
A STUDY ON IMPACT OF DIGITALIZATION ON INSURANCE SECTOR

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Abstract: The paper report on digitalization and its associated factors impact on insurance sector. Today, only one business, which affects all walks of life, is insurance business. Digitisation is a step change even greater than the internet. Exponential technology advances, greater consumer power and increased competition mean all industries face the threat of commoditisation. Digitalization has the promise to transform the insurance industry, creating new opportunities and helping to achieve operational efficiencies and differentiation that were previously impossible. However, it will require significant organizational change. Competitive advantage will be enhanced, including improved straight-through processing (STP) capabilities. Using Big data—i.e. large volumes of multi-layered and rapidly changing information—in a careful and considerate manner holds potential for a sustainable enhancement and acceleration of the business development as well as for improving the understanding of customer needs and optimizing the products and services offered. We have based our research on analysis that takes into account the impact of global social, technological, environmental, economic and political factors (STEEP) across three major insurance industry sectors – personal, commercial and life, annuity and retirement.

Key words: Digitalization, Customization, STEEP, STP, Big DATA, Insurance portability.

Introduction: Today, the digital revolution of the market place allows much greater customization of products, services and promotional messages than older marketing tools. By doing so, it enables marketers to build and maintain relationship with customers just like the salesperson, grocer and jeweller discussed earlier have done for many decades-but on a much greater and more efficient sale. Digital technologies also enable marketers to analyze and collect increasingly complex data on consumer behaviour patterns and personal behaviour characteristics. On the other hand, the same technologies enable consumer to find more information about product and services, including price, more easily, efficiently, and, for the most part, from the comfort of their own homes. Over a period of a decade or so, the digital revolution has introduced several drastic changes into the business environment.

Customers have more power than ever before: They can use intelligent agents to locate the best price for products or services, bid on various marketing offerings, bypass distribution outlets and middlemen, and shop for goods around the globe and around the clock from the convenience of their home.

Consumers have access to more information than ever before: They can easily find reviews for products they are considering buying that have been posted by previous buyers, click a button to compare the feature of different products models at the site of online retailers and subscribe to “virtual communities” of person who share the same interest they do.

Marketers can offer more service and products

than ever before: The digitalization of information enables sellers to customize the products and services they are selling and still sell them at reasonable prices. It also allows marketers to customize the promotional messages directed at many customers.

Objectives:

- To identify the factors determining digitalization.
- To understand and identify the digitalization Practices followed by the Insurance companies.
- To study the benefits of digitalization to the policy holders.

Literature Review:

Define digital: Digitisation at its simplest means the conversion of analogue information into digital information. As digitisation capabilities extend, virtually every aspect of life is captured and stored in some digital form, and we move closer towards the networked interconnection of everyday objects. The impact of this is a real-time global exchange of information between multiple connected devices (fixed and mobiles).

Greater demand for online sales and customer service among insurers, even those that today rely primarily on agent and broker channels:

Insurers must face fears about channel conflict and focus on building multichannel integration (MCI) platforms, which will create consistencies in information, common technical foundations for cross-channel interactions, business process orchestration for channel intelligence, and operational efficiencies in how channels are supported.

The demand for a new corporate culture that is data-intensive: This includes greater rigor in how data is collected, managed and mined. Both business

and IT leaders will need to understand new methodologies in data and enterprise information management. Focus on big data, analytics and predictive analytics will be core requirements of digitalization.

The need for improved and more electronic communications options: New business processes will be required to deliver content to policyholders or consumers through a range of electronic media, including social platforms, SMS, email and traditional mail. Customers should be able to pick a preferred

communication method, and insurers will need a common customer communications platform (for more information, see "Digitalization Is No Longer an Option for P&C and Life Insurers").

Customer-centric transaction processing, which will demand realigning sales and customer service processes to match consumer preferences. Greater business process management (BPM) use will be required, as well as building enhanced user interfaces to support variations in processes across customer segments, brands or regions.



Source: PwC analysis

STEEP Drivers and Factors

Transforming Relationships and Processes with Digitization: Insurers are capitalizing on the digitization concepts and capabilities discussed in this paper to enable the transformation of key business processes. Vignettes from three perspectives serve to illustrate the potential and the business value of digitization. All of these scenarios are possible with technology solutions that are available today.

Policyholder perspective: The future policyholder will have the option of never seeing a piece of paper, if that is their preference. Whether getting quotes, applying for insurance, paying premiums, or making policy changes, all inbound and outbound communication with the insurer can be conducted electronically – even where signatures are required.

Agent/broker perspective: Agents and brokers have the capabilities today to turn every document and every piece of paper into an image that can be ingested by insurer systems. The sales and new business/underwriting processes will be significantly streamlined when more information is entered directly via a portal and the remaining paper based forms are all digitally captured, data is automatically

extracted, and agents have the tools to easily create personalized correspondence for their prospects and customers.

Insurer perspective: Insurers can offer full electronic interaction with prospects, customers, and agents/brokers. Digitizing all papers, faxes, cards, checks, and envelopes will not only transform processes across the value chain; it will also enable more rapid information access and more data for analytics.

Insurers embracing and achieving digitalization will be better-positioned to meet next-generation insurance customer demands for electronic interactions and new insurance products, and improve customer experience management: Consumer behaviour and expectations are continually evolving, with an increasing emphasis on electronic communications (for example, mobile, social and electronic correspondence). Although not universal, this is especially pronounced in younger consumers or generations who have grown up with these technologies. It is imperative that insurers meet this

need, as well as the requirement to support personalized and consistent interactions with customers across all channels. Today's channel architecture does not support MCI, nor does it support single-channel requirements in many cases (for example, most websites are immature and lack interactive or full transaction processing capabilities). Most channel investments today are specific to lines of business or channels, and are built for the mass customer (that is, they are not customizable, nor differing based on product or customer information and segment). As a result, customer experiences are often less than optimal.

Digitalization will enable significant long-term competitive advantage for early adopters, which will be a detriment to insurers that are slower to transform: For early adopters of digitalization, the benefits are large in scale and impact many areas, such as operational efficiency, customer retention and product innovation. Those accomplishing digitalization will be able to grow revenue, reduce losses, shrink transaction costs (as well as overall operational costs) and improve customer satisfaction. Shareholder value will be enhanced, and companies will have greater operational efficiencies, which will help them manage their IT costs to ensure additional funding for competitive-advantage initiatives.

Delivering Business Value through Digitization: Despite years of automation and new technology initiatives, insurers must still deal with huge volumes of physical documents – paper, faxes, checks, cards, and envelopes. Real progress has been made across the industry in the ability to digitally capture documents and deliver them electronically. But, the fact is that significant opportunities still exist for most insurers. A typical mid-sized insurer creates and receives millions of paper documents each year. And large insurers must manage hundreds of millions of documents annually. In fact, one of the largest US insurers has over three million boxes of archived paper documents.

Delivering a Digital Customer Experience: Policyholders are beginning to demand that some or all of their documents be delivered electronically. Legal restrictions regarding signatures and the need to keep paper copies of applications, policy documents, and customer correspondence have been significantly reduced over the past decade. And, the technology barriers to capturing customer input digitally and delivering customer documents electronically have also been overcome. The final obstacle to full digital document exchange is customer preference. Some policyholders still want paper copies of their documents, but the percentage demanding electronic communications continues to increase.

Making Digital Transformation a Reality: Insurers should be rethinking how they evaluate and approach digitization investments. Gone are the days of standalone digitization projects simply for the sake of reducing paper. Here to stay are digitization plans that are integrated into business projects that will transform new business/underwriting, improve customer service, and enhance claim operations. The new breed of projects adds digitization of unstructured data to all solutions – whether they are directed at business process management, analytics, mobile technologies, and/or business applications.

Capturing More Electronically: Digital capture technologies for paper-based documents are relatively mature. Sophisticated hardware and software is pervasive. Digital transformation for inbound information becomes a reality when insurers take full advantage of digital capture solutions, workflow and BPM software, and enterprise content management (ECM) systems. Insurers that capture more electronically at the front end of business processes, will realize the full power of digitization when these capabilities are all conjoined – capture, workflow/BPM, and ECM. Digital capture is optimized when the document is captured as early as possible in the process, related documents are electronically grouped, key information is extracted from the documents, and software classifies and indexes each document. When these capture capabilities are integrated with workflow, BPM, and ECM systems, and all are tied to the underlying core systems, the full business value of digital transformation is achieved.

Building a Digital Creation and E-Delivery Environment: Insurers with aspirations of providing the digital customer experience need to start by evaluating their existing tools and approaches for creating and managing documents and communications for customers. In many cases, the base documents such as policies, bills, and renewal letters are churned out by the core policy administration and billing systems. Marketing, sales, underwriting, claims, and customer service departments produce a myriad of other customer correspondence. Enlightened insurers are taking advantage of customer communications management (CCM) to improve their customer correspondence across the enterprise. Insurers should leverage these advanced CCM capabilities to create appealing, consistent, and effective communications for every document that touches the customer.

The State of Paper in Insurance and In with the New: The State of Digital Capture: Paper and information flows into, through, and out of the insurance enterprise via a complex web of channels, devices, systems, and people. Inbound paper consists

of many formats including letters and forms, faxes, cards, envelopes, and checks. The content may represent application submissions, requests for product information, customer service request letters, first notice of loss reports and many other types of business documents. Insurers say that the highest level of digitization for inbound paper documents currently exists in areas that support the new business/underwriting processes. The survey results show that applications, trailing documents, and external information for underwriting currently have the highest level of electronic input among all types of documents. These same areas will continue to be the top areas of focus for insurers over the coming three.

How can big data be defined?: The term big data describes “large volumes and a great variety of rapidly changing information that can be processed and analyzed to generate a significant increase in value for companies”. processing today’s data volumes with traditional tools and approaches is no longer possible. The variety arising from countless data formats—structured as well as unstructured (such as posts in social networks, location data from mobile devices, sensor data or records/recordings from service centers)—and last but not least the pace at which information changes, impose very high requirements on a needed or wanted real-time processing solution

Research Methodology:

Sample Design: Purposive sampling has been used for the study.

Data Sources: Secondary sources like the website of IRDA and other insurance sites, journals, maxine’s were used to collect data on various distribution channels relevant for the purpose of the study.

Recommendations:

- Define new skill sets and capabilities needed in IT to support digitalization.
- Build a multichannel technical platform strategy, including mapping out existing channels against future customer needs for cross-channel interactions.
- Create a multiyear road map for digitalization to guide projects and support short-term metrics on ROI and business impact.
- Create a multiyear road map for digitalization to guide projects and support short-term metrics on ROI and business impact. Prioritize investments based on business demand and strategy, and overlay long-term transformation projects that will require multiyear implementations with those that will provide short-term ROI.
- Identify a few customer-facing, externally visible

digitalization projects with quick ROI at Stage 1 to help promote brand and corporate sophistication. These types of projects will present great opportunities to market with customers or partners and help modernize the brand.

- Assess the need and impact of real-time data, and identify limitations of the current data infrastructure in supporting ongoing customer and operational data demands. Building the right data infrastructure may be one of the most daunting parts of digitalization and should be tackled early on in the program. Assess data input mechanisms (whether directly or through agents and forms), data warehouse capabilities and analytical requirements, and make investments to build the needed data foundation.
- Assess enterprise integration requirements for full STP, including limitations of legacy systems, use of middleware and standards (for example, data and XML messaging), and the requirements for common services to be used (for example, a common service for changes of address across all product lines and channels).
- Lead the effort with your business counterparts to innovate using digitalization
Evaluate program management office capabilities, and fill gaps. Check for proper skills for
- managing multiyear projects and driving complex transformational projects to ensure overall success.

Conclusion: Today, most companies are either thinking about or pressing ahead with digital transformation initiatives. Every company has a website, and few marketing strategies are signed off without incorporating social media. The dream of the paperless society is still decades away. In the meantime, for insurers there are big opportunities in tackling big paper. Tremendous progress has been made by the industry in the digital capture of inbound documents, but the fact is that huge opportunity remains. Sophisticated software is currently available to create and manage digital communications, but many insurers find it difficult to capitalize on the potential advantages because they lack a unified strategy and tool set that is integrated across the enterprise. E-delivery, while still in its infancy in the insurance industry, is steadily growing in importance as insurers recognize the influencing role it plays in keeping customers happy and engaged. The exciting news is that the transformation from paper to digital turns the page to open the next chapter about creating business advantage. Digitization technologies are mature, continually improving, and ready to deliver benefits that help today’s operations as well as position the

organization for successful growth. The most competitive insurers are increasingly winning because of speed, agility, and insights. The power to enhance business processes, improve speed-to-market, create an agile organization, and develop new insights all depends on information – information in digital form. The success or failure in

managing ‘big paper’ will be a primary determinant in separating the winners from the losers in the coming years. The insurers that are able to deploy an enterprise-wide strategy for the capture, creation, management, and delivery of digital information will be a big step ahead of their competitors, and will emerge as leaders in the digital future.

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