Insurance Sector in India: Challenges and Opportunity

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ABSTRACT

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 holders or the end users. in the post liberalization period, it has opened to the private players. With the many players in business, the insurance regulatory and development authority came with innovative and constructive guidelines for both products and services. The technology and investment knowledgewere the key to success. Customer preference, stiff competition and regulatory control are major challenges in this sector. An attempt is made in this paper to analyse the opportunity and challenges in insurance industry.

Keywords: challenges financial sector, opportunity, and customer.

INTRODUCTION

The insurance industry in India has come a long way since the time when business were tightly regulated and concentrated in the hands of a few public sector insurers. 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. Financial institutions in the management of the funds placed with them have to reckon with market risk, creditrisk, counter party risk and liquidity risk. To mitigate the impact of various risks is the essence of risk management.

What is Insurance?

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against loss from insurance company. Insurance is a means of protection from financial loss. It is a form of management of risk primarily used to cover against the risk of a contingent, uncertain loss. A purchaser of insurance pays a fixed premium in exchange for a promise of compensation in the event of some specified loss. Insurance is brought because it gives peace of mind to the holders.

Types of Insurance

- Life Insurance, which may be a team insurance, money back or an endowment policy.
- General Insurance, which may be covering motor vehicles, homes medical, commercial, personal accident, travel, etc.

Insurance Growth Drivers in India

The demand for insurance products is likely to increase due to the exponential growth of household savings, purposing power, the middle class and the country’s working population. Some of the growth drivers for India’s insurance industry are:

- Growth of financial industry as a whole.
- Growth of life and non-life industry.
- Promoting innovation and improving efficiency.
- Competition and orderly growth.
- Growth of specific insurance segments such as motor vehicles.
Major Challenges:

- **Cut throat competition:**
  Liberalization will create acute competition in the insurance market because more and more players join the race for the greater Indian insurance.

- **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 tradition channel, insurers should innovate and findnewethods 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.

- **Customer Relationship management:**
  Customer behaviour 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.

- **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 have to ensure that the insure adhere to sound insurance principles and practice as well as maintain adequate financial resources to meet their liabilities.

- **Relationship Manangement:**
  The relationship management of insurance companies is mainly trapped by individual 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.

- **Difficulty in designing marketing mix:**
  Marketing mix refers to the combination of all P’s to make the market more attractive. Innovation in products which invited many unit linked policies was the centre of attraction for all. Low premium due to large no. of players sometimes were uncomfortable for all. This has compelled insurance players to practice innovative communication strategy including advertisement. So is not only product, but a balanced marketing mix is required for the industry with modern trend.

Opportunities

**Promote Awareness:**

It is necessary to promote more awareness among public about insurance because the level of insurance penetration is very low.

**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. Linking insurance with allied finance products like housing loan, mutual fund investment in companies, banks credit cards etc., are the new channels for insurance.

**Professionalism in insurance marketing:**

There are quality insurance advisors in this field due to the passing of IRDA bill. 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.

**Threat to Health and Life:**

People dies 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.

**Huge untapped market:**

There is a lot of untapped market in the country. This gives space for all players to grow and expand insurance industry. Middle class people are having more awareness than 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 a market expansion and child career plans.
Regulation 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 matter related to disclosure in proposal for insurance , statutory content of a insurance document , duties and responsibilities of the agent etc .

Recommendations for improvement

I. The industry should be given time to adjust to regulatory changes in a phased manner aligned with a regulatory impact assessment. Regulations need to drive transparency and simplification of products and services.

II. The stakeholders should eventually work toward maintaining a favourable environment for stable growth, increasing the penetration of insurance to rural and underpenetrated areas and increasing contribution to the economy.

III. Advanced knowledge in the insurance is to be imparted to the employees in the insurance industry.

IV. The insurance market has a considerable amount of latent potential, given the fact that the Indian economy is expected to do well in the coming years leading to increase in per capita income and awareness.

CONCLUSION

Insurance sector plays a vital role in the financial sector of the economy. 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 hands of the customers. It should be planned accordingly, suiting the Indian society, because it is diversified one from high income group to the low one. The new enterants in the insurance business sector should take pains and understand peoples demands and need and transform their policy as per their choices. They should be designed to provide the facilities to customers as to give customer full reliance and satisfaction.

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