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Headline: - How AI, Blockchain technology are taking India's insurance industry to next level

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#### **Synopsis**

Though the model has been quite robust, the insurance industry is reinventing itself to new heights where it is going through a profound change and transformation primarily driven by technological advancements focusing on enhancing the customer experience at each touchpoint. Insurance companies are leveraging their industry experience and the new age of innovative advancements to provide their customers with more personalized and customizable product solutions and related services.



We live in a VUCA world, and no industry is safe from the uncertainties it brings. One must always seek a different approach to harness the organization's potential to survive and thrive in this evolving world. Insurance is also no exception to this VUCA world and must constantly adapt and embrace the changes. As a sector, insurance has long followed the traditional business models, which involved largely manual processes. Though the model has been quite robust, the insurance industry is reinventing itself to new heights where it is going through a profound change and transformation primarily driven by technological advancements focusing on enhancing the customer experience at each touchpoint. Insurance companies are leveraging their industry experience and the new age of innovative advancements to provide their customers with more personalized and customizable product solutions and related services.

#### **Technological Advancements: Reshaping the Insurance Landscape**

Advancements in the technology field have taken the world by storm and emerged as a powerful tool that is reshaping the insurance industry. The insurance business has long been a conversational sale, but with digitalization, it has moved towards a hybrid model – the 'phygital' model. Standard and vital insurance processes like policy issuance, claim settlement, pre-medical check-up, and the like, which were predominantly paper-based, are now being augmented with digital integration to ensure a seamless customer experience and streamline processes. In the insurance sector, it has been a game changer in redesigning the customer experience.

Technologies like machine learning, artificial intelligence, automation, and data analytics have played a significant role in digitizing insurance processes. Through AI-Powered chatbots and virtual assistance, insurance companies are instantly providing personalized customer service especially in claim management, renewal process, and even customer grievances. AI algorithms, combined with machine learning models, are being used to make underwriting, an essential process in the insurance industry, more efficient and accurate, enabling insurers to tailor products based on the customer's risk profile. With process automation, manual processes like policy issuance, claim process, and query resolutions are being addressed on the go, giving customers a hassle-free experience while increasing productivity and operational efficiency. From a strategic point of view, advanced analytics and AI have helped in data-driven decision-making and product innovation, which in the larger scheme of events has helped bring customer-centricity.

### **Collaborative Environment: Initiatives for Accessibility**

To reach every household, there must be a collaboration between the government, the regulator, insurance companies, insurtech/ fintech companies, and external agencies, driven by technology. Governing and regulatory bodies are stepping up their initiatives in line with the digital revolution to take insurance products to every corner of the country. Initiatives like Bima Sugam and ABHA are a step towards making insurance and related services accessible to everyone and ensuring they are adequately covered. ABHA (Ayushman Bharat Health Account) is an initiative to help take health insurance to every nook and corner of the country powered by technology. ABHA paves the way for implementing the health claim exchange, which will integrate the whole healthcare ecosystem, i.e. the hospitals, insurers, healthcare service providers, and TPAs, into a single platform to ensure a seamless exchange of information and data and hence will help reduce the TAT of the claim process, eliminate or lower fraud, and bring uniformity, making the whole process digitized and hassle-free. Similarly, active collaboration has already taken place with IIB (Insurance Information Bureau), a data repository and analytics body for the insurance sector in India, and this could potentially address the issue of under-penetration, NCB leakages, and fraudulent claims, among others. IRDAI is also developing new means to enhance customer experience by bringing in 100% cashless claim settlement through common empanelment and interoperability with hospitals. This will also benefit the insurance industry and the nation to take the insurance penetration leaps and bounds.

Leveraging advanced technologies with the integration between the stakeholders will help detect anomalies, patterns, and suspicious activities and hence help detect and prevent fraud. It will also pave the way for comprehensive risk assessment models that will help better understand risk and therefore underwrite risk accurately, fostering product innovation and customization, pricing optimization, and centralized information-sharing, hence improving accuracy and efficiency, which will, in turn, help serve the customer better.

### **Making Insurance Inclusive: Bridging the Insurance Gap**

When one thinks of the insurance industry 2.0, many restrict themselves to technology to enhance customer experience. But what about the people who are outside the insurance ecosystem? Insurance industry 2.0 goes beyond technological advancements making insurance inclusive, available, and accessible to every household in the country. It is about reach!

Historically, insurance accessibility has been primarily limited to larger towns and cities and has comparatively made a lower impact in tier 2/ tier 3 locations. This is due to a lack of awareness, limited distribution network, and infrastructure to service claims. It is an unspoken truth that insurance penetration in India is relatively low, and not every individual is adequately covered. India is

approximately less than 1% non-life insurance penetration, which is significantly lower than the industry average of roughly 4%, and insurance companies must address this enormous protection gap. And bridging this gap is not impossible with the improved digital infrastructure and the rise in mobile connectivity, which will help increase the awareness around insurance; hence the right product, service, and effective distribution system will allow us to tap the untapped. We must foray into our country's tier 2 and tier 3 locations to reach every household. Digitally equipping physical offices in these locations will help cater to the insurance needs of the people. Virtual Sales Offices, ideated by our company, Bajaj Allianz, are already helping us surpass the geographical barriers, as insurance company employees act as "one-man-offices" to reach remote locations and help people with their insurance-related needs. Initiatives like Bima Sugam, a centralized online marketplace that will facilitate sales, servicing and management of claims of insurance policies in a single platform, will help provide customer-friendly products and enhance convenience to the policyholders. Additionally, Bima Vahak and Bima Vistaar will be crucial in providing last-mile connectivity for insurers and improving the availability, accessibility and insurance penetration to every part of the country. These initiatives will also lead to job generation across these locations, playing a role both in financial protection and economic growth.

It is equally essential that the service being provided is also at par. Increasing the number of hospital tie-ups, motor garage tie-ups, and the like across the country will help improve the service footprint. The extensive bank branch network already allows us to reach the tier 2/ tier 3 locations through Bancassurance and provide products and services. Increasing the bank tie-ups will further enable us to reach the people and provide access to insurance products and services. Also, similar to the banking sector, where banking correspondents help reach the unbanked sectors in a region, the industry can leverage this business model in conjunction with POS retailers to provide insurance services to the country's untapped markets, which will help bring more financial inclusion. CSC or Common Service Centres will be crucial in delivering services and help in amplifying the insurance industry's service footprint. This will enhance customer experience at each touch point and help generate employment, especially in rural India, boosting the economy.

### **What does the future hold?**

Insurance 2.0 is all about evolving and reinventing ourselves to provide better products and service and make insurance accessible to all as the dynamics of the insurance landscape keeps changing. So what is the future?

The way new-age technologies are reshaping all industries alike, it is only time that it will also be integrated into the system to make the insurance life-cycle smooth. The pace at which conversational AI has taken the world by storm, in our insurance industry, it can provide interactive human-like conversations that help address customer queries, guide them through policy purchases, and assist them in claim intimation, thereby simplifying the insurance life cycle. Predictive analytics, which will help in forecasting risks and the probability of events, will play a crucial role in underwriting risks accurately. Blockchain technology can facilitate secure transactions along with policy management and claim settlement. Apart from advanced technology, integrated smartphones, higher collaborative ecosystems will play a significant role in defining the future of the insurance landscape.

As we move towards a society that is becoming more aware, they are looking for a wide range of innovative protection-based products and alternatives but aren't spoilt for any. India has roughly 60 insurance firms, where more than 25 of them are general insurance companies, catering to the billions of people in this country. But we need many more insurers in the market; the more, the merrier! The competition will lead to better product innovations, enhanced customer service, wider reach, and niche areas being serviced, which will pave the path for strong, agile companies to flourish and give

customers multiple choices. It will drive insurance penetration across India, ensuring every household is financially secure during unforeseen difficulties and providing them with the opportunity to live a life of dignity.

‘Insurance for All’ by 2047, a vision by the IRDAI, will soon be a reality! It will start with increasing awareness; we all have to pick up the mantel and start sparking conversations about insurance. Also, the amalgamation of technological advancements with human expertise will ensure customer-centric products and services, higher customer satisfaction, and a competitive edge for insurance companies. With the right mix of physical strategies, current technologies, along with collaboration within the industry and implementation of new-age technologies, the robust insurance sector is well prepared to cater to the customer's needs and help improve the country's financial stability as it moves towards a new dawn of the age.