

# CHALLENGES AND OPPORTUNITIES IN INSURANCE SECTOR

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## **ABSTRACT**

*India's insurance sector has been growing dynamically in the last couple of years. Despite the suite of reforms that have been implemented to stoke the sector's growth, it still has a long way to go, as its share in the global insurance market remains abysmally low. In this paper, we analyse the Indian insurance sector and trace its evolution and growth. We also identify the key challenges facing the sector. As underlined in the paper, low penetration and density rates, less investment in insurance products, the dominant position of public sector insurers, and their deteriorating financial health are some of the challenges facing the sector. Since India's economic growth depends on how shock-absorbent India's economy is, addressing these challenges assumes importance for developing a sound insurance sector.*

**Key Words: capital, challenges, customer, Insurance, investment, market, opportunities**

## **OPPORTUNITIES FOR LIFE INSURANCE INDUSTRY**

India ranks in top 10 life insurance markets, penetration of insurance in single digit gives vast scope to penetrate and serve the customer.

### **Majority of young population**

The majority of India will be of working population 795.5 million by 2025. Rise in number of professionals, emergence of prosperous middle class and increase in awareness leads to rise in demand for insurance. Increasing per capita GDP is a huge opportunity for insurers with their varied products in every segment.

### **Lot of potential**

Increasing urbanization of rural areas and growth in new bankable households are of great opportunity for insurers, to offer customized life insurance products (Negi & Singh, 2012). Though increase in number of insurers over last fifteen years, and yet to insure more than 50% of insurable population of India, shows still there is lot to do.

### **Different products to offer**

Increase in life expectancy of individual, favorable savings and employment opportunities in private sector gives greater demand for pension plans. Majority of employees have no formal pension system to choose from, thus greater opportunity to insurers.

### **Rising income levels**

Globalisation and economic reforms in the country have raised people's income levels and Indians naturally good at saving for future needs, gives great opportunity to insurers. The insurers channelize the savings into innovative insurance and annuity plans.

### **Technology**

Technology has been great boon for the insurance industry in boosting infrastructure for growth, scalability and reach in every sphere (Cummins & Santomero, 2002). New generation employees are keen in discussing products and services on social media reviews and comments about companies and their products. Companies have lot of scope to offer their present and future customers by this media.

### **Customer expectations**

Competition among various distribution channels leads to fall of premium and help to improve customer service standards economically. In terms of Customer service there is a lot to do by insurance firms, as increase in channels, expectations of customers will increase (Krishnamurthy & Cotham, 2009).

## **Distribution channels**

With the spread and depth of various distribution channels would help greatly in expanding footprint of the life insurance industry. The traditional mode of selling insurance is slowly changing, today most of the insurance firms are using data collected by distribution channels and exchanged with other financial service providers to provide customized products.

## **Innovative process**

After fifteen years of private life insurers in the field, there is drastic change in terms of people perceptions regarding insurance firms and their services. Joint ventures with seasoned insurers will help to share their knowledge; processes will help to bridge the huge gap in insurance penetration

## **CHALLENGES**

Those interviewed discussed many challenges, some of which are unique to one company or common to just a few. However, the most widely shared, consequential challenges the industry faces now include:

### **Technology and big data**

Turning to the promise of new technology and big data into commercial successes. This includes capitalizing on the opportunities in mobile and web-based services, using big data and predictive analytics effectively, and overcoming the problems associated with legacy technologies.

### **Customer focus**

The need to create better, more comprehensive customer relationships and make it easier for customers to do business with insurance companies.

### **Regulation**

Operating under multiple regulatory jurisdictions and complying with changing rules with regard to such things as capital requirements, transparency and reporting, and customer interaction.

### **Alternative investments**

Managing more complex portfolios with nontraditional assets in a low interest rate, low economic growth environment.

### **Leadership**

Discomfort regarding the adequacy of talent pipelines for effective leadership in the future.

### **Modern Technology**

New technologies investments which are totally a risk in the insurance business. More policy contracts mean technology optimal use. Hence, the usability of modern technology is essential.

### **Work Management**

Insurance business comprises distinct tasks like claims settlement, policy administration, commission management and management of such is really important which is again not simple due to different clients scenario and sale teamwork.

### **Back-office Structure**

As it will be simple, it is more useful. Documentation, policy contracts management, endorsements need to manage in a global manner. So everyone can understand

### **Customer Motivation**

Insurance is long-term promise, which is realised on contingency. Motivating customer to buy and getting valid and useful information for is itself a unique task. The insurance firms have great challenge in terms of collection of customer's information, regarding the product and to offer other required products accordingly.

### **Insurance awareness**

Though the number of insurers' increased, financial literacy and awareness in terms of understanding of products and services by customers is huge challenge. Early years of private life insurers resulted great expectations and lot of disappointments from the customer perspective. The customer anticipation has to be meeting by innovative means. HR leaders naturally are at the forefront of responsibility for meeting the challenges of leadership development. We believe HR's role in the remaining challenges will be quite critical,

because success will so heavily depend on attracting and managing the right human capital. Insurance has always been an industry that relies heavily on expertise and specialized skills in its workforce. And while some advancements will disembody human expertise and embed it in systems (for example, automated underwriting and web-based customer self-service), the shape of the workforce will be critical to driving innovation and adaptation to change.

Indian life insurance industry has undergone a sea change. It has experienced new challenges of intense competition and struggle for survival since the introduction of insurance reforms since 1999. The reforms in the insurance sector are continuous and they should be made more transparent, viable and sound in the changing economic environment. The future of the liberalized insurance industry is a big challenge to many stakeholders. The variable which reflect the growth and development aspects of the life insurance industry include among others new business, product development, social obligations, profitability, distribution channels and customer servicing.

1. To the patterns of growth and development of life insurance industry in India during a ten-year period (2001-2010) of insurance liberalisation and also opening up of the insurance to the private sector.
2. To identify, select and analyse the variable determining the growth and development of life insurance industry in India during the study period.
3. To the performance of public and private sector life insurance units in a comparative manner on the basis of the selected variables.
4. To find out the strengths and weakness of the life insurance players with regard to their performance in the post-liberalised scenario
5. To suggest suitable measures, wherever necessary to the policy makers concerned for improving their performance, productivity and profitability.

Low penetration and density shows that there is tremendous scope for expansion in insurance industry. Following are the opportunities an insurance company is likely to have in most of the conditions:

1. Social network
2. Awareness programs
3. Innovation
4. Use of e-commerce
5. Flexibilities in resources
6. Children saving plans
7. Deteriorating health, education and rail/road infrastructure
8. Acts of terrorism

Insurance companies with innovative team work and professional human capital can be very successful it other factors like economic and political pressures do affect the big picture. For insurers and investors in emerging markets, the future middle class is a huge business opportunity based on potential customers and innovative solutions. As margins in the emerging markets are low, so operational efficiency is important. Operational excellence is a key for insurers and investors to come at par with developed markets.

## **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. 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. Life insurance, which may be a team insurance, money back policy or an endowment Policy. General insurance which may be covering motor

vehicles, home, medical, commercial, personal accident, travel, etc.

### **Opportunities for Insurance Industry in Emerging Markets**

It is Very vital for insurance industry to avail as much as opportunities as available opportunities are very rare for insurance industry as in most cases. Insurance industry has to face the competitive conditions then it depends on the effective policies of company to handle these conditions in wise manner. Following are the opportunities insurance company likely to have in most of conditions.

### **Social approach**

It is opportunity for emerging market insurer to utilize social networking which had been dominated in the whole world. Social approach can be many ways like advertisement customer awareness and other things.

### **Awareness programs**

Insurance industry can establish awareness programs for illiterate people. This can get more people know what actually insurance.

### **Innovation with accordance with customer's taste**

Customers taste is mandatory today to be succeed in market and very importantly in emerging markets.

- **Use of E-commerce**

Commerce has been modify today. Insurance industry can use e-commerce to get through customer electronically.

- **Flexibilities in resources**

Insurance companies uses flexible resources becomes more efficient then the companies with rigid resources.

- **Manage team of innovators and expansionists**

A team of innovators and expansionists can make time to time innovations with the expansion of market.

- **Children saving plans**

Children also part our economy insurance industry should introduce plans for minors.

Man is exposed to risk and uncertainties. For Instance, the time of death of a person is not certain and in case of his premature death, a man's dependents may find themselves deprived of all means of existence. Similary the property of a person is open to all risks of being destroyed by fire. Every man will carefully consider how best he can prevent such risks or minimize or provide against its effects. It is difficult for an individual even a large business enterprise to invest millions of rupees in huge factory building and equipment or ships unless the arrangement for covering the risk is possible. This arrangement is made possible by insurance.

Insurance is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss. It is a generally acknowledged phenomenon that there are enormous risks in every sphere of life. Insurance is a contract between two parties. One party is the insurer and the other party is the insured. That is, the person whose risks are insured is called the insured and the person who insures the risk of the insured is called the insurer. Thus Insurance is a contract between the insurer and the insured in 2 which the insurer undertakes to compensate the insured for the loss arising from the risk insured against. When you try to define what is an insurance industry and what challenges are related with we come to necessity conclusions: main institution in insurance industry is company for insurance (preliminary: insurance company) likewise "insurance factory". What kinds of challenges are related with it, is explained in this paper. The fact is that insurance company has its own products that they offer and sell on the market. That is how they fulfill their basic mission. However, beside the insurance company, other institutions are part of insurance industry that also have "their challenges" and they are complement with insurance companies. These institutions help to create "safety production" as better as possible.

### **Conclusion**

This paper has assessed the evolution and growth of India's insurance sector and identified the challenges and

opportunities that have stymied its development. Having grown and evolved to a great degree, it has emerged from a public monopoly and restricted market to a competitive and open one. Even after implementing a gamut of reform measures, the Indian insurance sector still has a long way to go in order to be comparable to other advanced economies' insurance sectors. India's share in the global insurance market is abysmally low. For increasing its share globally, the underlying challenges will have to be addressed. India's economic growth depends on how shock-absorbent India's economy is. Both financial and climatic shocks (which are on the rise, given climate change) are important for India and having an efficient and stable insurance market in place will determine India's growth performance in both the short and long terms.

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