

Analysis of Digitalization of Life Insurance Corporation of India

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ABSTRACT - Digitalization is transforming every Industry and insurance sector is no different. The insurance model which is agent driven is slowly but surely being replaced by digital metamorphosis, the aim being to improve the end-to-end customer experience. The customers are happy that the insurance companies are also hopping onto the digital age.

The Insurance Regulatory and Development Authority (IRDA) in 2011 issued guidelines asking companies to keep policies in electronic form for efficiency, transparency and cost reduction in maintaining insurance policy data. An official statement from Life Insurance Corporation of India, India's largest public sector life insurer in 2014 said that all of LIC policy records have been digitized. However in a report of 2018 of CAMS Insurance repository, there is a still long way to go in the digitalization of insurance policies as out of total of 2,5 crore life insurance policies (1.5 crore by LIC) only 12 lakh are in digital format. Digitalisation provides increased profitability lower costs and greater customer loyalty. But are the customers ready for it and are using digital platform offered by India's largest and widely pervasive life insurer Life Insurance Corporation of India.

In this paper the consumer preference and use of the digital platform of Life Insurance Corporation of India (LIC) is studied with the help of primary data.

Keywords: Digitalization, awareness, e-insurance, internet literacy

I. INTRODUCTION

Digitalization is transforming every Industry and insurance sector is no different. The insurance model which is agent driven is slowly but surely being replaced by digital metamorphosis, the aim being to improve the end-to-end customer experience.

Life Insurance Corporation Ltd. (LIC) is a state owned insurance company headquartered in Mumbai. It was founded in 1956 within act of parliament that is LIC Act which resulted in nationalization of private insurance industry in India. Life Insurance Corporation deals with diversified products related to Life insurance, Health insurance, investment management and mutual funds. Its major subsidiaries are LIC housing finance, LIC pension fund ltd, LIC international, LIC mutual funds etc. After nationalization in 1956, LIC consolidated 245 private insurers and other companies offering life insurance services including 154 life insurance companies, 16 foreign companies and 75 provident companies.

LIC is still enjoying monopoly in selling life insurance in India. It created huge surpluses over the decades. According to IRDAI Annual Report, out of 281.97 lakh new individual policies sold in financial year

2018,213.38 lakh policies (75.7%) were issued by LIC and rest 68.59 lakh (24.3%) by private insurers.

The Insurance Repository System was formally launched by IRDA on 16th September 2013 to provide facility which provide policyholders to access the digitalized their insurance policies. It gained further momentum after government initiative digital India. In the same way LIC, has decided to issue digitalized policies after resisting such a move from 2013. LIC got IRDA registration number and started its online portal in 2014. It has been one of the innovative organizations in India who introduced information technology in their business and customer service. Every policy holder of LIC can get immediate policy status report, quotations, premium payment information and customer support through online portal of LIC. One can also calculate instant premium with the help of premium calculator on the website. Under Pradhan Mantri Vaya Vandana Yojana one can buy LIC's Jeevan Akshay Plan, cancer cover policies, Jeevan Shanti etc.

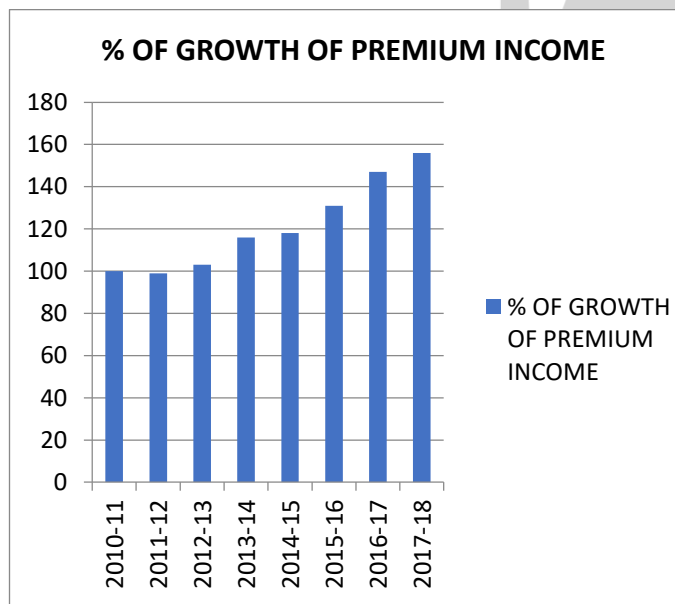
It can be easily seen in Table 1 that total premium income of LIC is increasing continuously from 2010 to 2018.This can be a result of growing awareness among public

regarding benefits of insurance and increase in efficiency of business networks of LIC as a giant insurance company. It is also evident from this table that rate of growth of premium is increasing at higher pace from 2014-15 to 2017-18. Online portal of LIC can also be a reason for this rate of growth.

(Table 1) Total Premium Received by LIC (Rs. In Crores)

S.NO.	YEAR	TOTAL PREMIUM INCOME (RS in crore)	% OF GROWTH
1.	2010-2011	203358.05	100%
2.	2011-2012	202802.90	99%
3.	2012-2013	208589.72	103%
4.	2013-2014	236798.07	116%
5.	2014-2015	239482.77	118%
6.	2015-2016	266225.38	131%
7.	2016-2017	300196.69	147%
8.	2017-2018	317850.99	156%

Source: Annual Report of LIC (2010-11 to 2017-18). Note: Base Year (2010-11) amount Rs 203358.0 = 100%. Approximate value of % Growth has been taken.



(Graph 1)

OBJECTIVES

- (1) To study the impact of digitization in insurance industry.
- (2) To study the customer preference of e-insurance of LIC.

II. METHODOLOGY

This study is conducted with the help of both primary and secondary data related to insurance sector. Primary data has been collected with the help of a questionnaire which is divided into 2 sections in order to study the customer preference of e-insurance. Random sampling method has

been used to collect the data. Area of data collection is mainly Lucknow city. The data collected has been analyzed and suitable statistical tools have been used to interpret the data. Total number of questionnaires filled are 100 including data from all age group and occupations.

III. REVIEW OF LITERATURE

- Charles P Jones (2002) in his book on “Investment Analysis and Management” explains clearly about the framework for evaluating portfolio performance through return and risk considerations. The Risk-Adjusted measures of performance and also the problems associated with Portfolio Measurement are also discussed.
- Uma, Selvanayaki & Shankar (2011) based their article titled “A Survey of Life Insurance Customer’s Awareness, Perception and Preferences” on the survey of 100 customers of life Insurance policies, carried out in Coimbatore. It throws light on various aspects related to customers' awareness, perception and preferences pertaining to life insurance. The primary objectives of this survey were to find preferences of customer’s towards various life Insurance policies, factors influencing choice of life Insurance policy and awareness about life Insurance brands.
- Kotgiri, S. (2013), has focused on working of insurance players in Indian scenario and comparison in terms of growth in insurance industry and trend of customers of investing amount in particular plans. Some important aspects like amount of investment habits change in attitude of customer’s investment, importance given to the type of business organization are also analyzed.
- Shashi, P. (2013), has made an effort to know whether the implemented strategies have truly helped LIC of India in the changing trends of the society and has also suggested how these recent trends have helped LIC of India as a whole to manage the existing leading position in the Life Insurance market.

IMPACT OF DIGITALIZATION IN INSURANCE INDUSTRY

There are various development and transformation of different sectors which can be noticed from the last few decades. According to an estimate of Google India, more than 200 million Indians are likely to make online transactions by 2020. Insurance industry is at transformative stage at present and it is one of the most competitive fields for various insurance companies.

According to a report published by HDFC Life Insurance online insurance market in India is growing everyday from 2014. There are various websites like policy bazaar.com for customers in order to compare insurance policies of different companies before purchasing an insurance policy. With public organization such as LIC entering the digitalized market, the reliability and

credibility of online policies have strengthened as a result of this there has been an increase in sale, and renewal of insurance policies via online mode.

According to a report by IRDA, the online life insurance market in India is growing at a compound annual growth rate (CAGR) of 25.36% over the period 2014-19. According to CEO and MD of HDFC life Mr. Amitabh Chaudhry says, “The number of people who are buying insurance online is rising rapidly, day by day. Giving a push to the growth of online insurance is a host of benefits that insurance policies bought online offer.” For example, **online insurance plans cost less** than their counterparts which are purchased through offline channels. These savings are usually passed on to the customer in the form of lower insurance premiums. He adds, “Also, for the top 5-7 players in the industry, there has been an improvement in the persistency ratios- that is, how long the customers are staying invested”.

There is various positive impact of dematerialization of insurance policies which is recognized by IRDA. Online insurance market is beneficial for all stakeholders especially for policy holders which would provide better efficiency, minimized cost harmonized and build more transparency in policy maintenance. Various positive

impacts of digitalization in insurance industries can be taken under:

- (1) Less paper work is requiring for taking insurance policies. One doesn't have to involve in tedious documentation process. These documents can be used save online.
- (2) With the help of digitalization of insurance industry, customers can get rid of brokers and agents misguided information.
- (3) Rough claim settlement is one of the major drawbacks of insurance industry which can be eliminated with the help of digitalization in insurance industry.

A Report from Boston Consultant Group (BCG) shows that by the year 2020, digital insurance will grow by 2000 % from its present state. It will have a turnover of Rs 15000 Crores. Nearly 75% of insurance purchased decision will be based on digital channels. This prediction is also supported by Google and even proved by a trend analysis study. This study depicts that in 2008, there were growth of 450% in the number of users searching for life, health and other insurance policies online while cumulative growth witnessed by the insurance industry is 600% over the past 5 years

How Digitalization works in Insurance Industry

For opening an e-insurance account, a user should **either contact with the insurer or repository** from NSDL Database Management Services Ltd.(NDML), Karvy Insurance Ltd.etc.

With digitalization, policy holder will get a document called as **e-insurance policy** which will be an evidence for online insurance.

Each customer will receive an ID and password to access his account. Repository will hold the electronic version of his/her life, health etc in **e-insurance account**.

Dematerialization of insurance policy once completed, repository or insurer will help in **Basic Customer services**.

Other services like generating premium due, online premium payments, tracking service requests, premium and claim history related informations are also performed by repositories or insurer companies known as **Advanced services**.

IV. ANALYSIS AND INTERPRETATION OF DATA

For the purpose of this study, data from 100 respondents are collected with the help of a questionnaire containing 2 sections. Section A consist of questions for those respondents using e-insurance facilities for LIC whereas Section B covers those respondents who are not using e insurance because of one or more reasons.

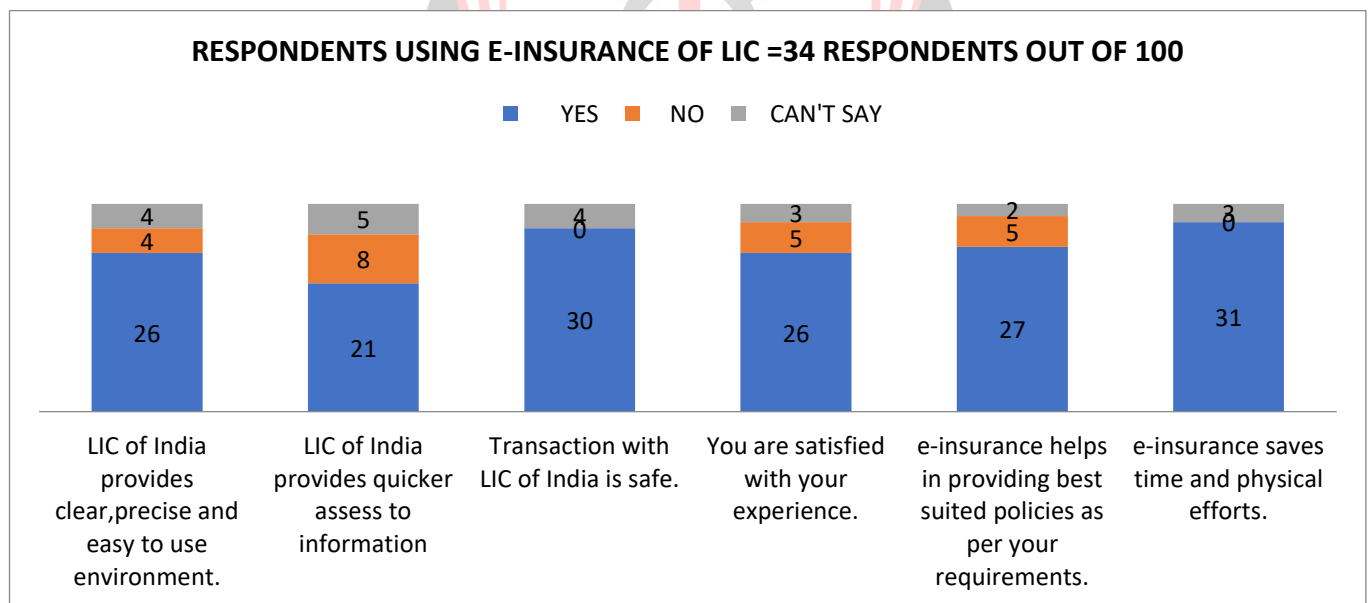
- 78% respondents are skilful enough to surf the internet while only 22 % respondents cannot use digital mode efficiently.
- Awareness related to online facilities offered by LIC of India among respondents are fairly high i.e. 70%.
- Interpretation of data related to the respondents who are using online facilities of LIC are: (Table 2)

STATEMENTS	Yes (No.of respondents)	No (No.of respondents)	Can't Say (No.of respondents)
1.LIC of India provides clear,precise and easy to use environment.	26	4	4
2.LIC of India provides quicker assess to information.	21	8	5
3.Transaction with LIC of India is safe.	30	-	4
4.You are satisfied with your experience.	26	5	3
5.e-insurance helps in providing best suited policies as per your requirements.	27	5	2
6.e-insurance saves time and physical efforts.	31	-	3

NOTE: Total No. of respondents using online facilities of LIC are 34.

From Table 2,it is evident that out of 34 respondent, majority of people are aware about the positive aspects of the online transactions related to insurance industry with special reference to LIC.

(Graph:2)

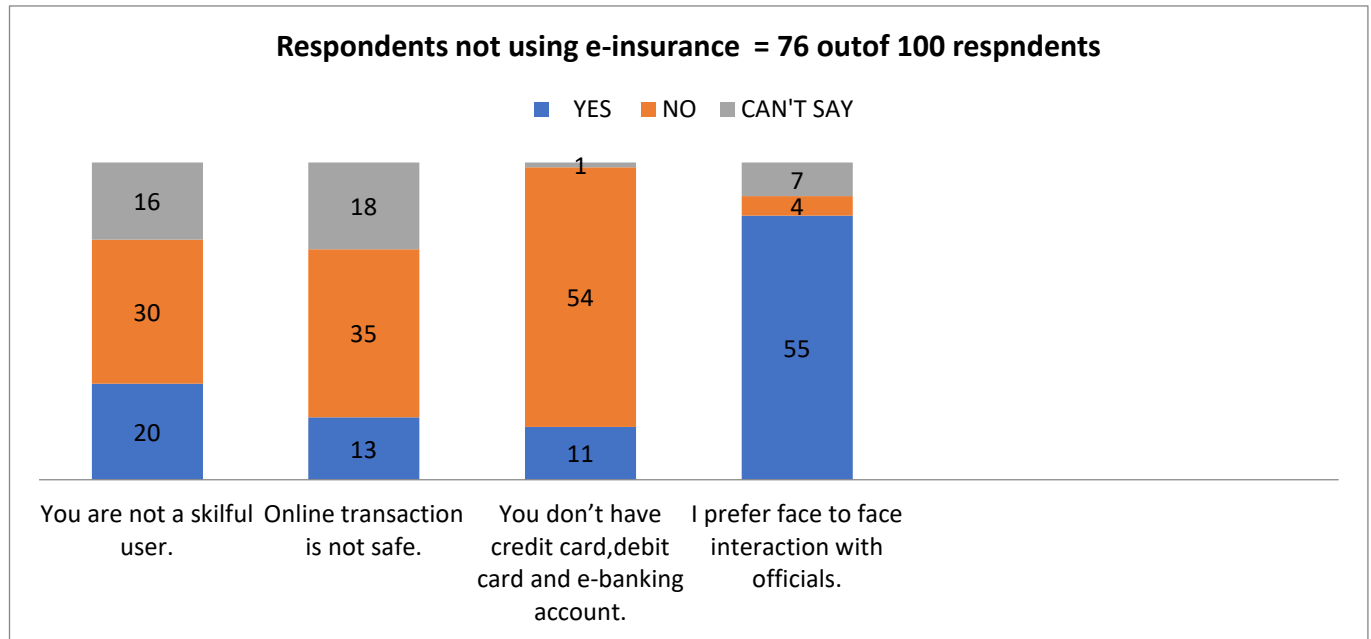


- Interpretation of data related to those respondents who are not using online facilities of a LIC of India.(Table 3)

STATEMENTS	Yes (No.of respondents)	No (No.of respondents)	Can't Say (No.of respondents)
1.You are not a skilful user.	20	30	16
2.Online transaction is not safe.	13	35	18
3.You don't have credit card,debit card and e-banking account.	11	54	1
4.I prefer face to face interaction with officials.	55	4	7

NOTE: Total No. of respondents not using online facilities of LIC are 66.

With the help of Table 3, it can be said that majority of the respondents are still not very use to of e-insurance portal in case of LIC. **Out of 100 respondents, 66 % of the respondents are not using e insurance** account for the purpose of transactions related to insurance. It can be easily depicted that out of 66 respondents not using online portals, **55 respondents prefer face to face interaction with the officials of LIC.** (Graph 3)



V. CONCLUSIONS AND SUGGESTIONS

- With the help of above study, it can be concluded that although majority of the selected population is having one or more LIC policies but there are still some sections of society who are not aware of any type of insurance and its proceedings. Government of India is working at a faster pace to solve this issue of lack of insurance cover with the help of Pradhan Manti Vyay Vandana Yojana (PMVVY), PM Jan Aarogya Yojana, PM Jeevan Jyoti Yojana etc.
- **A large number of respondents are still not using digital platform for the purpose of insurance because in India, inspite of introduction of Digital India flagship of Government, digital penetration in insurance industry is very low and not upto the mark.**
- There are various difficulties which are faced by the individuals while using online platform of insurance or any other sector. **Lack of internet literacy and connectivity, and consumer preference related to the advantages of using online portal is very low. These are the major points obstructing the path of digitalization in insurance sector.**
- Government should take major steps in order to inculcate more digital literacy, risk free access to e-insurance portal, strict and proper laws of cyber etc must also be there to ensure safety and security of online payments.
- According to various reports and findings it is clear that insurance market is going to take a rise with the introduction of online insurance services. Therefore, proper planning and processing must be done to ensured by LIC for safe and easy access of e-insurance in India.

VI. REFERENCES

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