International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

The Indian Insurance Industry: Challenges and Prospects

Hiren Nanalal Joshi[1], Dr. Manohar Karade[2]

Arunodaya University
Email id- joshihiren@yahoo.com

ABSTRACT

The insurance industry in India has been expanding rapidly during the last several years. Despite a number of measures intended to spur expansion, the insurance industry in this country still accounts for a negligible portion of the worldwide market. In this study, we examine the development and history of India's insurance industry. We also highlight some of the most pressing problems in the industry today. As noted in the study, low penetration and density rates, limited investment in insurance products, the dominating position of public sector insurers and their worsening financial health are some of the difficulties confronting the industry. In order to build a stable insurance market in India, it is crucial that the country's economy be able to withstand shocks.

Keywords: Insurance, Liberalisation, Life Insurance

INTRODUCTION

As a result of a confluence of factors, India's insurance market has seen dramatic change and development in recent years. The success of the sector may be attributed in large part to effective marketing, sales, and distribution (Dholakia, 2017). In a country like the United States, where the middle class is expanding rapidly and the need for financial stability is widely acknowledged, the insurance business has grown to become an important gear in the financial services wheel. Effective marketing, astute sales efforts, and novel distribution systems have had a profound impact on the development of the insurance business as a whole, propelling it to new heights of success.

OVERVIEW OF THE INSURANCE INDUSTRY

In India, the insurance sector is a vital cog in the financial wheel and a significant contributor to the national economy as a whole. The insurance industry provides a wide variety of products and services, including medical, home, auto, and life insurance. The Insurance Regulatory and Development Authority of India (IRDAI) is in charge of regulating the insurance sector in India. Mainly, it's there to make sure businesses are following the rules and acting ethically (Reddy & Rana, 2018). A multitude of factors, including as rising earnings, improved infrastructure, and increased public awareness of the need of having enough insurance coverage, may explain India's insurance industry's meteoric rise in recent years.

Over the course of its history, India's insurance sector has seen significant evolution and improvement. However, modern insurance as we know it began to take shape in the nineteenth century, when British insurance organizations were established. The Life Insurance Corporation of India (LIC) was established in 1956 when the Indian government nationalized the life insurance business. When it comes to insurance in India, it's all up to IRDAI, or the Insurance Regulatory and Development Authority of India. This entails making rules, checking that insurance companies are financially stable, and looking out for consumers.

There are a great many groups competing for this market, both public and private. Despite LIC's sustained dominance, private companies like HDFC Life, ICICI Prudential, and SBI Life have expanded and established a firm presence in the life insurance industry.

One of the main forces driving the growth of India's insurance market is the country's expanding middle class. The need of cautious fiscal management and vigilant attention to possible hazards has been widely acknowledged as earnings have increased. Implementing financial awareness efforts and making use of digital resources has substantially boosted financial literacy and the marketing of insurance products.

RECENT POLICY CHANGES AND THEIR EFFECTS

Recent years have seen substantial policy changes in India's insurance industry. For instance, since the quota for foreign direct investment (FDI) in the insurance sector was raised from 26% to 49%, a flood of foreign capital has entered the industry and several cooperation agreements have been signed with Indian insurers. Thanks to innovations in product design and distribution regulations (such as the proliferation of internet insurance aggregators), consumers today have more alternatives than ever before when shopping for insurance. These legislative changes will lead to more competition, more innovative products, and more choices for customers.

There have recently been significant legal changes in the insurance business, and these changes might have far-reaching effects on insurance providers, policyholders, and the market as a whole. Market fluctuations, changes in consumer tastes, and new legislation are common drivers of policy shifts.

REVIEW OF LITERATURE

Dholakia's (2017) "Indian Insurance Industry: Challenges and Prospects" offers new perspectives on pressing issues and promising opportunities in this growing sector of India's economy. Dholakia analyzes the sector's complexities and variety to shed light on its challenges and potentials.

In their study "Marketing and Distribution Strategies in the Indian Insurance Sector" (Khurana & Kapoor, 2019), the authors dive even further into the tactics used by the insurance sector in India to connect with potential clients. This article provides a useful look at the logistics of marketing and distribution in the Indian insurance industry. For this reason, perusing it is strongly suggested.

The article by Sankaran (2020), titled "Digital Transformation of Indian Insurance Industry: Opportunities and Challenges," examines the effects of digitalization on the insurance industry in India in great detail. It is crucial that this sort of research be completed so that the business can comprehend the implications of the digital technology revolution.

Verma and Choudhary's 2018 research paper "Impact of Regulatory Changes on the Indian Insurance Sector" evaluates the consequences of changes to Indian insurance rules in great detail. This study is useful because it provides insight into how the ever-evolving regulatory environment affects the whole business.

(2019) J. D. Chandrapal. There have been periods of competition, protection, and liberalization in India's life insurance industry throughout the last 150 years. The life insurance industry in India was nationalized on September 1, 1956, when the government issued an order dissolving 245 organizations (including 154 Indian insurers, 16 foreign insurers, and 75 provident societies). As a result of this merger, only the Life Insurance Corporation of India (LIC) remains in operation in India (IRDA, 2017). The government nationalized the life insurance market to ensure that everyone, regardless of where they lived or their ability to pay, could get the protection they needed. This was particularly true in remote, disadvantaged communities. Preventative regulations in the insurance industry have been demonstrated to lower insurance density and penetration. Many individuals who used to have health insurance do not currently. In 1993, the government of India established the Malhotra Committee to study the country's insurance industry. The group was tasked with analyzing the sector's strengths and problems in order to propose changes to the current regulatory framework. The Malhotra Committee established the parameters for the participation of the private sector (Rao, 2018).

Published in 2020 by Ray, S., Thakur, V., and Bandyopadhyay, K. Recent years have seen significant growth in India's insurance industry. There is still a long way to go before the company can compete on a worldwide basis in the insurance market, despite a number of recent adjustments aimed at fostering expansion. This article is a comprehensive study of the development of India's insurance sector. We also highlight the most critical issues now facing the industry.

(2020) M. M. Dutta. As a result of more people needing medical insurance, India's general insurance sector has expanded. It generates just around 29% of India's overall insurance premium revenue. This segment's success is crucial to the expansion of the overall insurance industry. At the same time, this industry faces a number of problems that are stifling its progress.

RESEARCH GAP

The study's results make it abundantly evident that India's insurance industry provides inadequate coverage in many crucial areas. Multiple Channels of Dissemination: There may be a lack of extensive research that analyzes how these different distribution channels might complement one another, since some studies concentrate on the activity of intermediaries like brokers and agents while others explore the influence of digital distribution. To fill up this information vacuum, researchers might look at the synergistic potential of various dissemination channels. Developing an integrated distribution strategy that incorporates both traditional and digital channels may help insurers better serve their customers.

More study into the proliferation of microinsurance might significantly promote the development of financial inclusion in India, hence this is an essential topic to investigate. However, there may be a lack of comprehensive reports on India's developing microinsurance industry. This might be a problem. Possible areas of investigation here include regulatory restraints, expansion prospects, and novel approaches to designing microinsurance products.

RESEARCH METHODOLOGY

RESEARCH QUESTION

There is substantial evidence from the marketplace that insurance companies focus on widening their network through intermediaries that are executing the insurance business. Taking cue from this, academic researchers have also directed considerable attention in the field of life insurance in recent years. An extensive review of literature suggested that certain research gaps in various dimensions remain. The present study has aimed to bridge existing gaps in literature and planned to add some new insights in the area of life insurance domain. The study would help in devising the magnitude of distribution channels in standpoint of insurers and customers.

RESEARCH DESIGN

The research design is the "blueprint" for the study, outlining the steps to be taken in order to collect and analyze the data needed to respond to the study's questions (Morgan et al., 2004). It involves choosing a mechanism and technique of analysis, as well as the study's aim, unit of measurement, sample size, and method of data collecting (Creswell, 2013). This research study, however, is exploratory and descriptive in character, and it is based on data collected from both primary and secondary sources. In order to better understand the research topic and the many perspectives on it, an exploratory research strategy is used. When doing descriptive research, it is important to first clearly identify the research issues and then formulate testable hypotheses (Churchill & Peter, 1984).

DATA COLLECTION

In light of objectives of the thesis, data has been gathered through secondary as well as primary sources.

Secondary sources are used to gather financial data for the first objective of the study. The data of period from 2006-07 to 2014-15 is collected from annual reports of Insurance Regulatory and Development Authority (IRDA), Journals and Handbook on Indian Insurance Statistics. Further primary data is collected for second, third and fourth objective with the help of a consumer survey. To commensurate with these objectives of the study, questionnaire is drafted.

The following discussions explain in detail the sample, data collection procedures and statistical techniques used for achieving each objective of the thesis.

SAMPLE AND SAMPLING DESIGN

Sampling describes the procedures used to determine the size of the sample needed for a research project (Kothari, 2004). Basics, sampling unit, scope, and time are used to choose the sample from the universe's population. In this investigation, we surveyed people who had taken out life insurance policies. Those who have dealt with an intermediary (individual agent, corporate agent, bank, broker, direct marketing) and bought at least one life insurance product or policy are prioritized for inclusion in the sample. The interviews take place in the respondents' homes or places of business, while the questionnaires themselves are administered over the internet.

DATA ANALYSIS

The life insurance market has brought in a lot of money over the years, and a look at the numbers shows that public life insurer LIC, which issued 382.29 lakhs policies in 2006-07, is responsible for a large portion of this. This is an increase of 8.21% over the previous year, as the number grew to 388.63 in 2009-2010. Consequently, LIC's policy issuing significantly dropped down in 2014–15. The 41.55 percent decline from the prior year's total to this year's paltry 201.71 million is staggering.

Following this screening process, private life insurers increased the number of policies they issued by 13.19 percent in 2008-2009, from 79.22 lakhs in 2006-2007 to 150.11 lakhs. However, policy issuance has steadily decreased following this era, to 57.37 lakhs by 2014–15 (a negative CAGR of 8.69% over the period of nine years). In 2009–10, the sector issued a record 532.25 lakhs of policies, up from 461.52 lakhs in 2006–07. With a negative rise of 36.61% from 2013–14 and a strong CAGR of 5.54% over the whole time period, the number dropped to 259.08 lakhs in 2014–15.

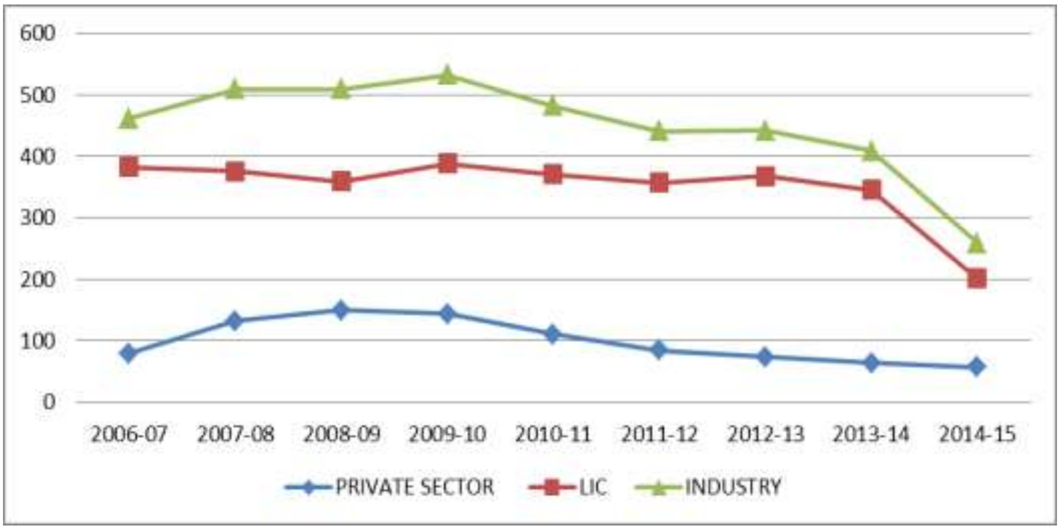

Figure: Number of policies issued - Sector Wise

LIC has made the most significant contribution. In 2006–07, the insurance business as a whole collected 156075.84 crores in premium, with LIC alone contributing 127822.84 crores. The total amount of premiums collected rose until 2010–11, but then began a gradual decline. This sum dropped to Rs. 2,8702.49 crores in 2012–13, with private insurers collecting Rs. 78398.91 crores in premium. In contrast, premium income reached a new high of Rs 328101.14 crores in 2014–15, an increase of 4.39 percent (9.44 percent over the previous year). Compared to the 88433.49 crores in premiums collected by private insurers, a 14.32 percent increase (a 1.33 percent decrease from the previous year), LIC's premium collection increased by just 1.15 percent (a 13.48 percent increase from the previous year). However, it has had a beneficial and high CAGR during the last nine years.

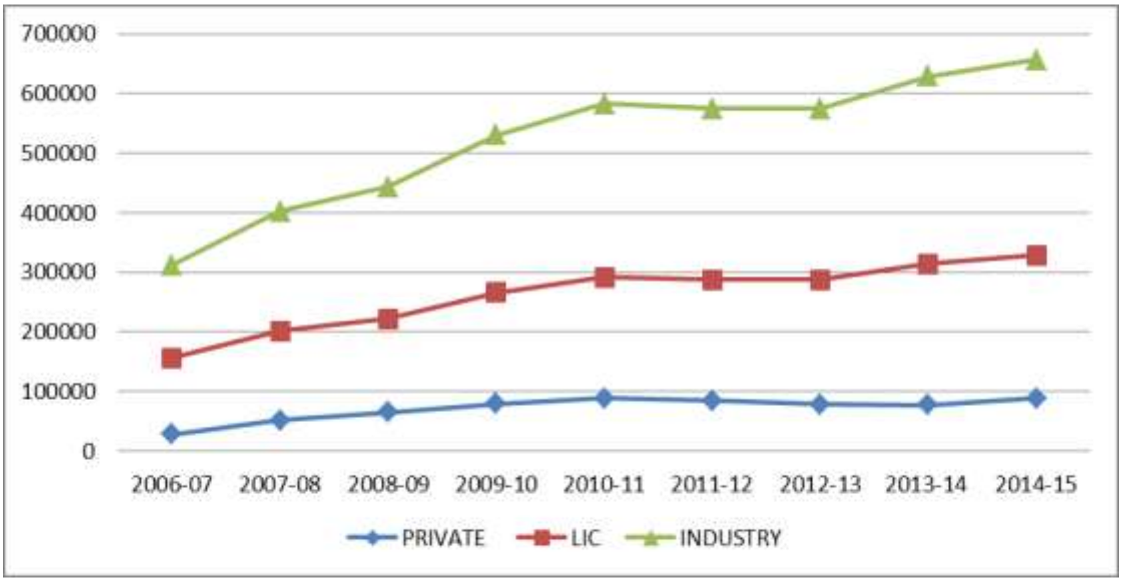

Figure: Total life insurance premium underwritten: Sector Wise

LIMITATIONS OF THE STUDY

There are certain caveats to keep in mind with this research.

One, the survey methodology used in this investigation makes it possible for respondents' own biases to influence the results.

Because this research only looked at three cities in Mumbai, 2. So time and financial restrictions are responsible for selection of these cities solely. It is difficult to extrapolate the results too far.

Although the instrument's topic is universal, it applies exclusively to intermediary services in the Indian setting. It may not work with other services or in different economies.

DISCUSSION AND CONCLUSION

The study's goal is to compare the performance of different channels of communication. The Indian Life Insurance Market is comprised of direct sales, brokers, banks, insurance companies, and agents. Total premium collected and total number of policies issued via various channels have been used as performance indicators. The data covers the nine-year era of 2006-07 to 2014-2015. The overall business study of the grand opening included the number of new policies issued and the insurance premium received by the state insurer, private insurers, and industry. After that, government-backed public insurers became the go-to for coverage. All distribution channels were analyzed for LIC and the 23 private insurers included in the research. In addition, the efficiency of each strategy in producing money for the public and private sectors was determined. For this aim, we calculated the share of life insurance business written via each distribution method. After that, we compared the success of various marketing strategies used by life insurance companies. Using growth rate and compound annual growth rate, the exponential version of the Log Linear Regression model was utilized to assess the upward and trending character of performance measurements. Two-Way ANOVA and Post Hoc test have been used to the data to assist us understand the differences in performance across channels and periods.

According to the data, LIC has traditionally generated more premium revenue and issued more policies for the life insurance business than any private insurer. Independent agents were shown to be the primary driver of life insurance sales when all channels were compared. Independent agents continue to produce the largest business for the life insurance sector, both in terms of the number of policies sold and the total amount of premiums collected (Bawa & Chattha, 2016). Similar results have been found in studies conducted by Rao (2004), Kutty (2010), Kumaraswamy (2012), Sud (2012), Tiwari and Yadav (2012), and Bashir et al. (2013). Insurers still choose the traditional distribution channel (the individual agent) for selling both life and non-life policies (Parekh, 2011; Viswanathan, 2006; Pejawar, 2008). They are concerned that significant layoffs may result from industry-wide collaboration with alternative outlets.

FINDINGS

The study's results back up the idea that insurance intermediaries' advice and services are highly valued by their clients, and that clients are happiest when their requirements are fully met. Independent insurance agents, in particular, have a higher client satisfaction rating than their corporate counterparts. Insurance firms are shifting their marketing efforts toward digital mediums as the use of smartphones and other mobile devices becomes more widespread. Millennials are a diverse group of customers that place a premium on honest and straightforward product descriptions. While the older generation is more likely to communicate via traditional channels like agents, the younger generation that is so immersed in the digital sphere places a far higher value on assistance and product education. The bulk of customers will continue to rely on the agent channel. Delivering expert guidance and product knowledge to a wide audience in a digital environment will set you apart from the competitors. Insurers that are flexible enough to meet their customers' evolving demands may need to introduce a new revenue model that combines technologically advanced self-service choices with valuable fee-based counsel and training.

RECOMMENDATIONS

HDFC Life, SBI Life Insurance, Reliance Life, and ICICI Prudential Life should increase their product promotion and public education initiatives in order to compete with LIC and other private market companies.

To better serve the underserved areas of society, new, cutting-edge goods and services should be developed via the use of financial engineering.

Products with additional features should be offered in addition to appealing ads in order to keep existing consumers and attract new clients.

Partnerships with businesses across industries to meet the insurance requirements of their staff increases exposure to potential clients.

ULIP, Money back plan, Endowment plan, Children's plan, Protection plan, etc. have a very low level of awareness among government officials; therefore, periodic awareness programs in the respective government officials should be conducted with the concurrence of higher officials.

IMPLICATIONS OF THE STUDY

The difference in client satisfaction between agents and corporate agents in India's group life insurance market is shown in this research. All insurance marketing managers, executives, and other researchers in the group life insurance business may use the findings of this study to enhance and improve the quality of their services. In order to overcome the four major quality challenges—providing superior services to satisfy their customers, achieving higher customer competition than their competitors, retaining customers over the long term, and gaining market share—all five dimensions are crucial for the service business (Parasuraman et al, 1988), like the group life insurance area.

REFERENCES

Abdul-Kader, S.A., and J. Woods. 2015. Survey on chatbot design techniques in speech conversation systems. International Journal of Advanced Computer Science and Applications 6 (7): 72–80.

Abu-Salim, T., P.O. Okey, T. Harrison, and V. Lindsay. 2017. Effects of perceived cost, service quality, and customer satisfaction on health insurance service continuance. Journal of Financial Services Marketing 22 (4): 173–186.

Aksoy, L., B. Cooil, C. Groening, T.L. Keiningham, and A. Yalçın. 2008. The long-term stock market valuation of customer satisfaction. Journal of Marketing 72 (4): 105–122.

Anderson, E.W., C. Fornell, and S.K. Mazvancheryl. 2004. Customer satisfaction and shareholder value. Journal of Marketing 68 (4): 172–185.

Anjum, U., J. Aftab, Q. Sultan, and M. Ahmed. 2016. Factors affecting the service quality and customer satisfaction in telecom industry of Pakistan. International Journal of Management, Accounting and Economics 3 (9): 509–520.

Ankitha, S., & Basri, S. (2019). The effect of relational selling on life insurance decision making in India. International Journal of Bank Marketing, 37(7), 1505-1524.

Arora, P., and S. Narula. 2018. Linkages between service quality, customer satisfaction and customer loyalty: A literature review. IUP Journal of Marketing Management 17 (4): 30–54.

AssCompact. 2020. So steht es um die Kundenzufriedenheit in der Versicherungswelt. Retrived 18 January 2021 from https://www.asscompact.de/nachrichten/so-steht-es-um-die-kundenzufrieden-heit-der-versicherungswelt.

Aubu, R. (2014), "Marketing of health insurance policies: a comparative study on public and private insurance companies in Chennai city", UGC Thesis, Shodgganga.inflibnet.ac.in.

Aubu, R. (2014), "Marketing of health insurance policies: a comparative study on public and private insurance companies in Chennai city", UGC Thesis, Shodgganga.inflibnet.ac.in.

Baecke, B., and L. Bocca. 2017. The value of vehicle telematics data in insurance risk selection processes. Decision Support Systems 98: 69–79.

BaFin. 2018. Big Data Trifft auf Künstliche Intelligenz. Retrieved 15 August 2021 from https://www.bafin.de/SharedDocs/Downloads/DE/dl_bdai_studie.pdf?__blob=publicationFile&v=3.

Banafa, A. 2016. IoT Standardization and Implementation Challenges. IEEE Internet of Things Newsletter. Retrieved 27 September 2021 from https://iot.ieee.org/newsletter/july-2016/iot-standardization-and-implementation-challenges.html.

Baron, R., and M. Chaudey. 2019. Blockchain and smart-contract: A pioneering approach of inter-firms relationships? The Case of Franchise Networks. Working Paper, University of Lyon. Retrieved August 25, 2021 from https://ssrn.com/abstract=3378477.

Behm, S., U. Deetjen, S. Kaniyar, N. Methner, & B. Münstermann. 2019. Digital Ecosystems for Insurers: Opportunities through the Internet of Things. Retrieved 26 January 2021 from https://www.mckinsey.com/~/media/McKinsey/Industries/Financial%20Services/Our%20Insights/Digital%20ecosystems%20for%20insurers%20Opportunities%20through%20the%20Internet%20of%20Things/Digital-ecosystems-for-insurers-Opportunities-through-the-Internet-of-Things.ashx.