

**Role of Information Technology in
Enhancing Customer Reach in
IDBI Federal Life Insurance Company Ltd.**

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Comments by the Faculty

Broadly the study has made an attempt to examine the impact of Information Technology on the growth of IDBI Federal Life Insurance Company Ltd. To understand the importance of the emerging technologies and its application in the insurance sector, a market survey was conducted. The major findings of the survey are based on the information gathered from 100 prospective clients.

Empirical evidence reveals that about two-third of the total respondents rely on internet to find the information about the insurance products offered by the said organization. In other words, their dependence on insurance agents in choosing the right insurance policy has come down over the years. Almost 70 per cent of the total respondents have shown keen interest in paying the premium online. It is also observed that around 50 per cent of the total prospective clients prefer to 'shop online' and 'buy online' while the remaining 50 per cent prefer to 'shop online' but 'buy offline'. The latter group prefers to buy the product through the agent as they can rely on the agent. The agents are supposed to assist them in paying the premium and settling the claim. Overall, the findings of the study suggest that the organisation needs to understand the changing customer needs and accordingly use the available technology to satisfy their needs.

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Introduction

The insurance sector is growing at a faster rate in the recent years. Rise in middle class population, growing disposable income of the people and rising health awareness among the people have contributed to the growth of this sector. In this aspect, Information technology has been providing a wide range of benefits to all the business sectors. It has become hugely beneficial to the Insurance sector also. The key area in which it has provided major improvements and benefits is the customer support. Insurance sector is perhaps the best example of an “information-based” sector, because of its activities consisting of gathering, processing and distributing information. (Yates, 1992). To drive growth and profitability of the company, efforts are required to interact with the customers and retain them. Information technology is driving changes in the functions of the insurance companies with its innovations. The companies that fail to keep up with the latest technologies have the risk of falling behind in competition by relinquishing their leadership positions (Hagen, 2011).

Making no mistake, the insurance sector is at a pivot point as further success is likely to rest on today’s technology strategies and decisions. With the increased competition among the insurers, the quality of the service offered has become a key issue. Customers are looking for more and more features that add to better service. So, any insurance company today must meet the need of the hour with more and more sophisticated approaches while handling the customers. Today, managing the customer intelligently is very essential for the insurer, especially in this highly competitive environment. In this context, the role of information technology cannot be undermined.

This project aims at studying the importance of information technology in IDBI Federal life Insurance Company limited. It also identifies the new developments in Information technology that can be applied to this company. Also, it analyses whether the company can gain any strategic advantage through e-insurance. It also aims at understanding how customer’s attitudes and behaviours are changing over time. This paper is divided into four sections. Section I deals with the Company profile and the role of Information Technology in the insurance sector. In Section II, the

objectives and Research Methodology of the project are stated. Section III deals with the major findings, followed by recommendations and concluding remarks in section IV.

I Company Profile

IDBI Federal Life Insurance Co Ltd is a joint venture of IDBI Bank, India's premier development Bank and commercial Bank; Federal Bank, one of the India's largest leading private sector banks and Ageas, a multinational insurance giant based out of Europe. In this venture, IDBI bank owns 48% share while Federal Bank and Ageas own 26% share each. The company was started in March 2008. Within five months of its inception, it has become one of the fastest growing Insurance companies in India to garner Rs. 100 crores in premiums. As on 31st March 2012, the company has issued over 3.76 Lakh policies with over 21,578 Cr in sum assured (IDBI, 2011-12).

Role of Information Technology in the Insurance Sector

Insurance companies are making significant investments in information technology to align business strategies, to enable innovative functional operations and provide extended enterprise networks. Information technology has been adopted by these companies to foster changes in managing customer relationships and to enhance their competitive capabilities. As many innovation activities involve adding new services, expanding existing ones and/or improving the service delivery process, the success of an organization hinges on how well it implements its service innovation to create new markets (Celent, 2012).

Information technology can deliver the following benefits to the insurance sector:

1. Increased revenues over the years
2. Improved decision support
3. Increased profitability
4. Increased efficiencies at least by 20% at lowered costs

Global information technology spending by insurance companies is expected to reach US\$140.6 billion in 2012, an increase of 6.3% over 2011. According to a research reports by Netscribes, ICT spending by insurers in India is anticipated to grow from the last year's Rs 76.17 bn with a CAGR of around 14% through 2015 (Netscribes, 2010).

II Objectives of the Study

The primary objectives of the research project are as follows:

1. To study the role of Information Technology in various business processes at IDBI Federal.
2. To identify the importance of Information Technology in improving the quality of customer service.
3. To identify the new developments in Information technology that can be applied to IDBI Federal.
4. To analyse whether IDBI Federal can gain strategic advantage through E-Insurance.
5. To examine the scope for customer adaptability, readiness and expectations while using the online services provided by the Insurance companies.

Database & Research Methodology

In this project, primary data are collected from the sample of 100 customers and prospective clients through questionnaire. 'Random Sampling' is the technique used to interview the Business men, Working professionals, Retired employees and Graduates who are considered to be the prospective clients.

III Major Findings

It is often argued that Insurance Companies have been slow in embracing latest technologies. However this situation is slowly changing. The current business environment is very challenging. To gain the competitive advantage and to sustain growth in the long run, the insurance sector is expected to embrace change.

The basic purpose of insurance technologies is to reduce the paperwork of proposals and policies, and address the customer services effectively in a shorter time span than any other traditional methods. Information technology in the insurance sector has made it easier for the customers too. Online availability of the insurance agencies allows the clients in dealing with application procedures, signing proposals and policies as well as in receiving quotes without even visiting the insurance office in person.

The emerging technologies can be classified into the four categories (Chart 1). The technologies like Web portal, Business Rules management, Predictive Modeling, Virtualisation, Contact and Customer Management, Business Process Management are adopted already by most of the insurance companies. Some of the technologies like Product Configurators, Enterprise case Management, Geo spatial data, Advanced fraud Analysis, Social Media Marketing, Social data are being adopted by some of the companies. The technologies like Big Data, Mobile web, HTML 5, Cloud for core and Non-core systems, Predictive Modeling, Telematics are likely to be adopted in the near future.

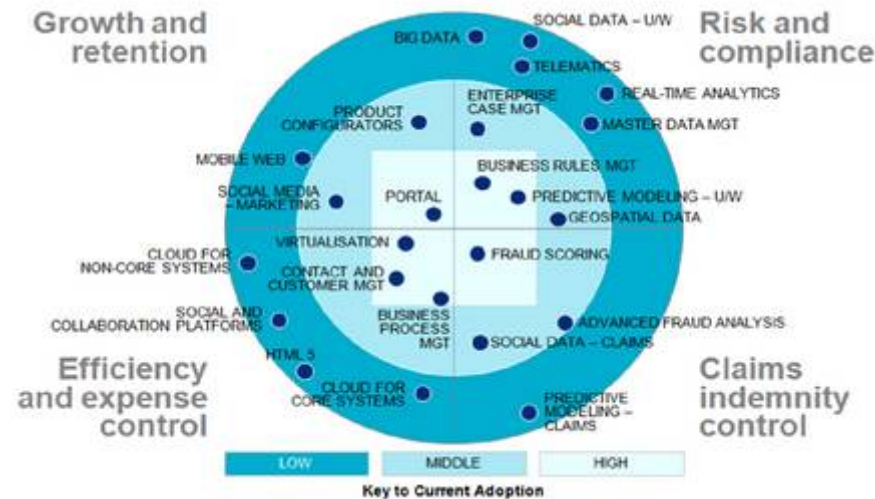


Chart 1: Creative Emerging Technologies (Craig Weber, 2011)

Various innovative technological applications allow the insurers to recognize the risks and opportunities easily. These technologies could enable the firms to generate more revenues by decreasing the time span of output and input procedures. To create and maintain better balanced and more profitable pools, insurance companies need to adopt technologies that can help them make more informed decisions.

Empirical evidence reveals that 94% of the total respondents are keen to have an insurance product. It is also noticed that 76% of the total respondents use internet to find the information about the insurance products, whereas 24% of them don't use internet. This shows that majority of the customers are using internet to get the information about insurance.

It is also found that 63% of the total respondents use internet to compare the features of different insurance products online. They use websites like policy bazaar.com, insurance club.com, policy tiger.com etc. to compare the features and prices of different insurance products. Their Purchasing decision is facilitated by the internet.

Almost 70% of the customers are ready to pay the premiums online and 51% of the customers are ready to buy insurance online. It is found that 50% of the customers prefer to “Shop Online-Buy Online”, and 50% of the customers prefer to “Shop Online-Buy Offline”. However, In spite of increased promotional activities of the company, 35% of the customers are unaware of this Organization.

IV Recommendations

- ◆ The product and service delivery models must be able to meet the customers’ changing needs and expectations because they are becoming more and more self-directed.
- ◆ The company needs to project its brand and reputation. It must increase its presence on the websites like insurancemall.com, my insurance club.com etc. As of now, the company has presence only on Poicybazaar.com.
- ◆ Social Media marketing must be initiated as it helps the company to prepare strategies in order to present effectively to the customer.
- ◆ The company needs to invest in new generation technologies to enable them to target existing customers with a propensity to buy appropriate products.
- ◆ The company must focus more on building long-term relationship with the customers by knowing what they want and accordingly design the product so as to fulfil their needs.
- ◆ By using techniques like predictive models, it could track the customers who are likely to switch over to another company and target them with what they exactly need, and thereby it could retain its existing customers in the future.
- ◆ The company needs to integrate both online as well as offline channels in a better manner to meet changing customer needs.
- ◆ Customers expect price discounts for more than one product. Offering them these kinds of discounts will enhance the customer loyalty.
- ◆ E-security is a very serious issue. So effective measures should be constantly taken to mitigate the risks.

- ♦ The company needs to use techniques and technologies to fight against frauds in the claims. If these fraudulent claims are left unchecked and proper actions are not taken, they are likely to bring great losses to the company. So investing on these technologies that may control fraud must be initiated.
- ♦ Technology must be well utilised by the company to gain greater efficiencies in processing and managing claims. Added to this, technology can also be used to add new products and services, deal with regulations, and maintain an edge against its competitors.

Conclusion

The Indian companies in the insurance sector are stacked up against each other with cut throat competition.

And, this paper has made an attempt to examine the use and application of information technology so as to overcome the challenge. The application of Information technology in variety of its operations is strategic in the sense and it can improve the profitability of the company by improving its efficiencies in marketing, accounting, servicing, claim processing, fraud- detection etc. New opportunities must be identified and new products, services, work practices must be created with the help of innovations in information technology. By gaining strategic advantage through the benefits provided by IT, it may even become the market leader by competing with its competitors.

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