

SWOT Analysis of Digitalization of the Insurance Sector

Dr.Prasad Mahale¹, Dr. C.K Hebbar²

¹Assistant Professor, Institute of Management and Commerce, Srinivas University, Mangalore, Karnataka, India

²Research Guide, Institute of Management and Commerce, Srinivas University, Mangalore, Karnataka, India

Abstract : As described explicitly in the Seventh Schedule of the Constitution of India, Insurance is one of the significant economic sectors of the country. Similar to other sectors, insurance is also in a transformative stage, by adopting digitalization. This paper is an attempt to know the strength, weaknesses, opportunities, and threats to the insurance sector due to the adoption of digitalization.

Keywords: Digitalization, E-insurance, Insurance sector, SWOT analysis

INTRODUCTION

As described explicitly in the Seventh Schedule of the Constitution of India, Insurance is one of the significant economic sectors of the country. The establishment of IRDA and subsequent entry of private and foreign companies has changed the entire picture of the insurance sector. The increased competition resulted in innovative marketing strategies and increased customer satisfaction. The ultimate impact of these efforts by the public as well as private companies have enlarged the market and resulted in increased customer satisfaction.

Both consumers and businesses are increasingly demanding simplicity, transparency, and speed in their transactions. The relentless march of online and mobile technology is continuing to fuel this change in customer expectations. Digital experience obtained by customers resulted in the same expectation for the insurance sector also. Growing competition is also one factor responsible for moving towards digitalization.

Far from just being another channel, the impact of digital is transforming what customers expect, creating fresh opportunities to get closer to the customer, and moving non-life insurance from a price to a valuable consideration. Indeed, rather than a digital strategy, the key objective for insurers

should be developing a business strategy for the digital age. (PWC)

CONCEPTUAL FRAMEWORK

Digitalization means the computerization of systems (jobs and distribution) for better accessibility. Digitalization in the insurance sector results in reduced transaction and administration costs, lower error rates, and increased customer satisfaction. E-insurance enables to buy and keep insurance policies in dematerialized or electronic form. In December 2016 IRDA has brought a new Act regarding E-insurance. The IRDA made it compulsory for life insurers to issue e-insurance policies if the annual premium is Rs. 10,000 and more. Already existing policies can also be converted into electronic format. These are kept by insurance repositories. Insurance Repositories maintain data of insurance policies in electronic form on behalf of Insurance Companies.

LITERATURE REVIEW

Palande et al (2007) found that the Insurance industry is going to witness sea changes in its marketing strategies. The existing and the new insurers will devise different strategies to retain and enhance their market share. It would be done by various methods by bringing in new practices, settings new service standards, and creating new benchmarks.

Horvath (2015), had the opinion that digitalization helps companies to identify external market developments and trends in both their industries and those of others, through the use of algorithm-based analysis and interpretations of the extensive range of information, and to identify and react early to changes in customer behavior.

Vyas (2015) stated that innovative plans, electronic insurance, and minimal role of agents have

contributed to the modernization of the insurance industry in India. The study had the objective of studying the recent trends in the Indian insurance industry and suggesting measures for improving the insurance industry. The authors opted for secondary data and the research design was descriptive. The author had an opinion that the internet and technology had resulted in the economical buying of policy.

Kumar (2016) had the opinion that the online insurance industry in India is witnessing a phenomenal level of growth for the past few years. Insurers also recognized the imprint online mode had made on the minds of consumers and therefore they initiated the promotion of online term insurance quotes and policies. As per industry research and analyses, it is said that in the 2-3 years, three out of every four insurance purchase decisions will be influenced by digital channels of sales and marketing. It simply demonstrates the power of digital media and its growing role in the insurance sector in India.

OBJECTIVES OF THE STUDY

- To assess the strength, weaknesses, opportunities, and threats of digitalization in the insurance field
- To give suggestions if any, to overcome the threat and weakness of digitalization

RESEARCH METHODOLOGY

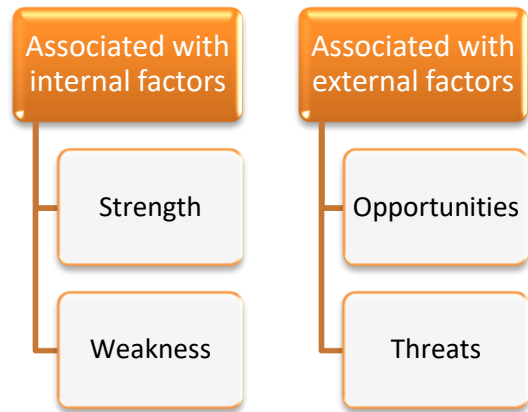
To achieve the objectives of the study, the appropriate methodology has been adopted. The present study is mainly based on secondary data. The secondary data for the study was collected from various sources such as IRDA journals, books, and reports issued by PWC.

ANALYSIS OF THE STUDY

SWOT analysis

Strength, weakness, opportunities, and threats analysis is one of the most popular tools applied by strategic planners in business and industries to ensure that all the factors related to projects are identified and addressed (Agarwal et al., 2012). The first two factors, strength and weakness are associated with factors internal to organizations, while the other two factors, opportunities and threats are external factors.

Table1: Table showing SWOT analysis



Source: Prepared by the authors

Strength and weakness are the factors associated with the internal environment. Digitalisation in the insurance sector results in strength for the insurance sector in the following ways

- S1. More transparency and support to customer
- S2. Reduces fraud and improves fraud detection
- S3. Quick sanctions and claim settlement
- S4. Reduces error and transaction cost
- S5. More Gen Y customers will be attracted. Customers are more empowered.

Digitalization has certain weak areas. They are

- W1. Need for a large investment to develop digital infrastructure.
- W2. Difficult for the digital illiterates.
- W3. Reduces personal relationship with customers

The external environment offers opportunities and threats. Because of the digitalization insurance sector is open to the following opportunities.

- O1. The impact is all-pervasive. It touches the areas from pre-purchase inquiry to claim settlement.
- O2. More lead generations.
- O3. More profit to the company. At the same time more bonuses and reduced premiums to policyholders.
- O4. Helps to anticipate customers' needs. It improves customer satisfaction. More customer-centric approach.
- O5. The usage of technology will help in increasing the penetration rate.

Following are the threat factors due to the digitalization of the insurance sector.

- T1. Cyber security challenge.
- T2. Chance of losing certain leads due to digital nonconnectivity or digital illiteracy.

T3. Increased digitalization poses a threat to an increase in e-waste.

T4. Traditional insurance advisors may lose the game.

SUGGESTION

SWOT analysis clearly shows what are the weaknesses and threats that the insurance sector faces. Based on the study, the author would like to give the following suggestions.

- Training regarding digital literacy should be provided to employees, intermediaries, and customers.
- IRDA should adopt strict rules and regulations regarding cyber security. Awareness should be created with customers regarding cyber security.
- Government should take action regarding the digital connectivity of rural areas.
- Government can think about increasing the level of FDI limit, as digitalization needs more investment in the beginning stage.

LIMITATIONS OF THE STUDY AND SCOPE FOR FUTURE STUDY

SWOT analysis even though agreed by all researchers as the most reliable assessment methodology, is more subjective and qualitative. The present study is based on secondary data. Future case studies of individual insurance companies can be made with primary data, which may give better information

CONCLUSION

In India insurance is the forgotten fourth need. To achieve the dream of less cash in India, digitalization is inevitable. Because of the late transformation towards digitalization insurance sector till now was suffering from higher turnaround times and poor customer service. Due to different development and regulations, the insurance sector is marching towards a stable and transparent phase. However, the real growth of the insurance sector lies in increasing insurance penetration, insurance inclusion, and insurance literacy.

REFERENCES

[1] Agarwal, R., Grassl, W., & Pahl, J. (2012), Meta-SWOT: Introducing a New Strategic Planning

Tool, *Journal of Business Strategy*, 33(2), pp.12-21.

- [2] Horvath and partners (2015), White Paper: The Impacts of Digitization on the Management of Insurance Companies Steering Business in a Digital World. Retrieved from www.horvath-partners.com
- [3] Kumar, Jagendra (2016), Time for Data-driven Marketing decisions to Insurance Intermediaries, *IRDA Journal*, Vol. 13, No. 12, pp.45-50. Retrieved from <https://www.irdai.gov.in/ADMINCMS/Cms/Uploadedfiles/Freuary%20Journal%202016%20issue.pdf>
- [4] Palande, P.S & Shah R.S., and Lunawat, M.L.(2007), *Insurance in India changing policies and emerging opportunities*, Response Books, Sage publications ltd, pp299-447(3).
- [5] Vyas. Muktak (2015), A Study of Recent Trends in Insurance Industry, *Indian Journal of Applied Research*, Vol.5, Issue 9, pp.348-350
- [6] <https://iib.gov.in>
- [7] www.swissre.com
- [8] www.pwc.in