



OPPORTUNITIES AND CHALLENGES OF INSURANCE INDUSTRY IN INDIA A THEORETICAL OVERVIEW

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Abstract

An attempt is made in this paper to analyze the opportunities and challenges in insurance industry. Insurance sector plays an important in the financial sector of a country. The marketing strategy should be laid out in such a manner that it includes the requirements from the launching policy till the final stage when it reaches in the hand of customer, means the service provided to the policy holders or the end users. It should be planned accordingly, suiting the Indian society, because it is a diversified one from high income group of the low one. The new entrants in the insurance business sector should take pains and understand peoples demand and needs and transform their policies as per their choices. They should be designed to provide the facilities to customers as to give the customers full reliance and satisfaction.

Keywords: Customer, Challenges, Financial Sector, Opportunities.

Introduction

The insurance industry in our country is on the threshold of a new era of rapid expansion. A more competitive environment is emerging with new participants entering the insurance industry. We need specialists who can work in insurance industry. Risk management has wide applications. It is relevant not only to insurance industry but also to many other organizations in the fields of business and finance. To understand risk, measure it and weigh its consequences are an integral part of management. Financial institutions in the management of the funds placed with them have to reckon with market risk, credit risk, counter party risk and liquidity risk. To mitigate the impact of various risks is the essence of risk management.

What Is Insurance?

An insurance contract provides risk coverage to the insure. A purchaser of insurance pays a fixed premium in exchange for a promise of compensation in the event of some specified loss. Insurance is bought because it gives peace of mind to the holders. The comfort level is important in personal and business life. Those primary purposes of insurance is to provide risk coverage, when the contract period extends over a long time, as in the case of life insurance, premium payments comprise of two components-one for buying risk coverage and the other towards savings. This bundling together of risk coverage and savings is peculiar to life insurance and its more common in developing countries like India. In the industrially advanced countries, this is not necessarily so and short duration life insurance contracts without savings components are equally popular. In the developing economies, because of the savings component and the long nature of the contract, life insurance has become an important instrument of mobilizing long-term funds. The savings component puts the life insurance in direct competition with other financial institutions and savings instruments. Insurance in any company is regarded as a pillar of growth and it works as a catalyst in the overall development of the economy. The industry always remains a source of long-term funds, which are vital for the development of the basic and capital market and also vitalizes the market for government bonds. Well run insurance companies are of the best recyclers of a country's money in the interest of the countries' overall development, particularly because these companies match their liabilities with local assets. Insurance is, basically defined as a financial agreement that redistributes the cost of unexpected losses. Today, it stands both as a service and industry in its own right.

Types of Insurance

Broadly there are two types of insurance,

Life Insurance, which may be a term insurance, money back policy or an endowment policy.

General Insurance, which may be covering motor vehicles, home, medical, commercial, personal accident, travel, etc.,

Challenges and Opportunities

The wide range of economic reforms were initiated in the year 1991 through the advent of LPG, which not only brought forth drastic changes in their functional set up of a country but also in the structure of insurance sector, routed through the examination carried out by Malhotra Committee. The recommendations of the committee are mainly fostered to open up the sector for the players. The objectives of the committee were implemented in the later part of the year 2000 under the able leadership of Insurance Regulatory Development Authority of India. These new insurance companies started operating from metros and urban areas. The urban population got more attention and it led to good insurance penetration in urban areas as compared to the rural markets. Hence, the rural people didn't have a chance to learn more about insurance.

The major challenges which have to be channelized for the growth of insurance sector are:

The Major Challenges

- **Cut Threat Competition:** Liberalization will create acute competition in the insurance market. Fierce competition to increase volume and market share will continue as more and more players join the race for the greater Indian insurance.
- **Customer Relationship Management:** Customer behavior will be influenced by environmental factors as well as intrinsic personal aspirations. The environmental factors are socio economic and demographic factors, inputs of insurance advisors, the company's efforts to manage customer satisfaction and experience.
- **Distribution of Products:** Segmentation of markets, selling segment oriented products, focusing on fuller satisfaction of customer's aspiration misstates multiple distribution net works. While the traditional channel of tied up agents or advisors would be the most important distribution channel, insurers should innovate and find new methods of delivering products to customers.
- **Risk Management:** With the environment changes in the economic scenario of the country the risk landscape has undergone significant changes. With the opening up of economy and the entry of MNC in almost all sectors, there has been a surge in the income levels, especially in the middle class. The globalization has also resulted in cultural exchanges more than in the past.
- **Untapped Market Segments:** It is important to increase the customer base in semi-urban and rural areas which offer a huge potential. The fact that a major chunk of business for LIC comes from these areas stand as a testimony to this indisputable fact. There are difficulties in approaching this segment which will take us back issues of customer education.
- **Relationship Management:** The relationship management of insurance companies is mainly trapped by individuals as well as corporate agent. The relationship of the clients should be ever maintained, but the mistakes of the agent are the major causes in the relationship management.
- **Human Resource Management:** The insurance market is now filled with players, who are mature, globally prominent and big players in the Transnational competitive global competitive insurance market. Each of them has ability to influence the market. The human resource competency will be another big challenge.
- **Managing the Regulatory Authority:** As the competition acute, the customer becomes more vulnerable to the vagaries on market environment. The regulators have a dual responsibility. They has to ensure that the insure adhere to sound insurance principles and practices as well as maintain adequate financial resources to meet their liabilities.

Opportunities

Promote Awareness

It is necessary to promote more awareness among public about insurance. Because the level of insurance penetration is very low. Customer needs a good deal of customer education in which the insures have to invest a lot of their resources in terms of time, effort, infrastructure and money. Though a know ledged customer is a challenge for the company to convince and sell a product to him, the brighter side is that his awareness had brought him to the threshold of insurance.

Multiple Channels of Distribution

Distribution being a key determinant of success for insurance companies. Because at more number of distribution channels the insures have a large database of their disposal. By data mining prospects can be accurately together for business. Linking insurance with allied finance products like housing loan, mutual fund investment in companies, banks credit cards etc are the new channels for life insurance. It is definite that the new channels will help the insurance companies to reach out farther, wider and deeper.

Professionalism in Insurance Marketing

There are quality insurance advisors in this field due to the passing of IRDA bill. To obtain an agency license training and written test are necessary. Many educated youth, retired officials are taking insurance agency as a career. They guide the customers so that they can select products according to their need, rather than to force selling.

Huge Untapped Market

There is a lot of untapped market in the country. This gives space for all players to grow and expand the insurance industry. Middle class people are having more awareness than the lower class and high class people. They want to provide money for the education and marriage of their children and also to meet their old age needs. So there is market expansion for pension plans and child career plans.



Threat to Health and Life

People die due to natural calamities and terrorism unexpectedly. The environmental pollution affects the health of mankind. In cities people got employment in industries like IT, ITES etc. Due to heavy work and occupational stress they get diseases. Hence there is a growing need for these people to go for different kinds of insurance.

Regulations of IRDA

IRDA regulations enacted for the protection of policy holders interest has also set out the bench marks for servicing, settlement of claims, grievance redressal and so on. It also contains matters relating to disclosures in proposal for insurance, statutory content of a insurance document, duties and responsibilities of the agent etc. The IRDA watch the insurance companies always. So the companies cannot provide deficient customer service.

Conclusion

Insurance sector plays an important role in the financial sector of a country. The marketing strategy should be laid out in such a manner that it includes the requirement from the launching policy till the final stage when it reaches in the hand of customer, means the service provided to the policy holders or the end users. It should be planned accordingly, suiting the Indian society, because it is a diversified one from high income group of the low one. The new entrants in the insurance business sector should take pains and understand peoples demand and needs and transform their policies as per their choices. They should be designed to provide the facilities to customers as to give the customers full reliance and satisfaction. In meeting the challenges and making the best of the opportunities lies the future of the Indian insurance companies.

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