



PERCEPTION OF POLICY HOLDERS TOWARDS DIGITALIZATION OF INSURANCE SECTOR – A STUDY WITH REFERENCE TO BELTHANGADY TALUK

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ABSTRACT

Digitalisation is rapidly changing the urban, semi-urban and middle to small town landscape. Right from determining key political outcomes to influencing buying behaviour, digital is playing an important support role in the lives of customers. Digitalization has improved the reach, quality of service provided by the company. Insurance industry is also getting intensely impacted by the penetration of digital. The Insurance Regulatory and Development Authority (IRDA), which had proposed digitalisation of insurance policies in 2013, have now made it mandatory. With this initiative, the insurance industry is now all set to reach a new milestone. The current research was directed towards understanding policy holders' response towards digitalization of insurance sector. A sample of 50 policy holders of Belthangady Taluk, both from public and private insurance company, was studied. The study reveals that customers prefer direct face-to-face interaction where their problems and queries would be handled as they are not ready to take risk. Customers lack information about the Web site and are uneducated about the procedure of transaction and outcome.

KEY WORDS: *Digitalization, Insurance Sector, Policy holder, Online*

INTRODUCTION

In the past, many consumers did not understand life insurance products completely and they would assume these to be overly complex and difficult to understand. Sales executives used to walk door-to-door, selling insurance products. As insurance-related documents were too complex, people preferred to buy insurance plans recommended by someone instead of researching the best insurance plan available for them in the market. Investment decisions would be driven by their friendly neighborhood agent, who was actually selling products that were more distributor-focused and gave better commissions, instead of selling products that were beneficial to the customer. With insurance digitalisation, a discerning consumer has demanded and got more information on details such as product charges, where his premium goes, how much is actually invested and how much goes into expenses or distributor commissions etc. The insurance industry today is standing at a transformative stage, where people's buying methods have changed. People started relying on internet to research about the kinds of products, their features, claim settlement, bonus status etc. This began in 2005 when people started searching for insurance policies online and also did policy comparisons. A decade after insurers are selling policies online and that, too, quite successfully.

However, with each passing year, digital insurance industry gradually expanded its footprints in India. And therefore, online mode is not limited to just research and life insurance. People will now look for insurance plans online, compare, research, and buy them online. They can even submit documents online with an e-sign.

CONCEPTUAL FRAMEWORK

Insurance as a product category faces a key challenge of limited customer touch-points and low customer engagement despite the consultative nature of the product and significant financial implications for the customers. BCG experience shows that insurers have on an average of 0.3-0.4 customer contacts per year. Add to that, the Indian situation where so far, insurers have focused more on intermediaries than the customers has resulted in even less data on end customers. Customer contactability is terribly low.

Digital is a key enabler of disintermediation and allows insurers to meaningfully engage and influence customer experience directly. Insurance companies will have to start treating end customers as customers. They could potentially leverage the opportunity to integrate other high frequency transactions and create 'moments of truth'. The next imperative will be to excel at customer experience in those interactions. Insurers that will crack the code will surely have

a better chance of increasing customers as well as share of customer wallet and retain customers for longer.

Digitalization presents a growing opportunity to improve market share and profitability for the insurers. It also urges insurers to apply digital technologies in new ways and offer tangible value to customers.

Objectives of digitalisation

- a. Digital has become a new market force that is driving the change in expectations of modern-day consumers. Hence, to avoid the sidelines, insurers need to evolve and respond to the shift to digital. In the light of this, IRDA is reshaping the sector and empowering insurance companies to succeed in future through digitalisation.
- b. To bring greater efficiency, minimise costs, harmonise and build more transparency in policy maintenance.

Common digital services offered by life insurance companies:

1. **Online loan:** a) Loan repayment b) loan interest payment
2. **Customer Portal:** a) online payment b) policy schedule c) policy status d) bonus status e) loan status f) claim status g) revival quotation h) premium due calendar i) premium paid certificate j) claim history k) policy bond l) grievance registration m) online forms n) locations
3. Premium payment
4. Merchant portal
5. Agents/ divisional officers / P& GS customer portal
6. SSS PA Portal
7. Corporate Portal

Benefits of Digitalisation to Insurance Providers

These days people prefer to transact online as much as possible. From booking a movie ticket to applying for a car loan, they do it all online. The same applies to the insurance sector. With the march towards digitalisation, many customers are going to buy insurance plans online which will change the marketing channels of insurance companies upside down. Some of the benefits of digitalising the insurance sector are as follows:

1. Reduces salary costs

Insurance companies recruit hundreds of sales executives every year to sell their insurance products. If customers are reachable online, insurance companies will reduce the number of door-to-door sales executives which will reduce the salary cost of the company.

2. Increases the target group

Going digital increases the scope to meet many customers. The target customer base increases and insurance companies have the opportunity to pitch their products to many people.

3. Convenience

Accessing insurance products online is convenient and less time consuming. On the other hand, insurance companies can sell their products online without much struggle.

4. Less paperwork

Both insurance provider and policyholder don't have to go through the tedious documentation process. Documents can be shared and saved online.

5. Hassle free claim settlement

The main problem that arises when making insurance claims is incorrect or non-availability of documents. With

digitalisation, this problem can be eliminated as all documents are saved online and are accessible for both the insurance provider and the policyholder.

LITERATURE REVIEW

Arpita Khare(2012) in her study titled "Customer behavior toward online insurance services in India" suggests that improvement in technological attributes of online insurance Web sites can enhance customers' service usage.

Jagendra Kumar (2016), quoting industry research and analyses of BCG, said that in the 2-3 years, three out of every four insurance purchase decisions will be influenced by digital channels of sales and marketing. That's an astounding number. It simply demonstrates the power of digital media and its growing role in the insurance sector in India.

Boston Consulting Group (BCG) report (2017) says in every area of insurance, traditional insurers can use the internet, mobile technology and social media to fend off new rivals and get ahead of long-time competitors."The challenge lies in coming up with a road map for digitalisation: Where to start, what to change, how much to invest, and how to make it all happen."The report says companies should build their digital platform on three parts of the value chain: Internal operations, go-to-market strategies and risk. For internal operations, the benefits of digitalisation starts from straight-through processing, which lowers the insurers' transaction costs and will make claim settlement faster and reduce frauds in billing.

Vishnu Vardhan (2017) in his study titled "Impact of Digitalisation on Insurance Industry" observed that Insurers have realized the fact that the only surefire way to be in the business is to digitize. Digitization has become the perfect way because insurers have to deal with a large number of customers who prefer to depend on the Internet for purchasing products and services.

Ranjit Shankar (2016) in his blog in www.finextra.com had an opinion that, main components of a successful digital strategy include enhancing customer experience and focused management of customer relationship. Owing to increasing market competitiveness in the insurance industry, a cost involved in acquiring customer share is rising. Therefore, it becomes imperative for companies to retain customers. This can happen with continuous improvement in delivering a better customer experience that is digitally inclined.

Meenakshi Acharya & Dr. C. K. Hebbar (2016) in their research article titled "Digitalization Of Insurance Sector: Issues And Challenges To An Insurance Advisor" quoted that today's innovative method will be standard operating procedure tomorrow. Digital connectivity allows for far deeper engagement and opportunity. For his survival insurance advisor should cope-up with the changes taking place in the industry. Advisors have to be prepared to adopt themselves to ride the digital wave. In this age of drones unprepared advisor suffers from the danger of quitting from race.

OBJECTIVE OF THE STUDY

- To study the awareness about digitalization of insurance sector among policy holders.
- To know response of policy holders to digitalization.
- To examine usage of digital devices for their transactions

SCOPE AND LIMITATIONS

Study is focused on perception of life insurance policy holders towards digitalization of insurance sector. The present

study was conducted in a rural area i.e Belthangady Taluk, where the people are not yet opened to digitalization. Only now they started to open up themselves towards online insurance transactions. Major limitation of the study is, it is restricted to life insurance policy holders, so generalisation of the findings may not be possible.

RESEARCH METHODOLOGY

The study is both descriptive and exploratory in nature, which considers both primary as well as secondary data. Primary data includes the random sample of 50 policy holders in Belthangady, a rural place of Karnataka, having policies of

private and public life insurance companies. Responses are collected through questionnaire. Secondary data includes reports, journals, newspapers, websites etc.

DATA ANALYSIS AND FINDINGS

Data is collected through questionnaire. Questionnaire had two sections. In the first section information related to demographic profile of the policy holders were collected. The second section was related to digital awareness and its usage by policy holders.

Section I: Demographic profile of the Respondents

1. Age of the Respondents

Age	20-29	30-39	40-49	50-59	60-69	Total
No of Respondents	06	16	14	10	4	50
Percentage	12	32	28	20	8	100

Above table shows that majority of the respondents selected for the study are belonging to age group 30-39 followed by age group 40-49 i.e. 28%

2. Education Qualification

Education Qualification	SSLC or Below	PUC	Degree	PG	Others	Total
No of Respondents	9	17	16	4	4	50
Percentage	18	34	32	8	8	100

As the literacy level has its own influence on implementation of digitalization, the qualification of respondents is observed. Majority of the respondents chosen for study are having

education up to PUC level. It is presumed that they are reluctant to change the traditional mode of insurance transactions.

3. Type of Company

Type of Company	Private	Public (LICI)	Total
No of Respondents	12	38	50
Percentage	24	76	100

Many of the respondents are customers of LICI and they are ready to accept the information from their agents undoubtedly. All of them are making buying decisions based on description given by insurance advisors. Only few are using

online premium payment system. Only 2 customers of private insurance company (i.e. HDFC) are made analysis of products of insurance companies online and decided to buy the best to them

4. Years of experience as policy holder

Years of Experience	Less than 1	Less than 5	Less than 10	More than 10	Total
No of Respondents	15	17	12	6	50
Percentage	30	34	24	12	100

Many of the policy holders having less than 5 years experience as policy holder and all of them are depending on their insurance agents for their enquiries.

Section II: Awareness and Usage of digital devices for transactions

1. Level of awareness

Level of Awareness	Very high	High	Medium	Low	Total
No of Respondents	6	9	14	10	50
Percentage	12	32	28	20	100

Best part of the respondents is aware about digitalization of insurance sector. But the level of awareness differs from one another.

2. Response towards digitalization

Response	Highly useful	Useful	Not useful	Total
No of Respondents	04	34	12	50
Percentage	8	68	24	100

Majority of the policy holders selected for study i.e. 68% having positive approach towards digitalisation

3. Usage of digitalization

Usage of digitalisation	Very high	High	Medium	Low /No	Total
No of Respondents	2	4	14	30	50
Percentage	4	8	28	60	100

Even though good number of respondents having positive thought about digitalization, the usage of online services is very less. Majority of them are still depending on traditional methods of insurance.

Source: Primary data

FINDINGS OF THE STUDY

It was found that majority of policy holders who are young in age with high potentials of easily understanding the digital applications and efficient use of new systems are showing interest to implement digitalization. Senior policy holders find it difficult to adjust with the changing environment. Majority of customers are welcomed digital changes in insurance sector but only few are using the digital services. Only 4% of the respondents are completely using online services to fulfill their requirements like verification of policy details, claim settlement, features of other products and for payment of premium. Few are using digital devices only for getting policy details and premium payment as they trust the payment desk. According to them, product features available in websites are not genuine and so that they are not making buying decisions on the basis of them.

SUGGESTIONS

- Proper training to agents regarding online services
- Insurance agents should increase their level of digital maturity and educate their customers about it, as all of the policy holders trust them.
- Retain their existing customers and teach them about the services they offer online
- Change their marketing model and come up with an online marketing model
- Embrace social media platform and work on them
- Improve their customer service to retain old customers and attract new customers
- Companies should adopt more innovative methods, similar to banks.

CONCLUSION

Online insurance services are new in India, and customers are not accustomed with its technical features and transactional intricacies. They are accustomed to the traditional interpersonal channels like insurance agents, and online insurance Web sites create uncertainty in customers' minds. The profitability of the insurance companies depends on their ability to retain customers and provide superior service, which translates into loyalty. In conclusion, digitalisation is good for insurance companies in a long run, only if insurance company can adapt the changing technology and consumers welcome and implement online insurance services

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