

EMERGING TRENDS IN INSURANCE – A STUDY IN INDIAN LIFE INSURANCE INDUSTRY

by
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Abstract

Indian Life insurance sector is growing at a faster rate. This sun rising industry has given a platform for economic growth and employment. The great extent of importance realized after it has opened to the private players in the post liberalization period. With many players in business, the insurance regulatory and development authority came with innovative and constructive guidelines for both products and services.

It was a period where companies were getting major revenue out of their flagship Unit linked policies. During that time, both technology and investment knowledge were the key to success. Not only it was tough to convert from traditional to Unit linked products but also it was a challenge to keep the profitability. Customer preference, stiff competition and regulatory control are acting as catalyst for innovative products and services. When the policy is procured through advisors, internal marketing and motivation to them cannot be avoided. Also claim management along with new policies procurement need a viable and robust system.

Internet and online policy purchase is a new trend that has inspired the players to be more focused in their business. High in volume and low in margin is going to be the ways towards policy procuring. Rural, social and Micro insurance is a new avenue to be thought of. This paper discusses the new trends and challenges that the present industry is facing. Our study is only limited to life insurance sector. The suggestion and recommendation will help both academicians and industry personnel to re-engineer their thought in insurance sector.

Keywords: Life Insurance; Regulator; Plan; Insurance Industry.

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1. Introduction

Insurance is one of the demanding financial products in India. Its basic motto is to protect the family of any uncertainty in life. So it is long term investment and need knowledge about that. Indian life insurance is too old. It is there from British Period and after nationalization; it has come fully under Government.

In the post liberalization era, insurance has attracted any private players from different parts of the country to start business in India. India as a country has potential for growth of this business. With the upcoming of regulator in the year 2000, the business in India became more streamlined. Large players along with customer choice results severe competition. Life Insurance Corporation of India on one end and ICICI Prudential life insurance from private sector on the other end has taken maximum market share from both categories. Product innovation, profitable growth, multi channel distribution and ethical practices in business are few factors to be considered. Regulation from Government and

research in this sector many times a challenge for the existing players. In this situation, a brief study of the above sector is required.

2. Statement of the problem

The study is indicated briefly to analyze the recent trends of the life insurance and its impact to the entire insurance Industry

3. Literature review

Bengal Chamber of commerce and KPMG (2013) addressed the present context of insurance. The external environment changed the entire industry. Profitability, growth and risks were to be considered with respect to shareholder's view. FICCI and BCG (2013) discussed many issues with the industry. Mindset of the people towards insurance is an important part. Distribution, Cost and digitalization are some of the key areas to be thought of. Jain (2011) from Capgemini explored that life insurance industry need support in the area of distribution, product diversity and regulation. At the same time it was felt that outsourcing function should be from the broader perspective rather than cost. CII & E & Y (2012) searched that insurance needs talent to grow in the competitive market scenario.

4. Objective of the study

- 1) To study the present life insurance scenario and their growth drivers in India
- 2) To study the present trends in life insurance sector
- 3) To suggest feasible measures for improvement in the sector

5. Research methodology

Exploratory research methodology is used here to analyze the data. Data was collected from multiple sources such as books, journals to understand the Life insurance industry. In this paper, the researcher have referred previous research articles. Apart from this, researcher has visited different websites and professional magazines. Some more data was collected through personal and telephonic interviews and discussion with leading corporate people. So it is purely based on available secondary data.

Understanding Insurance

Insurance is a financial products and quite popular in India. It is simply a contract between insurer and insured. The insurer is the company and the insured are the customers. It compensates our financial loss due to any uncertain death or other situations. This long term products need a careful planning in both design and implementation.

Insurance in broad is divided into two; life and general insurance. Later on health insurance has come out of general insurance. The products of insurance are normally termed as plans or policies. The money we charge from customers is known as premiums and the duration is referred as term of plan. The products are various types and in nature starting from term insurance to unit linked plans.

Indian Life insurance at a glance

Life insurance is an important financial product like banking, pension and others. Life insurance provides protection to life and non-life areas. It is one of the fastest growing industries in India. As per Swiss Re report in 2011, India's ranking in world insurance market was 15th which was lowered than previous year and share of the market was 1.58% of the world market share. At present, there are 23 players in life insurance sector in private and 1 is in Public enterprise which is LIC. Life Insurance Corporation is the market leader. In 2011, its market share was lowered to 69.78%. Among private players, ICICI Prudential life insurance stood first.

The industry gained momentum after the regulator, insurance regulatory and development authority (IRDA) came into existence. They made standard rule for all the players. Apart from Life Insurance Corporation, many private players have shown interest to start business in India. At present we have 23 players leaving the PSU major, LIC.

The growth of Indian life insurance sector is divided into two main periods. One from 2001 to 2010 and other from 2012 to onwards. The first 10 years was high growth with compound annual growth rate (CAGR) of approximately 3.1% in new business premium. Most of the players were in good condition due to the emergence of unit linked insurance plans. From 2010 onwards, the compound annual growth rate was around 2%. Stiff competition was one of the reasons for the stagnant growth in the year of 2012. Table-1 shows the companies in detail.

Table 1: List of life Insurance Companies

Sl No	Name of Life Insurance Company	Head Office
	AEGON Religare Life Insurance Company Ltd.	Mumbai
	Aviva Life Insurance Co. India Ltd.	Gurgaon
	Bharti AXA Life Insurance Company Ltd.	Mumbai
	Bajaj Allianz Life Insurance Company Limited	Pune
	Birla Sun Life Insurance Co. Ltd.	Mumbai
	Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited	Gurgaon
	DHFL Pramerica Life Insurance Company Limited.	Gurgaon
	Future Generali India Life Insurance Co. Ltd.	Mumbai
	HDFC Life	Mumbai
	ICICI Prudential Life Insurance Co. Ltd.	Mumbai
	DBI Federal Life Insurance Co. Ltd.	Mumbai
	India First Life Insurance Company Limited.	Mumbai
	ING Vysya Life Insurance Co. Ltd	Bengaluru
	Kotak Mahindra Old Mutual Life Insurance Limited	Mumbai
	Life Insurance Corporation of India	Mumbai
	Max Life Insurance company Ltd.	Gurgaon
	PNB MetLife India Insurance Company Limited	Bengaluru
	Reliance Life Insurance Company Limited	Mumbai
	Sahara India Life Insurance Co, Ltd.	Lucknow
	SBI Life Insurance Co. Ltd.	Mumbai
	Shriram Life Insurance Co. Ltd.	Hyderabad
	Star Union Dai-ichi Life Insurance Company Limited	Mumbai
	Tata AIA Life Insurance Company Ltd.	Mumbai
	Edelweiss Tokio Life Insurance Co. Ltd.	Mumbai

Source: IRDA website (www.irda.gov.in)

Growth Drivers of Life Insurance Industry

From the literature review and market experience, it is clear that many factors are responsible for the robust growth of this sector. The major are as follows:

Growing Economy: The economy of India is growing significantly. The second populous country has witnessed a phenomenal growth in major financial services. Various government schemes and programs also helped a lot. The purchasing power of people has increased. Also increase in income has augmented the disposal income among people. Good saving and awareness among various sources of getting the products have compelled the people to go for specialization rather than generalization. It is estimated that by 2026, the working population which ranges in the age group of 25 to 40 will reach approximately 795.5 million.

Rural as a major thrust: More than 70% of population lives in rural area. At the same time their consumption pattern, choice and preference has changed. Technology and internet has given ample scope for rural people towards adopting new ideas. All these forces provided a larger platform to multinational players to focus more on rural. After 2005, the regulator had come with micro insurance specially designed for rural people with low premium and high coverage. The pattern of distribution and pricing is also suitable for rural people with micro insurance. In order to foster growth, Govt. also made mandatory to do certain percentage of policies every year from rural area for the insurance companies. All these steps provide new avenues for the players to think growth more in rural area.

Development of other insurance: Apart from life insurance, there is strong growth in auto sector from 2003 to 2010. The no of passenger and commercial vehicles has increased incrementally. As a result, the motor insurance has become more popular among people. Health insurance has created a separate portfolio in the last few years. People have realized the importance of this due to rise in the healthcare cost. Introduction of Technology in medical science and demand for good service is the main cause for higher medical cost. Awareness about the health due to various schemes and non-government intervention has enlarged the vision of the people about health care. Rastriya Swasthya Bima yojana (RSBY) of 2007 is one of the mile stone in this area where people below poverty line are able to get minimum health service.

2. Findings

Trends in Insurance

Hybrid distribution channel: In the life insurance industry, the prominent distribution was agency. Around 90 % of businesses were coming from them. The high cost and low persistency in policy has thought of going to other channels known as alternate channels. Recently the contribution from alternate channels is increasing. In this context, Bancassurance increased and the no of banks as insurance partner has gone up. Both Public sector banks and Private Banks have come up with their insurance partners. Broking and corporate agency has their own way of doing the business. Individual and institution as corporate agents has helped agency to increase the revenue. At the same time, we have also taken the help of rural development organization such as NGOs, Trust and SHG members to cover the rural area. Finding the right distribution channel for the customer is a trouble area. All these have demanded a high skill in management.

Difficulty in designing Marketing Mix: Marketing mix refers the combination of all P's to make the market attractive. Innovation in product which invited many unit linked policies was the centre of attraction for all. Low premium due to large no of players sometimes were uncomfortable for all. The entire banking industry is advanced in the communication strategy. This has compelled insurance players to practice innovative communication strategy including advertisement. So is not only product, but a balanced marketing mix is required for the industry with modern trend.

Regulatory trend: The Indian regulator has introduced rules and regulation from to time to control the entire industry. Recent changes in the cap on ULIP charges have created havoc and the contribution of ULIP to entire policy has decreased. In order to provide better service, the regulator has come with few changes. Servicing of orphan policy, more focus on long term are few examples where the insurer are finding difficult. Standardization of the proposal form is another step by regulator. So the insurers are facing many challenges in the area of product, price, distribution and taxation.

On line policy: Internet and technology has helped a lot to insurer. Now policy procuring through on line is cheaper than buying the same plan from agent. The major problem is not getting the support from the agent for that policy, if there is a claim or maturity. The person has to keep direct contact with the company.

Claim Management: From 2010, the no of advisors have decreased in the industry. The no of agents declined 29% from March 2010 to March 2013. Also it is expected that more agents will leave the industry. Under this situation, Claim management will be tougher for the companies. As people buy insurance because of the face value of agents, assistance of them is highly essential for good business.

Customer Servicing: From the year 2013, it is very clear that traditional plans have gained more weightage over ULIP. As traditional plans are long term products, insurer need to focus more on this. Customer retention and servicing is the key to remain in business. Even if in new pension plan, the capital protection features demands more policy servicing. Here investment and servicing are important for the companies. Above all, Policy administration is the most difficulty area to provide customer servicing.

FDI and growth: Foreign direct investment and insurance industry is more debated and controversial one, the proposal to hike it from 26% to 49 is long term pending with government. Insurer are finding difficult to continue investing in business. Additional fund is highly required for this capital intensive industry.

3. Recommendation

From the above discussion on findings, we came across few novel ideas. Life insurance in India is in growing stage and to maintain it, the following five points are to be considered

- Corporate must go to the basics of service marketing such as “under promise and over delivery”.
- Customization of offerings, mainly in product and distribution
- “Pockets of service” is to be done for quicker service and other operation.
- Advanced knowledge in the insurance is to be imparted to the employees in Insurance industry.
- “Digitalization and Relationship” is to be kept in policy marketing

4. Conclusion

Life insurance business in India needs a special care as compared to other business. Both theory and practice to be integrated to provide the best services to the policy holders. This industry is going to face more challenges due to change in economy and employment. More no of players around the world have planned to enter into India looking to the potential available here. Probably understanding the customer expectation and attitude for this product is the important. There is time to re-engineer the business model.

5. Future study

In this paper, the trend is more of general. It is important to study segment wise, may be rural & urban, unit linked and non-unit linked etc. Also the impact on the entire industry needs to be studied in a broader aspect. By and large, this industry requires more in depth research to face the challenges and business sustenance.

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