

ROLE OF INFORMATION TECHNOLOGY IN INDIAN INSURANCE INDUSTRY

Upasana Saraswat¹, Dr. Kalpana Midha²

¹Research Scholar, Tanta University, Sri Ganganagar, Rajasthan

²Associate Professor, Tanta University, Sri Ganganagar, Rajasthan

ABSTRACT

Individuals, businesses and other organizations face various risks in their various activities and insurance helps to protect them against these risks. Insurance plays an important role in our individuals, trade, industry, etc. Today, information technology affects every field, including the insurance sector. Insurance companies use information technology to provide better customer service, reduce costs, design and develop new products, etc. in order to. Against this backdrop, this paper studies the role of information technology in the Indian insurance sector and its impact on insurance sector. The study found that elements such as time saving, ease of use, convenience, accessibility, accuracy of the premium amount, independent of insurance agents, significantly influence customers to access and use online insurance services.

Keywords: Risk, Insurance, Information technology, online services.

1. INTRODUCTION

The insurance industry is developing and growing rapidly with the help of new technologies and technical innovations. Over the past few years, mobile devices, GPS capabilities and social media engagement have greatly influenced the way insurance claims are processed by companies, the policies evaluated by insurance agents and customers. This is an innovative way to reduce expenses while also speeding up the organization's business processes. Fast moving consumer goods businesses that offer a wide variety of products, insurance companies offer fewer policy products. Acquiring new customers is always an important issue, and companies are forced to increase their sales force in order to reach new customers. With the help of online marketing processes, insurers can directly reach a large number of

online customers in order to achieve continuous growth and profit. Increasing the use of the Internet of Things also supports the improvement of communication methods and data processing performance. Data that can be transmitted very easily by IoT can be further analyzed using data processing techniques for useful insights. Auto insurers are moving to usage-based insurance, which helps them improve their claims handling capabilities and enables them to better segment customers. Insurers can better segment risk profiles and improve claims management capabilities. New direct insurance startups are emerging that serve customers entirely through mobile or online touchpoints. Insurers can use big data analytics to quickly and efficiently identify and report incidents, and claims classification activity can now be automatically assigned based on adjuster performance and claim severity. Insurers can efficiently carry out the transfer and settlement process. Insurers can use aerial and digital footage and the technical innovations contained therein for continuous data management, risk avoidance, quick response to disaster events, and fraud identification, and also reduce insurers' claim settlement costs. Insurance companies have information security departments and use some best practices to avoid cybercrime, it is impossible to provide complete protection against cybercrime. Cybercrime has been called a potential global threat by the World Economic Forum. The increase in cyber threats is the primary reason for the current essential cyber insurance. Cyber insurance covers a variety of damages. Social media is all about helping people connect. Through social media, consumer and agent expectations have developed, providing people with opportunities to collaborate, share information, and improve decision-making processes both with service providers and outside the distribution channel.

2. Literature Review:

In all companies, including insurance, governance is the mechanism that is required to ensure that members in an organisation effectively carry out their duties of enhancing prosperity and viability of that organization, by abiding to regulations, establishing appropriate policies, standards, appropriate procedures, and ensuring continuous monitoring of their proper implementation. To this end, good governance is there to prevent or resolve (1) abuse of power by those in control, (2) conflict of interest (principle-agent problem), (3) imprudent risky behaviour and (4) self-serving conduct (Yensu, et.al.,2017).

In the last few years, most regulators, policy makers and academics have identified poor governance as the main issue behind large losses and High Profile Company collapses. Enron, World Com Telecommunications, AIG are just a few; not to mention the financial crisis starting in 2007/2008 (Yensu, et.al.,2017) (Grima, 2012).

Weak governance was perceived to be manifesting in the form of very fragile monitoring of incompetent internal controls such as compliance, risk management and internal audit, insider abuse, relaxed and incompetent Boards of Directors (BOD) and Management to top it all (Yensu, et.al.,2017).

As per many analysts, the financial crisis is attributed to the lack of good governance where the board of governance was found to be relaxed and not doing their duties as required by the regulations and internal policies (Carbone, and Brown, 2017).

Flawed compensation of the executives was another challenge, which led to the aggressive taking of risk experienced during the period.

Kashyap, et. al., (2008), stated that although the failure to relieve subprime risk had led to the credit crisis, the main causes of the crunch lied in the breakdown of the monitoring of shareholders and the vices experienced in the conceived managerial incentives.

As a result of the financial crisis starting in 2007/2008, stricter regulations and supervision concerning governance was enforced, especially on the financial services sector, in the belief that failure in governance of financial institutions led to their demise (Soloviev, 2018) (Frey and Osborne, 2017). This has disrupted the financial sector and in turn, may have adversely influenced the economy possibly stifling creativity and innovation. International principles and standards on practices adopted resulted in stricter supervision of the sector, carried out by placing more responsibility on boards of directors to oversee the undertaking and its management (Puschmann, 2017). The aim of this is to ensure that these institutions do not take on excessive risks and work within the appetite and tolerance of the shareholders. However, financial institutions' risk-taking is essential for development and sustainability, and over-emphasising on inflexible prescriptive requirements/policies may constrain wealth maximization since this may foreclose risk-taking and in-turn threaten systemic stability and profitability in the longer term (Kurzweil, R., 2016).

Since good governance is driven by interplay of internal and external dynamics and generalizable data that can test these concepts on board performance have been scarce, we will lay out in this article the results of a systems view of governance using the case of

technological innovation disruptions on the Insurance Industry governance (Arner, et.al.,2016), (Arner, et.al.,2017). This is precisely on the operations, compliance, oversight, and policymaking. We will help fill this gap by carrying out an analysis of literature focussing on these four themes ensuring effective governance (Kelleher, et. al.,2015).

Finally, it is evident that the crisis shaped the modern-day insurance sector since there are established regulations and requirements to adhere to; and some technological innovations, better known as RegTech, aimed at ensuring this and at helping to ensure that the industry does not collapse again or experience challenges in conducting their activities. On the other hand, other technological innovations in the insurance industry, better known as InsurTech, help at reducing risks by improving communication and the working and operational efficiency.

IMPACT OF INFORMATION TECHNOLOGY ON INSURANCE

Productivity and efficiency:

The productivity all the functional management centres has increased. The sales team has it provides easy access to the company's website, and special software is provided by companies to calculate fees, display benefits illustrations and know the status of offer forms. The operations team has access to the dates of issued policies/expired policies/renewal fees. The signatories have all the data in digital form and can make a decision immediately. A few years ago, the LIC premium was supposed to be deposited in the same branch from where the policy was taken. This was a difficult task for people with transferable jobs. But now, thanks to computerization, the premium can be deposited at any branch.

Communication with the policy holders:

Contact with customers is an essential part of any business. The cost of using direct mailers is very high. This is the case with print and electronic media as well. Sending information by e-mail is probably the cheapest source of communication. The best part is that it offers two communications at a very reasonable price. Under the Insurance Act, it is the customer's responsibility to remember renewal dates and pay premiums on time to avoid policy lapses. Insurance companies send regular mailings to customers to increase renewal sales (also known as persistence).

E policies:

Buying bonds online has also become a reality. Customers can make informed decisions by comparing different insurance products with the help of comparison websites. Online policies are cheaper as there is no agent involved and thus no commission cost.

Premium payment:

Before computerization, fees were paid only by check, money order or cash at branches. Now you can do this using a debit or credit card. ECS and the standing order option have increased the premium usage of the monthly mode, making it much easier for customers to save monthly. Insurers have contracted fees with banks to collect premiums where there are no branches.

Income Tax certificate:

Life insurance premiums paid in an assessment year are entitled to an income tax rebate under section 80C. Initially, one had to visit the branch office to collect the same. Now all you have to do is to login to the web portal and take a printout.

80C after the life insurance premiums paid in the tax year. Initially, one had to visit the branch office to collect the same. Now you just need to login to the web portal and print.

Automatic issuance of non-medical policies:

The offer form is first examined by the signatories before it can be turned into an enforceable contract. Most companies have insurance policies that do not require close underwriting supervision. These proposals are considered normal risk policies and insurers do not bother to call for a medical examination of the life insured. Manually identifying and issuing such policies is a time-consuming process. But by using certain filters, the software can make such suggestions and even send a command to issue the policy automatically. This saved time and money.

In a nutshell: Government, insurance companies and customers have benefited from the use of information technology in the insurance sector.

Some of the fields in insurance industry that make use of information technology.

Generating New Leads

Before targeting specific customers, we need to learn about them first. Today, there are many software tools that help agents generate new leads. Some insurance agents who know more about technology create a website that contains helpful blogs, tips and advice for people when they are looking for answers on the Internet. This method is more useful for agents when people arrive at an agent website. The website can answer their questions and display the agent's contact information. In this way, insurance professionals can generate new leads.

Easily Generate Different Policies

Modern insurance professionals work with different companies that provide different policies. For agents, this caused confusion with different policies and procedures, ultimately failing to impress clients. With advanced technology, there are now many software tools available that allow you to search multiple companies and find the best deal for customers based on age, vehicle model, and other information.

Research and Training

Anyone who wants to be an insurance consultant needs to know the regulations, laws and other guidelines that apply to this sector. They must also pass the test to become a certified insurance advisor. To eliminate this test, they can use search engines to find information when they need to prepare for the test. They can take online and offline training courses to learn more about the relevant laws and policies.

Manage Your Client Information

When customers visit any insurance advisor to create new policies, they have to spend time on a paper work to create new policies. Instead of paper work, computers help advisors to get information from clients, make estimates and finally store client information in a database. This helps when any customer claims the sum insured, the agent can easily access the customer's file from the database and update the new information in the database.

Mailing Lists to Target New Clients

An email marketing campaign is not a new concept in this industry. Insurance mailing lists can be used by advisors to target customers and build a loyal relationship with them. With an email list, agents can promote their insurance policies and services to their customers. This method indirectly reflects the return on investments.

Social Media and Software Tools

Consultants can use social media platforms such as FaceBook, LinkedIn and Twitter to provide customer service and build a loyal relationship with them. Many software tools help advisors find new clients, generate leads, and communicate with clients using email autoresponders. Some insurance companies also provide online portals for their advisors to handle everything from processing policy renewals to tracking claims.

3. Conclusion

Insurance plays an important role in our individuals, commerce, industry and other organizations face various risks in their various activities and insurance helps to protect them against these risks. Today, information technology is impacting the insurance sector for better

customer service, reduction of working capital, and great opportunity for insurance companies to drive higher profits through online, remittance and process automation, all possible with the help of reliable technologies. The leading insurers are alert to use new technologies to compete in the markets of the future, the natural resistance to high-tech changes due to their automating properties must be overcome, because the speed of the transition really depends on people's acceptance and technical capabilities. In a nutshell, insurance companies and customers have benefited from the use of information technology in the insurance sector.

References

- Arner, D.W., Barberis, J. and Buckley, R.P., 2016. FinTech, RegTech, and the reconceptualization of financial regulation. *Nw. J. Int'l L. & Bus.*, 37, p.371
- Arner, D.W., Barberis, J. and Buckley, R.P., 2017. FinTech and RegTech in a Nutshell, and the Future in a Sandbox. *Research Foundation Briefs*, 3(4), pp.1-20.
- Baden-Fuller, C. & Haefliger, S. (2013). Business Models and Technological Innovation. *Long Range Planning*, 46(6), pp. 419-426. doi: 10.1016/j.lrp.2013.08.023
- Carbone, C. and Brown, H.S., 2017. Social learning through technological inventions in low-impact individual mobility: the cases of Sparrow and Gizmo. In *The Business of Sustainable Mobility* (pp. 112-124).
- Catlin, T., Lorenz, J.T., Münstermann, B., Olesen, B. and Ricciardi, V., 2018. Insurtech-the threat that inspires. *Enriques, L.*, 2017.
- Financial Supervisors and RegTech: Four Roles and Four Challenges *Revue Trimestrielle de Droit Financier* <https://www.law.ox.ac.uk/business-lawblog/blog/2017/10/financial-supervisors-and-regtech-four-roles-and-four-challenges>. (Accessed, January 2019)
- Frey, C.B. and Osborne, M.A., 2017. The future of employment: how susceptible are jobs to computerisation?. *Technological forecasting and social change*, 114, pp.254-280.
- Grima, S., 2012. The Current Financial Crisis and Derivative Misuse, *Journal of Social Sciences Research*, vol. 1, no. 8, pp. 265-276.

Kelleher, J.D., Mac Namee, B. and D'Arcy, A., 2015. Fundamentals of machine learning for predictive data analytics: algorithms, worked examples, and case studies. MIT Press.

Khristy, H. 2019. How technology impacts the insurance sector - Insurance & Technology. <http://www.xprimm.com/How-technology-impacts-the-insurance-sector-articol-117,163-9818.htm> (Accessed, January 2019)

Kose, I., Gokturk, M. and Kilic, K., 2015. An interactive machine-learning-based electronic fraud and abuse detection system in healthcare insurance. Applied Soft Computing, 36, pp.283-299.

Kurzweil, R., 2016. The singularity is near1. Ethics and Emerging Technologies, p.393.

Mainelli, M. and Smith, M., 2015. Sharing ledgers for sharing economies: an exploration of mutual distributed ledgers (aka blockchain technology).

Merler, S., 2017. Fintech in Europe: challenges and opportunities. REMAKING EUROPE: THE NEW MANUFACTURING AS AN ENGINE FOR GROWTH, p.198.

MICHAEL, J., COHN, A. and BUTCHER, J.R., 2018. BlockChain technology. The Journal. Nguyen, Q.K., 2016, November. Blockchain-a financial technology for future sustainable development. In Green Technology and Sustainable Development (GTSD), International Conference on (pp. 51-54).

IEEE. OECD (2017), Technology and innovation in the insurance sector. <https://www.oecd.org/pensions/Technology-and-innovation-in-the-insurance-sector.pdf> (Accessed, January 2019)