Chapter 6. Discussion and Summary

This final chapter discusses the analysis of the results against the objectives. The limitations of the present study are outlined and suggestions for future research are presented.

6.1 Discussion

The current Internet usage of the Malaysia's insurance companies

By referring to the Table 6.1 the survey found that more than two third of the surveyed insurers already have information technology blueprint as a guideline to help them to adopt the Internet into their business processes. More than two third of the respondents already using Internet, and the email is the most commonly used base applications. On the three most important factors that encourage them to use the Internet, the insurers think the Internet can help them to increase sales/reach new markets, keep ahead of the competitors and to enhance employee communications. Only around one third of the surveyed insurers use Internet to offer quotation over the Internet in which the agents do the actual closing of the contract. According to the respondents, the three most important effects that the Internet has brought to them are the distribution of their products/services, promotion and Advertising of their products/services and Customer service and support. These findings imply that not all insurers have seriously thought and realised what Internet can bring to their business. Also, there are no insurers that offer online purchase of insurance policies at this moment yet.

The primary factors that influence the usage of Internet by the Malaysia's insurance companies

The surveyed insurers ranked security as the most important factor when deciding the adoption of the Internet. This reinforces the findings of Cockburn and Wilson (1995). To a large extent, the threats of data confidentiality infringement, and hackers accessing computers, are exaggerated. Yet

organizations realize that before these issues are completely addressed, businesses, and the consumer public, will not entirely accept the Internet as a medium for financial transactions. The other two most important factors are cost of changing business processes, and transactional risk. Insurers, running one of the most conservative businesses, are risk averse to changes especially those that will affect their fundamental way of doing business. To bring in the Internet as the new channel to their system, it involves redesign of their business processes, which is an uneasy task as it takes years to do so. Transactional risk is associated with deficiencies in system design, implementation or ineffective monitoring, may result in fraud, errors and the insurer's inability to deliver insurance products and services as agreed. A website represent the company's reception counter. If it is somehow incapable of delivering what is intended, it will then portrait a negative image of the company. It is then a big concern of the Insurers before they adopt the Internet.

The impact of Internet on the existing agency distribution channel

More than two third of the surveyed insurers believe that the Internet will compliment their existing agency distribution channel, rather than replacing them. In Malaysia, a successful sale of insurance policies still require a lot of "persuasion" and human factor, in which the agents have been doing a good job so far. The Internet can be an added tool to these agents by providing the agents with 24x7 service, and allowing the agents to provide online quotes and services to their customers. But the customers are becoming more demanding, expecting more personalized service. They are also more likely to use the Internet for research prior to purchase. Around one fifth of the surveyed insurers think that the existing agency channel will be affected slightly. This is possible too as Internet can be used to automate low value transactions (claims, annuity, etc). All insurers will eventually dis-intermediate agents for simple low-cost transactions, for both sales and service, and eventually the agents will only provide high-end services on financial services and wealth management (IBM 2001b).

Differences between small and big insurance companies

Cross-tabular analysis was done on the demographic profile, factors affecting the adoption of the Internet, Internet usage and e-Insurance. The chi-squire test shows statistically significant only in the area of the insurer's primary activities in which the small insurers tend to focus more on general insurance business rather than on life insurance business. Internet provides an equal ground for those insurers with smaller agency infrastructure to reach a bigger market that so far only affordable by big insurers. Unfortunately, the small insurers in Malaysia seem do not leverage on the opportunity presented by the Internet, to compete with their larger competitors on that space.

The presence of the global dot.com insurance companies

100% of the respondents do not fear of the threat from the "Click and Mortar" dotcom companies. One of the main reasons is due to the demise of many dotcom companies that ran into cash flow problem after the venture capitalists holding back from pumping additional money into their unprofitable investments. Also, the "bricks and mortar" insurers do not afraid of the dotcom companies as insurers know that brand is the most valuable asset that the insurers possessed. A startup dotcom cannot gain the trust of the public because people will not insure their future on an unknown party. This is the main reason why the Softbank-sponsored eCoverage.com closed down (Tapia 2001) when its advestising and marketing efforts failed to create a solid and trusted brand. In Malaysia, the insurers felt they are in good hands under the regulation of Bank Negara Malaysia that does not grant licenses to any dotcom for doing it off the Malaysia base. In one way, this has resulted the local insurers slow in bringing their products and services available on the Internet.

Objectives	Findings	Implications
Current Internet usage	-70.6% has Internet blueprint -email is the most popular application -38.2% use Internet to provide quotation -Effects -help to distribute products -promotion -communication	-Not all insurers have seriously thought about the potential of the Internet -There are no insurers that offer online purchase of insurance policies
Primary factors that influence the usage of Internet	1. Security 2. Change of Biz Processes 3. Transactional Risk	-Fear of doing business on the Internet -Fear of changing existing biz processes -Fear of damaging company's image
Impact of Internet on the agents	-Internet will compliment agents (67%) -Internet will affect agents slightly (17.6%)	-Allow agents to serve customers better -Simple low-cost transactions (claims, annuity etc) will be automated via Internet -Agents will move to high-end services
The difference between small and big insurers	-Small insurers tend to focus on general insurance business -Small insurers do not capitalise on Internet more than the big insurers	-Small insurers missed the opportunity to reach markets that otherwise cannot be reachable via their small agency force
The threat of the global dot.com	No threat: Dotcom is a bad name and BNM is regulating	The local insurers are slow to offer full suite of their services on the Internet

Table 6.1 Summary of the Findings

6.2 Limitations of this research

1. This survey only managed to collect input from the chief information officer (CIO) of the companies, for 15 (out of the 34) of the responses. The other 19 inputs were obtained from non-management technical information technology staff. Their views might not reflect the true picture of the companies' total Internet plan and strategies.

2. This survey does not go in-depth to gather information from the line of business executives. The focus on gathering information from information technology department only reflects the perspective from the technology point of view.

3. The sample of the survey was limited to life and/or general insurance companies. It limited the number of samples that can possibly be collected. For example, there are 11 reinsurance companies, 2 Takaful and many other intermediaries/brokers that are also classified under insurance sectors but are included in this survey.

6.3 Suggestions for future research

1. Chief information officer and line of business executives of the surveyed companies should only answer future survey. This will provide a better accuracy and qualities of the data.

2. Future survey should include more than just life and/or general insurance companies. The reinsurance, Takaful, intermediaries and brokers should be included as well, to provide a bigger sample size and to make the survey statistically more significant:

3. There is an industry trend of financial services consolidation, whereby banks and insurance companies are venturing into each other's

territory. The future survey should extend the coverage into the entire financial services sector, which includes bankers and security firms.

4. Future survey should dig into the detail of the companies' e-Insurance plan. It should have separate sections/questions to examine their plan on each specific product/services that the companies are offering. For example, under general insurance, motor and fire insurance might be the low-cost low-value transactions that the insurers want to automate with the Internet.