

Digi - Insurance – The Case Story of The Potential in The Life Insurance of Sri Lanka

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Received Date : 24.06.2023

Revised Date : 03.07.2023

Accepted Date : 18.09.2023

ABSTRACT

This study aims to see how insurance products are developed by life insurance companies operating in Sri Lanka, providing products that are acceptable in the markets where they operate. The essence of this paper is to highlight the ability of direct communication between the insured and the insurer through digital transformation and in facilitating direct (premium payment) transactions between the insured and the insurer through their respective banks. This research uses qualitative research methods with descriptive methods. The research results show that insurance plays a major role in developing life insurance products and is a liaison between the insurer and the insured and in certain cases a facilitator to collect premiums on behalf of the insurer. 2

Keywords : **Brand Communication; Digital Transformation; Insurance Industry Sri Lanka; Life Insurance; Linking Insured and Insurer; Marketing Communication**

ABSTRAK

Penelitian ini bertujuan untuk melihat bagaimana produk asuransi dikembangkan oleh perusahaan asuransi jiwa yang beroperasi di Sri Lanka, menyediakan produk yang dapat diterima di pasar tempatnya beroperasi. Inti dari makalah ini adalah menyoroiti kemampuan komunikasi langsung antara tertanggung dan penanggung melalui transformasi digital dan dalam memfasilitasi transaksi (pembayaran premi) langsung antara tertanggung dan penanggung melalui bank masing-masing. Penelitian ini menggunakan metode penelitian kualitatif dengan metode deskriptif. Hasil penelitian menunjukkan asuransi memainkan peran utama dalam mengembangkan produk asuransi jiwa dan merupakan penghubung antara penanggung dan tertanggung dan dalam kasus tertentu fasilitator untuk mengumpulkan premi atas nama penanggung.

Kata Kunci : **Komunikasi Merek; Transformasi Digital; Industri Asuransi Sri Lanka; Asuransi Jiwa; Menghubungkan Tertanggung Dan Penanggung; Komunikasi Pemasaran**

INTRODUCTION

Historical Practice of The Insurance in Sri Lanka

The protagonist/researcher of this study is a Fellow of the Chartered Insurance Institute (UK), a Fellow of the Chartered Institute of Marketing (UK), and a Master of Business Administration from the University of Queensland -Australia. In addition, he has been holding several senior positions in two of the large life insurance companies operating in Sri Lanka. As per the knowledge and experience of the protagonist the conventional Sri Lankan life insurance working model, practiced over decades, has now reached a decisive stage for change in its life operations, marketing communication, and sales approaches. The practice which companies adopted for many years was largely dependent upon physical meetings, physically receiving and handing over documents and policy documents and the agent meets the existing or prospective customer to discuss and ascertain customer needs or to fulfill a customer requirement. This entire process was done by individually meeting customers.

Once the insurance agent physically meets the customer, market feedback is documented by the insurance agent, and thereafter shares this information with its insurer, and the insurer based on this information design products or re-designs existing products or allows changes to existing products, to cater to the customer needs identified by the agents. On the part of an insurer, an insurance agent plays an important intermediary role in providing information for product development by informing vital customer feedback on information by providing the customer service required by the insurer and delivering the final insurance product to the customer (insured). In the past, the insurance agent was the only source and link between the insurer and the insured. This practice prevailed for decades when the insurance agent became indispensable to the insurer.

There are many literature reviews to indicate that insurance agent is known to provide new products information or gaps in the existing product attributes of the insurer, and thereafter these facts are then used in fine-tuning or redesigning new products, addressing the identified needs in the market, which are then launched by the insurer. (Ilona et.al, 2020). This methodology cannot be accepted in the present-day context due to the availability of digital tools, and these tools have made it easier to conduct detailed studies on the customer needs of any segment that the insurer requires in obtaining, and the insurer by using these tools obtain direct and accurate information relating to the customer requirements.

Unfortunately, this entire detailed manual product redesigning process which is presently adopted by some companies consumes a lot of time to develop or redesign a new product. The formulation, development, and execution of an insurance product is time sensitive in many instances, and this delay in producing the required product results in many times a change of customer requirements, which were relevant when initially conveyed to the insurance agent but have subsequently become less so relevant at the time the redesigned products were released to the market. This may be due to a competing insurer operating in the same market developing the product faster than your company.

Therefore, previously the entire product redesign is dependent upon the agent's comprehension of the dialog between the customer (insured) and agent and the agent's ability to interpret and convey the customer's needs as shared with him, which the agent then shares with the insurer to convince the insurer to develop or re-design or allows changes to a product catering to the market demand. In a scenario where there is a misunderstanding between the customer and the agent, a miscommunication of the

customer's brief, could result in the designing of a product that may very well fall short of meeting the customer's conveyed expectations and requirements. (Thankom et.al, 2012).

Certain Life insurance companies in Sri Lanka have recorded instances where the insurance agent has not been able to extract the hidden apprehensions and needs of the customer in a properly identified manner, thereby causing a potential loss to the company. (Prymostka O., 2018) As an example, an insurer may have in its product portfolio possession of a product benefit, which caters to the uncommunicated/unidentified needs of the customer. This is where a customer investing in a life insurance policy providing retirement benefits, has an undisclosed need for hospitalization cover. However, by failing to identify this hidden need of the customer and not educating the potential customer about all available products, the life insurance agent has failed to sell the much-needed product to the customer, and in turn, this could have a reputational impact on the insurer, due to the poor awareness/communication by the company's representative who is the insurance agent.

Additionally, upon receipt of the life insurance proposal form, the fiscal paper-based underwriting process has many bottlenecks, which are seen to continue until the point of delivery of the policy to the end customer, as this is done physically by the insurance agent and most of the time, this delivery is done at a convenient time and availability of the insurance agent (Shu-Hsien Liao et.al, 2009). At the underwriting stage of an insurance proposal, if the underwriting department requires additional clarifications to underwrite a proposal, the insurance agent handles this query by personally visiting the customer (proposer). This physical handling in the underwriting process, takes a long time to issue a life insurance policy to the insured. Traditionally, the Insurance agent entrusts itself to collect premiums from the insured for the entire duration of the policy period. Premium receipts are then posted to the customer using ordinary mail. Therefore, the above gives a clear picture that this method of working cannot be continued, and it needs to be changed, as the digitalization process could facilitate easy accessibility and connectivity between the insurer and the end customer (Insured).

Therefore, is this intermediary's role still necessary to the insurer with the evolution of digital transformation which the researcher would highlight in his study and could insurance companies be less dependent upon the insurance agent, being the sole point of customer feedback, facilitator between the potential policyholder (insured) and insurer for policy details and underwriting requirements, facilitator in collecting insurance premiums and ensuring physical delivery of policy. The younger technically savvy potential policyholder (Insured) would they prefer to have contact directly with the insurer through these digital tools which provide immediate and accurate information, or do they prefer to have any physical interaction with any individual would be looked at this research. Further, it is noted at this stage that documentary clarification on any queries, made by potential customers if required, could be made easily available through the available digital platforms.

RESEARCH METHOD

The protagonist/researcher has been working as the head of the division of this life insurance company in the insurance industry in Sri Lanka and has experience in the field of life Insurance for over 25 years he narrates his practical experience within the company he worked, where he transformed the organization from a paper-based manual process organization to a hybrid organization where some of the functions within the organization were changed from a paper-based manual process to a digitalized process (Alt et.al, 2021).

When addressing the transition to the digital world from a paper-based manual approach, qualitative research methods with descriptive methods were used by the researcher.

The researcher produced descriptive data analytics in the form of written statements and spoken words from both internal staff and sales staff and their responses and behavior to certain issues were observed and documented. The measurement of this process was the time taken for a particular function to be completed and the savings the company could save relating to cost. At the initial stage of this process, the researcher with the concurrence of his staff, spent time explaining justifying, and convincing that this pilot project of digitalization, was beneficial to all staff members, ensuring that this change was necessary for the future sustainability of the organization.

All divisions of the organization, which included finance, operations, marketing, sales, and human resources worked as one team to facilitate this change. There were designated members of staff from each of the above divisions, working full-time on this project until completion. This process was required since the negative connotation of people losing their jobs was at the back of their mind and this needed constant dialog between all stakeholders as the digitalization process could easily be misunderstood. Using a normative approach based on the reality that occurs in society, related behavior using motivation of employees, ease of doing routine work by doing away with repetitive work, showing the requirements of the expectation of the new younger generation of prospective policyholders ensured the confidence and development of the internal staff and the insurance agent towards accepting and acknowledging the change and facilitated the insurance agents to revisit the changes proposed by the organization, as this was critical for the insurance agents to accept the change as they were the insurers intermediary who represented the insured.

A successful digitalization process requires both internal and external staff to accept the change. Most of the data used for evaluation was secondary data within the organization since the insurer had to convince the efficiency of the process staff and insurance agents using factual data which staff was already available and comparable and the process, easily showed the difference in each approach, thus endorsing that this transition was essential for the future survival of the organization. The whole process of convincing staff and getting them to agree on implementation timelines took the organization approximately 10 months. Primary data was obtained through digitally facilitated discussions and interviews using the company's wide branch network where the locality had different insurance perspectives within the staff working in these localities, ensuring all issues arising within the country were addressed immediately.

As an example, interviews were conducted by the researcher, taking the views of the best-performing insurance agent in a locality, and the same selection process and methodology were applied to all interviewed agents covering all regions in the organization. Hence there was consistency in the selection process and the line of questioning, which shows that this is a purposive sampling technique using "Zoom" meetings and "watts up" calls and messages for communication, clarifications, and discussions incorporating all stakeholders. Most of the views and their constructive suggestions were acceptable and were incorporated into the working methodology, facilitating and incorporating this digital change. This showed that all staff were together in this change process. The results of these discussions were collated and analyzed, and the best approach for the organization was used incorporating all current areas of change of the insurer, simultaneously incorporated as a starting point.

At the start of this exercise, the researcher with the concurrence of the company, undertook all company internal training departmental training through "Zoom" as an initial step. The divisional manager had to personally do the training through "Zoom" and

the branch staff, both insurance agents and internal staff joined the training session through "Zoom". This gave the company confidence in accepting the digitalization process as the senior staff members were using the same. This process did away with the need to bring staff working in different locations in the country, physically to one central location and the productivity of the training sessions improved since they were taught by the divisional head, reducing the traveling time of staff and agents since the need for a traveling time was no more and all issues brought up by these discussions was immediately documented and resolved and there was consistency in the decision-making process within the company.

Whilst these training sessions were appreciated by the staff, this process increased efficiency, and reduced operational costs to the organization/insurer. This process gathered momentum and the use of "watts up" was subsequently extended to ensure greater connectivity between customer and insurer, enabling clarification of policy concerns through direct interactions with the insured and insurer which helped the entire life insurance operations process being more effective and efficient. The staff members who were assigned to implement the digitalization process became ambassadors of the project. The ease of doing business together with the timely connectivity between the customer (insured) and insurer, encouraged the insurance agent to revisit their way of contacting their customers or potential customers (Mazurek M., 2023) The researcher also used secondary sources such as Journal articles from Scorpius to further educate itself, widen its knowledge and understand the methodology in transforming their whole organization to the digital world which is being practiced in other countries for the long-term adaptation and smooth transition of this organization/ insurer.

RESULTS AND DISCUSSION

As mentioned above, the role of an intermediary, played previously by the insurance agent, has greatly diminished, and becomes redundant over the years, since the digital world helps the insurer to transfer this function to an interactive digital tool directly communicating between the insurer and insured/potential insured. Further, in the eyes of the younger tech-savvy generation, they are more used to interacting with digital tools than a physical individual. Millennials benefited by being born into an enhanced digitally dependent process in lifestyles whilst Generation Z became the users of digitalization and data analytics. The digital screen has become the new marketing interface for them, and with their exposure to Artificial Intelligence, they prefer to deal directly with the automated interactive system of the insurer.

Online searchability has become the norm of the day for any research on unknown aspects for enhanced awareness. Such research includes the technically complex insurance sector too. As such, a paradigm shift in the working relating to the insurance sector's life operations, communication, and sales promotion platform was initiated with the birth of digitalization. In the field of insurance, unconventional sales approaches beginning with the availability of secondary market data have witnessed an exponential growth of new untapped markets. This has largely been due to the unrestricted access to individual and corporate social profiles in digital space.

With the opening of this new frontier, time invested in previous telephone call appointments and physical face-to-face sales meetings with customer prospects is largely being relegated to the back burner. With the growth of digital marketing tools, many previous shortcomings in the underwriting, product development, designing of products, formulating, and delivery of products have been changed. Previously, Insurance products have been found catering only to established accepted market segments and excluded

untapped potential market segments which were invisible. Digitalization has highlighted and exposed new market opportunities and highlighted gaps where insurers could penetrate, thus newly creating a wider range of underutilized databases that exist in the market (Daniel Susilo & Jason Enroe Wijaya, 2023).

Therefore, digitalization has also enabled the closure of gaps that existed previously for want of timely, accurate information on the designing or re-designing of products. With the digital approach, insurers are more easily able to segregate customer microsegments who were previously excluded from targeted markets because of ease of communication. Data analytics driven by artificial intelligence is now a handy tool for analyzing customer preferences. The digital platform has made it possible for insurers to provide content of specific tailor-made interest to customers in their preferred channels. This is with the delivery of personalized experiences by way of endorsements (Buehler and Maas P., 2016). Digitization has vastly contributed to automating the all-important insurance underwriting, sales, and marketing tasks relating to the premium collection by facilitating electronic fund transfers between the insurer and the insured through their banking interface.

In addition, electronic premium confirmations have become an accepted practice between the insurer, the insured, and the insurance regulator in Sri Lanka. This results in less dependency on insurance agents and their physical presence, collecting premiums from customers (Insured's) and receiving the physical receipt (Andreas Svoboda, 2021). The digital transition has enabled the inclusion of smaller customer segments with tailor-made product offers. By this means insurers can offer a wide range of products according to the individual needs of the customers (individual customization). Engaging the customer, retaining customer interest, and creating awareness of their needs can be done with the use of easily understood video clips entailing fun and humor. Digital media can be used to educate customers about otherwise seemingly complex insurance products.

In addition, customer engagement as references to share reviews, testimonials, and ratings to enhance brand trust, endorsements by existing policyholders and loyalty ensures customer positivity. Further, wearable devices could provide all the information regarding customers' health to insurers. This will help in the underwriting process (Marta Ostrowska, 2020). This goes a long way in ratifying a key challenge for the insurer, namely ensuring sustained customer satisfaction in the choice of investment in insurance. This benefits insurer with enhanced customer interactions leading to policy continuation and increased policy conversion rates. As an added benefit important customer information and changing customer attributes continue to be retained within the insurers' databases and the ease of communication helps the insured to build trust in its insurer (Martin Eling & Martin Lehmann, 2017).

A vast array of digital tools is available to digital insurance as a marketing /operations/sales as an insurance communicator/ facilitator, which could be used for the whole process of life operations. This is from the time a sale is initiated until the policy is delivered to the customer (Ilona et.al, 2020). Social media can be vastly used and exploited to develop brand identity and brand loyalty. At the same time, it also enables confirmation of product deliverables by way of endorsements by the insurer, ensuring policy retention and continuity whilst establishing connectivity with the target audience, which is the customer (Antonella Cappiello, 2020). Chatbot is a digitized tool capable of delivering quicker immediate solutions to customer queries when compared with physical human representation (Mikko et.al, 2017). During the task of addressing insurance queries, insurers who lack sufficient manpower resources for effective communication can immensely benefit by using digitized tools.

Another area in the digital space available to insurers in the quest for new

customers is paid advertising in digital media. Potential customers could be found in the digital marketing spaces of Google search, LinkedIn, Facebook and Twitter. These are a few targeting options that are being utilized by online users to access their target audiences. This method is a cost-effective way of communicating with the target market. Paper-based communication costs the organization cost of paper and the postage cost. Depending on the digital maturity of the insurer a minimum of 10 – 15% reduction in marketing expenses is only achievable through attribution-based optimization and claims management would provide a greater saving (Ilze Zarina et.al, 2019).

In addition to the savings, using digital tools for communication would entail a faster and wider customer reach at no extra cost, than the hitherto conventional paper-based system of marketing communication. As an example, if a company intends to communicate a new product or re-designed benefit among the customer base or an underwriting requirement with the customer, digital tools such as “watts up” facilitates this communication process without any delay. Therefore, for insurance companies, investment in digitalization relating to life operations, and marketing of products could be justified and at present it’s critically essential (Martin Eling & Martin Lehmann, 2017).

At the same time, most importantly, adverse publicity or negativity brought in by the public, regarding the policy or the product offered, could be immediately addressed and cleared up. This will go a long way towards ensuring minimum adverse impact on negative publicity generated towards an individual product or the entire organization. Once again, this depends on the individual insurer’s commitment to investing in Information Technology and the entire organization’s commitment, willingness, and attitude to using this technology for the betterment of the organization (Lyskawa K. et.al, 2019).

CONCLUSION

The protagonist/researcher is of the view that digital marketing has not been sufficiently exploited thus far by insurers operating in Sri Lanka. It is now evident that a switch from conventional thinking will benefit the insurance industry with easy accessibility to a wider customer base, the ability to have a wider direct communication with the potential customer base, and faster approach to customization of product offerings, and enhanced visibility of the benefits offered. Clearing all doubts at the inception of entering into a life insurance policy and the ease of subsequent correspondence with the insured would greatly benefit insurers by reducing the cost and the efficiency brought in by the process. An organization’s investment in digitalization and the application of digital marketing tools will ensure clarification of the routine issues brought in by the insured directly to the insurer without the need for an intermediary, paving the way for accurate and unbiased interpretations of customer requirements/expectations. This will ensure the continuity of the insurance cover obtained by the insured and the acceptance of life insurance as a risk mitigator by the market in which we operate.

RECOMMENDATION

It is the protagonist/researcher’s option that the forward march of all insurers in the years to come would greatly depend on the degree of their organization’s willingness to invest in the digitalization process and the ability to continuously keep investing in information technology and the sooner the organization changes its function and its culture to accept this digital revolution, the technologically savvy next generation will be

your organization's brand ambassadors. The company's genuine desire to keep continuously improving the operations and the value of delivery to their policyholders (Insured) through digitalized methods of communication initiatives would drive the organization to greater heights and have a competitive edge over other insurers operating in the same market.

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