



Digital Life Insurance- A Post Covid Agenda

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ABSTRACT

Covid19 outbreak has not spared any sector. The entire Service sector was majorly impacted by this deadly virus. But Life Insurance was one of the sectors which benefited in this period. Digital services are the need of the time. Technology has become the backbone of every service industry and Insurance enhanced their services in the post covid era. Though the Insurance Industry was one of the quickest to adopt technology in the services but left itself behind with its updating. Insurance provides not just security but also encourages savings and provides long term funds with overall economic growth. This paper focuses on the extensive literature review of digital trends in the life insurance sectors and the hinderance faced by the life Insurance sector in digital adoption post covid. The results of the study showed the need of digital insurance in the rural areas as well as its importance in the untapped areas as Insurance penetration is not at its peak yet despite of all the years in this business. The study also shows various hurdles faced by the life insurance industry in the digital adoption with various suggestions to coop-up with the current tech era.

Introduction

Digital technology plays a vital role in the overall economic growth. It helps the economy to create new opportunities for the youngsters, best utilize the resources and cut down the overall cost. Every Industry is spending money on digitization all over the globe same is with India. The Insurance industry is also not

lagging much behind. The pace of Digital Insurance in India is also growing at a great speed. The Information technology integration in Insurance sector has shown robust and rapid growth. Technological advancement is not of the immediate nature in the country. It started early at the 21st century only but that was limited towards all the official and administrative work only, but in the current period it has shown a tremendous

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growth. Insurance, in today's world, is a need of all human beings. All the private and Public sector insurance players are coming up with new techno friendly services every quarter. HDFC life Insurance, ICICI prudential Life Insurance, SBI Life, Max Life Insurance, Bajaj Allianz Life are some of the biggest private Life Insurance players in India according to their market share. All these companies have come up with one or the other new technological trend. IRDA in the year 2021 post covid issued a Circular with the guidelines to introduce Digilocker, an initiative by Government of India under Digital India Program 2015, wherein, The Customers and citizens can get their physical certificates transformed into digital form with digilocker. The Digilocker will help the industry in n number of ways by reducing the overall cost, fastening the pace of transaction period, eliminating the customer complaint by delivering the digital copies of their policies. All the life insurance companies whether private or public are taking their efforts to digitally transform their way of working, even IRDA has instructed insurers to use voicebots, chatbots for the regular transactions because today's tech savvy customers look for digital tools and want to do everything at their own and want to have full access of the websites for their regular updates. An organized and developed Insurance Sector is of utmost importance for every modern economy. It provides security as well encourage the saving habit, generate long terms and help in overall economic growth. The digital Insurance sector post the covid 19 era grew tremendously. Digital Insurance was a need of time. According to a report by Sandhya Keelery, a researcher at Statista, India is the second World's largest Internet user country and 81% people use internet through their mobile phones. This clearly shows that people want to take over their work at their own and want to perform all the activities at their comfort. Due to Covid19 there was huge decline in Physical life insurance as everything around was shut and people didn't prefer using physical contact hence wanted digital help. With the outbreak of covid19 and it's effects people became more conscious about their loved ones and themselves, hence were trying the level best to take the life insurance policies at this stage. Due to the Covid19, India's GDP contracted by 23.9 percent in the first quarter of 2020-21 where as 7.5% contraction in second quarter. NSO in his report also predicted a contraction of real GDP by 7.7% in

2020-21 as compared to the growth of 4.2% in 2019-20. But the Insurance penetration in India has increased to 3.76% in India in comparison to 2.71% in 2001 out of this life Insurance penetration is 2.82% which is less in comparison to other Asian countries but good if comparing with its own past records. One of the reasons for speedy high penetration and density of Life Insurance is also the digital transformation of Insurance sector. Digital Insurance has come up with a great opportunity for India. Rural reach of particularly Life Insurance is very less but Digital Insurance can reach everywhere even to the people who live in rural areas. Covid19 has had a positive impact specifically on Life and health Insurance, because people are preferring life over automobile or any other kind of insurance.

Life Insurance

The term life insurance refers to a contract between the policy holder and insurer. The policy holders pays a sum in exchange of the insurer's promise to pay at the death of the insured. Life Insurance Contracts are not of recent origin, they are as old as human Mankind is but it's penetration in India is very low. Life Insurance is very much needed in countries like India. Because in the underdeveloped and developing countries, usually there is only one person earning for the whole family and the complete family is dependent upon the same. After the earning member's death the burden comes on the remaining people who actually have lost their source of income, so they need security.

Life Insurance Sector in India

Life Insurance in India is more than 10 decades old. Life Insurance in India was incepted in the year 1818 with oriental Life Insurance in Calcutta. The company failed and closed its operations in the year 1834. In 1870, British Insurance Act was passed with which Bombay Mutual, Oriental and Empire of India in 1871, 1874, and 1897 respectively came into existence. Because of all the hustle and bustle, the governing authority passed an ordinance on 19th January 1956 regarding nationalization of Life insurance sector and then Life Insurance Corporation came into existence. LIC was the only sector operating and had monopoly till private players

came into existence in the year 2000. Currently there are 24 Life Insurance companies out of which 23 are private and rest 1 is public. The Life Insurance penetration in India is very low in comparison to other countries.

Need of Life Insurance

Life Insurance has become a useful appliance for a number of areas including:

- To fulfill temporary needs/ threats- The main purpose of life insurance will always be providing for renewal of income on death. The purpose is to curb the loss occurred due to the death, typically to provide financial help to the dependent members of the Insured's family.
- Source of regular savings- Life insurance is an excellent source of saving for the insured and his dependent family members. With Life Insurance people find monetary independence for their family.
- Source of Investment-Life Insurance is a source of developmental saving, which protects the saving from the inflation. Unlike daily saving products, Life Insurance products are constantly lump sum investment products, where the insured makes a quondam payment.
- At the time of Retirement- Life Insurance acts as a leap of hope at the time of retirement, because monetary savings become increasingly crucial at that point of time. Therefore, a good and sound insurance policy can be helpful for the old age living expenses.
- Risk minimization- The loss of a person's life cannot be compensated with anything in the world but fiscal help at the tough times can relieve the earning member's family's financial tension pain.
- Social security- Life Insurance also gives a social security to the insured, As the Insured can withdraw or surrender the Life policy before the period at a particular cost to meet his other important financial needs like children's education, marriage etc.
- Dispersion of risk- The insured can divide funds according to his choice of risk and return, as he chooses the policy according to his terms and conditions. Therefore the risk and return can be managed wisely.
- Profitable opportunity- One can choose the policy on the basis of his current quantum of age. The rates of premium go up with the increasing age of

the insured. Therefore, one can benefit more for the same premium at a young age than at an elder age.

- Tax Savings- with multiple benefits, the insured also get tax relief. Insurance gives guaranteed return, covers life risk with tax relief. Generally insured take into account the tax benefit under Section 80C.

ICT in Life Insurance

According to UNDP, "Information and Communication Technologies are basically Information handling tools such as varied set of goods, applications and services that are used to produce, store, process, distribute and exchange information".

ICTs is not only about the sensors, cameras, computers etc. it is way more than that. It is related to all the activities which can help people deal digitally with the company and also give company a competitive advantage and upper edge over others.

Benefits of ICT in Life Insurance

- Better Reach- The biggest advantage of ICT is its reach. With the help of digital tools, Life Insurance sector can reach to its customers in a more better manner as it is not possible for the organization to open its branch in every smallest village, but with the help of digitization, it can surely reach to its customers.
- Less paperwork- ICT involves no paper work as everything is online and can be done digitally which is great advantage as it cuts down the cost as well as good for the economy.
- Better record management- Maintaining records physically is tougher than maintaining it online, as physical records are not really durable and doesn't last much longer even if kept with the care whereas digitally documents do remain intact.
- Increased Efficiency and Productivity- With the right use of Information and communication Technology, the operational efficiency and productivity of the Life insurance Companies can be enhanced. The Life Insurance Companies spend so much on the Technology which has direct link with increased profitability as well.

- Enhanced customer engagements- Life Insurance companies are using Artificial Intelligence, Robotics to engage with the customers in better manner and provide them with hassle free work.
- Transform the products and services- Information and Communication technology has ability to transform the product and make it more attractive and presentable. It enhances the customers experience or in other words improves the service quality of the Insurance Companies.
- Transparent and reduced cost- Though the life Insurance Companies are spending much on Information Technology but that in return is saving the organization's overall cost. With the Information and communication technology the recording of the expenses has become easier as well because of the transparency.
- Resilience to digital disruption- According to IBEE, "Insurance sector is growing at a rapid speed. There is high penetration rate for digital platform with an average 90% of using digital platform at least once a week".

The Insurance business is a personalized business and it doesn't offer the same product to all. The product given to customers depends upon their needs demands, salary status and multiple more things. The industry has been slow in the adoption of technology. But still many Insurance companies have started transforming their Company into fully digitalized. According to the IRDA, with the outbreak of Covid19 the growth of Insurance Industry has taken a step which was earlier expected to proceed at a faster pace. The digitization has been used not only for selling the products but used in multiple sections of insurance like claim settlement, premium paying, online purchase, agents hiring, premium calculator, Policy tracking.

Review of Literature

- (Islam et al. 2021) aimed to explore about the adverse selection behavior of policy holders in the life insurance industries. The researchers examined the adverse activities of policy holders to gain the benefits leading to huge loss to insurance company. The authors used noval association rule learning approach ARLAS by creating a synthetic adverse selection data

set by randomly considering 10% of records into test sets comprised of 318 data records taken from most popular insurance company of Australia in the form of questionnaire and demographics. The research results mentioned that with statistical data behavior study is extremely important to reduce the AB of the policy holders. A Comparison of Insurance data showed that the proposed approach showed a considerable gain in the approach.

- (Harris, Yelowitz, and Courtemanche 2021) examined about the changes done by life insurance companies in the pricing and offerings in response to covid 19 based completely on monthly term life insurance policy data. The authors examined the change in the mortality rate based on age and health post covid 19. The results of the study indicated that life insurance did not change its price and offerings after covid 19.
- (Shevchuk, Kondrat, and Stanienda 2020) in their descriptive study stated about the impact of covid 19 on the global insurance markets and gave insights into implementing digital measures and technologies for insurers on the basis of covid changes to exploit the changing market. The author stated that with increase in the communication channels, insurers can profit from the data access and can invest new analytical tool to make the insurance process smooth.
- (Segodi and Sibindi 2022) in their exploratory research studied about the variables influencing the life insurance demand in BRICS country (Brazil, Russia, India, China, and South Africa). The authors mentioned financial regulation factors impact on life insurance demand. Panel econometric technique was applied on the data taken from BRICS between the period of 1999 to 2020. The results indicated the negative impact of unemployment, income, and interest rates. But there is a positive impact of financial freedom.
- (Eling, Nuessle, and Staubli 2022) we analyse the impact of artificial intelligence on the insurance sector using Porter's (1985) in their descriptive study analyzed about the impact of artificial intelligence on the insurance using Berliner and porter's criteria of insurability and value chain respectively. The results came out with the directions that cost efficiencies and new revenue streams can be real-

ized the results also indicated two possible developments with artificial intelligence first, AI may help in more accurate prediction of loss probability second, AI may transform high frequency risks to low frequency risks because of more mutual interconnectedness between the parties which negatively effect the insurability.

- (Akinlo 2021) analyzed about the impact of information technology by considering 3 factors fixed telephone, mobile phone and internet on the insurance development in sub-Saharan Africa. The data was collected from 40 sub-Saharan African countries between the period of 2000- 2017. The results showed positive impact between information technology and non-life insurance development but negative impact between life insurance and total insurance.
- (Carannante et al. 2022) Authors in their research mentioned about the Life insurance profitability dependence on reliable mortality risk projections and pricing. The authors investigated about the long-run impact of COVID-19 on life insurance profitability by following the time discrete approach. For the numeric application the author considered 4 different factors such as demographic, financial, cashflow and profitability factor by considering different models for each. The results indicated that pandemic phenomenon doesn't have a materialistic impact on the profitability of annuity contracts as it just had an instant impact since in a pandemic event. As per the analysis there is a great increase in mortality but only in the first few years of the Therefore, for the medium and long durations contracts, the effect with an accidental nature leads to non-material increases in profitability with respect to the same contracts without COVID-19 effects with the same contract conditions.

Digital services in Life Insurance sector

The outbreak of covid19 has drastically impacted the economy. Many people had to shut down their businesses, many lost their jobs got huge losses due to the lockdown in the pandemic. Business who were digitally advanced were the only ones to survive the post covid effects. Life Insurance sector also somehow

benefited from the pandemic as they majorly used digital tools in the pandemic to reach their customers.

The digital tools used by the Life Insurance companies to reach its customers include:

- **Online Plans-** The Life Insurance companies offer wide variety of Plans for its customers. They have capacity to deal with their customer online. They customize the plans as per their customer's requirement which they get to know through the chat boats and other contact services.
- **Online Premium-**Life Insurance companies gives an option of online premium even though the clients has taken physical plans prior, customer still can avail the option of paying premium online. The online premium payment service has been used by the customers majorly with the Covid19 outbreak because of the regulations of avoidance of physical meetings.
- **Online Claim settlement-** The process of claim settlement is tricky and time consuming. But with the launch of digital modes, it became very feasible for the customers and can be done expeditiously. The customers are available with the opportunity to check their claim settlement procedure and even do the same online only.
- **Customer Service-** Insurance is a kind of business which needs to give personal attention to all its clientele due to the offering of personalized products. The Insurance companies use WhatsApp, Email service, telephonic service, various chatbots and in fact voicebots to connect with its customers.
- **Policy Tracking-** The customers of Life Insurance can also use policy tracking services provided by Life Insurance companies. Where they can track their policies status. This service can be used by all the customers whether holding physical or online Plan.
- **Premium Calculator-** The customers can not only pay premium online but also can get to know about the calculated amount of premium by just giving a missed call or dropping a text message on the given numbers on the company's website.

Trends in Life Insurance Sector

Digital technology has become the most essential part these days, Insurance companies are increasingly

using digitalization processes in insurance industry. A number of digitalized processes like Common Service Centres, Web Aggregators, Point of Sale persons and have come into existence to expand the reach of insurance delivery mechanisms and change the way of operation of Insurance sectors.

- **Mobile Applications:** Life Insurance companies have been using mobile application from Long back but post covid they are coming with different applications for its different functions and operations. Some of the newly launched applications are LICPragti app, Jeevan sakshya app, LICPratidhiti App, Umang App.
- **Web Aggregator-** The Concept of Web Aggregator was launched in India in The year 2014-2015 by IRDA. There are multiple web Aggregators. The main task of the web aggregators is to compare the insurance policies provided by various organizations. With the launch of web aggregators, people have become more aware and can choose their policies wisely.
- **we-** LIC has recently started offering the facility to the policy holders as per the IRDA guidelines, where the policy holders can view and download the digital image of their document from the Digi Locker App, which ultimately eliminates the need of carrying physical documents
- **Chatbots-** Chatbots are basically artificial intelligence software used by almost online Insurance companies these days to assist their customers and to answer their queries. These chatbots can basically simulate a conversation with the customer in the preferred language. HDFC Life, ICICI Prudential Life, Max Life, LIC India are some of the big organization which uses chatbots to deal with the clients and to give them personalized attention and product.
- **Voicebots-** Voicebots are also artificial intelligence software used by few Insurance Companies for the assistance of their customers and to answer their queries. These can be used by the people who are not enough literate to type in their concern. Voicebots give their customers an option to speak and they get a respond for the same as AI tries to understand their concern.
- **DigiZone:** DigiZone is a Kiosk Center which offers life Insurance Products and Services through Kiosk installed in their premises. Digi Zone majorly can be

used by the clients to purchase policies online, online premium payment and avail of other basic services.

Conclusion

Digitization has proved its importance and value multiple times in different service industries. It is definitely the backbone of every industry especially post Covid times. A fully digitalized sector can help the nation in multiple ways especially to increase the rural reach and develop the rural areas. According to multiple analysts Digital India- A campaign started by Government of India in 2019 will help the nation to increase its GDP by more than \$ 1 trillion by 2025.

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