



A Study of Recent Trends in Insurance Industry

KEYWORDS

Insurance Industry, ICT & Competitiveness

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ABSTRACT *There is no denying fact that the insurance industry is going through drastic changes. Innovative plans, electronic insurance and minimal role of agents all have contributed towards the modernization of insurance industry in India. Now, a policyholder can choose the insurance plan according to his or her requirements and purchasing capacity. Application of ICT has made the process of buying insurance relatively easy and convenient. Now, we can have the option of digitized insurance policies. There are various players in insurance market competing for delivering satisfaction to the policyholders. This article will throw ample light on the recent trends and developments in insurance industry in India.*

INTRODUCTION

Risk is inherent part and parcel of our lives. None of us know what is going to happen to us in the future but what we do know is that accidents happen. This is the simple idea that the insurance industry is founded on. The insurance industry in India has changed swiftly in the turbulent economic environment throughout the world. Indian insurance companies have become competitive in nature and are undoubtedly serving customers in manifold ways. One of the important contractual savings institutions is life insurance which provides multi dimensional services having a significant impact on economic growth. Insurance is one of the demanding financial products in India. Its basic motto is to protect the family from 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 India. India as a country has potential for growth of this business. With the upcoming of IRDA in the year 2000, the business in India became more streamlined. Many private life insurance companies (most of them are joint ventures) have emerged significantly in India. Product innovation, profitable growth, multi channel distribution and ethical practices in business are few factors to be considered.

OBJECTIVE OF THE STUDY

1. To study the recent trends in Indian insurance industry
2. To suggest measures for improving the scenario of insurance industry in India.

RESEARCH METHODOLOGY

The research design is of Descriptive in nature & Secondary data is collected from different published reports and document, IRDA Annual Reports and relevant online sources.

MAIN BODY

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. The Indian insurance industry has undergone transformational changes since 2000 when the industry was liberalized. With a one player market to 24 players in 13 years, the industry has witnessed phases of rapid growth along with extent of growth moderation and intensifying competition. There have also been number of product and operational innovations necessitated by consumer need and increased competition among the players. Changes in the regulatory environment also had path-breaking impact on the development of the industry. While the insurance industry still struggles to move out of the shadows cast by the challenges posed by economic uncertainties of the last few years, the strong fundamentals of the industry augur well for a roadmap to be drawn for sustainable long-term growth. Between 2001-10, the phase was characterized by a period of high growth (CAGR of 31 percent in new business premium between 2001-10) and a flat growth (CAGR of around 2 percent in new business premium between 2010-12) (source: KPMG). There was exponential growth in the first decade of insurance industry liberalization the back of innovative products and aggressive expansion of distribution, the life insurance industry grew at jet speed. However, this frenzied growth also brought in its wake issues related to product design, market conduct, complaints management and the necessity to make course correction for the long term health of the industry. Several regulatory changes were introduced during the past two years and life insurance companies adopted many new customer centric practices in this period. Product related changes, first in ULIPs in September 2011 and now in traditional products will have the biggest impact on the industry. The new guidelines for both linked and non-linked products will come into force from the beginning of year 2014, an extension of three months from earlier specified date. This additional period will ensure that life insurers enter the crucial quarter of Jan-Mar with a full bouquet of products and the sellers are well trained in the nuances of all these new products. These product guidelines are in line with the IRDA's regulatory theme of customer orientation and long-term nature of the life insurance business. The guidelines follow two overarching themes of providing Guarantee and enhancing Transparency. The major changes introduced include - Higher Death Benefit, Guaranteed Surrender Value and mandatory Benefit Illustration for all life insurance products. These changes related to death benefit and surrender value may marginally reduce the customers'

overall maturity benefit i.e. policy IRR, especially at higher ages but will ensure that life insurance serves the purpose of providing life cover which no other financial instrument offers. All ULIPs are currently sold mandatorily with a personalized benefit Illustration. This requirement is now being extended to other product forms.

Some of the key trends in the industry emerging after the regulatory changes are as follows :-

1. India with about 200 million middle class household shows a huge untapped potential for players in the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance sector in India has come to a position of very high potential and competitiveness in the market. Indians, have always seen life insurance as a tax saving device, are now suddenly turning to the private sector that are providing them new products and variety for their choice.
2. Consumers remain the most important centre of the insurance sector. After the entry of the foreign players the industry is seeing a lot of competition and thus improvement of the customer service in the industry. Computerization of operations and updating of technology has become imperative in the current scenario. Foreign players are bringing in international best practices in service through use of latest technologies.
3. The insurance agents still remain the main source through which insurance products are sold. The concept is very well established in the country like India but still the increasing use of other sources is imperative. At present the distribution channels that are available in the market are listed below.
 - Direct selling
 - Corporate agents
 - Group selling
 - Brokers and cooperative societies
 - Bancassurance
4. Customers have tremendous choice from a large variety of products from pure term (risk) insurance to unit-linked investment products. Customers are offered unbundled products with a variety of benefits as riders from which they can choose. More customers are buying products and services based on their true needs and not just traditional money back policies, which is not considered very appropriate for long-term protection and savings. There is lots of saving and investment plans in the market.
5. Internet and technology has helped a lot to insurer. Now policy procuring through online is economical 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.
6. From 2010, the no of advisors have decreased in the industry. The no of agents declined by 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.
7. 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.

8. Customer satisfaction on service levels of life insurers has improved on several counts, positively impacting insurers' customer loyalty scores, a study by conducted by market research firm IMRB International has found. A slew of customer-friendly guidelines issued by the Insurance Regulatory and Development Authority of India (IRDAI) over the years has resulted in better turnaround time (TAT) perception, among other things. "Customer perceptions on TATs (Thematic Apperception Test) with respect to issue of policy, acknowledging and resolving grievances have improved significantly," the 2015 Insurance India report stated. Policyholders are also happier with regard to services like timeliness of the alerts or reminders for premium due dates and receiving the premium receipts for payments made etc. As a result, customer loyalty scores have improved in terms of services as well as product-related aspects. "The study shows that close to 60% of the customers are 'truly loyal' to their insurance providers, which is significantly better than 2014," the survey noted.

The following diagram shows the SWOT Analysis of Insurance Industry.

Figure 1 : SWOT Analysis of Insurance Industry

Strength	Weakness
<ul style="list-style-type: none"> • Patents • Insurance having currently good market • Premium rates are increasing and so are commissions • The variety of products is increasing • IT bringing new dimensions to insurance sector 	<ul style="list-style-type: none"> • Insurance companies are often slow to respond to changing needs • Buying insurance policy is a cumbersome process • Products or service similar to competitors'
Opportunity	Threat
<ul style="list-style-type: none"> • Technology is improving paperless transactions are available • Busy life, customers need flexible and customizable policies • Like mobile banking mobile insurance could be a hit • New innovations in technology – Measuring weather variables 	<ul style="list-style-type: none"> • Weather cycles • New substitute product emerging • Increasing expenses and lower profit margins will hit hard on the smaller agencies and insurance companies • Government regulations on issues like health care and terrorism can quickly change the direction of insurance

Insurance growth drivers in India

The demand for insurance products is likely to increase due to the exponential growth of household savings, purchasing power, the middle class and the country's working population. Listed below, are the various underlying growth drivers for India's insurance industry:

- Growing of the financial industry as a whole
- Growth of life and non-life industry
- Promoting innovation and removing inefficiency
- Competition and orderly growth
- Growth of specific insurance segments such as motor insurance

The seven over-arching trends most relevant to insurers seeking to understand the world of the 2020s are:

1. The digital revolution & the capacity of the technologies which connect us.
2. Global convergence; an increasingly interconnected and balanced global economy.
3. The development of Western economies post the financial crisis
4. Global ageing

5. Political challenges
6. Interventionist regulation.
7. The continued impact of climate change on our environment.

CONCLUSION AND SUGGESTIONS

It is very vital for the insurance companies to survive in the globally competitive scenario. They have to adapt themselves with the turbulent environment. 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.

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