

## Impact of Information Technology in the Service Delivery of Indian Insurance Sector



### Management

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**R. Meikanda Ganesh Kumar**

Associate Professor, Department of Management Studies, Syed Ammal Engineering College, Ramanathapuram – 623 502

**Dr. P. Anbuoli**

Visiting Faculty (Full Time), Department of Management Studies, Anna University, Regional Centre Madurai, Madurai.

### ABSTRACT

*The Insurance industry is facing the most significant economic and competitive challenges in its history. The ever-growing demand for better insurance products and the growing consumer movement has put forth a lot of challenges for this sector. To succeed in this rapidly evolving business climate, insurance companies are compelled to investigate ways by which they can improve bottom-line operational efficiency and still meet and exceed the expectations of their customers. Because of the Information revolution, the Insurance companies are utilizing the Information technology applications for better customer service, cost reduction, new product design and development and many more. In the initial years IT was used more to execute back office functions like maintenance of accounts, reconciling broker accounts, client processing etc. At present, Insurance companies are giving customers a distinct claim id to track claims on-line, entertaining on-line enrollment, eligibility review, financial reporting, and billing and electronic fund transfer. The paper covers various aspects of the use of IT in the insurance sector- Integration Technologies and Standards, Information Security, Claim Management, Insurance Inclusion, CRM Technology etc*

### Introduction

Today's business environment is very dynamic and undergoes rapid changes as a result of technological innovation, increased awareness and demands from customers. Business organizations, especially the insurance industry of the 21st century operate in a complex and competitive environment characterized by these changing conditions and highly unpredictable economic climate. It has continued to change the way of insurance sector and their corporate relationships are organized worldwide and the variety of innovative devices available to enhance the speed and quality of service delivery. Information Technology is at the centre of this global change curve.

Because of the Information revolution, customers are free to choose from a wide range of new and innovative products. The Insurance companies are utilizing the Information technology applications for better customer service, cost reduction, new product design and development and many more. New technology gives the policyholders / insured better, wider and faster access to products and services. The impact of Information Technology in Insurance business is being felt at an accelerating pace.

At present, Insurance companies are giving customers a distinct claim id to track claims on-line, entertaining on-line enrollment, eligibility review, financial reporting, and billing and electronic fund transfer. This study evaluates the response of insurance sectors in India to this new trend and examines the extent to which they have adopted innovative technologies in their operations and the resultant effects.

### Indian Insurance Sectors and Its Information Technology Needs

The insurance sector in India is nearly 150 years old. It is now in the third phase of its existence. The first phase was the long-growth phase before the two nationalizations in 1956 and 1971 of life and general insurance respectively. At that point of time, there were more than 200 life insurance companies and 108 general insurance companies. They were all private sector insurers with the exception of one state-owned general insurer. Several overseas insurers were operating

in India through branches. In the second phase, the entire sector became a state monopoly. In the third phase, we now have several new private sector players competing with the large public sector insurers.

There is an evolutionary change in the technology that has revolutionized the entire insurance sector. Insurance industry is a

data-rich industry, and thus, there is a need to use the data for trend analysis and personalization. With increased competition among insurers, service has become a key issue. Moreover, customers are getting increasingly sophisticated and tech-savvy. People today don't want to accept the current value propositions, they want personalized interactions and they look for more and more features and add ones and better service.

The insurance companies today must meet the need of the hour for more and more personalized approach for handling the customer. Today managing the customer intelligently is very critical for the insurer especially in the very competitive environment. Companies need to apply different set of rules and treatment strategies to different customer segments. However, to personalize interactions, insurers are required to capture customer information in an integrated system.

With the explosion of Website and greater access to direct product or policy information, there is a need to developing better techniques to give customers a truly personalized experience. Personalization helps organizations to reach their customers with more impact and to generate new revenue through cross selling and up selling activities. To ensure that the customers are receiving personalized information, many organizations are incorporating knowledge database-repositories of content that typically include a search engine and lets the customers locate the all document and information related to their queries of request for services. Customers can hereby use the knowledge database to manage their products or the company information and invoices, claim records, and histories of the service inquiry. These products also may be able to learn from the customer's previous knowledge database and to use their information when determining the relevance to the customers search request.

### Sequential effect of information technology in insurance sector's process

#### Client Data

Insurance carriers maintain accurate and updated client data records. Information technology must be both secure and comprehensive enough to store multiple names, addresses, telephone numbers, email addresses and other pertinent details.

#### Policy Details

For those insurance companies providing policies across multiple lines of insurance, information technology requirements become even more complex. Details of each insurance policy, ranging from life, home, auto, boat, liability and business products, need to be accurately recorded and merged with client data.

### Claims Management

Investigating, paying and recording claims data is crucial to any insurance company's financial stability. Information technology plays a vital role in allowing carriers to record claims details and share data with police, other carriers, attorneys and beneficiaries. Advanced computer software ensures important information remains accessible and updated.

### Beneficiaries

Life insurance companies utilize database technology to record policy owners' beneficiary designations. Aside from the personal details of the insured individuals, beneficiary names, addresses, telephone numbers and death benefit portions are of monumental importance.

### Payment Information

Perhaps the most essential area requiring accurate and efficient information technology is an insurance company's client payment details. Above all else, billing and invoicing systems generate the necessary revenue to keep the company in business. Cash flow remains vital to daily operations and without superior information technology and processing systems, the carrier's financial stability is at risk.

### Actuarial Analysis

Insurers base their rates on actuarial models that seek to determine what risks are more or less likely to experience a loss. Insurance companies are using technology to analyze years of claims and policyholder data searching for correlations between risk characteristics and claims. Technology has allowed actuaries to analyze risk at a much more precise level of granularity.

### Policy Administration

Most insurance policies are still printed and delivered to policyholders by mail each year. The process of creating these documents used to be accomplished by armies of clerks, technicians and typists. In most cases, this repetitive task has been completely re-imagined using technology. Customer data is maintained in massive databases, where it is accessed by computer systems that automate the renewal of each policy. Policies are assembled using complex software packages and printed using advanced high-speed printers.

### Automated Underwriting and Rating

Every insurance policy undergoes an underwriting process that determines if the insurance company is willing to provide insurance. If the risk is acceptable, it is then rated, to determine the price the company will charge. Once the purview of highly trained underwriters and rating technicians, this process is now automated, with only the most unusual risks requiring personal attention.

### Type of technologies in insurance sector

#### Web Services and SOA Tools

Rather than simply using application integration and middleware, more life insurers are developing service-oriented architecture (SOA) strategies and using a combination of Web services and SOA tools to expose business attributes and processes, to use tools like enterprise service buses, and to execute standardized services across the company. Improved interoperability across product lines and business applications will help companies to be more flexible and agile, enabling them to better respond to changing market conditions.

#### Business Intelligence and Analytics

Innovative and visionary life insurers are increasingly adding more business intelligence (BI) and analytics capabilities to gain heightened intelligence into operational, customer and underwriting trends, as well as improve their regulatory reporting capabilities. Having more-powerful analysis capabilities will aid life insurers in risk avoidance, improved underwriting profitability, better customer intelligence (including customer segmentation, life stage analysis and profitability metrics), and more-accurate marketing and campaign management.

### BPM Solutions

Life insurers have been using tools to help manage business processes for several years, but projects traditionally have focused on workflow without leveraging the complete capabilities in these systems. Today, companies are focused on the improved automation of tasks, such as underwriting, full case management to support end-to-end tasks, employee productivity tools, and process metrics. Business process management (BPM) holds promise for insurance, because it enables companies to model, analyze and test business processes independent of core systems. Process problems can be easily identified, and companies can manage process variety (offering various processes for a single task for different user groups).

### Sales and Customer Service CRM Solutions

Customer relationship management (CRM) has been a growing priority among life insurers during the past 10 years. However, unlike the early days when suites were the primary solution option, insurers are now opting for targeted solutions to support vertical processes unique to managing field sales, agent and broker management, and customer service via the call center. By employing CRM, life insurers can improve the relationships with their sales network, enhance sales efficiency and improve customer experiences. Empowering the channels with more customer information (including customer analytics and a whole view of the relationship with the customer) and tools to assist in the sales process, insurers can drive more profitability in sales and customer service processes.

### New Business and Sales Automation

To improve sales transactions, insurers will also need to focus on the transaction itself. Ensuring fast and efficient policy issuance processes will aid life insurers in closing the sale quicker — which will mean faster revenue recognition, faster payment of commissions to distributors and less time for prospects to search for other options. STP will require a combination of process automation, process streamlining, and new technologies to support tasks such as illustration, electronic applications and electronic signatures.

### Web 2.0 and Social-Networking Technology

Rather than taking an aggressive approach, most insurers are more passive and are monitoring Web activity, rather than building content. Life insurers should improve their understanding of how social networking will have an impact on their business in the long term, including as a customer complaint channel, for competitive intelligence, as a marketing channel and to interact in a community setting with distributors. Social networking may possibly have a disruptive impact on the industry as it increasingly becomes a trusted source of advice among consumers.

### Product Development and Configuration Solutions

One of the top business priorities among life insurers is improving speed to market for new products, with growing interest in improving product quality, including pricing accuracy and better fit to customer needs. To do this, companies need to adopt strategies, such as product life cycle management, and enable tools that will enable easier access to the rules and content of the product itself. Product configurations will help drive down product development cost but, more importantly, will allow insurers to get products to market faster than their peers that continue to rely on legacy systems.

### Customer Information Management Solutions

Customer information management is critical to understand the breadth of relationships with customers, the value of customers, and customer needs and preferences. It is imperative that insurers aggregate their customer information to fulfill these projects and drive tighter relationships with customers. Without having this, insurers are crippled, not being able to make accurate decisions on how to treat customers, ensure customer value, improve marketing and sales effectiveness, ensure positive customer experiences, and protect their customer base from churn. Customer intelligence must be in place, and will be a strategic asset for companies that complete customer data integration and apply customer analytics to their customer data.

### Portal and Internet Technologies

As consumers increasingly use the Internet for communication and interaction, life insurers have had to take a more aggressive approach to e-business. Starting with their agents/brokers, insurers have launched portals dating back to the 1990s, and have made basic websites where consumers can find more information on products, or locate offices or phone numbers for contact. Using Internet sites as an interaction and transaction tool will help companies reduce transaction costs, improve the user's experience and satisfaction, and reduce call center volume. This will result in cost savings, attract online shoppers wanting to buy new products and help prevent customer turnover.

### Mobile Devices/Technologies

Mobile devices have become commonplace in the consumer lifestyle. Using these devices to communicate and interact with employees, agents/brokers and customers will increasingly become a key imperative in the life insurance business. Internal users and agents/brokers will have the highest demand and the most applicability. Using mobile devices to get customer information, real-time alerts, performance dashboards and access to transactional systems will be expected in the next five years. Sales and service tools (including access to sales force automation [SFA] solutions, new business and illustration applications, and billing systems) will need to be enabled through handheld and mobile devices.

### Critical Success Factors in the implementation of Technology

#### 1. Involve end-users

The end-users need to be involved in the entire technological project. Understanding the needs of all end-users will ensure the best results possible.

#### 2. Obtain high-level business sponsorship

It is critical to have support (financial and non financial) from the business side of the organization during development and implementation. If their money is at stake, they will surely keep the project a priority and stress the usage of the system to their staff.

#### 3. Develop a clear project plan and scope

Think globally, act locally. Model the enterprise and implement it in manageable chunks. Technical system development is a journey, not a destination. Implement tested components as the system is built. Establish parameters, milestones, and deliverables up front to prevent misunderstandings regarding the project.

#### 4. Obtain knowledgeable staff

Employing highly knowledgeable staff, whether from inside the organization or external vendors or consultants, will ensure a well-executed implementation.

#### 5. Insurance-specific data model

A strategically aligned, insurance specific data model will guarantee that technical system meets current and long-term needs.

#### 6. Buy IT tools that best match the user's needs

As stated before, different users need different technical tools. Keep

user requirements in mind when choosing the front-end tools.

### 7. Training

Educate the end-users on the available information and use of the tools so they can extract strategic value from the system.

### 8. Promote the IT system

It is as important to market the technical system as it is to market your products. Show the end-users the type of results that can be derived from the system. Communicate stories of better results faster than ever before. Offer incentives for those who effectively use the system to resolve a problem or find a new business opportunity.

### Emerging Challenges to enhance Technology in insurance sector

1. The major challenge staring at Insurance sectors in India relates to the need to introduce innovative, customer friendly products and services for which newer technologies have to be brought in multiple areas to reduce the overall transaction costs.
2. Traditionally, efforts in technology driven IT implementation has targeted the metros or big urban customers. The time has now come to make the benefits of IT penetrate to the rural population as well. There may be also a need to provide for multi-lingual facilities, which is a migration from the existing English-only paradigm, in a manner akin to some of the other countries like China, Korea and Japan.
3. If these benefits have to accrue, it will be necessary to have adequate infrastructural facilities. Efficient and effective communication networks hold the key to success in attaining the desired results of network based IT usage for transaction processing systems of insurance sectors.
4. The need to train and retrain staff on a continuous basis given the fast paced changes in the technical sector.

### Conclusion

The insurance sector will grow steadily rather than rapidly. The law and regulations in place are adequate to ensure financial strength and solvency of insurers. Because of the Information revolution, customers are free to choose from a wide range of new and innovative products. Collaborate, look to all your partners, peers and competitors to, at the very least, learn from them and, at best, work with them on achieving something new or learn how to approach opportunities from a different perspective. The real evolution is however emerged out of Internet boom. The Internet has provided brand new distribution channels to the Insurers. The technology has enabled the Insurer to innovate new products, provide better customer service and deeper and wider insurance coverage to them. At present, Insurance companies are giving customers a distinct claim id to track claims on-line, entertaining on-line enrollment, eligibility review, financial reporting, and billing and electronic fund transfer to its benefit plan customers. It is estimated that India (and China) would create ample opportunities for the development of insurance backed by regulations in line with international best practices. There is no doubt that, in a decade, Indian insurance market will be among the front-runners in the world.

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