Usage of ICT in Indian Insurance

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Abstract—**Nowadays, insurance companies are using IT on a vast scale to communicate with the brokers, to design insurance policies and processes, to fix premiums, to analyze the market, to predict sales, and to manage their accounting procedures. Clear advantages of electronic insurances, which encourage insurance companies to use them.**

In general, information communication technology and its tools that people use to share, distribute, information gathering and to communicate with insurance providers, or in groups, through the use of media such as print, visual and interconnected computer networks.

The paper study Information technology and its effect on the clients, Advisors and Company. The purpose of the paper is to analyze various factors that affect the Internet. It is a revolutionary technology in Internet Industry and Insurance Sector. In India almost people are belongs to the Rural Area. Despite of reduced its cost, illiterate and no computers it has major challenges which are affecting its adoption. But now-a-days Internet is used in every Sector.

Keywords: **Insurance, ICT, Internet, Network**

INTRODUCTION

India is experiencing the growth of the Internet at a time when consumers are more comfortable buying life insurance online, two changes that create opportunity for insurers with a successful online strategy.

There are two powerful forces now at work in India that offer tremendous opportunity for life insurers that are able to harness them. The growing use of the Internet by an increasingly wealthy urban middle class is happening at a time when consumers are becoming more comfortable buying simple insurance products through online distribution. These two forces may combine to push the nascent online insurance market into a policy-generating powerhouse. But only those insurers that understand how to cater to the unique needs and preferences of online customers will benefit from the promise of these two events.

India, over the past decade, has become a test bed for innovations in information and communication technologies (ICT) serving the rural user. Various reasons explain this emergence. The most obvious is the search for a solution to what has long been an intractable problem, that rural India has remained poor while the rest of the country has moved ahead. There exists a hope that ICT can surmount at least some of rural India's social, political, and administrative challenges and create a viable technology for the provision of health, education and other social services.

The ICT strongest calling card, an additional expectation, is that information communication technology can be used innovatively to improve access to the large, underserved market that rural India's 700 million people represent, especially considering that India has the resources (i.e., its large, skilled, cost% efficient IT workforce) to build an ICT infrastructure. The objective of this study is to explain the effectiveness of ICT towards insurance sectors and to make recommendations to improve usage.

ICT adoption in Insurance Industry is expected to witness a dynamic growth in the ensuing years. Currently, the adoption of ICT in insurance industry is undergoing a dynamic growth rate owing to the growing complexities arising from huge customer base. Insurers primarily implement technology in the areas of customer service, data analytics and process management.

With the ongoing growth in customer base and daily transactions, insurers in India are gradually shifting their focus towards the adoption of ICT oriented tools, services and platforms. Until now, the ICT adoption in insurance industry has occurred in a phased manner, wherein it has exhibited a steady but impressive growth rate over the years. "Judging by the current scenario in the market, ICT spending by insurers in India stood at INR 76.17 bn in 2011 and is anticipated to grow at a CAGR of around 14% til 2015." Primarily, technologies focused to provide better customer services are preferred the most. Analysis of colossal amount of data and information along with generating insights from these data are also experiencing exponential surge in demand. Advancement in the field of mobile technology and the immense popularity of social networking sites have also grabbed the attention of industry significantly.[6]

TECHNOLOGY IN INSURANCE

"An online term-insurance plan is bought every 18 minutes in urban India," the Asia Insurance Review reports.[7] Cost and convenience are aiding online sales: Premiums are 40% – 60% cheaper, and an average purchase takes 15 – 20 minutes. Online distribution is increasingly attractive to a large and growing list of private life insurers.

Recently, the Life Insurance Corporation of India joined the list by launching a pure term product to be sold through the Internet. Reports indicate that in the first six months of fiscal year 2011 – 2012, the total insurance cover provided through online term insurance policies by the seven life insurers currently active in this area stood at US$1.77 billion, nearly equal to the total cover across all the life insurance policies sold by the five newest private life insurers in the Indian market.

Initially, term insurance policies were the only products being distributed online, but now a range of protection products, including health insurance, are offered to Indian consumers. Some companies have also launched unit-linked products to cater to the dual investment and protection needs of their online customers.

Although the online insurance channel is still in its early stages of growth, it has been observed that it tends to attract more educated and informed consumers who understand and appreciate the need for accurately disclosing information such as health status when applying for insurance. Interestingly, the proportion of claims rejected is lower for this group than for offline applicants. But the current size of the online customer segment is marginal when compared to the total customer base of insurance companies. It remains to be seen whether the lower claim rejection rates can be sustained as the online customer segment continues to grow and acquires a statistically significant size.

In the four decades since its inception, the Internet has driven dramatic change. It has enabled flows of information, including entertainment, news, and financial and academic material. It has brought people closer together by enabling various forms of interpersonal communication, notably email, instant messaging, video conferencing, and social networking. And it has allowed consumers to purchase virtually anything at any time, while providing producers with direct access to a wide range of markets. Furthermore, the Internet is a bustling industry, spurred by entrepreneurship and supported by a variety of industries and large enterprises. Online productivity tools and communications advancements provide benefits to almost all enterprises and governments. The Internet has helped governments to broaden their services to citizens and improve their delivery. In a very short period, it has become difficult for most of us to imagine a world without instant and continuous access to the Internet.

The Internet today connects more than two billion people worldwide. The Internet already has immense impact on the global economy, contributing an estimated $1.7 trillion, or just under 3 percent, of global GDP in 2010.1 Yet half the number of Internet users lives outside the advanced economies, often in countries that are quickly developing, have significant economic potential and are socially and culturally diverse. India has about 120 million people online today and offers a striking example of the Internet's growth potential. India is adopting the Internet at a much more rapid pace than advanced economies and even many developing economies, yet 90 percent of its population is currently not connected.

Transformation of insurance industry due to technological developments, especially in the field of remote communications and IT has take in to action in the recent years. By performing these technological breakthroughs, e-commerce promises new prospects. Using e-commerce, will provides insurance companies with a large ground for an effective, direct and inexpensive supply of data, products and services to their customers. Competitive challenges in the market and changing expectations of customers in this industry are, therefore, forcing modern insurance companies to use IT tools in their operations. Nowadays, companies supply different kinds of product/services. Since the resources of companies are limited, they cannot supply all kinds of products economically as same as presenting products/ services in internet. In fact, in order to entrance in electronic shopping center, they should test their products/services and they should consider electronically selling capability of their products/services. [1]

In deciding whether insurance products/services are appropriate for online shopping or not, many aspects, among which their "complexity," must be considered. Complexity means that an insured requires a great deal of advice and extra information about an insurance policy before he/she makes a purchase decision. It is said that the more complex an insurance

products/services, the less its capability for electronic shopping. The number of times an insurance policy needs to be renewed is another key factor. The more a policy needs to be renewed, the more its potential for entering into the internet. Transaction value and type of insurance premium (whether based on a judgmental rate or a standard one) also affects capability of electronic shopping of insurance policies (Sigma,2000). [2]

Technology in insurance has also made the insurance industry go green. It has drastically cut down the amount of precious paper that would be otherwise used to manage and store all the data. With the insurance software systems and their multifarious applications, minimal documentation is now done in hard copies making them environment friendly solutions. And lesser documentation means that there is less manual labor involved. This has two fold benefits. Now there is less chances of errors in the data processing and services, and at the same manual labor which is expensive can be utilized in other more important areas of customer support and service.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT):

Today we can see revolution in communication world everybody begin to use PCs and Internet for Business and free time to communicate each other, to exchange data like images, sound, documents and sometimes to talk each other using application like Net meeting or Internet phone. Now that we have come to terms with the tremendous scope of insurance through ICT in India, we have to understand that marketing through the ICT can be an entirely different. If you too want do online business, the first aspect is developing/ hosting of your website. Then you can employ any one or all of the Internet marketing techniques mentioned here and they are:

1) Search Engine Marketing:

The search engines like Google, Yahoo etc. are being used by more and more people as their principle method of searching for relevant information. And, you can hope to sell through them if your website is visible on these search engines.

2) Search Engine Optimization (SEO):

A set of practices employed to get ranking for WebPages on relevant keywords (search queries). SEO does this by improving a websites structure and content.

3)Pay per Click (PPC):

PPC takes the sponsored route to drive relevant traffic to a website. The positioning of Ads is determined by a competitive bidding structure. In paid inclusions, you can pay your way up on to the natural listings of search engines. As of now, Google has stopped its paid inclusion program.

4)E-Mail Marketing:

As the name suggests, e-mail marketing is promotion through e-mails. If used effectively it can assure you maximum returns on each penny you spend. It can be used for acquiring new customers, enhance the relationship you have with your existing client.

5)Banner Advertising:

Banner marketing involves placing your advertisement on any third party website. This Advertisement will link to your website, this way if the potential customer clicks on your banner, he will be directed to your website. It can be a good way of attracting relevant traffic to your website.

6)Interactive Advertising:

It involves the use of interactive media applications to promote products online. It is infect involves the right use of text, images, Flash animations, AV clips etc. The interactive advertising platform in a way intends to send across a personalized message by giving the readers/ viewers a visual treat.

7)Blog/Article: marketing:

Articles and blogs can be used effectively to propagate a marketing campaign. By submitting in various directories like Ezine and Go articles, you can hope to generate traffic through the link you have placed on the article directing towards your website. Moreover, in my personal opinion in a country as diverse as India, the real action in a few years of time would lie in localization. Websites which will do business in Hindi and other local language would do well. It's simply because contrary to the claims, for a major chunk of Indians English is still an alien language.

Advantages:

Cheap, instant, easily transfer e-mail from one company to another and customer can its own policy Issue easily.

Disadvantages:

Due to the overdoing of the e-mail campaigns by online companies, they are now being categorized as Spam mail. [5]

TECHNOLOGY DRIVES INSURANCE INDUSTRY GROWTH

To compete successfully and operate more efficiently, insurance companies are deploying information technologies such as mobile devices, social media, big data, predictive modeling and cloud computing.

According to Celent estimates global IT spending by insurance companies will reach $40.6 billion in 2012, an increase of 6.3 percent over 2011. This figure is substantially higher than the 1.1 percent IT spending growth increase experienced in 2011.

The research firm expects global spending on IT products and services to grow to $157.5 billion by 2014, a 5.8 percent compound annual growth rate from 2012.

But when it comes to "hot" technologies, that are geared toward the customer and producers, to make it easier and faster to work with the insurer, More than 90 percent of insurers expect to be using social media for marketing by 2015, and more than 80

percent expect to be using mobile technologies for claims, customer service and field sales.

Consider New York-based New York Life. The insurer has launched several technology initiatives aimed at improving operational efficiencies for its policy holders, agents and employees.[3]

In recent years, like most businesses, many insurance providers have shifted point-of-sale system to a Web-based solution, which allows their independent agents directly access policy system in order to provide their customer with real-time pricing, payments and print documentation. This required IT to provide a reliable and fast infrastructure in order to maintain the agents' focus on selling insurance products over those of its competitors. "If agents try to access the online point-of-sale system and encounter performance or availability problems, they'll move on to the carrier that has the next-best price and sell that policy to the customer sitting in front of them

Technology in insurance has changed the way the entire industry operates today. No longer do the loads of paperwork and manual labor hamper the process or leave scope for errors. As the awareness and demand for various insurances have risen so has the complexities of the business itself. Now there are policies for personal as well professional safety, for life, non-life health to a wide range of product insurances. On top of all these there has been globalization. Leading insurance brands have all gone global with their operations spreading across countries and across the different strata of society. And this is where insurance software systems have come in to streamline the volume of work and deliver quality services.

The introduction of technology in insurance has been a boon to the industry and clients alike. While companies can better manage their data, agents can perform better services and the end customers can expect better coverage as well as faster claims processes. From the filing of the application to the final claims every segment has now gone digital with electronic paperwork reducing the scope for delays and errors. Specific software like the insurance billing software, automated underwritings systems and claims management software take care of the individual aspect of the business. Applications are reviewed faster, payment records are instantly updated, automated reminders helps keep clients informed about their upcoming premiums seamlessly. All information is constantly updated and stored in a master database for all departments to refer to whenever needed.

While customers have vastly benefited with the automated and streamlined systems, the businesses themselves have undergone sea changes in terms of profitability. With automated insurance collection processes, now there is lesser number of defaults in premiums, falling through of payment collections and renewal of policies. Effective insurance collection has in turn led to greater turnaround in profits which can be distributed between employees, agents and customers alike.

ONLINE INSURANCE REGULATION

The Insurance Regulatory and Development Authority (IRDA) in India issued guidelines on the distance marketing of insurance products in April 2011, which governed all forms of non-face-to-face distribution of insurance products, including telemarketing and Internet.

The guidelines now permit insurance companies to issue policies sold through distance marketing without having a physical application in their possession. For these policies, insurers are required to append with the policy document a transcript of verbal communication or the electronic record of the customer questions and the answers provided. However, most life insurers still ask their online customers to print out the completed online application, sign it and send it to them for processing.

IRDA has released guidelines for insurers for issuing electronic policies and for setting up e-repositories for holding such policies in electronic form, steps that will facilitate the further growth of the online distribution of insurance policies.

IRDA has recognized the important role that web aggregators can play in the proliferation of Internet based insurance sales and has recently released guidelines governing web aggregation. To ensure that online customers get unbiased and factual information about comparable insurance policies, IRDA has clarified that no existing insurance intermediary and/or those parties that are in any way related to any of the insurers or the intermediaries may act as a web aggregator. Moreover, web aggregators are not permitted to carry advertisements, endorsements, rankings, ratings or sponsored content on their websites, or comment on any insurers or their products. IRDA has also capped the remuneration for services provided to web aggregators by insurers, removing the opportunity for bias in information contained on their websites.

This has significantly affected web aggregators' remuneration, and it remains to be seen how this business adjusts to these regulations.

IMPACT OF INTERNET IN INDIA:

1. India's base of about 120 million Internet users is currently the third-largest in the world. Though India's users spend less time online per capita than users in developed countries, their pattern of online behavior is rapidly converging. The Internet's role in communication, social networking, and informing and influencing India's consumers in categories such as apparel, books, financial services, and travel is already comparable with that of developed countries.

2. India is likely to have the second-largest user base in the world, and the largest in terms of incremental growth, with 330 million to 370 million Internet users in 2015. Given current

downward trends in the costs of Internet access and mobile devices, India is on the verge of an Internet boom. In an evolution pattern unique to India, users who access the Internet only through a mobile or tablet device will constitute around 75 percent of new users and 55 percent of the aggregate user base in 2015, leading to increasing demand for content that is optimized for a small screen.

3. India has the potential to double its economic contribution from the Internet in the next three years, from 1.6 percent of GDP at present to 2.8 to 3.3 percent by 2015. Despite the large current base of users, the Internet currently contributes a modest 1.6 percent to India's GDP, in line with [4]

4.The impact of the Internet in India is constrained by current gaps and obstacles in the Internet ecosystem. While India scores well on the availability of human and financial capital, it rates poorly on Internet infrastructure, Internet engagement, the e_commerce platform, the ease of Internet entrepreneurship, and the impact of e-governance. On most indicators of the strength of the Internet ecosystem, India ranks in the bottom quartile of our comparison set of 57 countries.

5. Although the Internet ecosystem is becoming more vibrant, the benefits have been relatively concentrated. India's Internet start-ups are scaling up through creative adaptations to overcome infrastructural and systemic bottlenecks. Yet, while large enterprises have gained from their early adoption of the Internet, there is scope among individual consumers, SMEs and the government sector to significantly increase engagement.

Impact of the Internet in India is constrained by obstacles and gaps in the Internet ecosystem

➢ Limited availability of Internet infrastructure.
➢ High cost of access and usage.
➢ Lack of awareness and low digital literacy.
➢ Narrow range of applications and services.
➢ An unfavorable business environment.

ADVANTAGES OF ELECTRONIC INSURANCES:

➢ Amendments to insurance conditions can be made more easily,
➢ Barriers of entry into the markets can be decreased,
➢ Inter-relations between insurance companies and their agents can be improved,
➢ Offering of better and faster services with lower costs to the clients can be enhanced,
➢ Loss payment services can be improved,
➢ Availability of services can be extended to 24 hours a day and seven days a week,
➢ Bigger market shares, due to lower costs of operations, can be obtained,
➢ Data collection on competitors, prices, and product features can be enlarged,
➢ Markets can be extended beyond national borders, and
➢ Response time could be drastically shortened.

New technology such as mobile applications and voice recognition provides insurance carriers with the opportunity to provide benefits to their employees, direct consumers and professional customers. The broad spectrum of e-business enables insurance carriers to craft the business models and solutions that strengthen their existing distribution channels and grow their customer base without upheaval.

The growing number of Internet users and consumers' growing comfort with online financial transactions are raising the potential for significant growth in online insurance distribution in India.

The advantages of cost and convenience, and the emergence of a do-it-yourself generation that is happy making purchasing decisions online, seem to be leading the growth of this new distribution channel.

Increasingly, companies realize the Internet's potential in India and are aligning their marketing strategies accordingly. Social media is also having a greater impact on the way Indian businesses are run across all industry sectors, including insurance.

Empowering the consumer is becoming a key business driver, and getting closer to and engaging more directly with the customer are playing a more critical role in determining companies' corporate strategy. Social media positioning, platforms and development are influencing marketing and distribution in India.

CONCLUSION

Through the core competencies inherent in the insurance industry, risk management, risk taking, predictive analysis, the insurance industry is continuing to expand its online operations. An incremental approach to additional e-business strategies is recommended along with awareness insurance industry will need to rely on new technology, innovation and fresh business models to offer insurance products and related services in the preferred method, of online.

For online insurance distribution, it simply reflects the enormous potential for future growth. Insurers that better understand the buying behavior of online customers; develop innovative, attractive and simple products catering to specific customer needs; and most importantly, have a robust communication and customer engagement model backing their online marketing strategy will emerge as future market leaders in online insurance distribution.

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