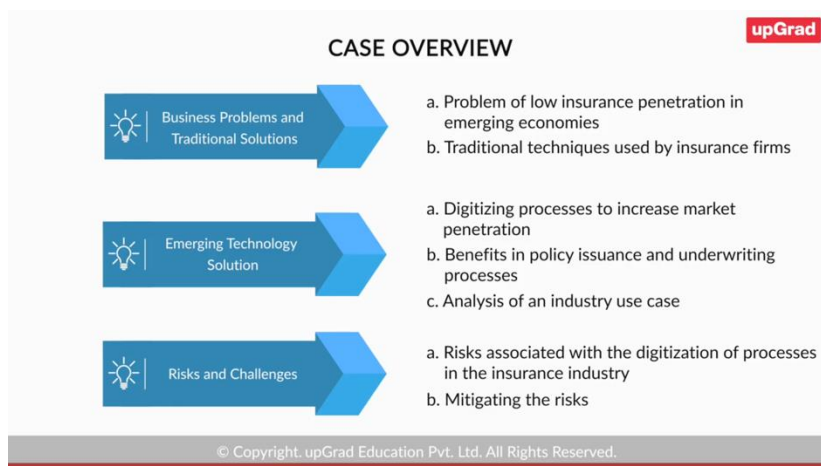


# Digitization of Issuance & Underwriting Process



People use insurance to protect themselves against the financial losses arising from various risks. Therefore, insurance is a basic need of every individual. However, insurance penetration is still relatively low, especially in developing countries. Now this is because the insurance industry has been slow to adopt modern technology. In the sales case, you will learn how digitization can help the insurance industry. The case will have the following structure.

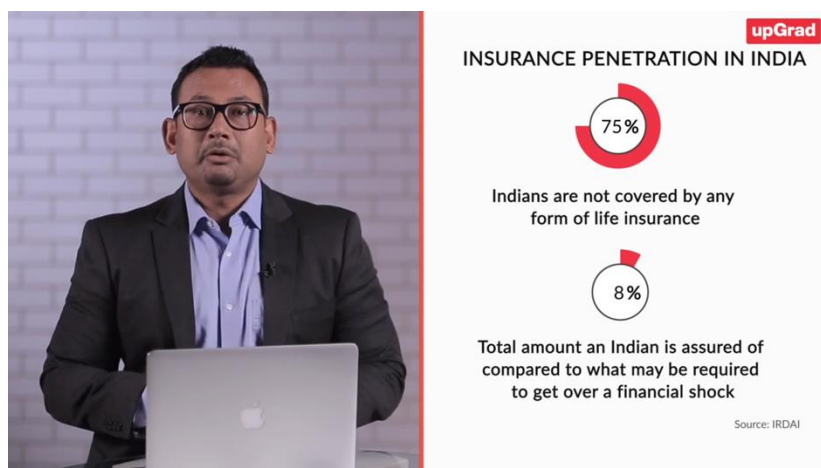


1. First, you will learn about the problem of low insurance penetration in emerging economies like India. You will understand why this problem exists. In the process you will also learn about some of the traditional techniques that insurance firms use to issue policies.
2. Next, you will learn how digitization can help insurance firms increase the market penetration of their offerings. You'll also learn the benefits of digitization for the policy assurance and underwriting processes. You will see an example of how a premier life insurance organization, digitized these processes and reaped the benefits.
3. Finally, you will learn about some of the risks associated with the digitalization of such processes. You will also learn how to mitigate these risks. So, let's get started.



Did you know that, even today, a majority of people in emerging economies are not covered under any life insurance policy? This is a serious issue. Imagine a situation where the sole earning member of a family passes away in an accident. The rest of the family would suffer a severe financial loss over and above the loss of losing a family member.

In this video, our expert will discuss the problem of low insurance penetration in detail. He'll also mentioned the reasons behind this problem.



According to IRDAI, India's Insurance Regulatory and Development Authority, 75% of all Indians are not covered by any form of life Insurance and an Indian is assured of only 8% of what may be required to protect a family from a financial shock, and this number is astonishingly low, because in a country, if 75% of the people does not have the most mandatory coverage of an insurance, It is definitely an alarm.

The insurance industry is also constantly evolving. There are different kinds of policy generally prevalent in the market. Some of them are traditional, like a life, general or an investment linked policies like ulep. There are also a proliferation of new insurance policies for cyber, for a critical care, for cancer care and so on and so forth. The fundamental reasons for a low insurance absorption is extremely critical for us to understand.



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**REASONS FOR LOW INSURANCE ADOPTION**

- 01 Lack of clarity about different policy types
- 02 Lack of awareness
- 03 Cumbersome buying process
- 04 Requirement of extensive documentation
- 05 Lack of a self-serve and customised insurance plan

1. Some of the policy types are mandatory, such as a vehicle insurance, while some of the policies are very very optional, just health, life, general and cyber.
2. Overall in the industry and for the community, there is an absolute lack of awareness about insurance as a product as such. Traditionally, we have seen a lot of consumers buying insurance predominantly towards an investment instrument as opposed to a safety net or a mandatory requirement for an health or a critical illness cover.
3. Buying of insurance policy has known to be a fairly cumbersome process with several different manual steps, which typically ends up to a very high number of days, by the time a payment is made by the consumer and the policies finally made be enforced.
4. The requirements of a policy procurement is also extremely complex, depending on the policy type being sought and been purchased. There are extensive documentation needs with respect to health and financial information, and that is something which a customer always grapples with a large extent.
5. In this present world, where consumerization is something which is very very prevalent. There is a absolute lack of a self-service and a customized insurance plan. Most of the insurance been sold by the predominant players are plain vanilla where the customer has got minimal or almost no option to customize as per their unique requirements.



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**REASONS FOR LOW INSURANCE ADOPTION**

- 05 Lack of a self-serve and customised insurance plan
- 06 High policy issuance time
- 07 Reliability of a policy
- 08 Primitive selling channels

6. Overall, the policy issuance timeline is also high, which is also a factor why there are lot of resistances from the rural customers to buy a policy in the first place.

7. Another important consideration is the reliability of a policy. Understanding the customers mind set a policy can also be a dead investment and investment, which has probably never been called forth for a return, and this is the one reason why the reliability and the assurance of a need of a policy or a life insurance policy has to be very, very well articulated, which is a glaring gap in the industry present day.
8. Last, but not the least the channel by which a policy is typically sold, is little primitive. Policies are sold through a cold call or through an agent, and this method currently is ineffective because of the extent of consumerization and the digital native customers there's a huge influx of it. A lot of customers would typically love to buy a policy in their own convenience in a self-service fashion, as opposed to the old method of a cold call and talking to an agent and so on and so forth.



A major reason for low insurance penetration is a cumbersome, traditional processes that are still practiced in the industry. In this video, you will learn about the traditional methods of policy issuance and underwriting.

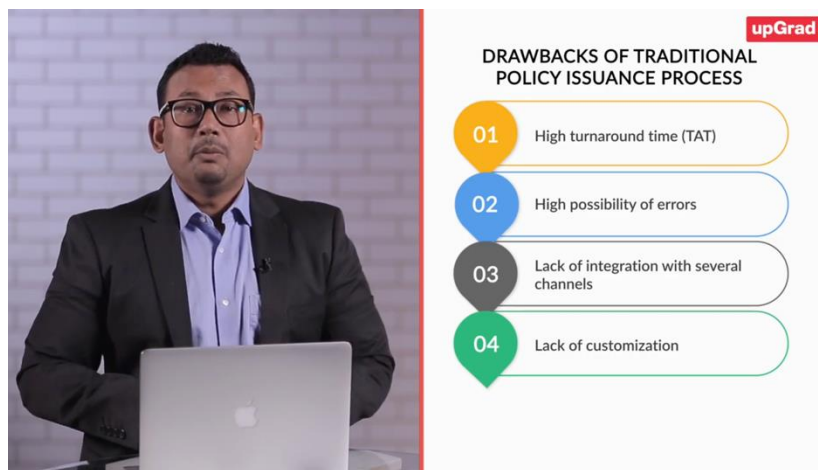


Let's take a look at how companies are carrying out the policy issuance process without digitization and also the associated challenges. The current policy issuance process is highly manual and it involves following steps.

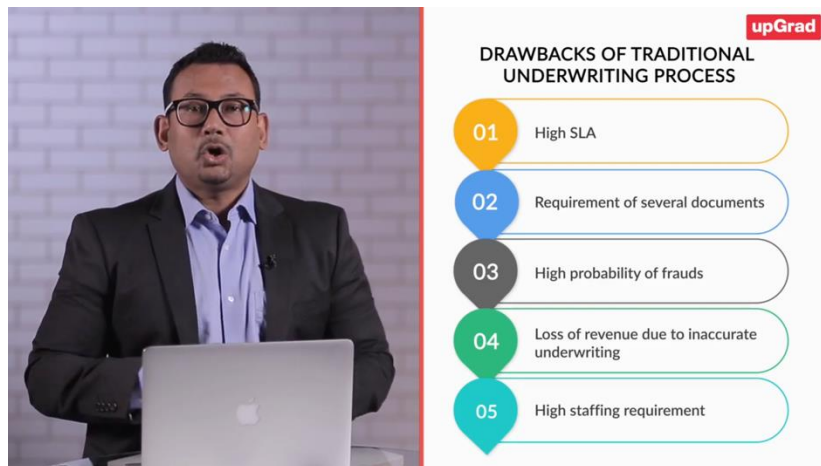
1. It typically begins with a cold call from an agent which can be a commercial agent or somebody who is known to a consumer.
2. Then comes the customer negotiation phase, where a selection of a policy typically happens.

3. And then the agent collects documents which are extensive, which takes a lot of time for the consumer to collect them in the first place and then make the submission.
4. Then comes the policy underwriting and premium calculation, which typically takes about two to three days from the time, the entire document set is made available to the insurance company.
5. The premium collection happens, which is fairly a primitive method of either a check or an online payment method.
6. The transaction posting then happens into an internal system which takes a while to reflect into the insurer system itself and once the transaction is realized, the policy issuance and the policy shipment happens to the customer.

Overall the turnaround time as an industry average in India is about 14 business days. As we can see that there are quite a few drawbacks of this physical policy issuance process in itself.



1. One factor which is very very evident is the high turnaround time, which can be a real dampener for a customer experience.
2. Because the entire process is highly manual there are also several possibilities of errors. It can be an error related to policy type. It can be an error related to documentation which can also have an impact on the underwriting.
3. And there are lack of several integrations with the channels. That is one reason why most of the posting and upgrading is as a manual process.
4. Lack of customization is a problem because it does not give any leeway for a customer to choose the product which he or she would typically needs.



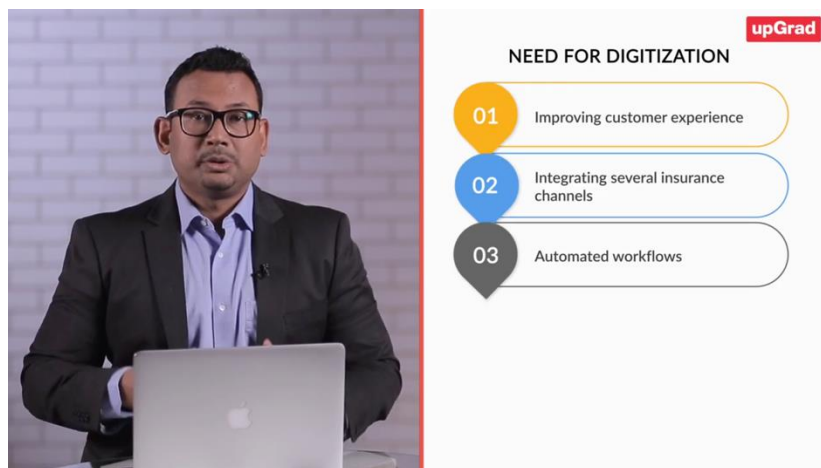
Let's take a look at how the insurance companies are carrying out underwriting process without digitization, and it has got significant challenges as well.

1. So the high SLA is a direct contributory cause because of the processes are being manual, and this is true for all kinds of underwriting. whether it's a medical underwriting or it's a non-medical underwriting.
2. The documentation and the the quantum of documentation needed for underwriting is essentially very high.
3. It is also absolutely mandatory for an insurance company, as per the regulatory requirements to comply with the underwriting process, because this is where the policy premium calculation actually takes place.
4. The probability of fraud is also a little higher in the industry because of the availability of fake documentation, and it has traditionally been observed that lot of consumers submit documentation which are spurious in nature and that can give rise to frauds.
5. Most importantly, inaccurate underwriting or an hasty underwriting can lead to a revenue loss because the policy premium calculation becomes incorrect.
6. All these process because of it, is manual in nature and it needs a high degree of skill set and resource incentives, the cost of operations is very, very high, because each of the underwriters has to be medically qualified resource, and that needs a specialized skill sets and they come with a price.
7. Because there is an absolute lack of digitization, there is no benchmarking or a policy premium calculation as well, so for a customer, while they make choice of different policies sourced by different insurance service provider. It is, it is pretty much a dead end, because there is no way you can benchmark a policy. It is very unique to every every insurance service provider.





You already learned about the traditional methods for policy issuance and underwriting. Let's now understand how the digitalization of these processes can help in solving several problems in the insurance industry.



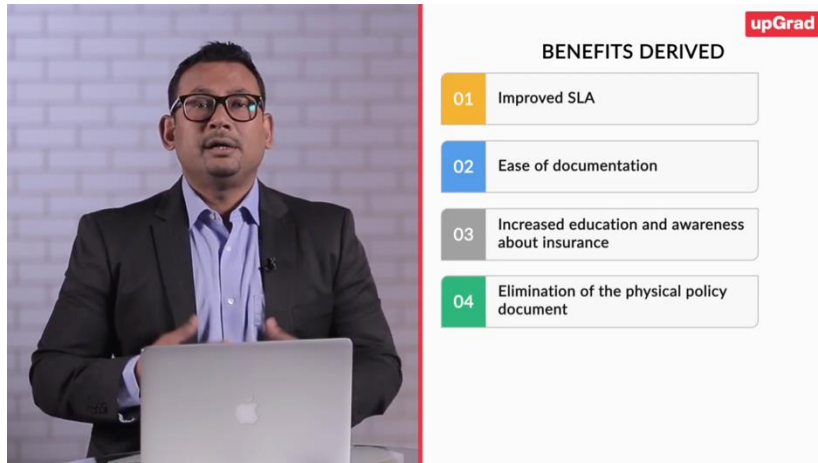
Alright, so now that we have seen the challenges in the traditional way insurance issuance and underwriting happens, it is absolutely imperative that there is a need of digitization in the insurance industry. Let's understand why it is needed in the first place.

1. For one, digitization will surely improve the customer journey and the overall customer experience in the insurance buying and fulfilment process.
2. Secondly, there are several insurance channels which are available now in the market. Digitization will help in the better integration with all of them and
3. Last, but not the least, the automated workflows, which will result out of the digitization, will ensure absolute repeatability and accuracy of every policies which are typically issued.

How does a digital policy issuance process typically works?

1. For one, it is triggered direct-to-consumer based on the specific customers unique life event, which is absolutely the key.

2. Secondly, the digitized process is fairly simple, and these are a tailored set of product options which is usually based on the customers unique needs.
3. Third, and which is very very important, is instant quotation and the instant policy issuance and this is a significant improvement from the traditional way of manual policy issuance, via-a-vie the new way emerging way of digitizing the entire policy issuance system.

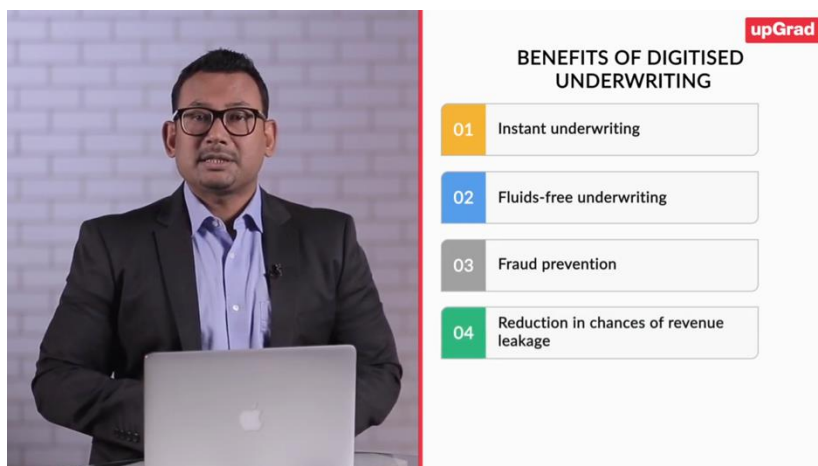


**BENEFITS DERIVED**

- 01 Improved SLA
- 02 Ease of documentation
- 03 Increased education and awareness about insurance
- 04 Elimination of the physical policy document

The benefits of the digitized policy issuance process is significant.

1. One is, there is an improved SLA. The policies these days can be issued instantly as opposed to waiting for 14 business days, which is a significant improvement.
2. The ease of documentation and rule based decision making because of the extensive digitization, has also made the process very easy on a consumer and simple for the insurance service provider well.
3. One important consideration, which was an unmet need earlier in the traditional system, is now being addressed in form of education and awareness about policies, the different types, and how does it caters to a specific need of a unique customer which is a significant improvement from the earlier system.
4. The electronic policy documentation and the issuance of it compared to a physical policy documentation works better. With the proliferation of digital devices most of the customers are digitally very savvy and would prefer to have an electronic version as opposed to a physical policy document with them.



**BENEFITS OF DIGITISED UNDERWRITING**

- 01 Instant underwriting
- 02 Fluids-free underwriting
- 03 Fraud prevention
- 04 Reduction in chances of revenue leakage



Let's now take a look at how digitization can improve the underwriting process itself.

1. For one the underwriting process can be automated to an extent where it can be done in an instant.
2. Underwriting also typically involves several medical tests, but then the new trend with the digitization is fluids free underwriting, where the organization can actually utilize public and private databases with respect to customers, health and finances and make the underwriting process fairly simple.
3. One important advantage of a digitization in the entire underwriting process is the fraud prevention, so spurious documentation, spurious details are very easy to determine because there is always a validation with a third-party independent data source. Hence all of these fraudulent items can be flagged off right in the beginning stage and can be addressed.
4. Because it is a rule based underwriting, there are very few chances of revenue leakage. For instance, the underwriting is accurate, where the customer does not come back. There is no customer attrition or cost overrun as well in case of an inaccurate underwriting. The company ends up charging a less premium for the particular policy, and then it can lead into a cost over run.

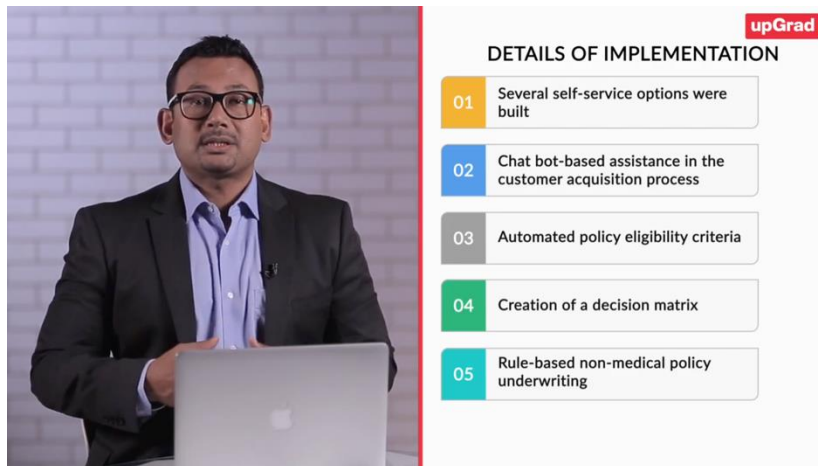


Lets now look at the use case of a premier life insurance company that used digitalization to transform its processes. You will see the various benefits that this organization achieved as a result.



Alright, so now that we know the challenges with the traditional way of insurance policy assurance and the underwriting process, we have also seen how digital transformation can aid and resolve this significant business problem. Let's take a look at one of the real-world implementation case study and understand: how does the digital transformation really brings benefit to an organization?

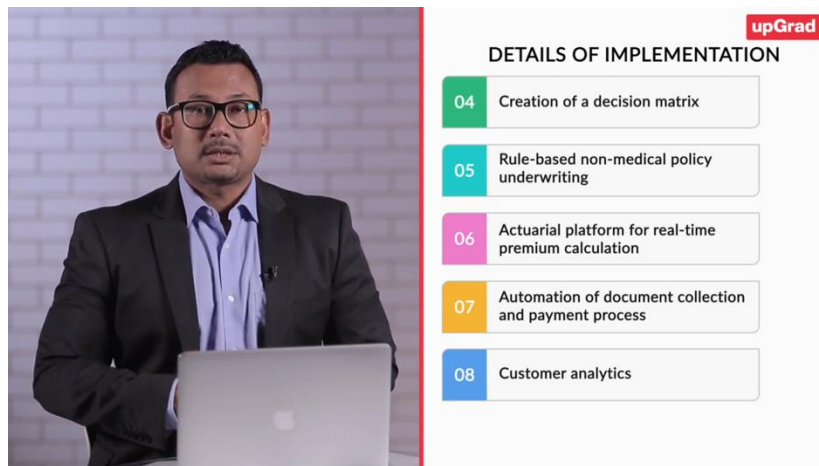
So the organization in question is one of the premier life insurance organization in India and the reason why they decided to digitize their processes was fairly simple. Their entire policy insurance and underwriting process was manual. Let's take a look at all the finer details of the implementation as well.



The image shows a man in a dark suit and glasses speaking into a microphone, with a laptop in front of him. To his right is a sidebar titled 'DETAILS OF IMPLEMENTATION' with the upGrad logo. The sidebar lists five steps:

- 01 Several self-service options were built
- 02 Chat bot-based assistance in the customer acquisition process
- 03 Automated policy eligibility criteria
- 04 Creation of a decision matrix
- 05 Rule-based non-medical policy underwriting

1. So, overall they were able to simplify the customers journey. They billed in several self-service options for certain policy types through their websites and through their applications as well.
2. They'll also leverage chatbot based assistance in the entire customer acquisition process. So typically, when a customer is making the sale in the in the platform whether it's a mobile, app or an a website, there were certain questions, there were certain clarifications, the chatbot really came in handy and provided those assistance.
3. They also automated the policy eligibility criteria by rule based mechanisms instead of a human actually sitting through understanding details and documentation and then understanding the eligibility.
4. There was a decision matrix which was created to clearly articulate a go/no-go decision. Most of the time this was manual, however in this particular digital journey, they also factored in the need for manual intervention for a no-go cases for a second-level review. So, in turn, every customer that on-boarded into the platform, irrespective of the actual sale, has happened or not. There was always somebody going back to the customers and ensuring there's a follow through.
5. The non-medical policy underwriting typically in the organization was manual they bought in rule-based on medical policy underwriting for automation and also simplification of the process in itself.
6. They also leveraged an actuarial platform for premium calculation real-time, depending on the unique customer variables. So the turnaround time, which was typically four days at an industry average, to understand how a premium should set in for a particular policy or for a specific customer, was brought down to fairly almost a day.



7. Most importantly, the major challenge was for customers to gather all the documentation regarding Health and Finance, which was needed for the policy issue in cycle. That was fairly automated. Customers now has an advantage to upload the document in a customer portal through a straight-through processing which comes into the insurance payment processing system and the entire process is now automated.
8. Overall, the policy acquisition system, the customer acquisition system, the third-party channels, because of the extensive integration the company was able to issue policies instantly, which is a big win.
9. Another untapped and uncharted territory in an insurance is of the customer analytics and depending on the browsing methods or the browsing trend of a particular customer, there were extensive analytics been done, which helped them to not only understand what's the customers mindset and the pulse, but also aided in the new product designing and innovation.

The vendor the use to deploy the solution was a blend of internal as well as external parties, because the breadth of the operation was extensively very, very high. It made perfect sense to bring in some elements which are external in nature and build the rest of it internally within the house. The benefits that derived by implementing the solution were manifold.

1. For one they were able to issue a policy document instantly, so the target of turnaround time from 15 days was reduced to just one day, which was a significant achievement.
2. There were better conversion rate of casual customers to actual sales because of the intuitive and interactive sales channels.
3. These sales realization percentage, which is typically very, very low in a traditional situation where cold calls were generally made, has also gone up because of the number of channels being increased.
4. There was a better utilization of the policy aggregator platform, which was a need of the hour, because customer these days prefers to compare different policies of different insurance service providers before the final buying decision is made. This entire digital transformation journey helped in better utilizing the policy aggregation platform and largely.



As with any new solution, there are certain risks associated with digitizing, the underwriting and policy issuance processes as well. As a salesperson, you must be able to suggest potential mitigation strategies for these risks in order to strengthen your sales pitch. In the next video our expert will discuss these risks and mitigation strategies in detail.



The digital business transformation journey is an extensive journey encompassing a significant amount of breath and business processes. Hence it can come with significant challenges and risks as well. Let's take a look at the most likely risk one might encounter in implementing a project like this and also what could be the potential mitigation strategy.

1. One element of significant risk which often comes up is an unavailability of an alignment with the business strategy. So as an implementation team, it is absolutely important to understand if the implementation ties back to the overall business strategy or not. It can be with respect to the policy, type the target customer base and also the acquisition channel.
2. The second important risk, which is often seen in the industry, is the issue with technology compatibility and the feasibility assessment. Every organization has significant amount of legacy systems running in their ecosystem. It is very important, however, to understand when an organization steps on to the digital transformation journey, what all legacy applications will be carried forward. The decision to be able to integrate or the decision to leave the system to run as a standalone application makes a lot of difference, especially when it comes to a large-scale implementation like this. Digital transformation also entails the



decision to be able to build versus buy. Whether you build something in-house or you buy a custom self-made application or you run it. That's an important consideration.

3. Third important challenge is most of the time, a project of a similar nature does not realize the true benefits, because there were no KPIs or key performance indicators so to in order to be successful it is important that clear success, criteria's and outcome meet are designed at the beginning of the product itself. The kpi's needs to also be benchmarked with the historical data, as well as the data from the pure industry group.
4. One another challenge was to understand the insurance ecosystem, which is essentially very very specific to the insurance industry as such. There are different channels which are used for sales and processing like backing channels, third-party add-on product sales, direct customer, sales force driven channels and also the policy aggregator channels. How does the entire digital strategy sits and interacts with all of these different channels, which has their own set of nuances, is very important to understand and implement in the overall roadmap of the digital transformation journey.

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