

## The Digital Insurance Paradigm: A Theoretical Exploration

Ms. Randeep kaur

Research Scholar

Email [Randeephd1993@gmail.com](mailto:Randeephd1993@gmail.com)

University School of Financial Studies, Guru Nanak Dev University, Amritsar.

**Abstract:** The advent of technology has significant impact on the economy as a whole. Technology is attributed to the transition such as from traditional mode to online mode. Financial services industries such as banking, insurance are also witnessed huge growth in their businesses. Several technologies such as artificial intelligence, cloud computing, internet of things, block chain technology etc are gaining momentum these days. Insurance companies are using electronic mode as a alternate channels for communication, sales and distribution. The study focuses on the acceptance of electronic channels for availing digitalized insurance services by policyholders. The main aim of the study is to develop conceptual model for explaining user's behavior intention towards adoption of digital life insurance services. The study has used unified theory of acceptance and use of technology model while incorporating some external variables such as trust, self efficacy etc. Attitude has also been used as a mediator for explaining the relation between other constructs and behavior intention.

**Keywords:** Online Insurance, Trust, Attitude, Technology, Financial Services, Unified Theory of Acceptance and Use of Technology.

### Introduction

Digitalization is “ability to turn existing products or services into digital variants, using Information and Communication Technology (ICT), and thus offer advantages over tangible product” (Henriette, E., Feki, M., Boughzala, 2015). Electronic channels are of immense use for business houses for communication, interaction and distribution. Various services industries now a day's adopting e channels and these channels have positive effect on their organization performance. Electronic channels on the one hand aid the organization in increasing the scale of business and on the other hand it benefits the clients by providing a convenient platform for various transactions. The emergence of technology boosts the economic growth of the country. In 21<sup>th</sup> century companies are adopting advanced technology for gaining the competitive edge .Various new technologies such as internet of things, cloud computing, big data analytics, neural networks are gaining momentum. With the advent of liberalization , globalization and privatization financial service industries witnessed immense growth and it has affected the industry in such a way that on the on hand it has added more new service providers and on the other hand enhanced competition(Khare & Singh, 2010). Technology development and economic growth are closely related to each other. The Indian insurance industry consists of 57 insurance companies where 33 companies are non life insurance companies and 24 companies are life insurance companies. Life Insurance Corporation is the only public sector life insurance companies which holds maximum market share. Innovation through updated technologies is a considerable driver of change in the financial sector which leads to immeasurable, efficiency gains. The insurance sector is no exception to these advancements . The ICTs growth and the escalation of competition have induced business units to sell online(Maher, 2021) .Today insurance companies are using internet as a channel for communication, distribution and interaction (Gidhagen & Persson, 2011). Insurance companies are becoming more technologically advanced and are offering variety of online insurance products and services. Digital platforms

facilitate insurers in attracting more business. Numerous Services such as online claims, premium payment, grievances redresses, and quotes are available on life insurer's digitalized platforms such as websites and apps. Usage of technology in services is quite dependent on the customers awareness level of several technology tools available and their choice for hassle free services(Khare & Singh, 2010). Customer feel that internet mode facilitate convenience and also saves time and resources(Khare & Singh, 2010). They are more self directed in their insurance decisions and want to interact with their agents across full arrange of channels: in person through mobile devices, by phones, internet, and video conferencing etc.

This paper contributes to fill the gap that exists regarding research on insurance and technology. Vast review has been done in the context of e-banking, e-financial services whereas less importance has been given to internet insurance. There are only few studies that aim to examine the drivers that affect the consumers' behavior intention to use digital platform for insurance services.

### **Objective of the Study**

The study intends to develop the conceptual model for explaining the consumer's behavior intention towards the adoption of digitalized insurance services through using the unified theory of acceptance and use of behavior (UTAUT) model and also incorporating the external variables such as trust, attitude and self efficacy.

### **Literature Review**

Foon et al.(2011) in their paper aimed to examine the determinants of internet banking adoption. This study was based on unified theory of acceptance and use of technology. The data was collected through questionnaire using convenience sampling. The study used chi square test of independence and multiple linear regression for the analysis. The result revealed that there is no significant difference between the demographic factors such as gender, education, level, monthly income, age group, ethnicity with the adoption of electronic banking. The findings showed that there is significant influence of performance expectancy, effort expectancy, social influence, facilitating conditions, and trust on behavior intention. Before using multiple linear regressions, correlation analysis was also done. It was found that relationship of performance expectancy, effort expectancy social influence, trust, facilitating condition with the behavior intention found to be significant. The result of regression showed that all the determinants of behavior intention explained 56.6% variance where social influence found to be most significant factor in adoption of electronic banking.

Fonchamnyo (2013) examined the determinant to customer's perception of internet banking adoption. The study was based on technology acceptance model while incorporating the external factors as well. The determinants integrated with technology acceptance model were quality of internet connection ,Trust, perceived security ,perceived reliability ,perceived accessibility, perceived service cost, perceived awareness. The data was collected through questionnaire and of which internal consistency reliability and convergent, discriminant validity was investigated .The analysis of data was done using path regression analysis. The result showed that perceived usefulness, perceived ease of use, perceived trust, perceived security, and perceived accessibility perceived awareness has positive effect on the consumer's attitude whereas perceived reliability, quality of internet access has no significant effect on customer's attitude. The result also revealed that customers attitude positively impact the adoption of E-Banking. The findings states that perceived accessibility, perceived reliability, perceived security has positive effect on perceived usefulness. Demographic variables such as gender and income are insignificant in influencing customer's attitude towards electronic banking adoption.

Tarhini et al.(2016) examined the impact of performance expectancy, effort expectancy, social influence, facilitating conditions, perceived credibility, and task technology fit on customer's intention to use electronic banking. For facilitating the study a model was developed through extending the unified theory of acceptance and

use of technology model and also this model integrates two external such as perceived credibility and task technology fit. The data was collected through Convenience sampling. The data collected was then analyzed using structured equation modeling. The finding showed that performance expectancy, social influence, perceived credibility and task technology fit have positive influence on behavior intention while effort expectancy did not have significant effect on behavior intention. Determinants such as facilitating condition and behavior intention had significant relationship with the actual usage of electronic banking. The results also revealed that performance expectancy was the strongest within the developed model.

Naicker and Merwe (2018) examined the drivers that have impact on adoption by taking into the account the managers 'perception of mobile technology. The data was collected through questionnaire for analysis purpose. Demographic variables such as age, gender differences, level of education and culture were incorporated and their association with perceived factor was tested using chi square test of association. The findings revealed that gender differences and perceived factors have significant relationship. It was also found that level of education; culture has significant association with perceived factors. Other variables such as level of experience, age has no significant relationship with perceived factors. The results also states that perceived usefulness, ease of use, perceived risk influenced the adoption of mobile technology. The other factors such as perceived cost and level of complexity do not have any significant effect on adoption of mobile technology.

Imm et al. (2019) in their research study examined the drivers of insurance agent behavior intention to use mobile technology. The study is based on the modified unified theory of acceptance and use of technology. The study also analyzed the moderating role of experience, age, voluntariness. The data was collected through structured questionnaire. The findings showed that performance expectancy is positively related with behavior intention to use mobile technologies whereas effort expectancy does not influence behavior intention directly. The results also revealed that social influence, facilitating conditions ,hedonic motivation ,habit personal innovativeness is significantly affected on behavior intention while price value do not have any impact on behavioral intention . Also the study suggested that only age; Voluntariness moderates the relationship between the habits with the behavior intention.

Jiang et al.(2019)in their research paper examined online life insurance purchase intention of Chinese life insurance customers. The study is based on the unified theory of acceptance and use of technology model and also incorporated two external factors such as perceived risk and online trust. The data was collected through questionnaire and targeted the potential and actual buyers of online life insurance. The result revealed that performance expectancy has significant effect on user's intention buy online life insurance. The findings also showed that there is significant relationship between effort expectancy and behavioral intention and also the trust and perceived risk were the direct antecedents of behavioral intention .It were also found that social influence had the most influence on the behavior intention of the users.

Nafaa(2019) in their study attempted to examine the main determinant that affects behavioral intention and adoption of electronic insurance by users of insurance companies. This Research study is based on the technology acceptance model and also incorporated other external factors such as perceived risk, self efficacy, and habit, interactivity. The data was collected through structured questionnaire and was analyzed using structured equation modeling. The findings showed self efficacy was a key determinant in behavior intention and adoption of online insurance services. It was also found that perceived usefulness is also a significant determinant to predict intention. Other factors such as perceived ease of use, interactivity and also influence user's intention while perceived risk and habit has negative effect on Behavior Intention.

## Theoretical Framework

Unified theory of acceptance and use of technology model is a technology model formulated by Venkatesh, Davis, and Morris (2003). This model intends to explain user's intention to use technology and actual use behavior. This theory incorporates four basic constructs such as performance expectancy, effort expectancy, social influence, self efficacy, trust, attitude, behavior intention. Unified theory of acceptance and use of technology model is a combination of constructs of previous eight models that are associated with technology acceptance. This study attempts to apply Unified theory of acceptance and use of technology model while incorporating the external variables such as self efficacy, trust, attitude and behavior intention.

**Performance Expectancy:** "Performance expectancy refers to the degree to which individual perceives that using a system will help in attaining a gain in job performance" (Venkatesh et al., 2003) The root constructs of performance expectancy is perceived usefulness used in TAM model. Various studies support the notion that performance expectancy plays significant role in explaining the behavior intention and adoption of technology.

**Effort Expectancy:** "Effort Expectancy defines as the level of easiness related while using any system." (Venkatesh et al., 2003). In other words effort expectancy is associated with ease of using the system. Various studies support the relationship between the effort expectancy and behavior intention whereas there are some studies that do not show significant impact of effort expectancy on behavior intention. Therefore we observed different results in various studies.

**Social Influence:** "Social influence is defined as the degree to which an individual perceives that important others believe he or she should use the new system" (Venkatesh et al., 2003). Social influence was not part of TAM (1989) model but was then added in TAM 2 model.

**Self Efficacy:** Self efficacy is defined as "Judgments of how well one can execute courses of action required to deal with prospective situations" (Bandura, 1982).

**Trust:** Ennew and Sekhon, 2007 defines the trust as "Individual's willingness to accept vulnerability on the grounds of positive expectations about the intentions or behavior of another in a situation characterized by interdependence and risk." In e-commerce trust lessen the behavioral uncertainty and related risks coupled with the possibility that an e-retailer might act opportunistically (Kesharwani & Bisht, 2012).

**Attitude:** Attitude refers to the "degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in the question" (Ajzen, 1991). attitude may be influenced by the extent to which the technology found to be easy to use and thus lack complexities and the extent to which the technology found to be useful (Dwivedi et al., 2019).

**Behavior Intention :** Behavioral intention is defined as "An individual's readiness to perform a certain behavior and it is assumed as an immediate antecedent of the actual behavior" (Ajzen, 1991).

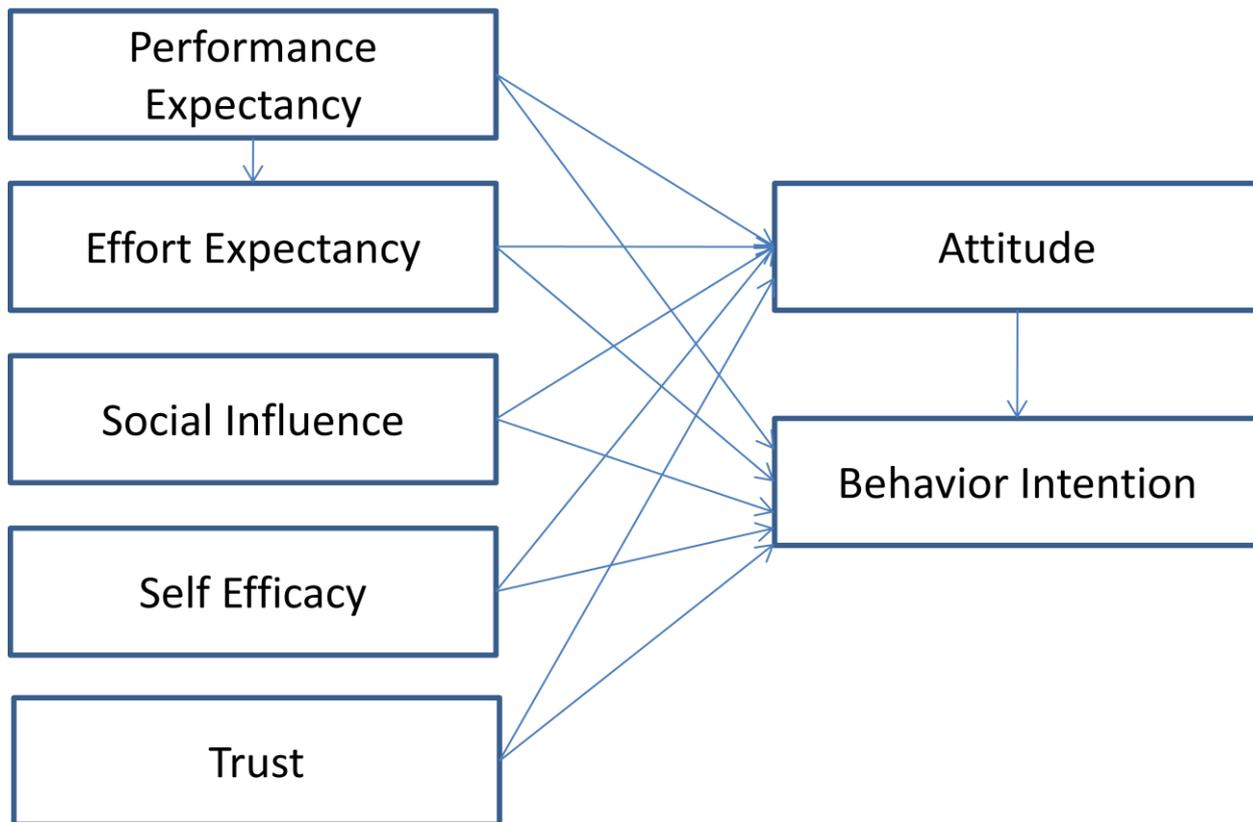


Fig 1: A Theoretical Framework

**Discussion:** In order to examine and elucidate policyholders behavior intention towards adoption of digitalized platform for insurance services such as premium payment, getting quotes ,comparison of products etc., the unified theory of acceptance and use of technology model is integrated with some external factors such as self efficacy, trust ,attitude. Attitude plays a mediating role in explaining the users’ behavior intention towards the adoption of electronic services .It has been proved in prior literature (Dwivedi et al., 2019) that attitude plays significant role as a mediator in unified theory of acceptance and use of technology model. Prior literature shows that there is significant relationship between performance expectancy and attitude, effort expectancy and attitude. This was because of the reason that users’ attitude may be influenced by the extent to which the technology found to be easy to use and thus lack complexities and the extent to which the technology found to be useful (Dwivedi et al., 2019). In other words it can be said that technology characteristics such as usefulness, ease of use influence users’ attitude. Attitude also mediates the effects of performance expectancy and effort expectancy on behavior intention. Performance expectancy and effort expectancy also have direct effect on behavior intention. Social influence has positive effect on behavior intention (Tarhini et al., 2016). The rationale is that consumers get influenced by others given that the relationship between consumers is perceived as utmost important in human behavior. In the conceptual model given self efficacy has been shown to have relationship with behavior intention. In prior research such as (Nafaa, 2019)self efficacy have direct relationship with behavior intention and has proved as significant predictor of users’ behavior intention. Trust is said to have significant relationship with the behavior intention. This has been proved in prior literature( Jiang et al., 2019) . The most significant relationship is between attitude and behavior intention. This path has been empirically supported in other studies (Dwivedi et al., 2019) .

**Limitation:** As stated above that in this paper an attempt is made to develop conceptual model for explaining policyholder’s behavior intention towards the acceptance of digital channels for various services. And this model need to be empirically tested for examining the significance of above integrated constructs in unified theory of acceptance and use of technology model.

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