



A study on Impact of Digitalization on Insurance Industry

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Abstract: Digital technology is new force that is driving massive changes in the insurance sector. For insurance, the changing landscape of insurance has led to a flurry of technological advancements in the Industry. New digital technologies are changing the way customers interact with insurers. The way Insurance Company operates through digital channels and depend heavily on technology to service an Insurance policy is known as Digital Insurance. Digital Insurance consist of offer a customer- first business approach, offer a variety of channels through which customers can compare and buy insurance through on-line without the help of middlemen or agents.

Keywords: Insurance, technology, on-line, agents.

INTRODUCTION

The rise of the insurance sector has been highly visible in recent years, with insurance being a lifesaver as well as a necessity of the hour. In recent years, term insurance has become both widespread and vital, not just in the lives of corporations and professionals, but also in the lives of ordinary individuals. Insurance that was formerly thought to serve mainly the middle and higher classes has now begun to help even the poorest of the poor, which is a significant achievement in terms of marketability and market penetration. The introduction of government initiatives has also made insurance possibilities for the impoverished and vulnerable parts of society a reality rather than a pipe dream. Finally, insurance products have emerged as those products that we cannot live without.

Digital influences around INR 80 billion in new insurance sales. It is also anticipated that digital impact will increase insurance sales by 74.7% for non-life insurance and 49.9% for life insurance. In India, the movement in consumer behavior towards digital transactions would have a significant impact on online insurance policy sales. Consumers are lured to the digital channel due to the cheaper cost, ease of use, and availability of a wide range of product information for insurance policy comparison.

This article discusses the many innovations occurring in the insurance industry, as well as the legislative and regulatory implications they may have, as well as the benefits that could be garnered from insurance sector innovation, particularly for policyholders. There are regulatory and competitive concerns to be made, as "disruption" to the sector is frequently about new market entrants as well as new modes of service offering that may not match the mode in which regulations were established. There are also broader privacy and data protection issues that must be addressed, given that Insures by definition includes a digital component to the technology

. The insurance industry has seen a remarkable transformation as a consequence of a number of factors, including increased customer expectations, unprecedented competitive pressure, the need for automation and process efficiency, and a rise in the number of paid claims. Every insurer must embrace four primary strategic imperatives: increasing customer connection, extending insurance offerings, ensuring process simplification and automation, and collaborating with the ecosystem. Big data analytics, artificial intelligence, the Internet of Things, block chain technology, and other potentially transformative technologies may accompany and shape the digital transformation.

REVIEW OF LITERATURE

Werth et al. created a list of elements that will affect the financial services digital revolution. Changes in politics, sociology, economics, or technology are examples. Revathi has investigated the application of information



technologies in insurance has developed requirements for an insurer's information system. Eling and Lehmann investigated the value creation processes of insurers in the context of IT solution use. The Table below summarizes the impact of digitization as well as studies of various digital technologies and their influence on the insurance industry.

In order to analyze and record the digital transformation in the insurance business and its impact on operational efficiency, service delivery, and customer experience, many areas of study and their focus in the insurance sector will be investigated. Table 1 displays the published research on digital technology in the insurance business, as well as the research subject.

A summary of scholarly articles published in digital technology relating to insurance businesses, along with the field of research.

Coline Michael Sabu (2023): Impact of Technology On Insurance Industry: how technology is changing the insurance industry and how embracing new technologies may improve organizational performance.

Tonina Yaneva (2022): Digital Transformation of Insurance Sector: to investigate the need for digital transformation in the insurance industry, as well as the changes in business models brought about by the installation and spread of information technology.

Ramesh Kumar Satuluri, and Raavi Radhika: Digital Transformation In Indian Insurance Industry: Attempt to provide all readers with in-depth insights about digital change in the insurance market.

A Cappiello (2018) : Technology and the insurance industry: Re-configuring the competitive landscape: Diverse organizations move through phases that stimulate division manager risk taking and others that discourage it, depending on diversification and other factors.

Objectives of the Study

1. To analyse the tendencies influencing digital transformation in the insurance industry
2. To understand how digital strategy affects consumer experience.
3. Identifying and analyzing digital technologies that insurance businesses may utilise to improve the excellence of digital insurance services.

RESEARCH METHODOLOGY

The study in this work is based on secondary data and information gathered from a variety of sources, including websites, blogs, journals, and publications.

Need for Digital Transformation in the Insurance Industry: To remain competitive, the insurance business is under pressure to digitize. Customers' expectations have shifted, and they now want their insurers to provide a digital experience. To meet these demands, insurers must digitize their goods and procedures. Through this digital transition, insurers will be able to improve consumer interaction, optimize operations, and drive growth.

Insurance Challenges of Digital Transformation :The insurance industry's digital revolution is well underway, with insurers embracing digital technology to increase efficiency, boost client interaction, and creates new business prospects. Yet, digital transformation is not without its difficulties, and insurers must be mindful of the possible dangers as they seek to digitize their operations.

The main challenges insurers face in digital transformation include:

Data privacy & security : One of the most significant difficulties is that insurers maintain vast volumes of sensitive client data. When more data is stored in the cloud, it becomes more exposed to cyber-attacks. In order to protect sensitive information, insurers must implement strong security measures such as data encryption and multi-factor authentication.

Infrastructure: Companies require the proper IT infrastructure and processes to support digital transformations. This can be a considerable investment for insurers, who must ensure that they have the necessary skills and capabilities in-house to meet IT modernization objectives

Legal: The regulatory climate is a significant problem for insurers. Insurance is a highly regulated industry, and digital transformation may result in changes that violate existing regulations. For example, if specific groups of people are paid greater rates based on their data profiles, the use of data analytics to price insurance products could be perceived as discriminatory. Insurers must collaborate closely with authorities to ensure that their digital transitions comply with all applicable requirements.

Operational risks: As operations become more dependent upon technology, digital transformation can create operational risks. To mitigate these risks, insurers must have strong risk management mechanisms in place. Ultimately, insurers face both obstacles and opportunities as a result of digital transformation. While some risks must be carefully handled, digital transformation offers insurers the chance to increase savings, engage customers in new ways, and generate new revenue streams.

Benefits of Digital Transformation in Insurance

For many years, the insurance industry has been one of the most traditional and conservative. Nevertheless, as insurers continue to incorporate new digital technologies in order to remain competitive, digital transformation is beginning to change that.

The insurance business can reap a variety of benefits from digital transformation. Using data analytics, insurers may better understand their consumers, allowing them to develop more customized products and boost customer retention. Furthermore, digital technologies can assist insurers in automating manual operations, leading in enhanced efficiency and lower costs. To remain competitive and provide the best possible client experience, the insurance business must embrace digital transformation.

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Further Benefits Include

1. Improved customer engagement: One of the most significant advantages of digital transformation is that it may assist insurers in improving client experience and engagement. Insurance businesses may offer more customized products and boost client retention by better knowing their customers using data analytics. Digital self-service solutions, for example, can make it easier and faster for clients to get quotations or make policy changes. Furthermore, digital platforms such as social media can be leveraged to engage clients and establish relationships

2. Increased efficiency and reduced costs: Insurers can use digital technologies to automate manual operations, resulting in better efficiency and lower costs. Robotic Process Automation (RPA), for example, can aid in the automation of repetitive processes such as data entry. Furthermore, digital technologies can be leveraged to streamline claims processing, saving time and money over manual processing

3. New revenue possibilities: Insurers may profit from digital transformation by discovering new revenue streams. For example, data analytics may help insurance companies design new products or services that are more suited to their consumers' needs. Insurers can also provide pay-as-you-go insurance policies based on real-time data thanks to the internet of things.

4. Improved decision making: Another advantage of digital transformation is that it can assist insurers in making more informed judgments. Insurers can get insights into customer behavior, claims trends, and other areas that can help guide decision making by leveraging the power of data analytics. Furthermore, the application of predictive analytics can assist insurers in identifying problems before they materialize, allowing them to implement proactive risk-mitigation steps.



5. Improved fraud detection: Insurers can benefit from digital transformation by detecting and preventing fraud. Data analytics, for example, can be used to uncover patterns in claims data that may indicate fraud. Furthermore, the use of biometrics and other identity verification technology can aid in ensuring that only legitimate clients have access to insurance goods and services.

6. Better risk management: By offering better data and insights into risks, digital transformation can assist insurers in improving their risk management operations. There are a variety of hazards connected with digital transformation in the insurance industry, as with any company transformation. These risks must be carefully controlled in order for the change to be successful. Overall, there are numerous potential benefits for insurers from digital transformation.

AWARENESS OF INSURANCE

Awareness of insurance is crucial for individuals and businesses to understand the importance of protecting themselves against unforeseen events and managing risks. Here are some ways to increase awareness of insurance:

1. Education and outreach: Government and insurance companies can educate the public through various outreach programs, such as workshops, seminars, and awareness campaigns. These programs can help people understand the benefits of insurance, the different types of insurance available, and how to choose the right coverage.

2. Access to information: Insurance companies can provide easy access to information about their products and services through their websites, brochures, and customer support channels. This can help customers make informed decisions about their insurance needs.

3. Collaboration with community organizations: Insurance companies can partner with community organizations, such as non-profits, to promote insurance awareness and provide access to insurance products for underserved populations.

4. Incentives and discounts: Insurance companies can offer incentives and discounts to encourage people to purchase insurance policies. For example, they can offer lower premiums for people who buy policies online or for those who bundle different types of coverage together.

5. Regulations and policies: Governments can implement policies and regulations that promote insurance awareness and consumer protection. For example, they can mandate insurance coverage for certain types of risks or require insurance companies to provide clear and transparent information about their products and services

Increasing awareness of insurance can help individuals and businesses understand the importance of managing risks and protecting themselves against financial losses. By working together, governments, insurance companies, and community organizations can help promote greater insurance awareness and create a more resilient and secure society.

IMPACT OF TECHNOLOGY ON INSURANCE

Digitalization has had a profound impact on the insurance industry, transforming the way insurers do business, interact with customers, and manage risks. Here are some of the key impacts of digitalization on insurance: Impact of Technology on Insurance Digitalization has had a profound impact on the insurance industry, transforming the way insurers do business, interact with customers, and manage risks. Here are some of the key impacts of digitalization on insurance:

1. Improved customer experience: Digitalization has enabled insurers to provide a more personalized and convenient customer experience. Customers can now purchase policies, file claims, and manage their accounts online, anytime and from anywhere. This has made insurance more accessible and convenient for customers.

2. Increased efficiency: Digitalization has also increased efficiency in the insurance industry. Insurers can now automate many of their processes, reducing the need for manual intervention and increasing the speed and accuracy of transactions. This has helped insurers reduce costs and improve their bottom line.

3. Enhanced risk management: Digitalization has also enabled insurers to better manage risks. With the help of data analytics and artificial intelligence, insurers can analyze vast amounts of data to assess risks, develop new products, and price policies more accurately. This has helped insurers improve their underwriting process and reduced losses.

4. Processes and reduce losses. Innovation: Digitalization has also enabled insurers to innovate and develop new products and services. Insurers can now leverage emerging technologies, such as the Internet of Things (IoT), to develop new products that cater to the evolving needs of customers. For example, insurers can now offer usage-based insurance that charges customers based on their actual usage of a product or service.

5. Cyber security: Digitalization has also increased the risk of cyber threats for insurers. As insurers move their operations online, they are increasingly vulnerable to cyber attacks. Insurers must now invest in robust cyber 432. Security measures to protect their systems and customer data from cyber threats.

RECOMMENDATIONS

* To keep ahead of digital technologies and innovations and provide operational efficiencies and service delivery to clients, insurance companies must take certain activities on a daily basis.

* Customer experience can constantly be improved by keeping an eye on emerging trends and innovations in technology, data, and analytics.

* Ensure that the IT strategy of the organization maintains a profile in the innovation ecosystem through technical platforms, FinTech centres, and seminars.

* The agile methodology must be used in IT strategy and architecture

* Use digital technology to invent, develop, and deploy experimental solutions in conjunction with entrepreneurs and disruptors.

* The launching process develops in unison with future technology advancements, and the marketplace's online infrastructure evolves quickly.

*Organizational cultures and mindsets must develop to keep up with increased demand, processes, technology, and consumer expectations.

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