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INSURANCE SECTOR- ISSUES AND OPPORTUNITIES

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Abstract:-The Insurance sector has emerged as one of the prominent financial service during recent times. Through this paper an effort is made to analyze the issues and opportunity in insurance sector. Insurance industry has opened up the door for private sector. It also affects the financial sector of the country. In order to take maximum benefits out of available opportunity marketing strategies should be change as it should include the need from the launching policies till the final conversion when the service provided to the policy holders or the end users. It should be planned according to the need of Indian societies. The need of insurance is different as per the different income group from high to low one. The new companies which are designing the insurance have first need to identify the actual need of the societies and then design their policies. It should be transform in such a way that can delight the end users.

Keywords:-Insurance sector , private sector , Insurance industry .

I.INTRODUCTION

In India, insurance has a deep-rooted history. The fundamental basis of the historical reference to insurance in these ancient Indian texts is the same i.e. pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. The early references to Insurance in these texts have reference to marine trade loans and carriers' contracts. 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. With the increasing education level, the awareness among people has gone at high levels which become challenge and opportunities for life insurance companies.

II. 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 Insurance sector has emerged as one of the prominent financial service during recent times. The Indian insurance industry gained access to international markets and customers by providing a wide range of insurance products and services.

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. Global insurance giants such as ICICI Prudential, Bajaj Allianz, HDFC Standard life, Bharti AXA, New York Life, Future Generali, ING Vysya, entered India through tie-ups with Indian Companies both in private and public sectors and significantly expand overseas operations.

III. 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

IV. OBJECTIVE OF THE STUDY

1. Current challenges.
2. Changing life insurance agents.
3. Changing consumer profile in life insurance.

V. RESEARCH METHODOLOGY

Data have been collected and analyze for this research study from secondary published sources viz., newspapers, books, websites and research studies.

VI. 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:

MAJOR CHALLENGES:

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

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.

Human Resource Management: The insurance market is now filled with players, who are mature, globally prominent and big players in the Trans-Nationally competitive global competitive insurance market. Each of them has ability to influence the market. The human resource competency will be another big challenge.

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.

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.

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.

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 insurers 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

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.

VII.FINDINGS OF THE STUDY

- De growth in the insurance industry.

- High regulation- IRDA.
- Stringent guidelines on expenditure on distribution (agents etc.)
- Market linked plans which the main stay suffered as the stock market has been volatile.
- Competitive pressure for Growth among private players.
- High cost of customer acquisition from distribution channels.
- Loss of renewal premiums from existing policies due to policy surrenders.
- Claim settlements.
- Problem related to products.

CONCLUSION

The Insurance sector has emerged as one of the prominent financial service during recent times. Through this paper an effort is made to analyze the issues and opportunity in insurance sector. Insurance industry has opened up the door for private sector. It also affects the financial sector of the country. In order to take maximum benefits out of available opportunity marketing strategies should be change as it should include the need from the launching policies till the final conversion when the service provided to the policy holders or the end users. It should be planned according to the need of Indian societies. For growing market with the cut throat competition, the life insurance company should offer new products with low price options. India is among the most promising emerging insurance markets in the world. Insurers will need to increase efforts to design new products that are suitable for the market and make use of innovative distribution channels to reach a broader range of the population. They should be designed to provide the facilities to customers as to give the customers full reliance and satisfaction.

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