

Consumer Perception and Behaviour towards Traditional Insurance VS Digital Insurance

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Abstract

The emergence of new financial technology and the expansion of insurance outsourcing services creates highly competitive market conditions that have a significant impact on consumer behaviour.

As a result, it is critical for the insurance industry to better understand their customers' attitudes towards technology in general in order to increase customer satisfaction when using online insurance. If they are successful, insurance companies will be able to influence and even determine customer behaviour, which will become a major issue in the future when developing appropriate strategies.

This study investigates customer how people view online insurance. Additionally, the study looks into what factors customers use to decide whether to buy insurance products online as well as their satisfaction level.

Customers are influenced to buy insurance products online, and customers are delighted with the online insurance products offered by insurers, according to research.

Keywords: Online Insurance, Online Banking, Customer Satisfaction, Service Quality, and Liberalization

Introduction

Given that the majority of the insurance sector is currently working to transform to digital insurance, it will be interesting to see how insurers view this activity and whether they have any recommendations for developing policies. This perception is based on customer demographic profiles with regard to transaction security, convenience, insured awareness of digital insurance, factor influence, providing appropriate decision-making information, and general perception of digital insurance. Because some insureds lack education and are not aware of digital insurance, this digital transformation does not benefit all customers equally. Insurance companies should become more cognizant of the insurance industry's digital transformation as a result .A new digital insurance technology should be unveiled by the online insurance provider.

The majority of insured people today pay their insurance premiums with debit cards, but they prefer bill payment because they think it is safer and more secure for their money. In contrast, online payment frequently experiences network problems, making it challenging to pay premiums digitally.

Both the private and public insurance industries are advancing their technological capabilities in an effort to keep their current clientele and draw in new ones. As a result, customers' perceptions of the insurance industry's digital transformation are mixed. As a result, the world has undergone a digital transformation that has created a new environment, so it is essential to acquire knowledge and skills. This research uncovers the chi-square and correlation analyses.

The Indian financial sector is strong by nature, operationally diverse, competent, and demonstrates flexibility. It also pays attention to India's economic goals of creating a market-oriented, labor-intensive, and viable economy. The intense market competition brought on by the growth of insurance outsourcing services and new financial technology has a significant impact on consumer behaviour.

So, the insurance industry needs to learn more about how its customers feel about technology in general if it wants to improve customer satisfaction with online insurance. If they are successful, insurance companies will be able to influence and even determine consumer behaviour, which will present significant difficulties for developing future strategies.

52 companies make up India's insurance sector. 28 non-life insurers and 24 life insurers total. The sole publicly traded life insurer is Life Insurance Corporation (LIC). There are also six public sector non-life insurers.

The only national reinsurer in addition to these is the General Insurance Corporation of India. In the Indian insurance market, there are additionally agents (individual and corporate), brokers, surveyors, and third-party administrators who manage health-care claims.

Insurance Market Size

India's life insurance industry, the largest in the world with about 360 million policies, is anticipated to expand at a compound annual growth rate (CAGR) of 12 to 15 percent over the following five years. By 2020, the insurance sector wants to increase penetration to 5%. The country's insurance market is anticipated to grow four times from its current \$60 billion size over the following ten years..

During this time, it's anticipated that the market for life insurance will surpass US\$ 160 billion. India's general insurance market is currently worth Rs 78,000 crore (\$ 11.7 billion) annually and is expanding at a healthy 17% annual rate. There is a sizable commercial opportunity in the Indian insurance market.

An enormous business opportunity is currently available in the Indian insurance market. Despite being the world's largest insurance market, India currently accounts for less than 1.5% of total insurance premiums and about 2% of life insurance premiums.

The second most populous country. In terms of premium volume, the country ranks fifteenth in the world, and it has the potential to grow exponentially in the coming years.

Traditional insurance

Traditional insurance has high operational costs. Because of their numerous branches and offline strategy. New-age insurance is based on an economical and cost-effective online model. Because these companies are fully digital, their policies are less expensive than those of their traditional counterparts.

Digital Insurance.

In a nutshell, buying insurance online is quick, simple, and frequently less expensive. Insurance companies make every product they offer, including life, health, auto, and travel insurance, available to you online because they recognise the potential of this distribution channel.. Customers can buy any policy from any part of the world at any time with the click of a mouse

Online Benefits Insurance Product Purchase

A byproduct of distribution efficiency is cost efficiency. Since the customer deals directly with the insurer, the distributor doesn't make a profit (or receive commissions).

Additionally, the entire procedure is paperless and conducted entirely online, further reducing costs. Customers typically benefit from these savings by paying lower premiums. The ability for users to make informed decisions is the main benefit of an online platform.

You can compare the features and costs of a particular type of policy offered by different companies on a number of aggregator websites, including Policybazaar.com, MyInsuranceClub.com, and EasyPolicy.com. Customers can also read the reviews and comments section when making an online purchase.

Automated Servicing

The online platform is not just for selling. It is also a quick and efficient servicing channel that existing policyholders can use whether they buy online or not. You can obtain product literature such as brochures and policy wordings, obtain quick premium quotes, and renew your policy maintain a record of your insurance investments, pay premiums, file claims, and access your old policies all online. You are independent and do not need to rely on anyone, which is how this mode differs from offline mode.

Additionally, the procedures are straightforward, and you can finish a transaction in a lot less time..

Online Support

Because not everyone is a whiz on the internet and may have misgivings about transacting money online, insurance company websites typically have a live chat feature where customers can ask

questions and get answers. If you prefer to use offline methods, there is a toll-free number you can call. By providing your information over the phone, you can ask the representative to make the purchase on your behalf, or you can schedule a face-to-face meeting. An executive is then sent by the insurer to help you make the purchase.

Literature Review

- Gartner (nov 2017), “accelerating digital transformation in insurance, this paper explaining the transformational challenges and CRM service cloud and digital”.
- Ruby Ghunia (2016), “digital transformation of insurance, it is explained the acquisition timeline of the digital insurance”.
- (2016) "Digitalization of Insurance Sector: Issues and Challenges to an Insurance Advisor," Meenakshi Acharya and Dr. C. K. Hebbar. The distinction between the new and old insurance technology is explained by this study.
- In his paper "E-insurance: analysis of the impact and implications of electronic commerce on the insurance industry," published in May 2003, Anshu Arora outlines the latest developments in the field of electronic insurance.
- Dr. Fredrick S. Odoyo, "E- Insurance: An Empirical Study of Perceived Benefits," November 2011. The various insurance technologies used by the public and private insurance industries are described in this study.
- The International Association of Insurance Supervisors (2018) published an article titled "Increasing digitalization in insurance and its potential impact on consumer outcomes." The types of technology used in various nations are described in this study.

Statement of the Problem

The internet has become a crucial tool for marketing in today's society; in some international markets, up to 30% of motor insurance business is done online. All retail insurance products, such as those for cars, motorcycles, health, and travel, as well as for homes, people, accidents, and critical illnesses, are available online with immediate real-time policy issuance..

Even though customers can benefit from online insurance in a number of ways, many people lack confidence in online insurance. Some scams and proxy sites have the ability to hack information. Due to the aforementioned problems, customers are reluctant to use the online insurance services offered by insurance companies..

At this backdrop, following questions remain as challenges for the entire insurance industry that operates online.

1. Do the variables have an impact on consumers' choices regarding using online insurance services?

2. Do customers enjoy the online insurance options?

3. What complaints do customers have about buying insurance online?

OBJECTIVES OF THE STUDY

- Determine the key services made available to customers as a result of digitization.
- To investigate customers' overall attitudes towards the insurance industry's digital transformation.
- To assess customer satisfaction through the use of digital insurance.

METHODOLOGY

Research Methodology

The primary goals of this paper are to learn about customers' attitudes towards online insurance products in Pune City . The research was carried out in Pune The information was gathered from both primary and secondary sources.

Primary data were gathered through questionnaires and fieldwork. Secondary data sources included government records, newspapers, and business magazines. The formula is used to calculate the sample size of 233.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The conceptual framework for research is known as the research design, and it provides the guidelines for gathering, measuring, and analysing data. The preparation of the research project design, also referred to as the research design, entails defining the research problem.

Design of Descriptive Research

The aim of descriptive research is to outline the traits of a particular person or group. Additionally, it is focused on making specific predictions in light of information about a person, a group, or a circumstance. The description of the factors that affect the user's decision-making process serves as the sole foundation for this study. There was no impact of this study on the researcher's viewpoint. The design is rigid, and it must maximise reliability while also including sufficient provisions for bias protection. Primary and secondary sources.

This paper's main objectives are to discover what consumers think about online insurance products. In Pune, the study was conducted. The data was compiled from both primary and secondary sources. Questionnaires and fieldwork were used to collect primary data. Journals, newspapers, and business magazines were some secondary data sources. Using the formula, 233 samples are selected..

Total sample size is calculated using the formula $n=(ZS/E)^2$

Confidence Level = Z (5 percent = 1.96).

S = Standard Deviation (0,39).

E= Accepted Level of Errors (0.05) equals $(1.96*0.39/0.05)^2$.

Respondents were chosen using non-probability convenience sampling. The data was gathered between December 2022 and January 2023. The data collected was classified, tabulated, processed, and analysed in a systematic manner

. To find out how customers in Pune city felt about online insurance products, the data was run through SPSS21.0 version using a one-sample t test and an independent t test.

Data Interpretation And Analysis

Table 1

Gender:

| | Frequency | Percent |
|--------|-----------|---------|
| Male | 165 | 65.5 |
| Female | 75 | 35 |
| Total | 240 | 100.5 |

Age:

| | Frequency | Percent |
|----------------|-----------|---------|
| Up to 25 years | 42 | 18.0 |
| 26-35 years | 77 | 33.0 |
| 36-45 years | 64 | 27.5 |
| Above 45 years | 57 | 21.5 |
| Total | 240 | 100.0 |

Educational qualification:

| | Frequency | Percent |
|--------------|------------|--------------|
| Up to HSC | 52 | 22.3 |
| UG | 88 | 37.8 |
| PG | 65 | 27.9 |
| Professional | 35 | 12.0 |
| Total | 240 | 100.0 |

Monthly Income:

| | Frequency | Percent |
|-------------------|------------|--------------|
| Up to Rs.20,000 | 39 | 16.7 |
| Rs.20,001- 25,000 | 72 | 30.9 |
| Rs.25,001-30,000 | 97 | 41.6 |
| Above Rs.30,000 | 32 | 10.7 |
| Total | 240 | 100.0 |

Employment:

| | Frequency | Percent |
|--------------|------------|--------------|
| Private | 80 | 34.3 |
| Government | 70 | 30.0 |
| Business | 51 | 21.9 |
| Professional | 39 | 13.7 |
| Total | 240 | 100.0 |

Annual Insurance premium paid:

| | Frequency | Percent |
|------------------|------------|--------------|
| Up to Rs.15,000 | 45 | 19.3 |
| Rs.15,001-20,000 | 122 | 52.4 |
| Rs.20,001-25,000 | 47 | 20.2 |
| Above Rs.25,000 | 26 | 8.2 |
| Total | 240 | 100.0 |

SOURCE : PRIMARY DATA

The demographic breakdown of the respondents is shown in Table 1. Among the 240 respondents, 69.5% of them were men and 30% were women. In terms of the distribution of ages, most people who responded between the ages of 26 and 35, 33% of respondents fell, then between the ages of 36 and 45, 27.5%, 45, and finally, between the ages of up to 25, 18%. According to respondents' educational backgrounds, undergraduates make up the majority (37.2%), followed by postgraduates (27.9%), HSC graduates (22.3%), and professionals (12%). In terms of monthly income, the majority of respondents (41.16%) made between Rs. 25,001 and Rs. 30,000, followed by Rs. 20,000 to Rs. 25,000, Rs. 20,000 to Rs. 25,000, Rs. 20,000 to Rs. 20,000, and Rs. 20,000 or less.

NULL HYPOTHESIS –

Customers in Pune are not influenced by these factors when purchasing online insurance products.

Table 2: One-sample t test to see if the factors influence customers' purchases of online insurance products in Pune city

| Factors | N | Mean | Std. Deviation | t value | P value |
|--|-----|------|----------------|---------|---------|
| Easy accessibility of information through websites | 233 | 3.57 | 1.209 | 7.152 | 0.000** |
| Branding/Visual appeal of the product and services | 233 | 3.60 | 1.232 | 7.392 | 0.000** |
| Premium and fees for services and riders | 233 | 3.66 | 1.156 | 8.725 | 0.000** |
| Reliability & Security of services rendered | 233 | 3.46 | 1.310 | 5.353 | 0.000** |
| Clarity of service procedure/policies | 233 | 3.61 | 1.224 | 7.546 | 0.000** |
| Availability of products to different consumer segments | 233 | 3.34 | 1.396 | 3.707 | 0.000** |
| Ability to complete quick delivery of the process | 233 | 3.27 | 1.417 | 2.912 | 0.004** |
| Employees skill and ability to solve customer grievances | 233 | 3.39 | 1.299 | 4.540 | 0.000** |
| Ability to finalize claim settlement online | 233 | 3.54 | 1.259 | 6.503 | 0.000** |
| Ability to comply with IRDA guidelines | 233 | 3.29 | 1.423 | 3.085 | 0.002** |

SOURCE : PRIMARY DATA

**represents the 1% level of significance.

If customers in Chennai are influenced by the factors to buy online insurance products, it is shown in the above table using the one-sample t test. The null hypothesis is disregarded at the 1% level of significance because all of the p values are less than 0.01.

As a result, it can be said that PUNE CITY's customers' decision-making processes for online insurance purchases are influenced by a number of factors.

Null Hypothesis 2

Regarding the influencing factors of online insurance products in PUNE CITY, there is no statistically significant difference between male and female policyholders.

Table 3: Independent t test to see if there is a statistically significant difference between male and female policyholders in terms of Influencing factors of online insurance products in Pune city.

| Factors | Gender | N | Mean | Std. Deviation | t value | P value |
|--|--------|-----|------|----------------|---------|---------|
| simple access to information via websites | Male | 162 | 3.55 | 1.211 | -0.326 | 0.745 |
| | Female | 71 | 3.61 | 1.213 | -0.326 | 0.745 |
| Visual appeal of the goods and services and branding | Male | 162 | 3.59 | 1.239 | -0.190 | 0.850 |
| | Female | 71 | 3.62 | 1.223 | -0.190 | 0.849 |
| premiums and rider and service fees | Male | 162 | 3.67 | 1.148 | 0.114 | 0.909 |
| | Female | 71 | 3.65 | 1.184 | 0.112 | 0.911 |
| dependability and security of the services provided | Male | 162 | 3.44 | 1.300 | -0.368 | 0.713 |
| | Female | 71 | 3.51 | 1.340 | -0.364 | 0.717 |
| Service policy and procedure clarity | Male | 162 | 3.54 | 1.267 | -1.285 | 0.200 |

| Factors | Gender | N | Mean | Std. Deviation | t value | P value |
|--|--------|-----|------|----------------|---------|---------|
| | Female | 71 | 3.76 | 1.114 | -1.351 | 0.179 |
| Products are accessible to various consumer groups | Male | 162 | 3.34 | 1.397 | 0.007 | 0.994 |
| | Female | 71 | 3.34 | 1.404 | 0.007 | 0.994 |
| Possibility of completing the process quickly | Male | 162 | 3.23 | 1.407 | -0.682 | 0.496 |
| | Female | 71 | 3.37 | 1.447 | -0.675 | 0.501 |
| Employees skill and ability to solve customer grievances | Male | 162 | 3.35 | 1.306 | -0.720 | 0.472 |
| | Female | 71 | 3.48 | 1.286 | -0.724 | 0.470 |
| Ability to finalize claim settlement online | Male | 162 | 3.50 | 1.277 | -0.667 | 0.505 |
| | Female | 71 | 3.62 | 1.223 | -0.678 | 0.499 |

| Factors | Gender | N | Mean | Std. Deviation | t value | P value |
|---|--------|-----|------|----------------|---------|---------|
| Ability to comply with IRDA guidelines | Male | 162 | 3.32 | 1.404 | 0.541 | 0.589 |
| Possibility of adhering to IRDA regulations | Female | 71 | 3.21 | 1.473 | 0.531 | 0.596 |

Primary data source

The independent t test for male and female policyholders in Chennai is displayed in the table above. It examines whether there is a statistically significant difference between them. because all of the variables' p values are higher than 0.05. Therefore, at the 5% level of significance, the null hypothesis is accepted. As a result, there is no discernible difference in the influencing factors of online insurance products in the city of PUNE between male and female policyholders.

Null Hypothesis 3

Pune City customers are unhappy with the online insurance products.

Table: One-sample t test to evaluate Chennai consumers' satisfaction with online insurance products.

One-Sample Statistics

| Factors | N | Mean | Std. Deviation | Std. Error Mean | t value | P value |
|---|-----|------|----------------|-----------------|---------|---------|
| Customer satisfaction about the online insurance products | 233 | 3.41 | 1.274 | 0.083 | 4.887 | 0.000** |

primary data source

**represents the 1% level of significance.

Table 4 shows the results of a one-sample t test to determine whether customers are satisfied with online insurance products in pune . Because the t value is 4.887 and the corresponding p value is 0.000, both of which are less than 0.01.

As a result, at the 1% level of significance , **the null hypothesis is rejected.**

As a result, it can be concluded that customers are pleased with the online insurance products provided by Pune City -based insurers.

Summary of Findings

1. According to the study, the majority of respondents were male (69.5%) and female (30.5%). In terms of age distribution, the vast majority (33% of respondents) were between the ages of 26 and 35. The majority of respondents (37.8%) were not graduates.
2. • According to the study, the majority of respondents (41.16%) earned between Rs.25,001 and 30,000 per month.
3. • According to the study, the majority of respondents (34.3%) were independent contractors, and 52.4% were required to pay an premiums for annual insurance ranging from Rs.15,001 to 20,000.
4. • According to the findings of the study, the factors that influence Customers in Pune city who buy online insurance products are significant at the 1% level.
5. • According to the findings, there is no statistically significant difference between male and female policyholders.

Suggestions –

- Customers should be educated about the dependability of insurance products available online.
- On their websites, insurers should clearly state the terms and conditions for online insurance products..
- Customers should have faith in the insurers' online insurance products by providing frequent updates about the online insurance products.

Conclusions –

According to the study, online insurance is undeniably a strong channel for economic development, and the tendency to use online insurance as a primary channel should be increased. According to the findings of the study, several factors influence customers' decisions to purchase online insurance products. Customers felt that buying insurance online saved them time, provided quick policy issuance, and guaranteed their safety and security. Indian insurers' online insurance products have completely satisfied customers.

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