
MOTIVATIONAL CHALLENGES IN INSURANCE MARKET OF INDIA

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Abstract

In any organization selling and marketing of their products is key to success. This research paper attempts to provide some facts to insurance industry of India regarding challenges in marketing of insurance plans. It is about the some facts and factors, present as challenges in setting-up of insurance plans/schemes, calculation of premium of insurance policy. LPG model leads to innovative ideas due to competition. Global competition helps insurance industry to cover untapped market and enhance the scope of business by innovative ideas. In study researcher uses the some research papers and observations of secondary market to identify the available challenges in context of India. Paper is providing some suggestions and remedies to curbs the challenges of Indian insurance market.

Key words: - Liberalization, Challenge, Risk, Security.

Liberalization policy of Indian Government has opened new horizon for FDI. That act of Indian Government helps Indian industries to modernize. In liberalized milieu income of industrial workers absolutely increased, due to competitive wage rates. Therefore, people, industry worker, became more aware about their future and took many saving schemes as well as financial instruments to financially secure their tomorrow and dependants. Higher income allures them towards the security of tomorrow. When a person completes his physiological needs, he thinks about the security of tomorrow. All needs arise in a hierarchy (physiological need, safety and security, social, self esteem and finally self actualization) order. When basic needs satisfied he/she puts his efforts to satisfy his/her higher needs. Maslow (1943). Increment in per capita income motivates financial sector for innovative and new instrument and products, to give better investment option to people of India. Indian Govt. is also looking serious about the financial security of public, industrial worker, for their better tomorrow as well as to reduce the Govt. risk regarding future hazards and calamities, due to heavy industrialization and technology.

Rapid growth of industrialization provides an opportunity to grow insurance industry to give an eminent part in securing uncertain events which

happen with workers, and endowment of money. Demand and need of insurance is at peak in employee as well as in employers of Indian industries. Nowadays, employers of Indian industries offer their employee insurance as a fringe benefit to motivate employee of industry. Aswathappa, (2005) Organizations offers life and health insurance programs to their employees. Most organizations offer insurance at a cost for below what individual would have to pay to buy insurance by them. In these days, insurance industry offer number of products to satisfy the needs of employees as well employers to management of risk and uncertain events.

LPG model of Indian govt. modernize insurance industry of India in way of scientific products that is theoretically upgraded all the times, which offers different forms of practical usage in present and near future small investment to industrial worker. Modern practice directly helps scientific research through its empiricism, problems and questions, put upon by everyday life. Based on mentioned, we have a need for a strict bill for the development of insurance industry in India.

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In life insurance business India ranked 10th among the 156 countries for which the data is published by Swiss

Re. during 2011-12, the life insurance premium in India declined by 8.5 percent (Inflation adjusted). During the same period the global life insurance premium declined by 2.7 percent. The share of Indian life insurance sector in global life insurance market stood at 2.30 percent during 2011, as against 2.54 percent in 2010 (Source : IRDA annual report: 2012)

Literature Review

While earlier studies on life insurance sector mainly focused upon LIC, it was only after reforms in this sector that certain studies covering private sector companies have taken place. In earlier study Govt. of India, (1997) Premium Charges by the insurance companies in India tends to relatively high due to obsolete and rigid actuarial practices and inefficient operations. Quality of services is poor comparatively pricing or premium rate of services. Prior liberalization LICs have monopolistic exploitation with limited products. After Liberalization Mavalankar (2000) challenge the private sector and says Health insurance benefits the poor and the weak people in terms of better coverage and health services at lower costs without the negative aspects of cost. The experience from other places (countries) suggest that if health insurance is left to the private market it will only cover those have substantial ability to pay leaving out the poor and making them more vulnerable. Hence, India should proactively make efforts to develop Social insurance pattern. Arora (2002) highlighted that LIC was likely to face tough competition from private insurers those having large established network and their trained intermediaries throughout country. Govt. of India (2002) found quality of services is poor compared with the pricing or premium rates charged for services. Prior liberalization, the LIC had enjoyed a monopolistic exploitation with limited products. Verma (2003) analyzed the various type of products offered by public sector giant and the new global players in the private sector. Kumar and Taneja (2004) highlighted the opportunities and challenges before the insurance industry in India due to LPG policy of Indian Government in insurance sector. Bhattacharya (2005) advocated that banc assurance provided the best

opportunities to tap the large potential in rural and semi urban areas as banks have a strong network all around country and insurance sector should focus at some new, innovative and Single Premium policies, Unit Linked Insurance, Pension Market and Health Insurance. Narayan (2006) expected Indian insurance market may soon starts describe the marketing of insurance products in association with departmental stores and shopping malls. Agrawal (2012) favored Direct Selling of insurance by using telemarketing and internet can helps to insure the literate and vigilant people towards the insurance.

Sain (2009) find Insurance industry is suffering with problems of premium set-up and calculation amount by the previous experiences, database and improper quality and applications of scientific methods to calculation of amount of insurance plan. Das (2012) says there are four main challenges facing the insurance industry are product innovation, distribution, customer service, and investments. Chaudhary (2011) analyzed life insurance industry business expanded tremendously from 2000 onwards in terms of number of offices, number of agents, new business policies, insurance plans, riders of insurance plans, premium income etc. Further, many new products (like ULIPs, pension, health plans etc.) and new riders were provided by the life insurers to match with needs of various customers. Private companies push industry to competitive phase of industry business that helps to innovative product to make their entity in market. Chopra (2011) highlighted Indian insurance industry is continuously in pace of innovative ideas regarding grow their business and prosperity these ideas are analytics, technology, customer segmentation, product innovation and channel management. Idea generation by formal meetings and workshops, suggestions boxes or technology enabled "idea banks?". A policy of insurance helps a person to curbs his/her financial and moral risk without any side effects of it. Shah (2008) Distilled Insurance has only one characteristic of gambling i.e. wagering agreement. However, it is not a complete gambling because purchases of any

insurance policy do not create any other risk or loss to purchaser, as gambling create non-existent risk. Mathew (2010) made an assessment Private sector develops and introduces only those policies/schemes, which involve minimum risk burden and are more profitable to them. They overlook the interest of common people.

Nowadays, Indian corporate using insurance plans to motivate their employees by providing some security of better tomorrow. That action of corporate world leads them to highly satisfied labor and competent workforce. An emotional fixation (sentiment) acquired through the learned behavior, which intermittently or continually expresses itself in purposeful, stereotyped behavior with the character and force of a natural drive, aiming at a specific pleasure or the avoidance of any specific discomfort of any individual. (Nil Bejerot, 1980)

Objective of study

Insurance was started as social security or risk sharing technique but today its scope enhanced as financial institute that provide investment scheme by many insurance policies, development and delivering of innovative products, solutions, and services that meets to dynamic client's financial security needs. Need of insurance is today not only for risk-sharing but it require for some other aspects also like tax benefits, money endowment etc. Insurance provides social security as well as it provide many other investment options i.e. ULIP (Unit Linked Insurance Plan) like share, debenture, bond etc. but insurance covered limited market size in India. It is looking like a basic need of each individual. After all aspect it does not cover that height which was expected on the evening of declaration of LPG in Insurance Industry. Some objectives of study are following:-

To identify probable challenges in insurance.

To find out dynamic environmental effects on Indian insurance sector.

To make segmentation and attribute of challenges.

Challenges in Insurance

The rapidly evolving regulatory landscape: - Insurers

have long faced a complex regulatory environment, but changes in recent years have added materially to this complexity, and more change is on its way. Moves by national regulators to introduce their own market-specific requirements and disagreements globally on how to implement risk-based supervision create additional challenges.

Enrichment of business models: - Given the ongoing changes in the industry landscape, directors are increasingly asking strategic questions related to business models, portfolios, distribution, valuations, and products.

The impact of changing customer needs. Increasingly diverse customer needs, buying behaviors, and product preferences combined with rapidly evolving consumer protection initiatives are further complicating already elaborate business models and strategies. Insurance boards are increasingly urged to consider the customer, but not all are well positioned to do so.

Accelerated improvements to risk governance and risk management: - Risk-based supervision emphasizes the need for improvements in risk oversight. While the industry has adapted to a broad range of changes in recent years, most expect even more change ahead, particularly relating to board-level oversight, the role and stature of the chief risk officer (CRO), and approaches to enterprise-wide risk governance.

Broader improvements in board effectiveness: -In light of heightened expectations from supervisors and shareholders, non-executive directors are seeking ways to improve their effectiveness and considering how best to engage more routinely with supervisors.

Public policy issues that are fundamental to insurance: - Global economic conditions have focused political attention on issues at the heart of the industry, such as pensions and savings, investment management, and climate change, to name a few. Directors are keen to understand how changes in public policy could help or hinder their institutions.

Legal challenges	Entry, typically by minimum capital base and other requirements; Exit from the business Operation of insurance business Investment of insurance funds	Derived Challenges	Qualifications of intermediaries (Agent, Broker) Homogeneity of plans and riders of insurance companies High expenses on advertisement rather the education to customers Profitable policy in name of risk coverage.
Financial Market	Acceleration of financial risk Globalizations of capital market Focus on capital management Global norms of market		
Technology	Risk of technology breakdown Outsourcing and processing of work Rapid pace of changes Operational efficiency by globalization	Other	Political risk and democratic challenges Lifestyle and saving habits of the customer Lack of public attention toward insurance Less education and awareness about the insurance in general public.
Customer Expectation	Growing demand for product information Improving customer experiences Higher profit Competitive pricing of policy and attractive features (riders)		
Demographic / Talent	Four generation of workforce Technological Fluency/change (global) Supply of competitive workforce Changing demand of work life expectation		
Premium Calculation	Construction of mortality table Proper identification of risk and risk variables Probable return on investment of premium amount		

Indian insurance sector is facing some more critical challenges to cover market size of India. According to Paul, et. al, (2007) Insurance Industry has tremendous potential for growth in the insurance industry, because diversity and depth of market, but it have confronted some challenges: Catastrophe (storm, flood and earthquake), Terrorism i.e. terrorist attack of 11 September, 2001 has achieve legendary status in insurance market. Gadhavi (2012) study find that Challenges are lies in strengthening the effectiveness of supervision and modernizing the legal and regulatory framework of insurance. A consolidation of the industry by encouraging weak firms to merge or exit the market would also contribute to sounder competition and greater safety. Two new draft insurance bills are under consideration. These aim to modernize the legal framework and address most of the current gaps in regulation and supervision. In her research paper Chaudhary (2011) find that Business of life insurance do not flourish in India, it suffering regional imbalances due to favor of some states and union territory of India. Business of new companies also skewed in some favors states.

Suggestion and Remedies

Insurance Regulatory is requiring reviewing and reconstructing the industry to make pace with the dynamic and global environment. Take effective action for Redesign the insurance plans/schemes and riders & features of plans/policies for penetration in untapped market. Study of Juran (1986) suggested Quality of product and services can be developed by the use of improvement strategy: Repair (damages require quick fix), Refinement (enhance efficiency and effectiveness), Renovation (breakthrough or major improvement), Reinvention (most demanding g improvement strategy). Evaluate performance of management in fixed span of time. To enhance the performance of management they will fixes some benchmark. Redesign HR policies for staffing of efficient and effective workforce. Motivate employees and other supporting staff to achieve targets of company and introduce reward/ recognition program. Eckberg (2000) concluded meetings of members should be regularly scheduled; have a fixed time limit, and start on time. Participants should be notifying ahead of time

with the location, time, and objective. Avoid unnecessary meetings through e-mail, voice mail and telephone calls; however also avoid accumulated issues. Chaudhary (1999) analyzed Meetings of all members have consensus decision making require use of problem solving method. Further, team members should posses several problem solving qualities and traits to include: creativity, analytical thinking, intuitiveness, criticality, and the ability to synthesize. Encourage participant commitment to new, congruent, and successful corporate behaviors. Study of Merrill (1995) concluded for the development of new, products, many suppliers (participants) are becoming involved in product design and complexity, formation of specifications and component testing. Recognize leadership as a key to successful culture change and enhance organizational effectiveness to maintain brand and image.

Conclusion

LPG Model in Indian insurance industry has opened the new doors for the innovation and overall development of untapped market. It realizes the existing companies to modify and change the traditional and outdated plans. Insurance industry is regularly striking for the innovation but it faces many challenges: regulatory, financial market, technology, customer expectations, premium calculation and derived challenges etc. to cover the untapped market due to homogeneity of plans/schemes of insurance industry.

Market size of industry does not enhance as expectation due to high premium of insurance plans and policy is not in access of all. It does not have the attentions of govt., for risk diverse to middle man regarding security and brought-up of public in case of crisis. Profit making principle of insurance companies of especially private sector is become a cause of overlook the rural area due to high operating costs in absence of fundamental facility. Pricing, dynamic needs of customer and family culture are major challenge for the insurance industry for the insurance industry to be in accessibility of all. It confronting the unethical practices from the behalf of both parties i.e. insurer and insured.

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