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A Study Of The Impact Of Digitalization On Insurance Industry In India

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ABSTRACT

Technological capabilities and efficiency is regarded as one of the parameter for a nation's development. Digitalization is the catalyst that provides greater opportunities and experiences to meet the customer's needs more effectively. It not only leads to cost reduction but also reduced human intervention, greater transparency, increased quality of services and ultimately to increased customer satisfaction. Presently, the system of electronic insurance(e insurance) has been introduced by IRDAI with the object to provide safe, transparent, successful insurance industry. It is all set to revolutionalize the traditional system of selling and servicing of insurance products/policies.

The paper unearths the various issues relating to issuance and administration of insurance policy in India. It focuses on the changing landscape of insurance industry, a journey from traditional physical form to digital-e insurance As the power shifts slowly from insurer to customer, there is growing demand for tailored insurance products to meet the unique needs of the current and potential customers. Technology has empowered the customers, who want to take their own decisions, solve their problems by themselves on the basis of insights gathered and not just rely on the advice provided or imposed by others. In

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this scenario, it will be the insurers responsibility to focus on customers delight and present them with innovative services and solutions. The paper further deals with the concept of e insurance, its current scenario in India, transformation of insurance business to digitalization, changes registered by consumers in the digital era and the challenges faced by the insurer. For the purpose of this study, a descriptive methodology has been adopted and for auxiliary information books, journals, articles and annual reports of IRDAI, draft paper and data available on websites and newspaper clippings have been referred.

KEY WORDS: electronic insurance (e insurance), digitalization, insurance

1.INTRODUCTION

Insurance has been always regarded as push product with personal convincing. Insurance is never purchased, it always have to be sold by the intermediaries which means that it is a '*matter of solicitation'*. The demonetization in 2016 compelled the companies to go ***digita***l from ***physical*** and the various initiatives by the government to go digital has given thrust to the insurance industry to make its customer come in the purchase mode. The 21st century consumer-*Millennial Generation(*born between 1980 to 2000) and *Generation Z* (born post 2000) are all tech savvy and they aspire for different experiences to meet their needs. They have grown from the first day of their life with the internet through mobile devices, is the prospective customer base of the insurance industry. This generation make the worlds products and services available at their disposal with just a click on their mobile devices, has indirectly compelled the life insurers to '**Go Digital**' thereby creating a new purchase experience for the individuals. The information system has agile to present before the customers products at not only with increasing speed but also automated process. With enormous data at its disposal the regulator and the Indian insurance sector must

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coordinate and work together to leverage the data towards client satisfaction and effective and sufficient service delivery.

Digitalization is the catalyst that provides greater opportunities and experiences to meet the customer's needs more effectively. It is a way to reach the masses not only in the urban but also in the rural India. Information and Communication Technology (ICT) has impacted every sphere of our life and industry. The technological development entails a revolution in the way we communicate and engage with the present and potential consumers. Ubiquitous adoption of digital technology has led to new avenues for premium payment through satisfied customer experiences, favorable underwriting, transparency in its approach and the most important-good governance. Above all there are easy, faster and better regulatory compliances.

The word '*digital*' is interpreted differently by the executives. As such it is perceived as a new way of doing a business with minimum resources and maximum result in the form of quality and satisfaction to the customers. "Digital as an entirely new way of doing the business connotes three attributes-creating value at the new frontiers of the business world, focus on cycle of core processes executing a vision around customer experiences and foundational capabilities supporting the entire structure."(*Source: Journal of Insurance Institute of India,2017)*

2.NEED OF THE STUDY

Technological capabilities and efficiency is regarded as one of the parameter for a nation's development. The use of computer aided devices has positively influenced the human activities resulting in determining factors of the progress of country, institution and

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individual. Technological inventions and developments have from time to time benefitted the insurance industry. Presently, the system of electronic insurance has been introduced by IRDAI with the object to provide safe, transparent, successful insurance industry. It is all set to revolutionalize the traditional system of selling and servicing of insurance products/policies.

3.OBJECTIVE OF THE STUDY

The main objective of the paper is to study the changing landscape of insurance industry, a journey from traditional physical form to digital-e insurance. As the power shifts slowly from insurer to customer, there is growing demand for tailored insurance products to meet the unique needs of the current and potential customers. Technology has empowered the customers, who want to take their own decisions, solve their problems by themselves on the basis of insights gathered and not just rely on the advice provided or imposed by others. In this scenario, it will be the insurer’s responsibility to focus on customers delight and present them with innovative services and solutions. The paper further deals with the concept of e insurance, its current scenario in India, transformation of insurance business to digitalization, changes registered by consumers in the digital era and the challenges faced by the insurer.

4.METHODOLOGY

For the purpose of this study, a descriptive methodology has been adopted and for auxiliary information books, journals, articles and annual reports of IRDAI, draft paper and data available on websites and newspaper clippings have been referred.

5.INFORMATION AND DIGITAL ERA

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According to E-Commerce and Development Report, 2002, UNCTAD, “The efficiency effect of applying e-commerce technology in insurance would be two-fold. First, it would reduce the need for administration and management. Second, direct sales to clients could be used to reduce the cost of commissions paid to intermediaries.” In today’s competitive marketing world, it is not all about customer’s satisfaction but retention of customers. Technology has made the world a ‘***global village’*** and managing customer’s expectation is onerous task. It can be effectively used to satisfy customer and bring them the category of loyal customers. The seamless flow of information has given a big boost to the insurance industry. The need is to balance between the needs of the customers and ensuring that the business processes are not compromised to achieve that goal.

Information era is characterized by shift from traditional manual processes, files, calls based information transmission, long queue, manual feeding of data in registers to an economy which is based on computerization of data and digitalization. Currently tech savvy customers are more informed with greater access to information enables them to compare and contrast various products before finally choosing one. Awareness of value of insurance must be made know to people at large.

6.INSURANCE AT A GLANCE

Insurance is a cooperative device to compensate economic loss. For subscribing and servicing an insurance policy the customer had to approach the insurance office or an agent. A contract is signed between the insurer and the client, which contains the details about the policy, terms and conditions etc. in physical form. The limitations and problems faced by the clients compelled the thinkers to opt for an alternate mechanism and the concept of ***e-insurance*** was introduced. Technology will play its role in not only developing newer

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distribution models but also enhancing customer experience and take them to next level of customer's delight. *Customer delight* will happen when the insurer will serve their customer in real time by providing immediate solution to their problems via, technology. After all it is the company's ability to service its customer in a faster and simpler way which will define the rate of customer retention and the level of market penetration.

The journey of Indian insurance companies has gone through the monopolization environment which was primarily dominated by state owned insurers to a competitive market driven atmosphere. The private players offered innovative products and newer distribution channels and global expertise and best practices.

7.STATISTICS

India currently accounts for less than 1.5% of the world's total insurance premium and 2% of the world's life insurance premium. In terms of premium volume and huge penetration India stands as 15th largest insurance market in the world. "India currently has 605 million people below the age of 25, and 225 million in the age group 10-19 poised for higher education. This indicates that for the next 40 years, India can enjoy the benefits of a youthful, dynamic and productive workforce even as the rest of the world, including China, continues to age. India's insurable population is anticipated to touch 750 million by 2020 with a life expectancy of 74 years."(Source: FICCI,2017). Demographic factors like a growing middle-class, young, insurable population and increasing awareness could catalyze growth of the sector. Besides, the increased entry of large global insurance brands (following an increase in the FDI cap to 49 percent) could widen the size and prospects of the sector.

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According to the *Swiss Re Sigma Report* (published on 6th July 2018), Insurance density or insurance premium per person stood at $73 for FY 2018 versus $59.7 in FY 2017.Among segments, life insurance penetration rose from 2.72% in FY 2017 to 2.76% in FY 2018.Whereas non-life penetration was at 0.93% in FY 2018 as compared to 0.77% in FY 2017. In India the highest ever registered insurance penetration was 5.25 in FY 2010. The Global average for insurance penetration is 6.13% while insurance density is $650(FY 2018). Life insurance growth is registered through life insurance penetration data which is measured in terms of the ratio of premium underwritten in a particular year in a country to its Gross Domestic Product (GDP).being a potential market to the world, the penetration data of India stands minimal in terms of insurance coverage. There is huge potential for life insurance in India which has pulled the foreign insurers to tap the uninsurable households. In Table no:1 the data exhibited is the survey of 4125 individuals in BCG's Next Billion Consumer Research,2007

Households possessing insurance policies in comparison with household annual incomes

Household Annual Income(rupees in thousand)	*Number of households in millions*	*%of household holding a life insurance policy*	*% of household not holding life insurance policy*
>200	10	57	43
>135-200	45	43	57
>90-135	17	39	61
45-90	56	24	76
<45	76	13	87

Table no:1

Source: The Boston Consultancy Report,2007(pg.no.16)(Survey of 4125 individuals, BCG Analysis)

A report from BCG shows that by the years 2020 digital/e insurance will grow by 2,000 % with a total turnover of rupees 15,000 crore. The report also states that in 2 to 3 years, 75 % of insurance decisions will be through digital channels. IT not only leads to cost reduction but also reduced human intervention, greater transparency, increased quality of

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services and ultimately to increases customer satisfaction. “Adopting the digital medium could result in a potential cost savings of 15 – 20% in life insurance sector” (*Source: The Journal of Insurance Institute of India,July-Sept,2018)*

8.DEVELOPMENT IN THE INSURANCE INDUSTRY

The insurance industry has registered transformation due to rapid advancement in Information and Communication Technology (ICT). It is the internet which is playing a vital role in marketing and sales of insurance products. ICT at present is the driver of change and earning. The insurers through the use of IT are looking out to gain more information about their customers and offering them low cost insurance products. In the information driven era, the market is witnessing the best international practices, product innovation and overall increase in insurance penetration, thus providing a perfect platform for growth.

9.E INSURANCE (CONCEPT AND IMPORTANCE)

Insurance Regulatory and Development Authority of India (I.R.D.A.I.) in its Issuance of e insurance policies regulations dated 13^{th} June 2016(effect from 1^{st} Oct. 2016) have made it mandatory for the insurers for the issuance of electronic form and e-insurance policy-documents digitally signed. It has issued guidelines relating to insurance repositories and electronic issuance of insurance policies with the object that it will help storing and retrieving of information easily, modification and revisions can be done with speed and accuracy and it will increase efficiency and transparency along with reduction in cost. It will also lead to elimination of mis-use or loss of policy documents. With just a click of as button the policy details will be at the disposal of the policy holder and can be retrieved whenever needed. E insurance policy will provide fast servicing at the time of its issuance, claim settlement and

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other services with accuracy leading to minimal administration for the insurer and intermediaries.

E insurance account keeps all policies electronically safe. For this every e Insurance Account(eIA) is assigned a unique account number. An individual can have only e insurance account in his/her name. IRDAI has granted the certificate of registration to four entities to act as 'Insurance Repositories' authorized to open e insurance account. They are NSDL Database Management Limited, Central Insurance Repository Limited, Karvy Insurance Repository Limited, CAMS Repository Services Limited. eIA provides the facility of keeping all policies from the insurers in electronic mode. Even already existing insurance policies can be converted into electronic mode. e insurance is like a repository where all insurance policies are managed for easy accessibility at anytime, anywhere enabling easy tracking.

10.E-INSURANCE POLICY:CURRENT SCENARIO

The annual reports of IRDAI provides the following information on e insurance current status in India.

NUMBER OF E INSURANCE ACCOUNTS AND POLICIES CONVERTED		
	Number of eIA's	Number of policies converted into electronic mode
2014-15	7,41,481	3,38,065
2015-16	8,07,705	4,11,832
2016-17	9,89,677	6,17,707
2017-18	16,00,000	12,47,000
Table no:2		***Source: Annual Reports(I.R.D.A.I)***

Table no:2 clearly exhibits that the number of eIA's have increased 115.7% from FY 2014-15 to FY 2017-18. The increases in eIA's in FY 2016-17 to 2017-18 has registered maximum with 61.66% within the period. The following increasing trend is exhibited in case of number

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of policies converted into electronic mode. There was 21.82% growth in the conversion of policies to electronic mode in 2014-15 to 2015-16. In the last four years there has been growth of 268.86% in policies being converted to digital form.

11.TRANSFORMATION OF INSURERS BUSINESS TO DIGITILIZATION

The degree of digitalization as required by the organization depends on its present state of digcal mix (digital physical mix) and organizations business goal. Identifying the correct speed of transformation required for the organization is very crucial as too fast or too slow transformation has its own set of opportunities and risks. The information era presents plethora of opportunities to increase insurance penetration in the country and also the level of consumer satisfaction.

12.CHANGES REGISTERED BY CUSTOMERS IN THE DIGITAL BOOM

- The customer feels more empowered as they take decisions on the basis of their insights instead of advice or guidance provided by the intermediaries.
- In today's market driven competitive world the insurers provide focused and tailored made products to attract the customers and offer prompt and best services to retain them.
- Digitalization of the insurance industry had opened doors for the customers to access diverse information and take decisions.
- There has been a shift from transactional to relationship marketing which is the outcome of interaction between the insurer and the client via digital technology.

13.SEEKING OPPURTUNITIES of e INSURANCE

E insurance form created by every insurer is similar to the physical proposal form which is approved by the authority. There is also a facility of opening an electronic account

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known as 'e-insurance account' or 'eIA' with an insurance repository wherein the details of insurance policies of policy holders are electronically held. This data base of eIA also helps in analyzing the adequacy of insurance coverage for the policyholders. Further, the data base created by eIA helps to find out the proportion of insurable if it is linked with Aadhar data base.

- Going digital helps in cost cutting as it eliminates the services of intermediaries.
- In its endeavor to provide prompt and hassle free services to its policyholders in cost effective manner I.R.D.A.I. is mooting the idea of insurance services centre's across India.
- Creation of a self network platform for the agents to sell and service products on behalf of the registered insurers which would be available as website or on mobile app or both.
- The insurers are all set to increase their profits and insurance penetration through digital expansion Efforts are being made to increase online sales, claim settlement and grievances redressal online.
- Insurers are relying on data analytics and digital technologies to acquire clients and cut the time that goes in issuing policies and settling the claims. This way the insurer are offering focused products as per the needs of the clients.
- To make insurance products accessible at the doorstep of the customer, the insurers are looking out for the development of virtual office for all types of insurance solutions.
- Digital wallets have been launched to empower customers to make digital transactions.
- Insurer's direct interaction with the customer is the outcome of digitalization.

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Customer satisfaction is the mantra that the companies strive for and the use of instant issue of e policies, renewal, online verification, scanning of documents and other e services are all on its way to transform the insurance industry in India.

14.COMBATING CHALLENGES

E insurance policy platform has multiple advantages for the policyholders, insurers and the insurance industry but it has manifold challenges which includes regulatory and supervisory issues.

- The need is to define the role of intermediaries as e insurance has and will in future eliminate the services of the agents who are strong link between the client and the insurance company.
- The security of the data provided by the policyholder to the insurer is a big challenge as there are cases of cyber security breach.
- To achieve the object of safe, secure, fast and easy accessibility of all policies require conversion of already existing policies in electronic mode. This conversion is a tough task which will take time in creating a database of all policies of the individuals.
- Efforts are required by the insurer and the regulator to make people aware of the e insurance policy and educating them to take advantage of the online services provided by the service providers.
- E insurance requires the use of digital technologies to service the customers at three essential stages-pre-purchase, purchase and post-purchase.
- The three crucial stages of back office processing-sell, service and settle requires effective and efficient digital technology and capability to service hassle free administration. The insurers have to be alert and stay away from malicious and

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fraudulent claims. Information at the end of the day has the capability to drive revenue, growth, reduce cost and manage risk. But information and mis-information are the two sides of the same coin and only prudent and pro-active thinking by the insurer will help leverage its benefit to the organization.

- Before plunging in the information driven strategies for organization survival, it is important that the insurers analyze the pros and cons of the system and its control over it.

15.CONCLUSION

Technology has its own set of challenges and opportunities. The insurers need to leverage the opportunities of ICT and deal with the risks and challenges along with the focus on customer centricity. There is no doubt that it is the millennial and the Generation Z which has catalyzed the change that the insurance industry is witnessing presently. It is not only the net savvy generation but also the older ones who regularly visit websites of the insurance companies to update with the information regarding the products and the services. All these have its impact on the business and made the service providers more conscious and transparent in their offerings. Retaining the customer is the biggest challenges faced by the insurers and to deal with this they have to provide solutions that delight their purchase decisions. E insurance or going digital is the new way of satisfying the insurable segment of the country and also a platform for the prospective insurable segment to avail the benefits of insurance as per their convenience, as the information is available on the net. However, the real growth of the industry lies in increasing insurance penetration through insurance literacy and insurance inclusion.

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