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## OPPORTUNITIES AND CHALLENGES OF INDIAN LIFE INSURANCE SECTOR

Sangeeta, Research Scholar, Deptt. of Commerce  
Mewar University, Rajasthan.  
[deswal0001@yahoo.com](mailto:deswal0001@yahoo.com)  
M. 9255017872.

### Abstract:

In 2003, the Indian insurance market stratified nineteenth globally and was the fifth largest in Asia. Though it financial records for under 2.5% of premiums in Asia, it's the possible to become one amongst the most important insurance markets within the region. A mix of things underpins more sturdy growth within the market, as well as sound economic fundamentals, rising unit wealth and an additional improvement within the regulative framework. The insurance business in Republic of India has come back an extended approach since the time once businesses were tightly regulated and targeted within the hands of a couple of public sector insurers. Following the passage of the Insurance regulative and Development Authority Act in 1999, Republic of India abandoned public sector exclusivity within the insurance business in favour of market-driven competition. This shift has led to major changes to the business. The investiture of an alternate period of insurance growth has seen the access of global insurers, the proliferation of innovative product and distribution channels, and also the raising of superior standards. This article discusses the challenges and Opportunities that the insurance business is facing in Republic of India.

**Keywords:-** Insurance, Products, Plans, Industry, Premium, Challenges, Development.

### Introduction:-

The Insurance sector has emerged joined of the outstanding monetary service throughout recent times. The Indian insurance business gained entrance to global markets and customers by providing a good vary of insurance product and services. International insurance giants like ICICI prudent, Bajaj Allianz, HDFC Standard life, Bharti AXA, the big apple Life, Future General, ING Vysya, entered Republic of India through tie-ups with Indian firms each in camera and public sectors and considerably expand overseas operations. As per new tips of IRDA, Three broad categories; Ancient insurance arrange, Variable insurance arrange, Unit-linked insurance arrange. Ancient plans: there area unit opaque product and may be divided into pure insurance and insurance -cum-investment. Variable plans: per IRDA tips, VIPs are going to be securing an exact minimum risk of come back that's conjointly referred to as the ground rate. Extra advantages could either be connected to the index that is asserted direct, or are available in the shape of periodic bonuses which can be secure once declared. VIPs can need to adjust to the value caps as ULIPs. That means reductions within the yield won't quite four proportion points within the fifth year, coming back right down to a variations of 2.25% fifteenth year forward. ULIPs: just in case of ULIPs, most of the changes befell in 2010. Thus new rules don't modification ULIPs. ULIPs can need to adapt to value caps by observant the utmost reduction in yield. If the limit

is broken, the insurance underwriter can need to plough back the additional value. Minimum cover: IRDA has mandated that the minimum total assured or benefit on insurance shall not be but ten times the annual premium for people below forty five years mature. However policies with tenors of but ten years, the total assured limit has been reduced to five times the annual premium. That said, at any purpose the benefit can need to be a minimum of a 105% of all premiums paid until date. Higher surrender value: just in case of ULIPs the minimum surrender charge are going to be Rs.6000 within the 1st year petering out to be Rs.2000 within the fourth year and changing into nil fifth year forward. For ancient plans, the surrender charge continues to be on the upper facet. As per new rules, one can become eligible for surrender worth once paying premiums for the 2 years in case the premium paying term is a smaller amount than ten years and 3 years in case of premium paying term is over ten years. The minimum surrender worth are going to be 30% of all premiums paid increasing to 90% of the premium paid within the last two policy years; Firm can concentrate on client retention as a result of so as to relinquish out bonuses to persistent policyholders and insurers can need to make certain they don't have customers surrendering midway.<sup>1</sup>

#### **Insurance Defined:-**

With the introduction of specialization altogether branches of commerce, insurance conjointly passed into the hands of specialists and currently it's become a extremely specialised business. Several insurance corporations have sprung up that undertake to supply for the loss of human life and property caused by a specific risk in exchange for a value fastened earlier. In its trendy kind, the insurance is also outlined as a contract between Two parties whereby one party undertakes, in exchange for a set total, to pay the opposite party a set quantity of cash on the happening of an exact even (death or attaining an exact age just in case of human life), or to pay the quantity of actual loss once it takes place through the threat insured (in case of property).<sup>2</sup>

#### **Types of Insurance:-**

Generally here are two types of insurance

- Life insurance, which can be team insurance, a reimbursement policy or endowment policy and
- General insurance which can be covering automobiles, home, medical, commercial, personal accident, travel etc.<sup>3</sup>

#### **Opportunities and Challenges before Indian life Insurance Sector:-**

Constant changes are going down in society, economy and in insurance business. These changes have thrown up numerous and multi-dimensional challenges before the life Insurance business. At this stage unearthing its possible and finding ways in which to face these challenges is requirement of the hour. Thus immediate action is needed to extend the coverage and penetration level of insurance.<sup>4</sup>

#### **Opportunities before Indian Insurance Industry:-**

There are some important opportunities before Indian insurance sector. These are as following -

##### **1. Numerous Channels of Distribution: -**

Distribution being a major determinant of success for insurance firms. As a result of at additional variety of distribution channels the insures have a huge information of their disposal. Linking insurance with allied finance product like housing loan, mutual fund investment in firms, banks credit cards etc are the fresh channels for insurance. it's definite that the fresh channels can facilitate the insurance firms to succeed in out farther, wider and deeper.

## **2. Endorse Awareness: -**

It is essential to help more alertness among public about insurance. As the level of insurance penetration is very low down.

## **3. Professionalism in Insurance promotion: -**

There are eminence insurance advisors during this field because of the passing of IRDA bill. To get office license coaching and written test are needed. Several educated youth, retired officers are taking insurance agency as a profession. They guide the purchasers in order that they will choose product in keeping with their requirement, instead of to force selling.<sup>5</sup>

## **4. Vast Insurance Market in India –**

Though, the Indian life insurance firm has witnessed a speedy development the last decade. But still, Republic of India with regarding two hundred million socio-economic class household present a large untapped potential for players within the insurance firm. Till now, solely 22% of the insurable people is covered whereas the remaining people is nevertheless to be covered.<sup>6</sup>

## **5. Role of Information Technology: -**

There is a radical amend within the technology that has revolutionized the complete insurance area. Insurance business could be a knowledge wealthy business and therefore there's dire requirement to use the facts for analytic thinking and personalization. The impressive development in data Technology has created the insurance business additional customer-centric. it's replaced the normal strategies of policy servicing by „Online“ policy servicing. In upcoming years on-line insurance can play a significant role in new business. Hence, worldwide interest in e-commerce and Bharat“s distinguished position in data Technology and software system development can play a very significant role in promoting of life insurance.<sup>7</sup>

## **6. Merger and Acquisition: -**

The life insurance business is undergoing profound transform. The combination of economic service, establishments and economic process of insurance markets has greatly influenced competition during this mature business. This increasing competition has formed a pressure for product improvement, progress of distribution system, larger price potency in operations, effective use of technology and a stronger capital base.<sup>8</sup> As a result insurance business As a result insurance industry has practiced an unparalleled wave of mergers and acquisition activity. Several non-public corporations including MNC“s are amalgamating the globe over to get additional competitive edge.<sup>9</sup>

## **Rule & Regulations of IRDA: -**

IRDA rules enacted for the safeguard of policy holders interest has additionally taken off the bench marks for servicing, settlement of claims, objection redressal so on. It additionally contains matters with reference to disclosures in proposal for insurance, legal content of an insurance document, duties and tasks of the agent etc. The IRDA look at the insurance firms for all time. Therefore the firms cannot give deficient customer service.<sup>10</sup>

## **Challenges of Indian life insurance industry: -**

The Indian life insurance trade has its own origin and the past. Since its beginning, it's versed several obstacles, hindrances to achieve its current status. The financial gain ability of an individual resident of a nation and also the keenness and awareness of the general public are the two key determinants of the expansion of any

insurance trade. As a result, wider mass-employment opportunities and sound academic system should be made accessible. Additionally, the general public must be kept abreast of a lot of knowledge and significance of life insurance, as these steps facilitate to boost up the expansion of insurance industries. During this Indian context, insurance habit among the general public throughout the freedom decade was fairly rare and within the following decades, it enlarged slowly. It was an remarkable development within the Indian insurance trade shortly when the recognition and adaptation of liberalization, privatization, and globalization (LPG) within the year 1991.<sup>11</sup> After 1991, the Indian life insurance trade has geared up in all respects, As well as it being forced to face countless of healthy competition from several national as well as international private insurance players. The fall within the savings rate and enlarged competition within the primary market and significantly the aggressive mobilization by the mutual fund posed serious challenges to LIC.

➤ **Threat of New Entrants:**

The insurance trade has been budding with latest entrants each different day. So the businesses ought to carve out niche areas such the risk of recent entrants won't be a hindrance. There's additionally an opportunity that the massive players would possibly squeeze the tiny new entrants.

➤ **Power of Suppliers: -**

Those who are providing the capital aren't that massive a threat. As an example, if somebody as a very brilliant insurance is presently functioning for a little insurance firm there exists an opportunity that any massive player willing to enter the insurance trade would possibly entice that person off.

➤ **Power of Buyers: -**

No person has a large risk to the insurance trade and large business houses have a lot more negotiating ability with the insurance firms. Big corporate customers like airlines and pharmaceutical companies pay millions of dollars annually in premiums.

➤ **Availability of Substitutes: -**

There exist a lot of alternates in the insurance business. Majorly, the big insurance firms offer alike kinds of services - be it automobile, house, commercial, healthiness or life insurance.<sup>12</sup>

➤ **Untapped Market Segments: -**

It is essential to add to the customer base in semi-urban and country areas which present a vast potential. The fact that a chief chunk of trade for LIC comes from these areas situate as a testimony to this unquestionable fact. There are hurdles in approaching this section which will get us back issues of customer teaching.

➤ **Relationship Management: -**

The relationship management of insurance firms is primarily trapped by persons as well as corporate manager. The connection of the customers should be ever maintained, but the mistakes of the manager are the main causes in the relationship administration.

➤ **Human Resource Management: -** The insurance bazaar is now full with troupe, who is mature, worldwide prominent and large troupe in the Trans-Nationally competitive

worldwide competitive insurance bazaar. Each of them has capacity to influence the bazaar. The human resource capability will be one more big confront.

- **Managing the Regulatory Authority:** As the competition acute, the client becomes additional susceptible to the vagaries on market surroundings. The regulators have a double liability. They has to make sure that the insure stay to sound insurance values with practices as well as keep adequate financial funds to meet up their liabilities.<sup>13</sup>

### **Transparency and Disclosure:**

Disclosure of information, clearness and answerability are key to ensuring achievement in capital bazaar. Currently, de-tariffing per se does not essentially guide to improved disclosures. However, allowing firms to manage pricing of their goods and services lead to enhanced analysis of companies' presentation and makes the trade more striking to investors if managed fine. And, in turn better concentration from the investment society will open up latest avenues of funds and assist the insurance business to attain sustainable development and reach in the nation. There are attractive times ahead because of the upcoming de-tariffed bazaar and it well certainly advantage individual clients.<sup>14</sup>

### **Recommendations for Improvement:**

- The insurance marketplace have a goodly quantity of latent potential, given the very fact that the Indian market is predicted to seek to fine within the coming back decades resultant in increase in each one incomes and consciousness.
- In meeting the several potential, the industry has raised position and liability. Three areas of focal point can be —
  - (a) Manufactured goods innovation matching risk profile of the plan holders
  - (b) Reengineering the allocation and numerous noticeably
  - (c) Creating sales and selling accountable and answerable.
- Distribution channels evolved in response to plug dynamics and dynamic shopper preferences. The alignment of economic incentives with allocation dynamics ought to be driven by economic process instead of regulator interference.
- The business ought to incline time to regulate to regulative changes during a phased manner aligned with a regulative impact assessment. Laws required drive transparency and simplification of manufactured goods and services.
- The stakeholders ought to eventually work toward maintaining favourable surroundings for steady growth, raising the penetration of insurance to rural and underpenetrated areas and rising the contribution to the economy.
- Highly developed information within the insurance is to be imparted to the staff in Insurance business.
- “Digitalization and Relationship” is to be reserved in policy advertising.<sup>15</sup>

### **The Future of Insurance Sector in India**

Although LIC continues to lead the Insurance region in India, the beginning of the latest private insurers will observe an energetic expansion and development of both life and non-

life areas in 2017. The demands for latest insurance policies through pocket-friendly premiums are sky high. Since the domestic financial system cannot grow up radically, the insurance region in India is proscribed for a strapping development.

With the raise in income and exponential enlargement of purchasing command as well as household reserves, the insurance region in India would launch rising trends like product improvement, multi-distribution, superior claims management and regulatory trends in the Indian bazaar.

The regime also strives firm to offer insurance to persons in a below deficiency line by launching schemes like the

- Pradhan Mantri Suraksha Bima Yojana (PMSBY),
- Rashtriya Swasthya Bima Yojana (RSBY) and
- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY).

Introduction of these plans would assist the poorer and lower-middle income categories to make use of the latest policies with lesser premiums in India.

With numerous regulatory modification in the insurance region in India, the outlook looks nice-looking awesome and promising for the life insurance business. This would further go ahead to a change in the way insurers be careful of the trade and connect proactively with its authentic buyers.

Various demographic factors like the increasing insurance alertness of the insurance, retirement preparation, rising middle class and young insurable mass will substantially raise the development of the Insurance region in India.<sup>16</sup>

### **Conclusion:-**

From the above said conversation it is clear that life insurance business expand extremely from year 2000 (after allowing private companies in the trade) in terms of numeral of offices, numeral of agents, latest business policies, best income, etc. further many latest goods like ULIPs, pension schemes etc. and riders were provided by life insurers to go with the necessities of different customers. However, the latest business of such firms was more skewed in support of preferred states and union territories. Private life insurers used the latest trade channels of marketing to a huge extent when compared with LIC. Investment outline of LIC and private insurers also showed a number of differences. Solvency ratio of personal life insurers was much improved than LIC despite big fatalities suffered by them. Lapsation proportion of private insurers was advanced than LIC and servicing death claims was enhanced in case of LIC as compared to personal life insurers. The insurance industry is rising at a yearly rate of 21.9%. However the insurance penetration in the state is very pitiable. The insurance bazaar have witnessed a active change which includes attendance of a fair figure of both life and non-life section. Most of the personal insurance firms have shaped joint business enterprise with standard foreign players across the world. To attain success in the marketing of the insurance goods, the whole industry environment is necessary to be considered. The strategies are to be adopted based on the dynamics of the bazaar trends. To be successful, a company must have excellence people, inventive management, be capable to employ technology efficiently, besides having the correct products and allocation channels.

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