



DIGITALIZATION OF INSURANCE SECTOR: ISSUES AND CHALLENGES TO AN INSURANCE ADVISOR

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Abstract:

People are getting a taste of the digital experience in each and every corner of the world except insurance. This has made digitalization as need of the hour. Digitalization has improved the reach, quality of service provided by company. In the present paper, try has been made to understand the issues and challenges faced by a life insurance advisor. A sample of 50 life insurance advisors of Mangaluru city, both from public and private insurance company, was studied. Author came to conclusion that, advisor needs more training and support from company. As customers are more attracted towards digitalization, advisor should also update himself to ride the digital wave.

Index Terms: Digitalization, Insurance Advisor, Mobile, SMS & Social Media

1. Introduction:

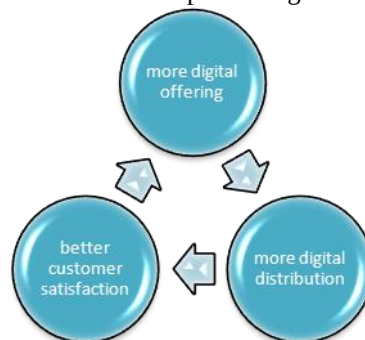
"Vasudhaiva Kudumbakam" - this ancient Indian philosophical statement cannot but be more relevant now. The whole world is now interlinked via digitization. (Raghavan, 2016) Technology has brought about a silent revolution globally. In certain areas of business activity, the embracing of technology by corporates has become indispensable. Banks and other financial institutions have already established themselves in digitalization phase, but insurance industry was lagging behind. People were getting a taste of the digital experience in each and every corner of the world except insurance. When people start expects the same from insurance industry, industry has left no option except digitalization. Digitalization in insurance sector has become need of the hour. It makes the key operations and back-office functions more efficient and agile. Modern insurance market is driven largely by new consumer demand for simplicity, self-service, transparency and choice.

Digitalization is made at both supply side and demand side. Changes due to digitalization in supply side (company) are increased use of internet, mobile and social media to inform the offers, due dates etc. changes due to digitalization in demand side (customers) are, more informed and more demanding customers, who have more choices.

The insurance industry today is at a transformative stage, where it is witnessing an unrelenting march of digitization and a proliferation of devices. This is leading towards an integrated experience across multiple channels. (mindtree) Digitization and digitalization is considered as fourth Industrial Revolution. Digitalization in insurance sector results in reduced costs, lower error rates and increased customer satisfaction. Online sale of insurance is getting more importance. Demat form of insurance policies is in its way to enter the market.

1.1 Conceptual Framework:

1.1.1 Digitalization: The literal meaning of digitalization gives an apparent idea of development and technology dependent world. Digitalization means computerization of systems and jobs and distribution for better ease and accessibility. It is a new market force that is driving a massive change in consumer expectations. It will require a different set of skills, culture and measurement. Digitalization is about meeting customers where they live. Digitalization and its impact can be explained with the help of a diagram of digitalization triangle.

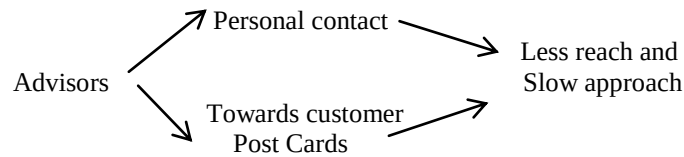


1.1.2 Insurance Advisor: In Insurance industry the term "agent", is ordinarily applied to a person engaged by the insurer to procure new business. Advisors are the backbone of any insurance company. Insurance Act 1938 defines "Insurance Agent" as insurance agent licensed under Sec42, being an individual who receives or agrees

to receive payment by way of commission or other remuneration in consideration of his soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance.

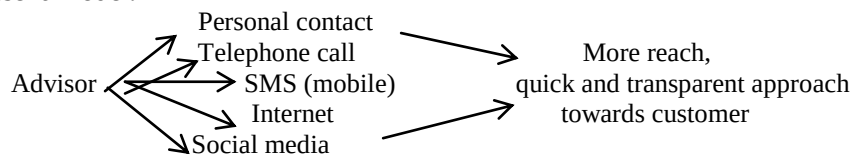
1.1.3 Digitalization and Insurance Advisor: Before opening the insurance sector to private insurance companies, advisors used only traditional methods to approach their clients as well as prospective customers.

Earlier Model:



After opening up of insurance sector, many multinational partners introduced new technology to insurance sector, which was already present in banking and other financial sectors except insurance. This has resulted in broader approach by advisors to customers, thereby enhanced the quality of service provided by advisors.

Present Model:



2. Literature Review:

As per the report of Capgemini, with the rise in penetration of the internet, there has been a gradual change in customer preferences around buying insurance products. This change has been both behavioural and attitudinal in nature, and is more prominent among younger customers.

Odooyo and Nyangosi (2011), stated that, the technological advances place in the hands of insurance companies and agents, the tools to bring new savings and better services to the consumers. Digitization has made it possible to process and communicate information faster, cheaper and more easily and reliably than ever before.

According to the 2014 Insurance Barometer survey by the Life and Health Insurance Foundation for Education (LIFE) Foundation and LIMRA eighty-three per cent of consumers would use the Internet to research life insurance before purchasing a policy if they had the option and face-to-face contact with an agent is the most preferred method for buying life insurance.

EY Global Insurance Digital Survey 2013 specified that there's no doubt that tomorrow's top-performing insurance companies will have stronger digital capabilities as well as new skills, refined metrics, upgraded tools and re-oriented cultures. To get there tomorrow, insurers must move fast today. Because in the digital world, standing still or just keeping up means falling further behind.

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.

Pahuja and Chitkara (2016), analysed the data related to the study on perception towards E-insurance and awareness, collected through structured questionnaire returned by sample selected through convenience sampling technique. Hypothesis was tested through one way ANOVA. Author concluded that age and gender do not have any relationship with use of E-insurance.

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.

3. Objective of the Study:

Present study has following objectives,

- ✓ To understand the awareness of digital concept of insurance advisor and policy holders.
- ✓ To know the benefits derived by advisors due to digitalization.
- ✓ To examine the relationship of age of advisors regarding digital usage

4. Research Methodology:

The study is both descriptive and exploratory in nature, which considers both primary as well as secondary data. Primary data include the convenient sample of 50 agents in Mangaluru city of Karnataka, working in both private and public life insurance companies. Responses were collected through questionnaire and interview. Secondary data include journals, reports, newspapers, websites etc. Likert 5 scale questions were

framed in the questionnaire starting very high with a scale 1 to very low with a scale 5. Data analysis was done by the use of statistical tool. Study was conducted in the month of September and October 2016.

5. Data Analysis:

Questionnaire had three sections. In the first section information related to demographic profile of the insurance agents were collected. Second section related to digital awareness of insurance agents and customers were assessed. In the third section questions were framed to gather information related to digital use of company and sales managers. The following table shows the demographic profile of the agents

Table 1: Demographic Profile of Agents

Gender	Number of persons	Percentage
Male	28	56%
Female	22	44%
Total	50	100%
Age	Number of persons	Percentage
18-28	04	08%
28-38	14	28%
38-48	14	28%
48-58	12	24%
58-68	06	12%
Total	50	100%
Company	Number of persons	Percentage
Private	24	48%
Public	26	52%
Total	50	100
Experience	Number of persons	Percentage
< 1 year	10	20%
< 5 year	25	50%
< 10 year	11	22%
>10 year	04	08%
Total	50	100%

Source: Primary data

Out of total respondents, majority (n=32, 64%) respondents were aged below 48. 48% respondents were from private sector and 52% were from LIC. 70% of the respondents had less than 5 years of experience. 30% respondents had more than 5 year experience as life insurance advisor.

Awareness of Digital Concept:

In the questionnaire three questions were asked to know the digital awareness. First question was to know the level of customer's response towards digital insurance. Second was, to know whether advisors use mobile, internet or social media to contact their customers regarding premium due dates, maturity date, new product information etc. Third question is to know whether advisor has got any new policy/ customer due to social media, SMS or email. Following table shows the response of advisors to above questions.

Table 2: Response of Advisors Regarding Awareness to Digital Concept

Level of customers response and satisfaction towards digital insurance	Number of Persons	Percentage
Very high	4	8
High	12	24
Moderate	27	54
Low	4	8
Very low	3	6
Total	50	100
Usage of mobile, internet and social media by advisors	Number of persons	Percentage
Very high	6	12
High	13	26
Moderate	11	22
Low	16	32
Very low	04	08
Total	50	100
New customer/policy due to usage digital media	Number of persons	percentage

Very high	4	8
High	7	14
Moderate	17	34
Low	14	28
Very low	8	16
Total	50	100

Source: Primary data

As per advisor customers response and satisfaction towards digital insurance is moderate to very high, majority of advisor (n=43, 86%) ticked for the same. This shows that customers, who got highly customer-centric digital experience in other fields, also expect the same from insurance. Through digitalization customers expect improved experience. For the second question, with regarding usage of digital devices to connect with customers n=30 (60%) advisors specified that they are using moderate to very high. But 20 advisors ticked for low to very low. This shows still 40% advisors are not updated to the new way of life. Answer to the third question, whether they got any new policy due to usage of digital device, 56% (n=28) specified they got at least two new policy due to digital usage. Four advisors told they got more than five new policies due to social media. 22 (44%) advisors ticked for low to very low. Eight advisors who ticked for very low didn't have even a single lead due to digital usage or they don't use any digital device to approach customers.

When respondents were asked about the best method to approach the customers and close the calls, majority (80%, n=40) respondents told that a combination of direct face-to-face contact and contacting through e-mail, mobile and social media will give a better impact.

Digital Usage by Company and Sales Managers:

In this section, two questions were framed. First question was to know the usage of digital devices by company to approach customers. Second question was to know about the digital usage by sales managers to approach advisors.

Table3: Response of advisors regarding digital usage by company and sales managers

Usage of mobile, internet by company to approach customers	Number of persons	Percentage
Very high	00	00
High	02	04
moderate	31	62
Low	10	20
Very low	07	14
Total	50	100
Usage of mobile, internet by sales managers to approach advisors	Number of persons	Percentage
Very high	10	20
High	27	54
Moderate	08	16
Low	04	08
Very low	01	02
Total	50	100

Source: Primary data

In response to usage of digital devices by company to approach customers majority (n=48, 96%) have ticked for moderate to very low. So even a single advisor ticked for very high. This shows that, after the issue of policy companies will have less contact with the advisors. Majority of advisors who ticked for moderate and high, are from private insurance companies. Advisors of private insurance companies told that their company will send birthday wishes, offers etc. to customers through SMS. This shows the digital culture to connect customer with the company, yet to start in public insurance company.

In response to usage of mobile, internet and social media by sales manager to advisors, majority (n=45, 90%) ticked for moderate to very high. This was irrespective of whether private or public company. This shows sales managers use more digital devices to approach advisors.

When the age of advisor is compared with the usage of digital usage, primary data showed a positive relationship. Out of 32 respondents (64%) who are aged below 48 years, 30 respondents (60%) were ticked moderate to very high in the digital usage. Out of remaining 36% respondents (n=18) respondents, majority who were aged above 48 ticked low to very low.

6. Findings of the Study:

This study found that insurance firms have implemented digitalization in their firm with private sector slightly higher than public sector. It was also found that majority of agents are young in age with high potentials of easily understanding the application and efficient use of new systems. Few senior advisors find it difficult to

adjust with the changing environment. Majority of customers are interested in digital changes in insurance sector. Some private companies have already transmitted themselves as leaders in digitalization, and some companies yet to follow those practices.

7. Suggestions:

- ✓ Training and certificate programmes to agents (especially to senior agents).
- ✓ More support by sales managers and company to both agents as well as customers.
- ✓ Companies should adopt more innovative methods, similar to banks.
- ✓ Advisor should take up initiative to learn the modern trend, so that they can survive in the changing world.

8. Scope and Limitations:

Study is related to life insurance advisors experience to digitalization of insurance sector. The present study was conducted in Mangaluru city. Major limitation of the study is, it is limited to life insurance advisors and to a particular city (Mangaluru) and for a limited period, so generalisation of the findings may not be possible.

9. Conclusion:

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.

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