A Study on Digital Transformation of Customer Transactions in the Insurance Industry

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Abstract

Insurance sector in India has seen a slow growth in the past years. But During last two years there has been a considerable increase in the customers especially through online transactions. Though marketing plays an important role in making the customer aware, it also depends on the financial condition of the insured. With the emergence of new technology and growth of outsourcing services in insurance sector there has been a highly competitive market with conditions which have a critical impact on consumer behavior. It is time now for the insurance sector, to better understand their customer's attitudes towards technology in general, to enhance increased satisfaction of their customers using online insurance. If they succeed, insurance companies will be able to influence and even determine customer behavior, which will become a major issue in framing appropriate strategies in the future. This study explores the customer outlook regarding online insurance. The paper also tries to identify the level of satisfaction towards online insurance. The study also tries to understand the customer's attitude towards the service quality dimension set by the insurance companies in general and the extent of customer satisfaction derived. The paper concludes with the suggestion to adopt specific measures to improve the online initiatives so as to increase the number of insured in the market.

Keywords: online insurance, digital transactions, online premium, online insurance services, insurance service providers.

I. INTRODUCTION

Insurance is a requirement of all in the vulnerable environment of health and other life issues. Insurance in India has seen a slow pace in the past years. During last two years there has been a considerable increase in the insured customers especially through online transactions. Though the insurance providers use direct and online marketing techniques, the technology plays an important role in making the customer aware. Insurance also depends on the financial condition of the insured. With the emergence of new technology and growth of outsourcing services in insurance sector there has been a highly competitive market with conditions which have a critical impact on consumer behavior

There are around 57 insurance companies in India of which 24 are in life insurance business and 33 are non-life insurers. Among the top life insurers, Life Insurance Corporation (LIC) is the only public sector company. In the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India. Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

Some of the Insurers faced a pressing problem last year. There was a rush in home insurance claims following critical floods in various parts of the country especially Kerala. As applications for relief from distressed regions piled up, Reliance General Insurance decided to deploy a video conversation feature, used to process motor vehicle claims, to quicken claims processing. Policy holders went on a two-way video chat to show the extent of damage to the surveyor. As a result the claims got processed in few days. People are using emerging technologies, including artificial intelligence, big data analytics and block chain to transform IT based systems. Some insurance providers like Reliance General Insurance, are investing $10-12 million every year to upgrade technology. It was among the first to assess motor vehicle claims through video chat two years ago. Of the 30,000 such claims it receives each month, around 55% get processed through use of video. This is one of the transaction people preferred online. Insurance can also be maintained online as the other applications.

Recent Developments in Insurance sector

The following are some of the major investments and developments in the Indian insurance sector.

- The non-life insurance companies witnessed a rise of 13.1 per cent in their collective premium in November to Rs 14,590.50 crore.

- Airtel partnered with Bharti AXA Life to launch prepaid bundle with insurance cover.

- Competition Commission of India (CCI) approved acquisition of shares in SBI General Insurance by Napean Opportunities LLP and Honey Wheat.

- HDFC Ergo is in advanced talks to acquire Apollo Munich Health Insurance at a valuation of around Rs 2,600 crore (US$ 370.05 million).

- Indian e-commerce major Flipkart entered the insurance space in partnership with Bajaj Allianz to offer mobile insurance.

- In August 2018, a group of West Bridge Capital, billionaire investor Mr Rakesh Jhunjunwala announced that it would acquire India's largest health insurer Star Health and Allied Insurance in a deal estimated at around US$ 1 billion.

- In September 2018, HDFC Ergo launched ESecure a cyber insurance policy for individuals.

- Bombay Stock Exchange (BSE) plans a joint venture with Ebix Inc to build a robust insurance distribution network in the country through a new distribution exchange platform.
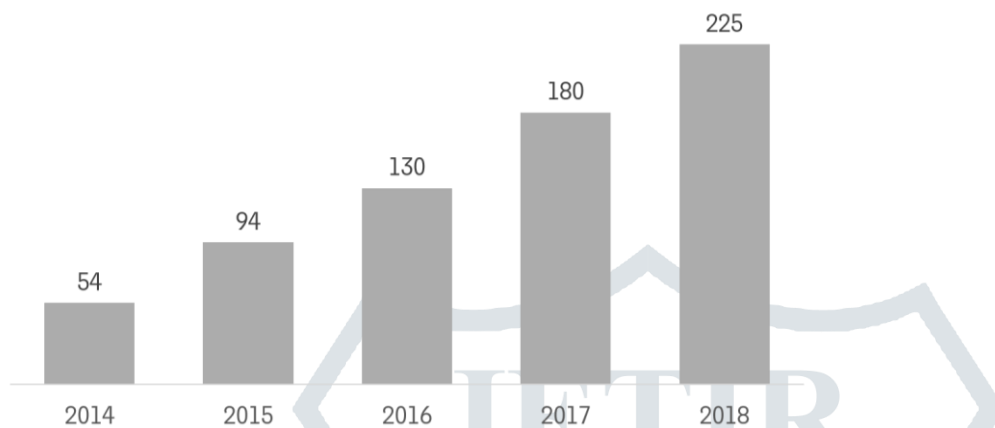
- **Fig 2. Digital buyers increase(in millions)**

The above figure 2. Shows that the digital transactions especially the online buying is increasing year after year.

II. REVIEW OF LITERATURE

- Khare, A., Dixit, S., Chaudhary, R., Kochhar, P., & Mishra, S. (2012) made an analysis that use of web-based technologies as a service delivery medium has added new elements to service dissemination. The authors find there has been an escalation in self-service technologies which has provided customers with multiple choice for using services offered by an organization. The online service attributes of 'convenience' and 'ease of use' are being given priority by companies for designing web-based services. In India, online shopping in general and online insurance services in particular, are yet to gain momentum. Despite the marketing a large population still remains skeptical about its relative advantage over the traditional delivery channels. Problems like limited Internet accessibility coupled with low technology literacy makes customers suspicious about online insurance services. Their current research was directed toward understanding Indian customers' behavior toward using online insurance services.

- According to Kunz (1997) found that there is ease in using the Internet as a means of shopping positively impacted the consumer's online shopping behavior. Online marketing and product promotions attempt to influence the consumers' purchasing behavior.

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- Blattberg & Wisniewsk, (1989) found that like other retail methods, online channels have various promotional tools such as corporate logos, banners, pop-up messages, e-mail messages, and textbased hyperlinks to web sites. These types of promotions have positively affected Internet buying.

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- Zhang, Jansen, and Chowdhury (2011) specified that businesses should have a brand presence on many different social media sites to increase their consumer audience. Their research has shown that exposure to electronic word of mouth (EWOM) messages can generate more interest in a product category than can exposure to information produced by marketers.

- Vaithianathan, S. (2010) studied that firms across the globe have adopted e-commerce (EC) in their operations and have made benefits. While firms in technologically developed countries like US and UK has deployed EC to its advantage, whereas firms in developing countries like India failed to follow the suit. Though it has been widely acknowledged by the researchers that the adoption of EC by businesses in developing countries is an important economic indicator of growth; many firms in India still have not realized the potential benefits of EC. The author further examines the existing status of EC in India and reviews the available literature on E-commerce adoption in India and puts forth opportunities for future research.

III. OBJECTIVES OF THE STUDY

- To study the on-line satisfaction level and buying behavior of the consumers
- To analyze the variables influencing customer satisfaction on on-line insurance

- To identify the problems faced by customers on on-line insurance and provide suitable measures to improve quality of online insurance services.

IV. RESEARCH METHODOLOGY

Primary data: The primary data was collected using a structured questionnaire.

Secondary data: The secondary data was collected from web sources, published data and company websites.

Sampling: The respondents were selected on the basis of non- probability convenience sampling.

Universe/ **Research area:** The respondents selected were from Indore city.

Sample size: 150

Tools: Two-Way Classification Table and Chi-square test were used to analyze the data.

V.   DATA ANALYSIS AND INTERPRETATION

Demographic Analysis

TABLE 1: DEMOGRAPHIC DETAILS

Table 1: Demographic			
Factors	**Classification**	**Frequency**	**Percentage**
1.Age	i)18-29	47	32
	ii)30-49	56	36
	iii)50-64	38	26
	iv)65&Above	09	06
	Total	150	100
2. Marital Status	i)Married	98	65
	ii)Unmarried	52	35
	Total	150	100
3. No. of Members in the Family	i)1-3	64	43
	ii)4-6	49	34
	iii)7&Above	33	23
	Total	150	100
4.Gender	I)Male	87	58
	ii)Female	63	42
	Total	150	100
5. Educational Qualification	i) SSC&Below	21	14
	ii) HSC/Deg/Dip	59	39
	iii) Post grad	45	30
	iv) Professional	25	17
	Total	150	100
6. Employment	i) Business	23	15
Factors	**Classification**	**Frequency**	**Percentage**
	ii)Private sec	65	43
	iii) Govt	33	22
	iv Professional	13	09
	v)Retired	09	06
	vi)Any other	07	05
	Total	150	100
7. Annual Income	I)Below 2,50,000	33	22
	ii)2,50,000-5,00,000	67	45
	iii)5,00,000-7,50,000	35	22
	iv)Above7,50,000	15	10
8. Annual Expenditure	i)Below 1,50,000	27	18
	ii)2,00,000-3,50,000	64	43
	iii)3,50000-500000	29	19
	iv)Above500,000	30	20
	Total	150	100
9. Annual Insurance Premium	I)Below25,000	22	15
	ii)25,000-50,000	49	33
	iii)50,000 -75,000	45	30
	iv)Above 75,000	34	22
	Total	150	100

STUDY OF CUSTOMER SATISFACTION

Following analysis from the tables show the satisfaction level of online transactions

i) AGE AND SATISFACTION LEVEL

Table 2: Age and Level of Satisfaction on Online Insurance

S.No	Age	low	Moderate	High	Total
		level of satisfaction			
1	18-29	6(15.79)	8(21.05)	24(63.16)	38
2	30-49	15(26.32)	12(21.05)	30(52.63)	57
3	50-64	13(35.14)	14(37.84)	10(27.03)	37
4	65&>	2(20)	6(60)	10(20)	18
	Total	36	40	74	150

Interpretation:

The analysis shows that the customers in the range 18 to 29 years have a high satisfaction level.

ii) MARITAL STATUS AND SATISFACTION LEVEL

Table 3: Marital Status and Level of Satisfaction on Online Insurance

S.No	Variables	Low	Moderate	High	
		level of satisfaction			
1	Married	29(39.73)	19(26.03)	25(34.25)	73
2	Unmarried	21(27.27)	33(42.86)	23(29.87)	77
	Total	50	42	48	150

Interpretation: The analysis shows that the married people are highly satisfied with the online insurance.

iii) EDUCATION AND SATISFACTION LEVEL

Table: 4. Education and Level of Satisfaction on Online Insurance

S.No	Qualification	Low	Moderate	High	Total
1	SSC&Below	7(31.82)	8(36.36)	7(31.8)	22
2	HSC/Degree	5(11.36)	9(20.45)	30(68.18)	44
3	Post Grad	5(9.43)	10(18.87)	38(71.69)	53
4	Professional	8(25.81)	9(29.03)	14(45.16)	31
	Total	25.00	36	89	150

Interpretation: The analysis shows that PG qualified are more satisfied than others.

iv) INCOME AND SATISFACTION LEVEL

Table 5: Income and level of Satisfaction on Online Insurance

S.No	Income	Low	Moderate	High	Total
1	BelowRs.2,50,000	6.(18.18)	7(21.21)	20(60.61)	33
2	Rs.2,50,000-5,00,000	17(25.37)	29(43.28)	21(31.34)	67
3	Rs5,00,0000-7,50,000	6(17.14)	12(34.2)	17(48.57)	35
4	<Rs.750000	2(13.33)	6(40)	7(46.67)	15
	Total	31.00	54	65	150

Interpretation: The analysis shows that people with income range 5 Lakh -7.5 lakh are more satisfied than other income group.

v) **EMPLOYMENT AND SATISFACTION LEVEL**

Table 6: Employment and Level of Satisfaction on Online Insurance

S.No	Employment	Low	Moderate	High	Total
1	Business	8(34.78)	5(21.74)	10(43.48)	23
2	Private sector	4(8.16)	12(24.49)	33(67.35)	49
3	Government	10(25)	11(27.5)	19(47.5)	40
4	Professional	7(36.84)	5(26.32)	7(36.84)	19
5	Retired	9(47.37)	2(10.53)	8(42.10)	19
	Total	38	35	77	150

Interpretation: The analysis shows that private sector people are more satisfied with the online transactions.

Chi-square Analysis

Hypothesis

H0: There is no significant relationship between selected independent factors and level of satisfaction regarding the online insurance consumers.

H1: There is a close significant relationship between selected independent factors and level of satisfaction regarding the online insurance consumers.

In order to find the relationship between the selected factors and their level of satisfaction, a chi -Square test was performed.

Table 7: Chi-Square Test

Factors	CaculatedX2	Table value	D.F	Significant level
Age	12.98	12.592	6	5
Marital status	5.0295	2.386	2	5
Education	15.982	12.592	6	5
Income	13.674	12.592	6	5
Employment	12.9774	12.592	6	5

Interpretation: The calculated chi-square value is greater than the table value in all the variables and the result is significant at 5% level. Therefore the null hypothesis is rejected. This shows that there is a close relationship between the selected independent variables and level of satisfaction regarding the online insurance transactions of consumers.

Service Quality and Customer satisfaction

To ascertain the service quality analysis was done on a 5 point Likert scale(5 for strongly agree and 1 for strongly disagree).

Customer Satisfaction regarding Service Quality

S. No	Variables	Scale value	5	4	3	2	1	Total
1	Convenient access of information	FX	320	172	63	26	9	590
2	Branding of the product and services	FX	160	168	111	52	13	504
3	Premium payments and riders	FX	140	144	126	64	12	486
4	Security of services	FX	320	124	63	46	11	564
5	Clarity of policies	FX	115	136	177	48	10	406
6	Policies for different consumer segments	FX	240	144	90	52	10	536
7	Fast transactions	FX	140	124	153	56	12	485
8	Online Customer grievance handling mechanism	FX	95	148	117	72	19	451
9	Online claim settlement	FX	85	92	84	108	28	397
10	Compliance with standard govt. guidelines	FX	295	148	75	38	10	566

The analysis shows that convenience in accessing of information through websites was the most preferred area by the customers. Ability to comply with govt. guidelines to bring positive opinion on customer is given second preference. Security of services rendered was the third choice and availability of different policies for different consumer segments comes in fourth priority. Online claim settlement was found to be of least concern to insurance customers.

Suggestions

- Online transactions must be more users friendly.

- Transparency of charges and other fee must be clearly indicated.

- Faster transactions after registration of user will attract more online customers.

- Online insurance renewal should be quick based on previous data.

Conclusion:

Digital and online transactions in insurance are a tool companies must use to increase the market. These days' customers prefer various apps which provide ease of access and also for maintaining their valued investment. Insurance premium is selected on the basic of the affordability. The companies must ensure to be fair and transparent to the customers to retain them.

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