



## Role of digitalization in insurance sector

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### Abstract

The insurance industry is one of many that are undergoing change as a result of technological advancements. This paper examines the impact of digitalization on insurance and the factors affecting the same. In addition, this paper discusses various distribution channels, both established and emerging, and how digitalization has affected them in insurance product marketing. It likewise has been dissected the way that clients are currently keener on buying protection on the web, in which web aggregators' plays had an immense impact. This paper also discusses the new practices adopted by insurers to deliver greater value to their current and potential customers, as well as the entry of web aggregators into the distribution channel and their role in making the insurance sector more digital, which benefited both customers and insurers.

**Keywords:** Digitalization, factors, insurer, insurance, sector

### Introduction

1. Bohnert, A., Fritzsche, A., & Gregor, S. (2019) <sup>[1]</sup>, This study explores the need for a comprehensive digital strategy within the insurance industry. The authors argue that digital transformation is not limited to technological upgrades but extends to organizational structure, culture, and process redesign. By emphasizing a holistic approach, the paper highlights how fragmented or siloed efforts can impede digital success, thereby stressing the importance of coordinated innovation across the value chain.
2. Desyllas, P., & Sako, M. (2013) <sup>[2]</sup>, Focusing on business model innovation, this research investigates the pay-as-you-drive (PAYD) model in auto insurance. The study provides evidence that aligning premiums with driving behavior through telematics can enhance profitability and customer satisfaction. It underscores the significance of data in reshaping pricing structures and challenges traditional premium models by promoting more equitable risk assessment.
3. Eling, M., & Lehmann, M. (2018) <sup>[3]</sup>, Eling and Lehmann analyze the impact of digitalization across the insurance value chain, from product development to claims management. The paper also discusses how digital tools can broaden the range of insurable risks, particularly through real-time data collection and advanced analytics. This research contributes to understanding how digital transformation is reshaping the core functions and opportunities within insurance firms.
4. Fang, K., Jiang, Y., & Song, M. (2016) <sup>[4]</sup>, This paper presents a case study illustrating how big data analytics can be used to forecast customer profitability in the insurance sector. Through data mining and predictive modeling, insurers can enhance customer segmentation and retention, leading to more informed decision-making. The study validates the use of analytics for performance optimization and proactive customer relationship management.
5. Gatteschi, V., *et al.* (2018) <sup>[5]</sup>, Gatteschi and colleagues examine the potential of blockchain and smart contracts in transforming insurance operations. While the technology promises transparency, security, and efficiency, the study notes that current limitations in scalability and regulation must be addressed. This paper is valuable for understanding the readiness and maturity of emerging technologies in a traditionally conservative industry.
6. Gault, F. (2018) <sup>[6]</sup>, Gault critiques traditional methods of measuring innovation, especially in service-oriented sectors like insurance. The paper argues for a more inclusive approach to innovation metrics that recognize digital and non-technological forms of innovation. It is a foundational piece for policymakers and researchers interested in quantifying the impact of digital change across different sectors.
7. Huang, Y., & Meng, S. (2019) <sup>[7]</sup>, This study explores the use of telematics-based driving data for classification ratemaking in automobile insurance. By integrating driving behavior into pricing models, the research supports usage-based insurance (UBI) as a fairer and more accurate system. It provides empirical support for the transition from traditional demographic-based models to behavior-based underwriting.
8. Kumaran, M. K. (2019) <sup>[8]</sup>, Kumaran discusses the opportunities and challenges faced by customers due to the digitalization of insurance services. While digital tools offer enhanced convenience, transparency, and speed, issues such as digital illiteracy and trust deficits remain significant barriers. The study offers a customer-centric perspective, emphasizing the need for education and awareness to support digital adoption.
9. Nambisan, S., Wright, M., & Feldman, M. (2019) <sup>[9]</sup>, This conceptual paper examines the broader implications of digital transformation on innovation and entrepreneurship. It identifies key themes like platform-based business models and data-driven decision-making, which are highly relevant to the insurance sector. The study provides a theoretical framework for understanding how digital tools disrupt traditional organizational boundaries and create new value networks.
10. Naujoks, H., Müller, F., & Kotalakidis, N. (2017) <sup>[10]</sup>, An industry report from Deloitte, this work outlines the

economic potential of digital transformation in insurance. It estimates a multi-billion-dollar opportunity through enhanced automation, customer engagement, and product innovation. Though not academic, it serves as a strategic guide for stakeholders aiming to capitalize on digital opportunities in the sector.

11. Owadally, I., *et al.* (2019) <sup>[11]</sup>, The paper applies time series data mining techniques to analyze underwriting cycles in insurance. It helps insurers identify and predict cyclical trends in risk and pricing, allowing for better financial planning and strategy formulation. This study shows the increasing relevance of advanced analytics in actuarial sciences and underwriting processes.
12. Vijay, P. (2019) <sup>[12]</sup>, This conference paper highlights the impact of digital marketing on the insurance and banking sectors in India. The author emphasizes that digital platforms improve brand reach, customer interaction, and sales conversion rates. It stresses the growing importance of integrating marketing technologies to stay competitive in digitally-driven markets.
13. Spender, A., *et al.* (2019) <sup>[13]</sup>, This paper explores the implications of wearables and IoT devices in life and health insurance. These tools allow for continuous health monitoring, enabling insurers to offer personalized products and improve risk evaluation. However, the study also raises ethical concerns about data privacy, consent, and usage boundaries, highlighting the balance insurers must strike between innovation and responsibility.

The objectives of the study are to find out the various factors affecting the digitalization of insurance industry and new practices adopted by insurers to meet customer expectations.

### Factors Affecting Digital Insurance Adoption

There are various factors that affect digital insurance. Digital insurance will be adopted by customers for a variety of reasons. The convenience, investment, safety, and savings that come with the various digital insurance options are just a few of the reasons. The various factors we'll go over in greater detail below.

- **Influence of Awareness:** Although the digital transformation in insurance is crucial, insurers is unaware of the need to implement it. This is the most important aspect of insurance, and India, in comparison to other nations, has a low level of awareness of emerging technologies. India is also one of the countries with the lowest levels of development and finance.
- **Security and Trust:** The level of customer trust has a significant impact on the adoption of digital insurance services. Therefore, trust is only completing the security of digital services; however, the greater the desire of customers to adapt the digital transformation of services for their convenience, the less trust and security are available to customers, which is one of the main drawbacks of digitalization.
- **Trialability:** Because the innovation is more complicated and hard to use, customers have to work hard to use it, which discourages people from using it.

Therefore, innovation must make customers feel at ease because they will try digital technologies for a long time and then want the most recent version of digitalization.

### New Practices Adopted By Insurers to Meet Customer Expectations

The new practices have been adopted by the insurers to meet the customer expectations are:

- **Simplification:** When developing a consumer awareness strategy, insurers should take into account customer categories, census data, preferred languages, communication methods, attention spans of key customer groups, and financial literacy levels. Videos and product information, for instance, can be edited to be more understandable in local languages, but they can only be shared with permission from agents and customers to avoid inappropriate communication.
- **Customer Centricity:** In order to avoid situations like interactive voice response (IVR) loops, network communication, and viewing customer submissions, transactions, and requests, among others, insurance providers must raise the standard of their customer engagement procedures. By bonding with solidarity devices, social media communications, compatible offer suggestions, financial dashboards, digital storage, and health monitoring, you can create a living environment around customers, which can lead to more points of communication and better relationships with them.
- **Personalization:** The future protection market is intended to be expertly determined and tweaked. Insurers must make use of the information that customers have access to in order to develop a personalized strategy. Likewise, the joining of client data can possibly prompt a more profound comprehension of client conduct. It will guarantee that the interaction is individualized and friendly to the customer. Customized and more meaningful interactions can result from improving contact points.
- **Digitization:** Digitalizing marketing procedures has always been a top priority for insurance companies. The expected fundamental services include account access flexibility, easy communication channels, digital document acceptance, online claim procedures, and other applications. In addition, customers will feel more at ease when paperwork is eliminated through the implementation of business process strategies.

### Conclusion

So from above, we can conclude that the customers of the 21st century demand a user-friendly experience (UX) and simplicity in every product and service, digitization will continue to develop. Additionally, insurance is not exempt. As a result, insurers should seize the opportunity to accelerate digitalization in their businesses. Naturally, challenges accompany opportunities, forcing management to fully acknowledge the market for digitalization opportunities and acquire the organizations' willingness to outsource a digital enabler to enable digital transformation, bridging the knowledge gap and developing a tailored embedded solution.

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