THINK INDIA JOURNAL

ISSN:0971-1260
Vol-22- Issue-14-December-2019

Indian Insurance Sector In India: Challenges And Opportunities

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Abstract— Indian Insurance sector shows growth of 15 to 20 percent annuall. Indian insurance market is big and have large opportunity due to lage population, untapped market. Indian insurance sector preferred for investment by Indians and NRIs. Globally India become known as the fifth largest insurance market in insurance economies. Growth of insurance sector facilitated by growing interest among people, innovative products and distribution channels.
After liberalisation policies insurance sector is opened to private sector companies due to which number of players incresed to compete in the market which has resulted in improvement in the customer service, offerings of new products and employment opportunities, etc. In the past decade Indian insurance industry has grown significantly.
Overall maturity benefit will be reduced due to changes related to death benefit and surrender value , especially at higher ages serves the purpose of providing life cover. Customer preference, competition and regulatory control are major challenges for this sector. After privatization of insurance sector many industries started insurance business in India. This paper discusses the challenges and opportunities in Indian insurance.

Keywords- *Insurance, marketing, policies, customer service, regulatory control*

I. INTRODUCTION

The process of liberalization and privatization process in the indian Insurance started long back in 1999 by passing of Insurance Regulatory and Development Authority Act, before this there is monopoly of LIC and GIC. Insurance in india face many opportunities and challenges due to entry of private sector and foreign companies to operate in this sector.

The Indian Insurance companies before liberalization, privation, and globalization was very much secure and there was only domestic competition between private Indian insurance companies and government insurance companies. Marketing department of these organizations were lead by their marketing managers with the same old marketing promotions activities and programs. These insurance companies didn’t have any broad base marketing policies or even marketing strategies.

However after liberalization, privation and globalization and with the GATT agreement in 1991, insurance sector, its primary and all alive activities came under the GATT and insurance activities being service oriental become more vulnerable to drastic local , national and global changes, challenges and faced immediate marketing complexities and challenges.

The private insurance players as well as government insurance players soon began to fill the marketing threats by the entry of global insurance companies into the Indian marketing territory due to liberalization and change the government policies.

In the wake of such threats and changes in the insurance marketing scenario, new marketing trends slowly demerged. This led to shake the continuity stability growth and development of Indian insurance companies and they became dire need to begin to formulate marketing plans, policies programs and strategies with the immediate view to make comprehensive SWOT analysis of the marketing scenario take it into consideration. The mergers and acoustics between both the domestic insurance players internally and collaboration global insurance companies.

ISSN:0971-1260
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Indian insurance industry have many advantages of revolution in the field of Information Technology and liberalization, privatization and globalization policies of the nation.

Business functions changed drasticaly due to E-commerce and incorporated in the automation of interface processes. Insurance sector can take advantage of data generated through online transactions by E-commerce using data mining.

II. INDIAN INSURANCE SECTOR

Out of 57 insurance companies 24 companies do business in life insurance and 33 in the non-life. There is only one public sector company Life Insurance Corporation (LIC) in life insurance and there are six public sector insurers in non life. Apart from these two there is General Insurance Corporation of India national re-insurer, other stakeholders like individual and corporate agents, brokers, surveyors and third party.

Indian Government's policy to insure the population who don't have insurance policy has increased penetration.

Gross premiums reached Rs 5.53 trillion in the financial year 2018 with share of life insurance Rs 4.58 trillion and from non life insurance Rs 1.51 trillion. Overall insurance penetration (premiums as % of GDP) in India reached 3.69 per cent in 2017 from 2.71 per cent in 2001. .[8]

In the financial year 2019, premium from new life insurance business increased 3.66 percent and gross direct premiums of non-life insurers reached Rs 962.05 billion which shows yearly growth of 12.40 percent.[8]

Economic development is affected by insurance sector in other words it pramotes economic development. Risk taking ability of any country increases due to strong insurance sector which provides long-term funds for infrastructure development.
Apart from sudden regulatory changes in india, insurance industry has the tremandus potential to grow. After privatization in indian insurance sector in 2001 insurance industry has shown growth of new business premium approx 31 percent (CNGR) between first 10 years i.e from 2001 to 2010 and afterwords increased competitiveness of the market due to increase in coverage of lives through multiple channels like agency, broking, banc-assurance etc.

Investments and Recent Developments

Major investments and developments:

- HDFC Ergo to acquire Apollo Munich Health Insurance in year 2018 of value Rs 2,600 crore.
- Flipkart entry in the insurance with partnership Bajaj Allianz offering mobile insurance in Oct, 2018.
- Policy for individuals 'E@Secure' launched by HDFC Ergo in September 2018.
- Ten merger and acquisition insurance sector in the year 2017 of US$ 903 million.
- New distribution exchange platform was setup by BSE i.e Bombay Stock Exchange a joint venture with Ebix Inc, to build a robust insurance distribution network in the country.

III. RECENT INITIATIVES

Foreign direct investment (FDI) allowed to 49 percent which was 26 percent previously to encourage more investment in the indian insurance sector. Many life insurance companies have launched public offers due to relaxed rules by Securities and Exchange Board of India (SEBI).

ISSN:0971-1260
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By new insurance policies' framework of Government's Financial Sector Legislative Reforms Commission (FSLRC) will end LIC's monopoly and empower IRDA leads to establish a legal system to handle any lapses at insurers' end.
Due to Regulatory changes introduced companies adopted many new customer-centric practices. like Product-related changes. Impact was seen from the year 2011 in Unit linked policies, traditional products.[10]

Government Initiatives

Indian Government has also taken number of initiatives to enhance insurance.

- Ayushman Bharat in September 2018 which is National Health Protection Scheme to provide coverage of up to Rs 500,000.
- Pradhan Mantri Fasal Bima Yojana (PMFBY) for famers.
- IRDAI plans to come up with new Initial public offering (IPO) to enter in the capital market so Insurers can invest up to 10 percent in tier 1 i.e AT1 bonds issued by banks as per guidelines issued by IRDAI.

New Product guidelines

New guidelines for both linked and non-linked products from the year 2014 in force
The major changes are :
1. Increased Death Benefit
2. Guaranteed Surrender Value
3. It is mandatory to give benefit illustration for all life insurance products.

IV. INDUSTRY DYNAMICS

Growth in the insurance depends on factors like:
Distribution channels – Success of Insurance companies lies in the effectiveness and cost of various distribution channels.
Focus on overall financial inclusion – By wider segment of activities larger population should be covered by the insurance business.
Consumer needs and preferences – Innovation in benefits attached to the products and delivery systems seen in Indian insurance.
According to the Insurance Regulatory and Development Authority (IRDA) in terms of total premiums underwritten annually, life insurance penetration in India is about 4 per cent of the country’s gross domestic product (GDP), BY 71 percent market share state owned LIC is in the dominant position.
Because of E-commerce Insurance companies to switch from product-oriented approach to customer-oriented approach due to less search costs, transparency of pricing strategy and quality.

V. CHALLENGES IN INSURANCE INDUSTRY

- Technology and Big Data
- Cut Throat Competition
- Risk Management
- Lack of Professionalism in Insurance Marketing
- Pace of Innovation
- Customer Expectations
- Professionalism in Insurance Marketing
- Lower income segment has less awareness.

ISSN:0971-1260
Vol-22- Issue-14-December-2019

- Insurance Agents don't have complete subject knowledge.
- Too many products.
- Mis-selling of insurance.
- Regulatory compliance and guideline from the authority.

VI. ROAD AHEAD

Insurance sector in India will be affected by the changes in regulatory framework. Due to compitation betwwen national and international players life insurance industry in india expected to grow by 15 percent.

Growth of insurance depends on demographic factors like young insurable population, awareness, Growing middle class, the need for protection and retirement planning.

VII. CONCLUSION

After privatization and libralization insurance industry in India has undergone many transformational changes. Like entry of the largest insurance companies in the world in to Indian market. The industry has witnessed competition between companies who operates in life and non-life i.e general insurance segments. Regulatory environment changes in india is going to affect Insurance industry development, agenda includs mainly consumer awareness and protection, focus on merger and acquisitions, operations and on removing structural anomalies in the products and operations.
For growth, Insurance industry should re-commit itself to customer-centric behaviour, design different product solutions based on consumer needs, ethical market conduct, transparency and governance.

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