

Indian Insurance Sector, Innovations and Social Impact



COMMERCE

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ABSTRACT

This paper seeks first and foremost to provide a more detailed understanding of the Consumer Protections, Primary Legislations and capabilities of the Indian Insurance sector, as well as an innovations made in insurance sectors. The role of insurance as a social impact is perhaps what first comes to mind when asked to think about its benefits. Indeed, by mitigating the effects of exogenous events over which we have no control—illness, accident, death, natural disasters—insurance allows individuals to recover from sudden misfortune by relieving or at least limiting the financial burden. In the case of health insurance, it could even mean the difference between life and death. Insurance, however, has a far wider and more profound impact than this initial perception, though its value to society derives from this primary function. The aggregate impact of insurance, therefore, is to level consumption patterns and contribute more widely to financial and social stability.

INTRODUCTION:-

The insurance industry of India consists of 52 insurance companies of which 24 are in life insurance business and 28 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India. Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

WHAT IS INSURANCE?

Insurance is a contract between the insurer and the insured wherein against receipt of certain amount, called premium, the insurer agrees to make good any financial loss that may be suffered by the insured, due to the operation of an insured peril on the subject matter of insurance.

HOW DOES INSURANCE WORK?

Insurance is a technique wherein a number of people, who are exposed to similar risk, participate in the scheme and contribute in the shape of periodic premiums. Such premiums are received by the insurer who is able to pay out of the premiums received by him, for the losses of some of those who have participated in the scheme.

Thus it is wonderful technique of spreading and transfer or risks.

WHAT KIND OF INSURANCE IS AVAILABLE IN INDIA :

Insurance business is divided into four classes, namely:

- 1) Life Insurance. Popular Products in Life insurance are Endowment Assurance (Participating), and Money Back (Participating). More than 80% of the life insurance business is from these products
- 2) Fire Insurance 3) Marine Insurance and 4) Miscellaneous Insurance. Fire and Miscellaneous insurance businesses are predominant. Motor Vehicle insurance is compulsory.

Life Insurers transact life insurance business; General Insurers transact the rest i.e. Fire Insurance, Marine Insurance and Miscellaneous Insurance.

WHAT ARE THE PRIMARY LEGISLATIONS FOR INSURANCE IN INDIA :

In India Insurance is a federal subject. The primary legislations that deals with insurance business in India are: Insurance Act, 1938, and Insurance Regulatory & Development Authority Act,

1999.

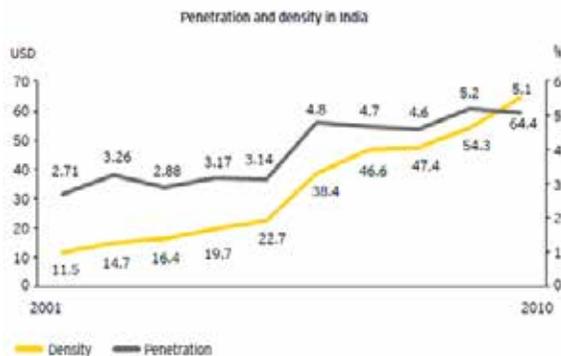
WHAT ARE CONSUMER PROTECTIONS AVAILABLE IN INDIA :

Insurance Industry has Ombudsmen in 12 cities. Each Ombudsman is empowered to redress customer grievances in respect of insurance contracts on personal lines where the insured amount is less than Rs. 20 lakhs, in accordance with the Ombudsman Scheme. Addresses can be obtained from the offices of LIC and other insurers.

INDIAN ECONOMY AND THE INSURANCE INDUSTRY LANDSCAPE:-

Despite strong improvement in penetration and density in the last 10 years, India largely remains an under-penetrated market. The market today is primarily dependent on push, tax incentives and mandatory buying for sales. There is very little customer pull, which will come from growing financial awareness and increasing savings and disposable income.

In the long run the insurance industry is still poised for a strong growth as the domestic economy is expected to grow steadily. This will lead to rise in per capita and disposable income, While savings are expected to be stable.



Source: IRDA Annual Report 2010-11

INNOVATIONS OF INSURANCE SECTOR:-

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

EMERGING TRENDS:-

- Multi-distribution i.e. increasing penetration through new modes of distribution such as the internet, direct and tele-marketing and NGOs
- Product innovation i.e. increased levels of customization through product innovation
- Claims management i.e. timely and efficient management of claims to prevent delays which can increase the claims cost
- Profitable growth i.e. expanding product range, developing innovative products and expanding distribution channels
- Regulatory trends i.e. mandated regulatory changes by the IRDA to promote a competitive environment in both the life and non-life insurance sectors

SOCIAL IMPACT OF INSURANCE SECTOR:-

- Insurance reduces the capital firms need to operate.
- Insurance fosters investment and innovation by creating an environment of greater certainty.
- Insurers are solid partners for the development of a workable supplementary system of social protection, in particular in the field of retirement and health provision.
- As institutional investors, insurers contribute to the modernisation of financial markets and facilitate firms' access to capital.

Insurance promotes sensible risk-management measures through the price mechanism and other methods and contributes to responsible and sustainable economic development.

Insurance fosters stable consumption throughout the consumer's life. Moreover, in a global economy characterised by rapid social and demographic change and by the emergence of new risks (e.g. by climate change or technological developments) and new needs (health care, pensions), cooperation between private insurance and public institutions is essential. This cooperation can bring benefits in many fields, for example, health of the working population, accident prevention, compensation for agricultural risks, international trade (export credit insurance), etc.

CONCLUSION:-

The insurance sector plays a fundamental role in the economy. A world without insurance would be much less developed economically and much less stable. Insurance provides an efficient way to support the State in the provision of pensions, healthcare and social security. Insurance supports economic stability and sustainable growth. Thus insurance sector plays an important role and contributes more to the society.

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