

Digital Transformation in Insurance: A Study on the Awareness Level of Online Insurance

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ABSTRACT

The study examined to investigate online insurance product awareness and factors influencing customers' behaviour in Chennai city. The study employed primary and secondary data. The primary data were collected from the respondents of insurance policyholders in Chennai city. The responses are gathered from the policyholders through the structured questionnaire. The secondary information is collected from the research articles, the Insurance Regulatory Development Authority, and others. The study used a convenience sampling method. Overall, 150 questionnaires were distributed, out of which the customers' 127 completed questionnaires were retrieved. The filled answers are screened and selected for 110 samples for the final study. Therefore, the total sample size of the study is 110. The study employed frequency distribution analysis and structural equation modelling (SEM). The study confirmed that the customers are well aware of the online insurance policies and products. The study also revealed a significant relationship exists between the factors influencing the purchase of insurance products.

Keywords: Awareness, Digital Technology,

How to cite this article: T. Sivakumar¹ Mrs. B. Venkata Srilatha² Dr. V. Palanisamy³. Digital Transformation in Insurance: A Study on the Awareness Level of Online Insurance. Int J Drug Deliv Technol. 2026;16(78s):1345-1352. DOI: 10.25258/ijddt.16.78s.146.

INTRODUCTION

The insurance sector has witnessed a significant shift toward online platforms in recent years, driven by rapid technological advancements and evolving customer preferences. Online insurance products offer unmatched convenience, flexibility, and cost-effectiveness, making them an attractive option for modern customers. However, the continued success of these products is frequently hindered by consumer trust or digital literacy and also depends on the level of awareness among potential customers. The objective of the study remains to seek to what extent customers know about online insurance products. It will also find gaps and chances for insurers to improve their digital offers and get customers more involved.

REVIEW OF LITERATURE

Dror et al. (2016), studied health insurance awareness in rural India, finding that demographic factors like income and education levels are crucial in influencing insurance enrolment. The research advocates for targeted community-based awareness programs to increase rural participation. Purohit and Singh (2013) assess how government schemes like the Rashtriya Swasthya Bima Yojana (RSBY) have contributed to increased insurance awareness, though challenges persist due to administrative hurdles and lack of adequate information dissemination. Stanley (2013) found that Millennials

prefer purchasing life insurance through workplace offerings rather than direct approaches or bank channels. Fixed deposits and mutual fund investments are the most popular options for online transactions among the millennial investors of investment sector. Money transfers and bill payments are all done through net banking and online platforms are preferred for insurance and policies to save the future. Quality orientation, online trust, purchase experiences, and impulse purchase tendencies are the factors that positively and significantly influence the intention of online purchase of the young generation

Need for the study

The global business landscape is undergoing a paradigm shift from traditional brick-and-mortar models to digital platforms. In the insurance sector, while services were historically accessed via physical branch visits, there is now a compelling necessity to transition to online delivery. This study is essential to evaluate consumer cognizance of digital insurance products and to identify the pivotal factors driving online policy adoption.

Objectives of the study

1. To assess the current level of awareness about online insurance products among customers.
2. To identify the awareness of online insurance policies among customers.

3. To analyze the important factors influencing the purchase of online insurance products.

Table 1: Age of the Respondents

S. No.	Age of the Respondents	No. of respondents	Percentage
1	Up to 20 years	40	20.00
2	21 to 30 years	10	10.00

Table 1 shows the age distribution of those utilising e-banking services. A plurality of responses, 40 percent falls under the “up to 20 years” age category, signifying that younger individuals constitute the predominant section of users. Individuals aged 31 to 40 constitute 20 percent, whilst those over 41 years comprise 30 percent

Table 2: Income of the Respondents

S. No.	Income of the Respondents	No. of respondents	Percentage
1	Up to Rs. 10,000	13	13.00
2	Rs. 10,001 to Rs. 30,000	55	55.00

Source: Primary data

Table 2 shows how much money the respondents made. Most people who use e-banking are in the middle class, since 55 percent of the people who took the survey had incomes between 10,000 and 30,000 rupees. Thirty percent of people who took the survey have annual

Table 3: Gender

S. No.	Gender	No. of respondents	Percentage
1.	Male	50	45.45

Source: Primary Data

The data shows that out of a total of 110 respondents, 60 are female and 50 are male, which corresponds to 54.55

Table 4: Online Insurance Products

S. No.	Income of the Respondents	Highly Aware	Aware	Not Aware	Total
1.	HDFC Life click 2 Product Supreme	46	49	15	110
		41.82	44.55	13.64	100.00
2.	LIC index plus	38	51	21	110
		34.55	46.36	19.09	100.00

Source: Primary Data

Table 4 illustrates online insurance products are highly aware in HDFC Life click 2 Product Supreme at 86.37 percent, followed by LIC Index Plus at 80.91 percent, ICICI Pru iProtect Smart Plus (78.19 percent), and Aditya Birla Activ One Max (75.46 percent). HDFC

Table 5: Awareness of Insurance Policies

3	31 to 40 years	20	20.00
4	Above 41 years	40	30.00
Total		110	100.00

of the sample. The minimal representation comes from the 21 to 30 age group 10 percent. The data suggests a bimodal distribution, where online insurance awareness is highest among the youngest cohort (up to 20 years) and the older cohort (above 41 years), while the 21 to 30 age group shows the lowest engagement.

3	Rs. 30,001 to Rs. 50,000	4	2.00
4	More than Rs. 50,001	38	30.00
Total		110	100.00

incomes of more than Rs. 50,001, while thirteen percent have incomes of up to Rs. 10,000. Extremely few people (about 2 percent of the total) fall into the income bracket of Rs. 30,001 to Rs. 50,000. In general, respondents with middle-class or higher incomes seem to make heavy use of online banking.

2.	Female	60	54.55
	Total	110	100.00

percent females and 45.45 percent males. This indicates that females form a slightly higher proportion of the sample compared to males.

3.	ICICI Pru iProduct Smart Plus	49	37	24	110
		44.55	33.64	21.82	100.00
4.	HDFC ERGO Optima Secure	42	34	34	110
		38.18	30.91	30.91	100.00
5.	Aditya Birla Active One Max	49	34	27	110
		44.55	30.91	24.55	100.00

ERGO Optima Secure has 30.91 percent of respondents stating they were not aware of the product. Overall, the data recommend that while life insurance-linked products enjoy high digital penetration, health-specific products like Optima Secure require further market outreach.

S. No.	Variables	Highly Aware	Aware	Somewhat Aware	Moderately Aware	Not Aware	Total
1.	Change of premium mode	29	28	22	18	13	110
		26.36	25.45	20.00	16.36	11.82	100.00
2.	Surrender value of policy before maturity	30	29	12	23	16	110
		27.27	26.36	10.91	20.91	14.55	100.00
3.	Revival of	29	26	21	24	10	110
		26.36	23.64	19.09	21.82	9.09	100.00

Source: Primary Data

The data reveals that while a significant proportion of respondents exhibit awareness regarding the surrender value of a policy before maturity (53.64 percent) and the penalty on premiums after the due date (52.73 percent), there is a notable decline in understanding for other variables. Although moderate awareness exists for the change of premium mode (51.82 percent) and revival of lapsed insurance policy (50.00 percent), the lowest level of comprehension is observed regarding the procedure for online payment (48.18 percent), where the highest percentage of respondents reported being not aware. While policyholders exhibit a strong understanding of

	lapsed insurance policy						
4.	Procedure for online payment	28	25	19	27	11	110
		25.45	22.73	17.27	24.55	10.00	100.00
5.	Penalty on premium for after due date	35	23	12	22	18	110
		31.82	20.91	10.91	20.00	16.36	100.00

the surrender value of a policy and the penalty on premiums, there is a critical knowledge gap in online payments.

Awareness of Insurance Products

Awareness is the level of understanding of various insurance products and their associated rewards and principles. Awareness is important for the policyholders because of it helps to meet the actual needs, lead to more savings, and act as a safety of the policyholders, providing medical benefits at the time of ill health and assured benefits in case of death. The awareness of insurance products' data was presented in Table 6.

Table 6: Awareness of Insurance Products

S. No.	Variable	Highly Aware	Aware	Some what Aware	Moderately Aware	Not Aware	Total
1.	Health insurance	37	20	10	20	23	110
		33.64	18.18	9.09	18.18	20.91	100.00
2.	Life insurance	46	50	7	2	5	110
		41.82	45.45	6.36	1.82	4.55	100.00
3.		14	46	8	19	23	110

Source: Primary Data

Table 6 shows that despite high awareness of life insurance (87.27 percent), there is a statistically significant deficit in health insurance literacy, with nearly 21 percent of respondents reporting no awareness at all. Reflecting a dominant level of public awareness compared to other products. Following this, travel insurance (63.64 percent) and motor insurance (54.55 percent) show moderate awareness levels, while health insurance (51.82 percent) occupies a lower tier. In contrast, property insurance records the lowest value (41.82 percent) with a substantial portion of respondents being not aware, highlighting a significant knowledge gap in essential medical coverage. In conclusion, the respondents are highly familiar with traditional life and travel insurance; there is a critical need for increased education and outreach regarding health insurance to bridge the evident awareness deficit.

Table 7: GFI and Baseline Comparisons

Model Fit	Result	Cutoff Value
GFI	0.942	> 0.90
AGFI	0.898	> 0.80

Source: Computed from Primary Data

Table 7 reveals that the model fit index of GFI (0.942) is more than the cutoff value of 0.90, indicating a good fit in the proposed model. Similarly, AGFI (0.898) is also

Table 8: Model Fit Summary - CMIN

Model	NP AR	CMIN	D F	P	CMIN/DF
Default model	24	33.828	31	0.333	1.091
Saturated model	55	.000	0		

Source: Computed from Primary Data

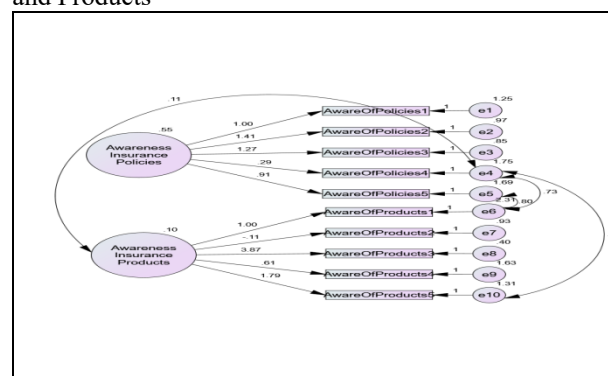
Table 8 shows the model fit summary indicates CMIN value of 33.828 with degrees of freedom 31 and a P value > 0.001 indicating it is not significant. The CMIN/DF ratio of 1.091 falls well within the ideal range

Table 9: Regression Weights: (Group number 1 - Default model)

	Mot or insurance	12.73	41.82	7.27	17.27	20.91	100.00
4.	Travel insurance	34	36	4	19	17	110
		30.91	32.73	3.64	17.27	15.45	100.00
5.	Property insurance	30	16	30	26	8	110
		27.27	14.55	27.27	23.64	7.27	100.00

Chart 1

Structural Fit for Awareness of Online Insurance Policies and Products



IFI	0.984	> 0.90
TLI	0.974	> 0.90
CFI	0.982	> 0.90

above to the cut off value of 0.80. The IFI (0.984), TLI (0.974), and CFI (0.982) are also above the cutoff value, suggesting that they are statistically valid and suitable for hypothesis testing.

Model	NP AR	CMIN	D F	P	CMIN/DF
Independence model	10	203.637	45	0.000	4.525

(<3.0), further validating the structural model. The independence model also shows (CMIN 203.637 and p value is < 0.001) significant, and hence, the proposed hypothesis is rejected.

			Estimate	S. E.	C. R.	P	Label
Change of premium mode	<--	Awareness Insurance Policies	1.000				
Surrender value of policy before maturity	<--	Awareness Insurance Policies	1.407	0.308	4.567	***	
Revival of lapsed insurance policy	<--	Awareness Insurance Policies	1.273	0.279	4.556	***	
Procedure for online payment	<--	Awareness Insurance Policies	0.288	0.177	1.633	0.103	
Health insurance	<--	Awareness Insurance Products	1.000				

Source: Computed from Primary Data

Table 9 shows awareness of insurance policies goes up by 1 and surrender value of policy before maturity goes up by 1.407. The regression weight estimate, 1.407, has a standard error of about 0.308. Dividing the regression weight estimate by the estimate of its standard error gives $z = 1.407/0.308 = 4.567$. The probability of getting a critical ratio as large as 4.567 in absolute value is less than 0.001; the surrender value of the policy before maturity is significantly different from zero at the 0.001 level (two-tailed).

The revival of a lapsed insurance policy is significantly different from zero at the 0.001 level (two-tailed). Similarly, the penalty on the premium for after the due date is significantly different from zero at the 0.001 level (two-tailed). However, the other variables are not significant with awareness of products and policies.

Table 10: Important Factors in the Purchase of Insurance Products

S. No.	Variables	Highly Aware	Aware	Somewhat Aware	Moderately Aware	Not Aware	Total	Mean
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			Estimate	S. E.	C. R.	P	Label
Life insurance	<--	Awareness Insurance Products	0.106	0.325	0.326	0.744	
Motor insurance	<--	Awareness Insurance Products	3.868	3.105	1.246	0.213	
Travel insurance	<--	Awareness Insurance Products	0.611	0.512	1.193	0.233	
Penalty on premium for after due date	<--	Awareness Insurance Policies	0.906	0.243	3.723	***	
Property insurance	<--	Awareness Insurance Products	1.792	0.923	1.942	0.052	

date is significantly different from zero at the 0.001 level (two-tailed). However, the other variables are not significant with awareness of products and policies.

Important Factors in the Purchase of Insurance Products

The understanding of key factors that influence consumer purchases is important in the online insurance products when purchasing insurance. These factors will enable insurance providers to develop and design the products with consumer preferences and adapt to the changing market. The data were collected from the respondents regarding factors influencing consumers in the insurance products is presented in Table 10.

1.	Brand image	19	56	17	9	9	110	3.61
		17.27	50.91	15.45	8.18	8.18	100.00	
2.	Company	22	53	8	13	14	110	

	reputati on	20 .0 0	48 .1 8	7.2 7	11.8 2	12 .7 3	10 0. 00	3. 5 1
3	Trust in compan y	40 .3 6	38 .5 5	14 73	9 8.18	9 8. 18	11 0. 00	3. 8 3
4	Good product range	33 .0 0	43 .0 9	7 6	22 20.0 0	5 4. 55	11 0. 00	3. 7 0

Source: Primary Data

Table 10 shows an analysis of factors influencing insurance purchases indicating that trust on the company holds the highest value (70.91 percent). Factors such as good product range (69.09 percent), and company

Chart 2: Important Factors in the Purchase of Online Insurance



Table 11: GFI and Baseline Comparisons

Model Fit	Result	Cutoff Value
GFI	0.976	> 0.90
AGFI	0.901	> 0.80
NFI	0.975	> 0.90

Source: Computed from Primary Data

Table 11 shows that the model fit index of GFI (0.976) is more than the cutoff value of 0.90 indicating a good fit in the proposed model. Similarly, AGFI (0.901) is also above the cutoff value of 0.80. The NFI (0.975), IFI (0.989), TLI (0.965), and CFI (0.988) are also above the cutoff value, suggesting that they are statistically valid and suitable for hypothesis testing.

			Esti mat e	S · E ·	C · R ·	P	La be l
Brand image	<--	Imp orta nt Fact ors in Pur chase s	1.000				

5	Compli ant/grie vances redressa l policy	25 .7 3	47 .7 3	5 4.5 5	17 15.4 5	16 .5 5	11 0. 00	3. 4 4
6	Claim settl ent ratio	23 .9 1	43 .0 9	18 16. 36	9 8.18	17 .4 5	11 0. 00	3. 4 2

reputation (68.18 percent) and brand image (68.18 percent) show moderate concern, while compliant/grievances redressal (65.45 percent) and claim settlement ratio range possess the lowest mean value (60.00 percent).

IFI	0.989	> 0.90
TLI	0.965	> 0.90
CFI	0.988	> 0.90

above the cutoff value of 0.80. The NFI (0.975), IFI (0.989), TLI (0.965), and CFI (0.988) are also above the cutoff value, suggesting that they are statistically valid and suitable for hypothesis testing.

			Esti mat e	S · E ·	C · R ·	P	La be l
Company reputation	<--	Imp orta nt Fact ors in Pur chase s	1.043	0.1 52	6.8 77	** *	

			Estimate	S.E.	C.R.	P	Label
Trust in company	<--	Important Factors in Purchases	1.019	0.146	6.957	***	
Good product range	<--	Important Factors in Purchases	1.088	0.175	6.231	***	

Source: Computed from Primary Data

Table 12 shows that important factors in purchases are significant, and the default model is statistically significant. The p-value in the regression weights is less

Table 13: Model Fit Summary - CMIN

Model	NP AR	CMIN N	DF	P	CMIN/DF
Default model	16	9.152	5	0.103	1.830
Saturated model	21	.000	0		

Source: Computed from Primary Data

Table 13 shows the model fit summary indicates a CMIN value of 9.152 with degrees of freedom 5 and a P value > 0.001 indicating it is not significant. However, the result in CMIN/DF is 1.830, and it is suggested that the proposed model is a good fit in the analysis. The independence model also shows (CMIN 366.598 and p-value is <0.001) significant, and hence, the proposed hypothesis is rejected.

Suggestions

Insurer to promote the well-established policies through advertisement and popularising them among the rural masses.

Insurer must focus on the people in this era of liberalization now that the govt. is retreating from its social responsibilities.

Peoples should be made aware of loss properties through natural damages, accidents, or theft is brought under cover of general insurance.

Public sector insurance still hold good reputation among the people, private companies have to make a lot of home work to compete with them.

			Estimate	S.E.	C.R.	P	Label
Compliant/grievances redressal policy	<--	Important Factors in Purchases	1.275	0.123	10.345	***	
Claim settlement ratio	<--	Important Factors in Purchases	1.270	0.164	7.734	***	

than 0.05 (all values are marked as "***," showing $p < 0.001$). The compliant/grievances redressal policy (10.345), claim settlement ratio (7.734), and trust on the company (6.957) are highly significant.

Model	NP AR	CMIN N	DF	P	CMIN/DF
Independence model	6	366.598	15	0.000	24.440

Invest in Digital Infrastructure: Insurance companies must build fast, secure, and intuitive platforms.

Conclusion

Digital transformation is redefining the insurance companies assures gap between technological innovation and consumer awareness. Digitalization is shifting the relationship between insurers and consumers, where the guiding principles are transparency and trust, and the interaction between them is carried out through digital sales and distribution channels. The implementation of innovative technologies facilitates insurers to increase profits by minimize costs and increasing sales with customer demands and expectations, based on big data analysis, increased added value for consumers and more. However, ultimate success of the digitalization depends on consumer awareness and understanding on online insurance platforms. To capitalize fully on digital transformation companies should alien technology consumer readiness on enhancing literacy, fostering trust through transparency, and stream lining distribution channels.

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