs, return objectives and risk tolerance. In insurance, a robo advisor can access and process dynamic inputs during the entire lifecycle of policy such as underwriting, sale, policy administration, claims processing, etc.

Clark creating a niche by completely automating insurance buying process (robo advisors)

Since its inception in 2015, Germany-based insurance broker Clark has created a niche for itself in the highly penetrated offline broker driven local market (on avg. each German holds 6.5 policies), as the company's customers buy insurance policies on their own through robo advisors (algorithm driven automated processes). These advisors analyse an individual's need once they submit some preliminary information about themselves through mobile/web apps and suggest ways to improve coverage and receive better deals, while completely eliminating the need for human interactions.

- Pay as you go – many customers have varied needs which cannot be addressed by traditional products. For example, some people use cars a lot less than others and hence would be happy to have the premium priced accordingly; very few home insurance buyers need theft insurance; etc. For such consumers, pay as you go pricing would ensure they can buy insurance real-time as per the specific requirement.

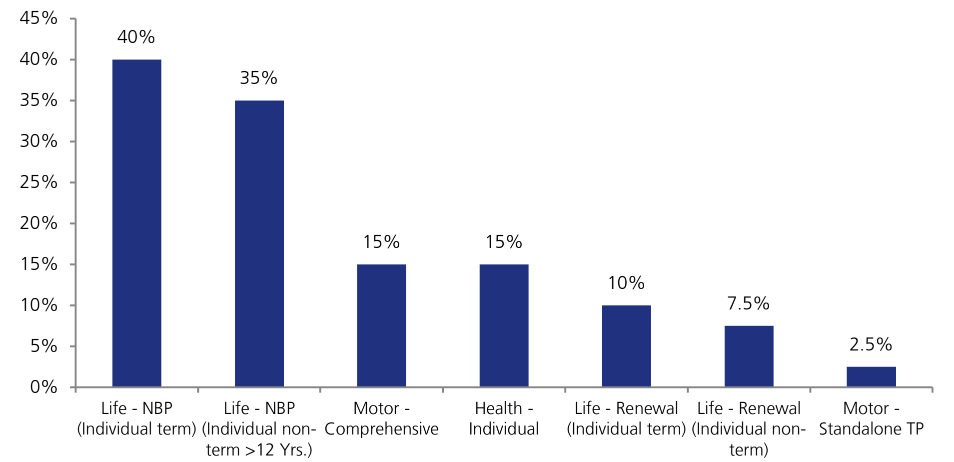
Exhibit 64. How the digital ecosystem is expected to evolve?



Source: Cognizant Report: India's Insurers Embrace Digital's New Normal

IRDA and regulations

Exhibit 65. Maximum permitted commission rates for insurance intermediaries/agents



Source: Media Reports, Reliance General Insurance DRHP, JM Financial

IRDA also allows payment of up to 30% of commissions or remuneration as rewards to insurance agents and insurance intermediaries selling non-life policies under certain conditions

- IRDA regulations governing the web aggregators: The IRDA has set rules for a web aggregator, some key ones being
  - It must have a minimum paid up capital / contribution of INR 2.5mn
  - It shall maintain records of policy-wise and authorised verifier-wise details wherein each policy is solicited by the insurance Web Aggregator
  - No arrangements shall be made by the Insurance Web Aggregators with the insurers which are against the interests of policyholders
  - It shall provide details of tie-ups along with insurer names
  - **The product to be sold must be based on need analysis of the prospect**
  - **It shall not promote a particular product of a particular company through any website or marketing techniques**
  - Activities which can be performed by the web aggregator
    - Display of product comparisons
    - Transmission of leads to insurers
    - Sale of online insurance
    - Sale of insurance by tele-marketing of other distant marketing activities
  - Remuneration for web aggregators
    - For converted leads to be as applicable to insurance intermediaries
    - Flat fee not exceeding INR 50,000 per product displayed in comparison charts on its website
    - **No discounts / rebate to be provided by web aggregators to the prospect**
  - "The sale of Insurance online by Insurance Web Aggregators shall be according to Guidelines on Insurance e-commerce issued by the Authority"

Key changes in comparison to earlier guidelines – ULIPs comparisons allowed to be shown by web aggregators (was not allowed earlier); web aggregators entitled to renewal commission in non-life insurance (but not in life). To be noted that recent Budget announcement allows 100% FDI in insurance intermediaries.

All the efforts/regulations of IRDA are directed towards protecting the interest of prospective policy buyers and for keeping a close eye on various stakeholders within the insurance value chain.

IRDA allows only 10% stake in digital insurance start-ups

Currently, the IRDA allows insurance companies to take up to 10% stake in digital insurance start-ups in India. The traditional insurance providers are still using legacy software and thus finding it difficult to compete with tech-savvy firms for a range of services such as efficient pricing, fraud detection and cross-selling of insurance plans. According to an Economic Times article, industry players have urged IRDA to allow traditional insurers to take 100% ownership in digital insurance companies that can align with their businesses and hence allow them to offer a range of products themselves.

What we learnt from global Insurance markets

Philippines – Web aggregators regulated by the Insurance Commission

- Online platforms that provide insurance price comparisons (web aggregators) in Philippines have been put under Insurance Commission supervision since Oct'18, according to this media article. The aggregators are required to register themselves with the authority, which would keep a close eye on the intermediary in a bid to protect interest of potential policy buyers. The aggregators are also advised to include several details in their agreements stating the nature and details on insurance product being provided. The information being presented by web aggregators to the public is mandated to be authentic, solely based on information provided by the insurance company. Some key insurance comparison websites in Philippines include MoneyMax.ph, eCompareMo.com, DirectLink, iChoose.ph, GoBear, Citinsure, etc.

Similar to IRDA, Insurance Commission in Philippines has taken steps to curb mis-selling in insurance as the web aggregators cannot push any particular product and get flat fees from insurance companies. While the intent of these guidelines is to protect interest of policy buyers and helping the overall insurance industry grow, these likely result in higher complexity in doing business (for intermediaries).

Western Europe – technology investments led to growth of web aggregators

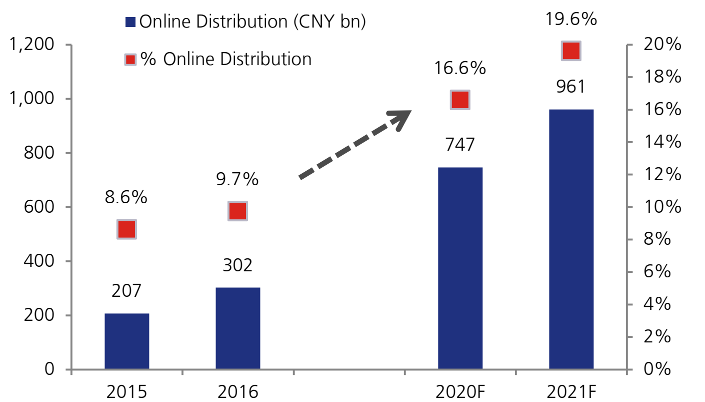
- Web aggregators have been present in Western Europe for around two decades, when they used to offer only price comparison services.
- With evolving business needs/models, the aggregators later on began offering incremental services such as lead generation for insurers, followed by advanced brokerage services (robo-advisors), and they also now offer innovative products not readily available through traditional insurance companies (McKinsey 2017 report).
- These aggregators are primarily popular among customers purchasing property and casualty products, likely due to pricing transparency, better services, less complexity and low dependency on a human intermediary. Companies such as Check24 and Verivox have invested to grow organically/inorganically to drive innovation (McKinsey 2017 report).
- As a result, web aggregators account for c.50% of total online motor insurance sold in Europe and also operate at relatively high margins (EBITDA margins ranging between 30-40%) due to economies of scale and automation of certain processes.
- The insurers on their part have benefited from wider acceptability of their products, better conversion rates and lower need for services related investments.

China – online penetration has been slow, but steady

- The insurance market in Mainland China (GWP of USD 450bn in 2016), traditionally driven by agents and brokers, has been undergoing a significant change in buying habits, with digital distribution becoming popular over the last few years. This is likely due to the large, traditional insurance companies pushing the online route to benefit from lower manpower costs/agent commissions while consumers preferring the ease and convenience of buying insurance anytime, anywhere without the help of agents/brokers, according to an Oliver Wyman report.
- Moreover, technology enabled customized insurance products have changed the manner in which insurance products are priced, leading to market expansion. Finally, the emergence of new-age, online only, micro-insurance companies that offer analytics based innovative, small ticket products suited to modern consumption habits, have been successful in creating a niche for themselves.
- Consequently, the online insurance penetration in China which was 9.7% of the market in 2016 GWP terms, is expected to reach 19.6% by 2021, while posting a CAGR of 26% (overall market is expected to grow at c.10%), according to the report.
- This has led to one of the glaring differences between China and US/Europe/India in terms of insurance distribution channels – relatively limited commerce on web aggregators/ price comparison sites. A significant proportion of customers tend to research/purchase policies directly on insurance companies websites as opposed to using the price comparison sites.

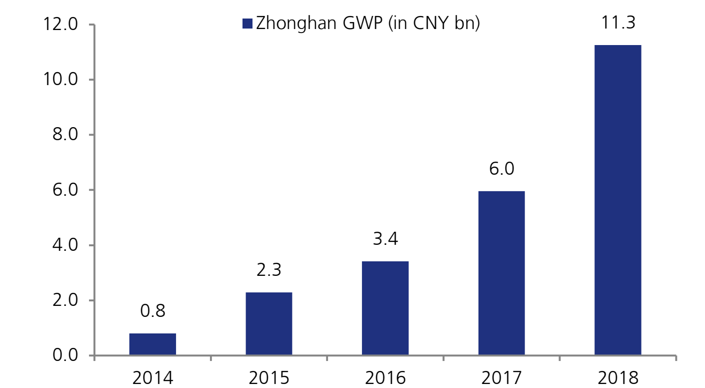
ZhongAn: A pioneer in non- traditional insurance: Established in 2013, ZhongAn Online is China's first online only, insuretech company that leverages technology and partnerships with various e-commerce partners to offer differentiated insurance products such as travel insurance for flight/train accidents and delays; lifestyle related policies for phone accidents, logistics liability, etc. Backed by Alibaba, Tencent and Ping An, the company reported GWP of USD 1.6bn while servicing more than 400mn customers in 2018.

Exhibit 66. Online policy distribution in China improving; likely to be 19.6% by 2021F (vs. 9.7% in 2016)



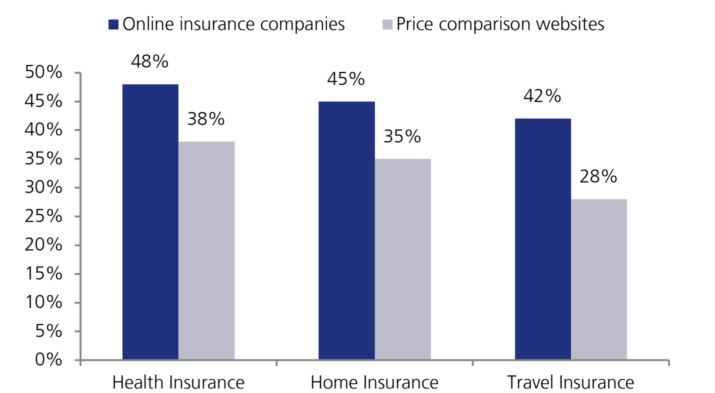
Source: ZhongAn Online, Oliver Wyman, JM Financial

Exhibit 67. ZhongAn's growth indicates rising acceptance of new-age insurance products



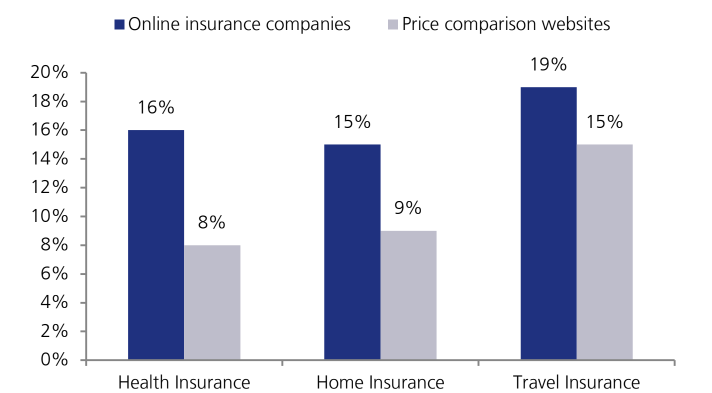
Source: ZhongAn Online, JM Financial

Exhibit 68. While China prefers researching for insurance policies online on insurance and web aggregator portals…



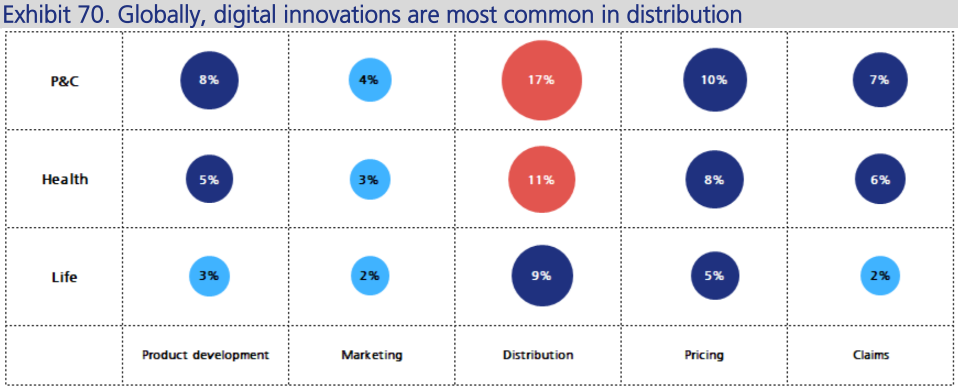
Source: Swiss Re, JM Financial

Exhibit 69. …a relatively small proportion ends up buying policies from these portals



Source: Swiss Re, JM Financial

Exhibit 70. Globally, digital innovations are most common in distribution



Source: McKinsey Report: Digital disruption in insurance: Cutting through the noise

It is evident from various global examples that the popularity of the online channel for insurance selling is particularly dependent on how the insurance market has developed in these geographies. **Where the insurance companies or any other insurance stakeholder themselves started investing in technology early, the market left little room for web aggregators (such as in China).** The Indian insurance market has seen little innovation so far from any players (insurers or web aggregators) resulting in a very limited online insurance market. It remains to be seen who grabs a higher share of the online market in India.

Company profiles

Acko (Acko Technology and Services Pvt. Ltd.)

Company Description

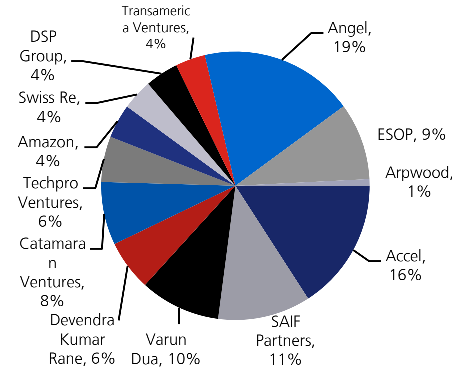
Acko is a non-life insurance company established in 2016 by Varun Dua (also the co-founder of insurance web aggregator Coverfox). The company formally began operations after receiving its general insurance license in Sep'17.

Acko primarily caters to digitally-savvy customers as its products are distributed only through the online medium. By adopting the digital-only medium, the company claims to help insurance buyers save both time (through no paperwork) and money (lower prices compared with competitors and cashless settlement) significantly, at the time of purchase as well as while making a claim.

The company's product portfolio is primarily focused on motor insurance (car and two wheeler) while other products offered by the company include health, mobile and travel insurance (through commercial arrangements with other ecommerce companies in some cases), among others.

Till date, Acko claims to have serviced more than 20 million unique customers in India.

Acko: Shareholding as of 11Feb'19



Source: Tracxn

Exhibit 71. Funds Raised

Announced	Round	Amount (USD mn)	Key Investors
May. 2017	Series A	30.2	Accel, SAIF Partners, DSP Group, Swiss Re, Techpro Ventures, Catamaran Ventures, Transamerica Ventures, Arpwood and several individuals
May. 2018	Series B	12	Amazon, Catamaran Ventures and Ashish Dhawan (individual)
Mar. 2019	Series C	65	RPS Ventures, Intact Financial, SAIF Partners, Amazon, Accel, Techpro Ventures and Binny Bansal (individual investor)

Source: Tracxn, VCCEdge, Media Reports

Latest News

- **3Jun'19:** Acquried VLer, a start-up offering a hassle-free digital ecosystem for customers interested in purchasing a new car, for an undisclosed amount. The acquired company helps customers negotiate with dealers, identify financiers and insurance companies, and sort other related paperwork while finalising a car purchase.
- **23Apr'19:** Announced a partnership with Rapido (a bike taxi aggregator) to offer a trip insurance function on its platform.
- **13Mar'19:** Raised USD 65mn in a Series C round from RPS Ventures, Intact Financial, SAIF Partners, Amazon, Accel, Techpro Ventures and Binny Bansal (co-founder of Flipkart).
- **5Mar'19:** Announced a partnership with AU Small Finance Bank to offer customised insurance products to the bank's customers.
- **18Jan'19:** Announced a partnership with Redbus and Goibibo Small Finance Bank to offer customised travel insurance products to their customers.

Exhibit 72. Financial Summary

Y/E March	FY18	FY19
Gross Premiums (INR mn)	9	1,419
Net Written Premiums (INR mn)	4	982
Net Earned Premiums (INR mn)	-4	488
Net Claims Incurred (INR mn)	-1	-286
Expenses (incl. commission) (INR mn)	-139	-1,610
Loss ratio (%)	NM	59
Expense ratio (%)	NM	164
Combined ratio (%)	NM	223
PAT (INR mn)	-118	-1,344
Networth (INR mn)	1,242	898

Source: Company, JM Financial.

Digit Insurance (Go Digit Infoworks Services Pvt. Ltd.)

Company Description

Go Digit is a Bengaluru-based fully digital non-life insurance underwriting company that offers a range of products such as car, bike, bicycle, travel, home and mobile insurance.

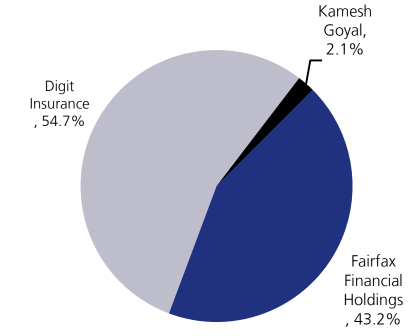
The company was founded by Kamesh Goyal (a veteran in the insurance industry) in 2016, with operations starting in 2017.

Go Digit partners several internet-based players such as Policybazaar (car insurance), Paytm (mobile insurance), Tanishq (jewellery insurance) and ClearTrip (travel insurance), among others to market its products.

The company claims to have 3 million customers in India and reported total premium of ~USD 172mn with 35,000+ closed claims in FY19.

Go Digit is currently backed by Fairfax Holdings Ltd through significant shareholding.

Digit: Shareholding as of 6Jul'18



Source: Tracxn

Exhibit 73. Funds Raised

Announced	Round	Amount (USD mn)	Key Investors
Jun. 2017	Series A	54.3	Fairfax Financial Holdings
Jul. 2018	Series B	45.7	Fairfax Financial Holdings

Source: Tracxn, Media Reports

Digit: Key Management Personnel

Name	Designation
Vijay Kumar	CEO & Principal Officer
Ravi Khetan	CFO
Jasleen Kohli	Chief Distribution Officer

Source: Company

Latest News

- **12Jun'19:** Partnered Zest Money, a digital lending start-up to provide insurance that repays the customer's debt in case of unforeseen circumstances such as hospitalisation, death or permanent disability.
- **8May'19:** Reported a customer base of ~2.8 million with ~USD 172mn in total premiums received in FY19 by mostly writing motor, crop and fire policies. The company also closed 35,000+ claims during this period.
- **4Dec'18:** IRDA turned down the company's proposal to acquire a 100% stake in ITI Reinsurance Ltd., a reinsurance firm, from Fortune Financial Services following a deal signed in Jun'18 at a valuation of INR 5.45bn.
- **29Oct'18:** Announced a partnership with Xiaomi to offer screen damage protection to the latter's Mi Home Store customers.
- **25Jul'18:** Raised USD 45.7mn funding in a Series B round from Fairfax Financial Holdings in order to expand the company's business presence in smaller towns as well as further develop its technology platform.

Exhibit 74. Financial Summary

Y/E March	FY18	FY19
Gross Premiums (INR mn)	937	8,948
Net Written Premiums (INR mn)	754	9,554
Net Earned Premiums (INR mn)	75	5,000
Net Claims Incurred (INR mn)	-70	-3,941
Expenses (incl. commission) (INR mn)	-838	-4,306
Loss ratio (%)	94	79
Expense ratio (%)	111	45
Combined ratio (%)	205	124
PAT (INR mn)	-701	-2,706
Networth (INR mn)	2,737	4,792

Source: Company, JM Financial. Note: Net written premiums are more than gross premiums because of inward re-insurance

OneAssist (OneAssist Consumer Solutions Pvt. Ltd.)

Company Description

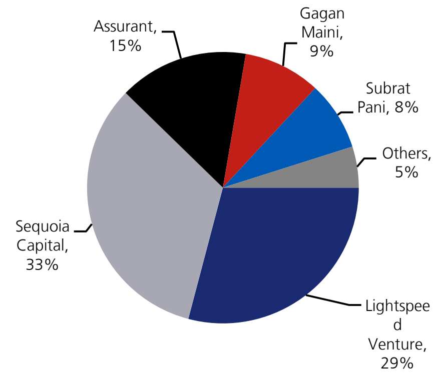
Headquartered in Mumbai, OneAssist was incorporated in 2011 by Gagan Maini and Subrat Pani to provide assistance and protection against theft/loss of electronic devices (mobile phones and tablets) and important personal documents (driving licences and PAN cards) as well as financial fraud (bank debit/credit cards and mobile wallets).

The company also provides extended warranties and insurance against theft and accidental damage of electronic devices (mobiles, tablets and laptops) and home appliances (televisions, refrigerators, air conditioners and washing machines, among others).

OneAssist has partnered with several banks, OEMs, telecom operators, NBFCs and e-commerce players for its services.

The company currently operates across at least 65 cities, has a network of more than 5,000 service agents and has assisted more than 1.5 million customers.

OneAssist: Shareholding as of 3Jan'19



Source: Tracxn

OneAssist: Key Management Personnel

Name	Designation
Gagan Maini	Co-founder & Director
Subrat Maini	Co-founder & Director

Source: Company

Exhibit 75. Funds Raised

Announced	Round	Amount (USD mn)	Key Investors
Jul. 2011	Seed	1.76	Lightspeed Venture Partners, Sequoia Capital
Nov. 2011	Seed	1.74	Sequoia Capital, Lightspeed Venture Partners
Oct. 2013	Series A	2.61	Lightspeed Venture Partners, Sequoia Capital
May. 2015	Series B	7.45	Assurant, Sequoia Capital, Lightspeed India Partners
Jun. 2016	Venture Debt	1.04	Trifecta Capital
Jul. 2016	Series B	0.18	Trifecta Capital
Jul. 2017	Series C	18.5	Lightspeed Venture Partners, Sequoia Capital, Assurant, Arun Sarin (Indiviudal Investor)
Sep. 2018	Venture Debt	2.43	Trifecta Capital
Dec. 2018	Series C	0.31	Trifecta Capital

Source: Tracxn, Media Reports

Latest News

- **13Dec'18:** Raised ~USD 2.4mn from VC debt provider Trifecta Capital.
- **31May'18:** Introduced a comprehensive protection plan for home appliances that are up to 10 years old, a first such offering by any company in India.
- **24May'18:** Partnered Huawei India to offer protection plans for Honor and Huawei branded smartphone devices in the country.
- **24May'18:** Raised an undisclosed amount from former Vodafone Group CEO Arun Sarin as part of a Series C funding round. Earlier in Jun'17, the company had raised ~USD 18mn in the same funding round led by Sequoia Capital, Lightspeed Venture Partners and Assurant.

Exhibit 76. Financial Summary: Standalone

Y/E March	FY16	FY17	FY18
Net Sales (INR mn)	386	788	1,388
Sales Growth (%)	180.0	103.9	76.2
Operating Profit (INR mn)	-182	-325	-710
Operating Profit Margin (%)	-47.0	-41.2	-51.2
PAT (INR mn)	-181	-332	-715
PAT Growth (%)	NA	NA	NA
ROE (%)	NA	NA	NA
Net Debt (INR mn)	-376	9	-91

Source: Company, VCCEdge, JMFL

Policybazaar (EtechAces Marketing and Consulting Pvt. Ltd.)

Company Description

Founded in 2008 by Yashish Dahiya, Alok Bansal and Avaneesh Nirjar, Policybazaar is the largest online insurance marketplace in India.

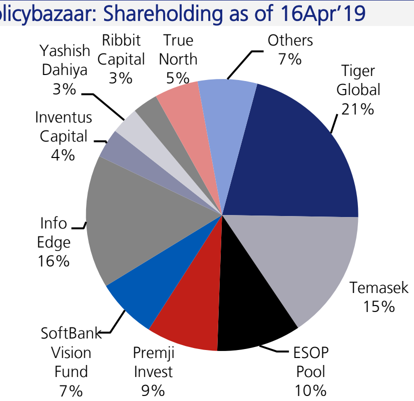
The company has a 95% market share in web-based insurance price comparisons and an around 50% share in online policy transactions (FY18).

Policybazaar offers around 250 insurance plans on its platform by ~50 insurance brands spread across life, health, motor and general insurance (travel and home) products.

The company claims to account for around 1/4th of the life insurance sales in the country and 1/10th of the retail health business cover.

Policybazaar achieved total premium collection of INR 25bn in CY18 and reached an annual run rate of 100 million visitors with around 0.6 million monthly transactions.

Policybazaar: Shareholding as of 16Apr'19



Source: Tracxn, VCCEdge, Info Edge, JMFL

Policybazaar: Key Management Personnel

Name	Designation
Yashish Dahiya	CEO
Alok Bansal	CFO
Rahul Agarwal	CTO

Source: Company

Exhibit 77. Funds Raised

Announced	Round	Amount (USD mn)	Key Investors
Mar. 2008	Seed	4.37	Info Edge
Apr. 2011	Series A	8.9	Intel Capital and Info Edge
Apr. 2013	Series B	5	Info Edge, Intel Capital and Inventus Capital India
May. 2014	Series C	20	Tiger Global Management and Ribbit Capital
Apr. 2015	Series D	49	Premji Invest, Steadview Capital, Ribbit Capital, ABG Capital, Tiger Global Management, Info Edge and Laksh Vaaman Sehgal
Oct. 2017	Series E	79	True North, Temasek, Tiger Global, Premji Invest, Wellington Management, Chiratae Ventures, Inventus Capital and several individual investors
May. 2019	Series F	152	SoftBank Vision Fund, Info Edge and TrueNorth

Source: Tracxn, Media Reports.

Latest News

- **6May'19:** Received USD 152mn at a valuation of ~USD 950mn from Softbank, Info Edge and True North.
  - This was the first tranche of the USD 236mn funding round announced in Jun'18 that was supposed to propel the company to unicorn status (media report).
- **4Jun'19:** Fined INR 1mn by the Delhi High Court for concealment and distortion of certain facts during its trademark infringement case with Acko General Insurance.
- **21Jan'19:** Announced the appointments of Rahul Agarwal (ex - CTO of Lava Mobile) and Jayant Chauhan (ex - Airtel and Zomato) as Chief Technology Officer and Chief Product Officer, respectively.

Exhibit 78. Financial Summary: Consolidated

Y/E March	FY16	FY17	FY18
Net Sales (INR mn)	900	1,839	3,339
Sales Growth (%)	16.1	104.3	81.5
Operating Profit (INR mn)	-1,263	-387	-525
Operating Profit Margin (%)	-140.3	-21.0	-15.7
PAT (INR mn)	-1,102	73	-592
PAT Growth (%)	NA	NA	NA
ROE (%)	NA	2.3	NA
Net Debt (INR mn)	-343	-431	-480

Source: Company, VCCEdge, JMFL

Easypolicy (Easypolicy Insurance Web Aggregators Pvt. Ltd.)

Company Description

Established in 2011, Easypolicy is a Noida-based insurance web aggregation company co-founded by Neeraj Aggarawala, Alok Bhatnagar and Divyanshu Tripathi.

The company holds an insurance web aggregation license from IRDAI.

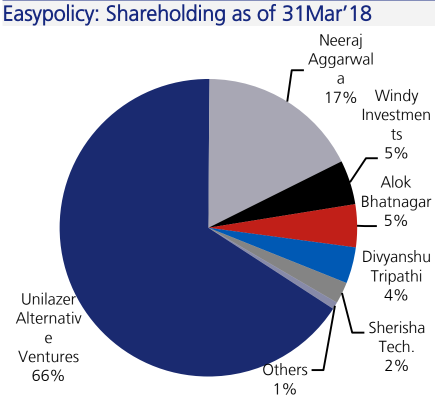
Its platform allows users to get instant quotes for their insurance requirements in life and non-life segments including car, health, travel insurance, among others.

The company claims to have provided 500,000+ insurance comparisons, served 100,000+ policyholders with over 500 resolved claims.

As guided by the IRDAI, Easypolicy gets paid for listing of insurance products on its website and an incremental fixed commission on any policy that is sold through their online portal or otherwise.

The various ceiling rates for commissions are defined by IRDAI and varies depending on the type of insurance product being sold.

Easypolicy: Shareholding as of 31Mar'18



Source: VCCEdge, JMFL

Exhibit 79. Funds Raised

Announced	Round	Amount (USD mn)	Key Investors
Jan. 2016	Series A	2.88	Unilazer Ventures and individuals (Gaurav Burman and Anil Jain)
Nov. 2016	Series B	8-10	Unilazer Ventures
Jun. 2017	Series B	3.25	Unilazer Ventures
May. 2018	Series B	6.7-7.43	Unilazer Ventures

Source: Tracxn, Media Reports.

Easypolicy: Key Management Personnel

Name	Designation
Divyanshu Tripathi	CEO
Praneet Srivastava	CDO
Rajeev Sharma	CIO

Source: Company

Latest News

- **8May'18:** Unilazer Ventures (founded by Ronnie Screwvala) upped its stake in Easypolicy to 70% by investing an additional INR 450-500 mn in the company.
  - Ronnie Screwvala mentioned in a media comment that the raise was for its B2C and B2B businesses and for some brand building exercise.
- **27Jun'17:** Unilazer Ventures increased its stake in the company to 55% as company had plans to back its existing investments rather than to go for new investments.
- **05Nov'16:** Unilazer Ventures infused additional funding of INR 530-670 mn into its existing portfolio company, Easypolicy.
- **21Jan'16:** Easypolicy raised INR 150mn in a fresh round of funding from Unilazer Ventures. The round also saw participation from Anil Jain and Burman Family Office.

Exhibit 80. Financial Summary: Standalone

Y/E March	FY16	FY17	FY18
Net Sales (INR mn)	26	13	21
Sales Growth (%)	-40.1	-49.9	61.1
Operating Profit (INR mn)	-54	-85	-166
Operating Profit Margin (%)	-206.9	-652.2	-794
PAT (INR mn)	-74	-104	-177
PAT Growth (%)	226.0	39.6	70.6
ROE (%)	NA	NA	NA
Net Debt (INR mn)	-1	10	-9

Source: Company, VCCEdge, JMFL

Bankbazaar (A and A Dukaan Insurance Web Aggregator Pvt.)

Company Description

Bankbazaar is a Chennai-based online insurance comparison platform founded by Adhil Shetty, Arjun Shetty and Rati Shetty in 2016.

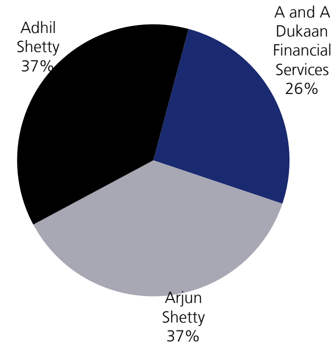
The company's platform offers end to end life and general insurance solutions (including customised offers) to the customers.

Exhibit 81. Financial Summary: Standalone

Y/E March	FY17	FY18
Net Sales (INR mn)	16	63
Sales Growth (%)	NA	301.8
Operating Profit (INR mn)	-32	-119
Operating Profit Margin (%)	-204.7	-190.1
PAT (INR mn)	-32	-117
PAT Growth (%)	NA	265.3
ROE (%)	NA	NA
Net Debt (INR mn)	-7	-11

Source: Company, VCCEdge, JMFL

Bankbazaar: Shareholding as of 31Mar'18



Source: Tracxn, VCCEdge, Info Edge, JMFL

Bankbazaar: Key Management Personnel

Name	Designation
Adhil Shetty	Director
Arjun Shetty	Director

Source: Company

Ask Arvi (Haida Technologies Pvt. Ltd.)

Company Description

Ask Arvi is a Mumbai-based insurance web aggregator incorporated in 2017 that offers health, bike and travel insurance products from several companies.

The company was co-founded by Sushant Reddy, Alok Tiwari, Ashwin Narkhede and Mandar Zope.

Ask Arvi offers customers a personalised buying experience while simultaneously eliminating the need for an agent, as it relies on artificial intelligence to identify and help select the most suitable products (by sharing a mix of data, charts, audio visuals and personalised insights).

Exhibit 82. Funds Raised

Announced	Round	Amount (USD mn)	Key Investors
Aug. 2017	Seed	0.30	Policen Direkt Group and multiple individual investors

Source: Tracxn, Media Reports

Latest News

- **4Apr'18:** Co-Founder Sushant Reddy said (media report) the company was looking to raise funds as the capital received earlier has been used to build its technology platform.
- **15Sep'17:** Raised an undisclosed amount from a host of investors such as US-based Jang Capital LLC, an early-stage investment fund.

Ask Arvi: Key Management Personnel

Name	Designation
Sushant Reddy	CEO & Co-Founder
Alok Tiwari	Director & Co-Founder

Source: Company

Coverfox (Coverfox Insurance Broking Pvt. Ltd.)

Company Description

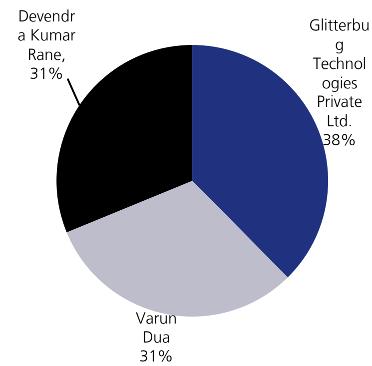
Founded in 2013 by Devendra Rane and Varun Dua, Coverfox is an online insurance broking firm offering both life and non-life insurance policies.

The company sells motor, life, health and travel insurance from around 45 insurance companies through a distribution network that includes around 50,000 insurance agents.

As of Feb'19, Coverfox generates around 60% of its sales from non-life insurance (motor and health) policies while life insurance policies contributed the remaining 40%. Overall, more than a million policies are sold on the company's platforms annually.

Its parent company is Glitterbug Technologies Private Limited, an integrated product and technology solutions provider to finance, especially insurance companies.

Coverfox: Shareholding as of 8Jan'19



Source: Tracxn

Coverfox: Key Management Personnel

Name	Designation
Premanshu Singh	CEO
Devendra Rane	CTO

Source: Company

Exhibit 83. Funds Raised

Announced	Round	Amount (USD mn)	Key Investors
Aug. 2013	Seed	0.18	Several Individual Investors
Oct. 2014	Series A	2	Accel, SAIF Partners
Apr. 2015	Series B	13.9	Accel, SAIF Partners and Catamaran
Sep. 2015	Series B	4.03	Accel, SAIF Partners, Catamaran and individual investors
Jun. 2016	VC Debt	NA	Innoven Capital
Apr. 2018	Series C	22	IFC, Transamerica Ventures, SAIF Partners, Accel, Catamaran
Jun. 2019	Series C	7.2	IFC, Aegon
Jul. 2019	Series C	5.8	IFC, Aegon, Transamerica Ventures, Accel, SAIF Partners

Source: Tracxn, Media Reports.

Latest News

- **5Jun'19:** Raised USD 7.2mn from Aegon Digital Investments and IFC as part of the Series C5 funding round.
- **3Jun'19:** A media report, citing two sources, claimed that Paytm was discussing an all-cash deal to acquire Coverfox for USD 100mn-120mn.
  - If the deal goes through, existing investors are likely to receive an exit.
- **3Mar'19:** A media report claimed that Coverfox was discussing raising USD 50mn as part of Series D funding, which would value the company at USD 150mn-200mn.
- **25Feb'19:** The Company CEO mentioned plans to offer micro-insurance products aimed at millennials, which would be 20-30% cheaper than those available offline, in collaboration with insurance companies.
- **8Jan'19:** Announced the launch of its revamped life insurance product interface aimed at enhancing user experience.

Exhibit 84. Financial Summary: Standalone

Y/E March	FY16	FY17	FY18
Net Sales (INR mn)	19	42	115
Sales Growth (%)	1,090.8	116.5	172.6
Operating Profit (INR mn)	-356	-335	-344
Operating Profit Margin (%)	-1,834.9	-797.7	-299.9
PAT (INR mn)	-351	-319	-337
PAT Growth (%)	NA	NA	NA
ROE (%)	NA	NA	NA
Net Debt (INR mn)	-16	-14	-16

Source: Company, VCCEdge, JMFL

Turtlemint (Invictus Insurance Broking Services Pvt. Ltd.)

Company Description

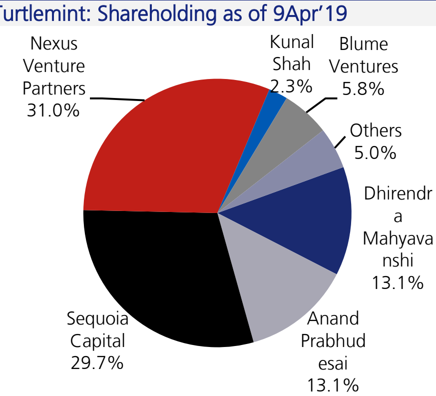
Founded in 2015 by Dhirendra Mahyavanshi and Anand Prabhudesai (both ex-Quikr management), Invictus Insurance Broking Services Pvt. Ltd. operates 'Turtlemint', an online insurance platform.

Leveraging its online platform and a network of around 25,000 on-field point of sales persons (licensed insurance agents) spread across 700 cities, the company offers motor, health and life insurance policies.

. As of Jan'19, the company's platform included policies from more than 80% of the licensed insurance sellers in India. Car and bike insurance policies together accounted for c.70% of the product offerings on the company's platform followed by health insurance (20%) and life insurance (10%).

In CY17, the company introduced the Mintpro mobile app, which enables quicker enrolment of IRDA-registered insurance agents, improves communication between the agent and potential customers and enables faster issuance of policies.

Turtlemint: Shareholding as of 9Apr'19



Source: Tracxn

Funds Raised

Announced	Round	Amount (USD mn)	Key Investors
Jul. 2015	Seed	0.003	Nexus Venture Partners and Blume Ventures
Nov. 2018	Seed A	6	Sequoia Capital
Jan. 2019	Series B	25	Sequoia Capital, Nexus Venture Partners and Blume Ventures

Source: Tracxn, Media Reports

Turtlemint: Key Management Personnel

Name	Designation
Dhirendra Mahyavanshi	Director
Smita Mahyavanshi	Director

Source: Company

Latest News

- 17Jan'19: Raised USD 25mn in a Series B funding round from existing investors Sequoia Capital, Nexus Venture Partners and Blume Ventures.
  - The company plans to utilise the funds to a) achieve its objective of expanding its network of licensed insurance agents by 10x to 0.25 million-0.3 million, b) train staff and c) hire around 100 employees to further develop its own technology platform.
  - The company claimed to have sold more than 0.5 million policies till Jan'19, with an annualised premiums sold run rate of INR 7bn (media reports).
  - Its total funding raised reached USD 31mn.
- Nov'18: The company raised USD 6mn from Sequoia Capital in a Series A funding round.

Financial Summary: Standalone

Y/E March	FY16	FY17	FY18
Net Sales (INR mn)	23	21	54
Sales Growth (%)	59.6	-9.4	164.8
Operating Profit (INR mn)	-1	-2	6
Operating Profit Margin (%)	-2.8	-9.4	11.4
PAT (INR mn)	-0.4	-2	5
PAT Growth (%)	NA	NA	NA
ROE (%)	NA	NA	59.2
Net Debt (INR mn)	-3	8	-29

Source: Company, VCCEdge, JMFL

RenewBuy (D2C Consulting Services Pvt. Ltd.)

Company Description

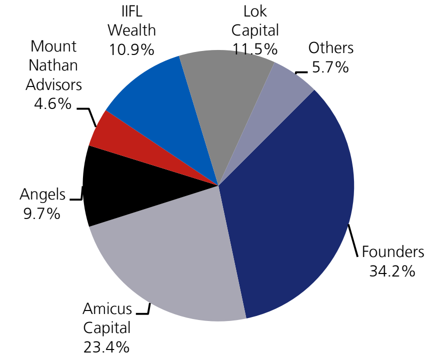
RenewBuy is a Gurgaon-based online insurance broker founded in 2015 by Balachander Sekhar and Indraneel Chatterjee.

The company offers a wide range of motor (cars and two-wheeler) insurance, health insurance and personal accident insurance products.

RenewBuy's proprietary technology allows customers to compare and buy these products as well as raise claims online.

The company currently has a network of more than 25,000 agents and operates in over 450 cities, with plans to expand its network to 0.2 million agents and 1,000 cities by 2022.

RenewBuy: Shareholding as of 15May'18



Source: Tracxn

RenewBuy: Key Management Personnel

Name	Designation
Balachander Sekhar	CEO
Indraneel Chatterjee	COO
Sandeep Nanda	CTO
Devesh Joshi	CMO

Source: Company

Exhibit 85. Funds Raised

Announced	Round	Amount (USD mn)	Key Investors
Apr. 2015	Angel	0.0715	Individual Investors
Jun. 2015	Angel	0.157	Individual Investor
Nov. 2015	Seed	0.499	Mount Nathan Advisors and Individual Investor
Apr. 2016	Seed	1.37	Mount Nathan Advisors and Individual Investors
Jun. 2017	Angel	0.788	Individual Investor
NA	Series A	2.5	Mount Nathan Advisors
Oct. 2017	Series B	9.27	Amicus Capital
Jul. 2019	Series B	19	Lok Capital, IIFL Asset Management and Amicus Capital

Source: Tracxn, Media Reports

Latest News

- **2Jul'19:** Raised INR 1.3bn (USD 19mn) from Lok Capital, IIFL Asset Management and Amicus Capital to increase its network of agents (currently ~25,000), enter new geographies and expand its product portfolio.
- **24Sep'18:** CEO announced a target to achieve premium sales of INR 50bn and launch an IPO by 2022.
- **14Dec'17:** Started offering its products in the state of Uttar Pradesh.
- **29Oct'17:** Announced its foray in the South India market.
- **16Oct'17:** Raised INR 0.6bn (USD 9.27mn) from Amicus Capital to expand its business presence in new geographies and increase its product offerings to include health, accident and term life insurance.

Exhibit 86. Financial Summary: Consolidated

Y/E March	FY16	FY17	FY18
Net Sales (INR mn)	3	43	108
Sales Growth (%)	NA	1,480.1	150.2
Operating Profit (INR mn)	-22	-57	-145
Operating Profit Margin (%)	-793.8	-131.8	-135.1
PAT (INR mn)	-15	-44	-113
PAT Growth (%)	NA	NA	NA
ROE (%)	NA	NA	NA
Net Debt (INR mn)	-33	-10	-14

Source: Company, VCCEdge, JMFL

SecureNow (SecureNow Insurance Broker Pvt. Ltd.)

Company Description

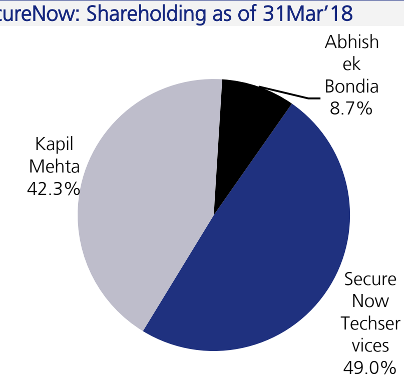
Founded in 2011 by Kapil Mehta and Abhishek Bondia, SecureNow is an insurance broking firm offering a range of covers to institutions, small and medium scale enterprises (such as jewellers, shopkeepers, restaurants. etc.), professionals (architects, doctors, lawyers, etc.) and other individuals.

The company's wide-ranging product portfolio includes health, life, motor, travel, property (commercial as well as personal), marine and commercial liability insurance.

. SecureNow has served more than 10,000 clients and has provided insurance cover to over 100,000 individuals.

The company not only acts as a B2B insurance brokerage but also helps insurers price the group products to be able to sell to targeted SMEs.

SecureNow: Shareholding as of 31Mar'18



Source: VCCEdge

Exhibit 87. Funds Raised

Announced	Round	Amount (USD mn)	Key Investors
Mar. 2011	Angel	1.82	Individual investor (Amit Sinha)
Jan. 2015	Angel	0.244	Individual investors (Abhishek Goyal and Sangeeta Jain)
Jan. 2016	Series A	2.94	Elevar Capital

Source: Tracxn, VCCEdge, Media Reports

SecureNow: Key Management Personnel

Name	Designation
Abhishek Bondia (Co-Founder)	Managing Director
Kapil Mehta (Co-Founder)	Director

Source: Company

Latest News

- 17Jan'19: Issued Solar Module Performance Warranty insurance (an additional protection over and above provided by panel manufacturer), a first of its kind, in collaboration with a general insurance company.
- 12Jan'17: Became a member of unisonBrokers, a global network of insurance brokers who focus on small and medium scale enterprises (SMEs).
  - Access to the network would enable the company to offer policies that are in line with foreign insurance requirements of India-based SMEs.
- 1Feb'16: Raised USD 2.94mn from Elevar Equity to quickly scale up the business, having followed the bootstrapping strategy for around 4 years.

Exhibit 88. Financial Summary: Standalone

Y/E March	FY16	FY17	FY18
Net Sales (INR mn)	49	63	59
Sales Growth (%)	7.7	28.8	-6.2
Operating Profit (INR mn)	-0.3	-20	5
Operating Profit Margin (%)	-0.7	-31.8	8.1
PAT (INR mn)	2	-17	6
PAT Growth (%)	NA	NA	NA
ROE (%)	5.4	NA	10.3
Net Debt (INR mn)	-19	-12	-14

Source: Company, VCCEdge, JMFL

Toffee Insurance (Toffcover Core Technologies Pvt. Ltd.)

Company Description

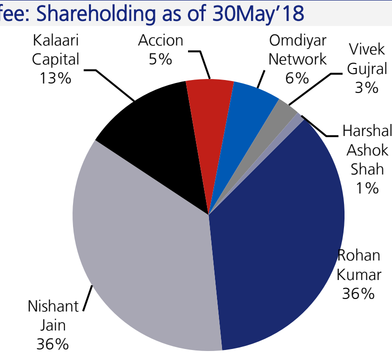
Founded in 2017 by Nishant Jain and Rohan Kumar, Toffee Insurance collaborates with insurance companies to digitally offer customised, small-ticket health, accident, lifestyle and travel insurance products.

The company's digital-only platform allows users to buy a new insurance policy in fewer than 2 minutes, while simple online claims (outpatient department expenses or small amounts) can be processed in under 2 hours.

Toffee Insurance collaborates with insurance providers such as Apollo Munich, HDFC Ergo, ICICI Prudential, Religare, Tata AIG and Future Generali to offer customised products to clients.

The company has engaged more than 1,000 bicycle dealers spread across 120 cities to sell insurance cover against bicycle theft. Consequently, cover against bicycle theft has become the company's most popular product (~60% of volume), followed by backpack insurance and cover against dengue.

Toffee: Shareholding as of 30May'18



Source: Tracxn

Exhibit 89. Funds Raised

Announced	Round	Amount (USD '000)	Key Investors
Nov. 2017	Angel	84	Individual investors (Harshal Ashok Shah and Vivek Gujral)
May. 2018	Seed	1,480	Kalaari Capital, Omidyar Network, Accion Venture

Source: Tracxn, Media Reports

Toffee: Key Management Personnel

Name	Designation
Rohan Kumar	CEO
Nishant Jain	CPO

Source: Company

Latest News

- **28Jan'19:** Announced the launch of India's first income protection plan, 'Salary Protect Plan' in partnership with digital lending company EKO. This plan offers protection against loss of income in the case of hospitalisation and targets daily wage earners.
- **11Dec'18:** Announced a partnership with Wildcraft - an outdoor gear company - to sell backpack insurance (through the latter's branded outlets), such that cover premiums would be bundled with the backpack price.
- **29May'18:** Raised seed capital of ~USD 1.5mn from Kalaari Capital, Omidyar Network and Accion Venture Lab, with plans to deploy the funds towards product development and team expansion.

Exhibit 90. Financial Summary: Standalone

Y/E March	FY17	FY18
Net Sales (INR mn)	20	16
Sales Growth (%)	NA	-17.9
Operating Profit (INR mn)	1	-3
Operating Profit Margin (%)	5.1	-18.1
PAT (INR mn)	0.2	-4
PAT Growth (%)	NA	NA
ROE (%)	3.7	NA
Net Debt (INR mn)	4.5	4.6

Source: Tracxn, JMFL

Gramcover (GramCover Insurance Brokers Pvt. Ltd.)

Company Description

Founded in Mar'16 by Neelam Kumar Gupta, Rishi Raj Vashisht and Nalin Rawal, Noida-based GramCover is a composite insurance broking firm that offers products tailored to the needs of rural India.

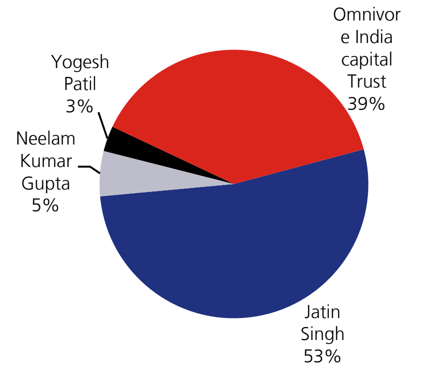
The company offers non-life insurance products such as crop, livestock, health and motor (two wheeler) insurance through its platform, in addition to life insurance and re-insurance products.

The products are customised based on individual needs, and are designed in a way to make them simple, affordable and easy to understand by the rural masses.

The company uses a Point-of-Sales Person (PoSP) model extensively to sell insurance products, wherein individual agents are trained as per IRDA requirements.

Cash constitutes a significant proportion of the company's premium collection; the PoSP receives it and transacts on behalf of the policy buyer.

Gramcover: Shareholding as of 31Mar'18



Source: VCCEdge

Exhibit 91. Funds Raised

Announced	Round	Amount (USD mn)	Key Investors
Nov. 2016	Seed	1.18	Omnivore Partners

Source: Tracxn, Media Reports

Gramcover: Key Management Personnel

Name	Designation
Dhyanesh Bhatt	CEO
Rishab Garg	CTO
Jatin Singh	Director
Subhadeep Sanyal	Director

Source: Company

Latest News

- **Dec'17:** Started operations after receiving its license from the IRDA.
  - Began offering insurance coverage to non-loanee farmers under the Pradhan Mantri Fasal Bima Yojana (PMFBY) in collaboration with multiple insurance companies.
  - Operates in 3000 villages across 20 districts and has 190,000 customers who have already made 1,100 claims.
- **14Nov'16:** Raised USD 1.16mn from Omnivore Partners to build an insurance marketplace for rural areas.

Appendix A

History of Insurance in India – opening up of the insurance sector

- Monopoly till the 90s: The first insurance company in India, Oriental Life Insurance Company, was launched in Kolkata, in 1818. The industry saw its first regulatory Act in 1912, when the Life insurance Companies Act mandated that the premium-rate tables and periodic valuations of companies be certified by an actuary. By 1956, there were several insurance companies operating across the country. In 1956, the Government of India issued an ordinance nationalising the life insurance sector and the Life Insurance Corporation (LIC) came into existence. LIC absorbed 245 Indian and non-Indian insurers into one company.

LIC monopolised the life insurance domain in the absence of any regulatory body

- Formation of IRDA: A state of monopoly existed until the late 90s. Only two insurance companies existed during the time: Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC – comprising 4 subsidiaries). In 1994, a committee report recommended allowing private players and foreign players in to the sector. Based on the recommendation, the IRDA was setup in 1999, to regulate and develop the insurance industry. The IRDA's objective was to promote competition to enhance customer satisfaction by way of more choices and lower premiums and simultaneously ensure the security of the insurance market.

The IRDA was formed to promote competition and expand customer choices

- Opening up of the sector: In Aug'00, the IRDA opened the market for private players and also allowed foreign companies an ownership of up to 26% (which was later increased to 49%). Since then, the IRDA has framed various regulations protecting the interests of policyholders and registration of companies. As of today, there are 34 general insurance companies and 24 life insurance companies in India. According to the IRDAI, the insurance sector is growing at 15-20% per annum. The government and the IRDA are dedicated to promoting the insurance industry because of its lasting impact on economic and infrastructure development as well as its ability to better the economy's risk-taking ability.

The IRDA opened the sector to private and foreign entities

Weather forecast and crop insurance

- Crop insurance for farmers a welcome opportunity: Various companies in India are working on crop insurance as it involves a huge proportion of population, thus providing a huge opportunity for growth. Skymet Weather, for example, provides weather monitoring and agri-risk solutions and crop insurance products along with data and information services to support crop insurance. Crop insurers are also provided with a knowledge tool to help them keep informed about weather conditions and specific risk areas. Gramcover, which is another start-up co-founded by Skymet's founder Jatin Singh, is a composite insurance brokering business focused on rural India. It helps insurance companies penetrate rural India by providing customised solutions and helps distribute government schemes such as Pradhan Mantri Fasal Bima Yojana (PMFBY). Gramcover has the added benefit of weather and crop intelligence from Skymet and provides efficiently-priced products such as crop insurance, livestock insurance, health insurance and motor insurance, apart from life insurance and reinsurance.

Crop insurance has the potential to be a huge area of innovation in coming years. Various businesses are helping farmers insure their crops and providing information on means of crop safety

Appendix B

Exhibit 92. Brief overview of some start-ups in the insurance space

Company	Funding Stage	Founded in	Located in	Description	Total Funding (USD mn)
SureClaim	Unfunded	2017	Bengaluru	Online claim preparation & claim assistance platform	NA
ReLeague	Unfunded	2015	Mumbai	Platform connecting reinsurers, insurers, and brokers	NA
O Locker	Unfunded	2017	Mumbai	Digital record and insurance of personal jewellery	NA
AllinCall Research and Solutions	Unfunded	2017	Mumbai	AI enabled software solutions provider for banking and insurance industries	NA
Candela Labs	Unfunded	1996	Bengaluru	Automation solutions for insurers and banks	NA
Sofocle Technologies	Unfunded	2016	Noida	Blockchain based smart contract and supply chain solutions provider	NA
Fedo	Unfunded	2015	Bengaluru	AI to predict risks for lifestyle diseases	NA
CarX	Unfunded	2016	Bengaluru	Mobile app for tracking driving and vehicle analytics	NA
ETInsure	Unfunded	2016	Gurgaon	Web based insurance aggregator platform	NA
Ocare	Unfunded	2016	Mumbai	Dental insurance plans	NA
ValueMomentum	Unfunded	2000	Hyderabad	Software solutions for BFSI sector	NA
Toffee	Seed	2017	Gurgaon	Insurance distribution platform	1.6
CarSense	Seed	2015	Mumbai	OBD device for cars	1.4
Gramcover	Seed	2015	Noida	Insurance marketplace focused on rural areas	1.2
I3Systems	Seed	2016	Mumbai	Artificial Intelligence for Business decision making in Healthcare	1
Arya	Seed	2013	Mumbai	Provides work bench for Deep Learning algorithm development and deployment	0.9489
Pentation Analytics	Seed	2015	Mumbai	Analytics solutions for insurance and banking industry	0.5098
Ask Arvi	Seed	2017	Mumbai	Personal insurance assistant platform	0.2959
Lightmetrics	Seed	2015	Bengaluru	Computer vision and machine learning based mobile application for Car drivers	0.0464
Agile Financial Technologies	Series A	2008	Mumbai	BFSI software solution provider	5.7
Vymo	Series A	2013	Bengaluru	Web/mobile applications for sales productivity and management	5
Aureus Analytics	Series A	2013	Mumbai	Big Data analytics products for BFSI sector	4
Digit Insurance	Series B	2016	Bengaluru	New-age general insurer	100
Turtlemint	Series B	2015	Mumbai	Aggregator of insurance products	34.3
RenewBuy	Series B	2014	Gurgaon	Online motor insurance comparison provider	14.7
Easypolicy	Series B	2011	Noida	Online selling and comparison platform for insurance	6.1
Policybazaar	Late Stage	2008	Gurgaon	Leading online insurance aggregator in India	365.5
Acko	Late Stage	2017	Mumbai	Tech enabled automotive insurance company	107.2
Coverfox	Late Stage	2011	Mumbai	Insurance aggregator and selling platform	58.1
OneAssist	Late Stage	2011	Mumbai	Platform for assistance & protection services	32.2

Source: Tracxn, JM Financial

APPENDIX I

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Rating	Meaning
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Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

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