MAHENG/2013/50733

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

THE JOURNAL OF INSURANCE INSTITUTE OF INDIA

For Free Distribution
ISSN No. 2278-6759

VOLUME NO. X ■ ISSUE NO. III MUMBAI JANUARY-MARCH - 2023

Demographics and Insurance

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

InsuNews Weeky e-Newsletter

Subscribe to InsuNews of Insurance Institute of India, which gives news about Indian Insurance Industry, Insurance Regulations, Life and General Insurance, Global Insurance Industry

Feedback

We will be happy to receive feedback, suggestions, opinions, views and queries at newsletter@iii.org.in

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

G-Block, Plot No. C-46, Bandra Kurla Complex, Bandra - East, Mumbai - 400 051.

CONTENTS

NON THEME

The Journal of Insurance Institute of India is registered in University Grants Commission - UGC CARE List.

The Journal
of Insurance Institute of India

Since 1974
Volume

JANUARY-MARCH - 2023

Printed and Published by

SNEHA VIKAS PEDNEKAR on behalf of INSURANCE INSTITUTE OF INDIA, Printed at

ACME Packs & Prints (I) Pvt. Ltd., Gala No. 16, Gr. Floor, Samkit Building, Sagar Signature Industrial Estate, Waliv Phata, Waliv, Vasai (East), District Palghar - 401 208.
and Published from
INSURANCE INSTITUTE OF INDIA, Plot No. C-46, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051.
Editor: **P. Jaipuria**

Editorial Support, Design and Printing by
ACME Packs & Prints (India) Pvt. Ltd.

EDITORIAL

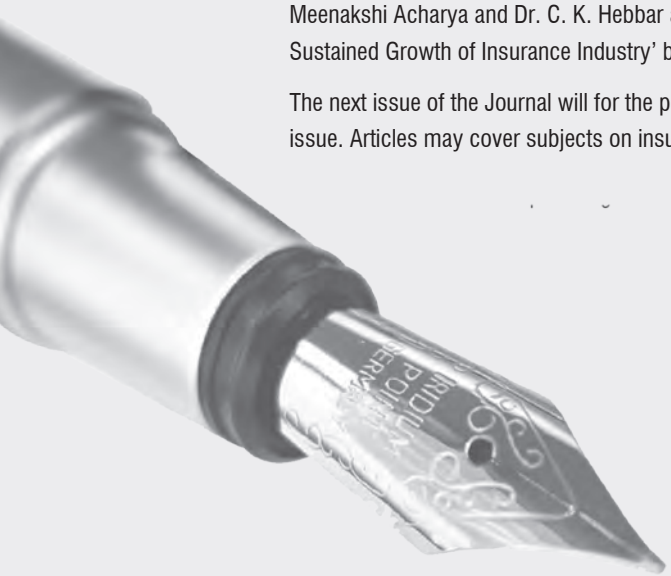
The theme for this issue is "Demographics and Insurance" have always played an important role in all aspects of life. Technology is helping us understand this subject and also enables us to make the best use of this knowledge. Every sector is involved deeply on this topic learning the requirements afresh, changing its thought processes and adapting itself to meet the needs of the various constituents optimally. It is not only in business, but perhaps even in social sector schemes, medicine, education and even in politics and elections, analysts of demography and its changes are being utilised extensively.

The thematic articles – 'Changing Demography Should Help Indian Life Insurers to Grow' by Nirjhar Majumdar, 'Demographic Effect on Life Insurance Business in India' by Vanita Balasubramanian, 'Role of Insurance in Transforming the Demographics of the Rural and Marginalized Communities' by Sunil Kumar Mishra and Anil Kumar and 'Demographics and Insurance' by Riddhi Biswas are thought provoking and should make interesting reading. The subject is vast. It is fast growing. New models of analysis are constantly developing. Technology development is a major factor enabling the growth of the field.

There are some articles included in this issue which are of much importance to the insurance sector. They contain a lot of information and provide insights into the topics for discussion. They present the situation existing in detail, discuss the pros and cons and also suggest solutions to improve. They are - 'Maximising Insurance Penetration and Leveraging Protection Gap: Strategic Thoughts and Actions' by B. K. Nayak, 'Inclusive Insurance: Closing the Gender Protection Gap' by Raiba Spurgeon, 'Literature Review Research: Big Data and Analytics in Insurance Industry' by Murali Batali M. C., 'Aspects of Financial Planning - Saving, Investment and Insurance' by Amitava Banik, 'The Self-Reliant Indian Farmer: Enhancing Rural Income Levels along with Improved Crop Insurance Schemes Post Covid-19 Pandemic' by Prof. Venkatesh Ganapathy, 'Awareness of Bancassurance Services among Public and Private Bank Customers in Punjab: A Cross-Sectional Analysis' by Diksha Verma and Dr. Pooja Kansra, 'A Review of Traditional Advisors of Life Insurance and Bancassurance Channel' by Meenakshi Acharya and Dr. C. K. Hebbar and 'Liberalisation and Privatisation Reforms Bode Well For Sustained Growth of Insurance Industry' by Jagendra Kumar.

The next issue of the Journal will for the period April- June. There is no specific theme assigned for the issue. Articles may cover subjects on insurance and related subjects.

Editorial Team



Changing Demography Should Help Indian Life Insurers to Grow

Nirjhar Majumdar
Internal Audit Department,
Eastern Zonal Office, LIC of India,
Hindusthan Buildings, 4, C. R Avenue,
Kolkata 700072.
niratcal@rediffmail.com

Why Demographics and Insurance Industry are Related

Demographics refer to statistical data relating to the population and its various segments. It means data on age, gender, occupation, income, longevity, educational status, marital status, mortality rate, morbidity rate and rate of population growth of the country. We get valuable data on all these parameters from the Census figures and also from figures collected and collated by various government agencies and dependable international institutions. In this paper, we shall consider the most important demographic factors that impact the insurance industry.

All demographic data are of interest to businesses. Insurance industry is most concerned about the demographic data on a geographical region under its operation. These data can vary even within a geography in case a country is big like India. The insurers need to study these data continuously since the nature of market changes with change in demographic profile. Moreover, premium that is chargeable should change with the change in demography. If insurers act on the basis of inaccurate data, they can undercharge or overcharge premiums payable by customers. In both cases, the business continuity will be affected. So, underwriting and pricing strategy has to change with the change in the distribution of age, mortality, morbidity and growth rate of population. Demographic changes create new challenges and new

opportunities to the insurers in the space of life, pension, health, Property& Casualty and also Workmen's Compensation.

Change in Age Structure and its Impact on Insurance Industry

Age structure of Indian population is heavily skewed towards youth segment. India is a young country with a median age of only 28.4 years[1] (Demography of India: Wikipedia) as compared to China's 38.4 and Japan's 48.6. So, India has far too many Indians who needs and can also buy insurance cover at a much lower premium. This is good news for both the youths and the insurance industry. The cost of health insurance and pension products are also low at lower ages.

Indian demographics is changing quite fast since independence. With reduction of infant mortality rate, availability of better nutrition to the children and access to quality healthcare for the greater number of people everywhere in the country, we have a youth bulge now in India. Table-1 below clearly shows that we have a large number of people in the working age in general and youths in particular. This is an asset to the economy and certainly to the insurance industry.

Table-1: Population by Age Group as per Census, 2011[2]

Age Group	Male	Female	Total	Percentage (%)	Cumulative Percentage
0-4	58,632,074	54,174,704	112,806,778	9.32	9.32
5-9	66,300,466	60,627,660	126,928,126	10.48	19.8
10-14	69,418,835	63,290,377	132,709,212	10.96	30.76
15-19	63,982,396	56,544,053	120,526,449	9.95	40.71
20-24	57,584,693	53,839,529	111,424,222	9.20	49.91
25-29	51,344,208	50,069,757	101,413,465	8.38	58.29
30-34	44,660,674	43,934,277	88,594,951	7.32	65.61
35-39	42,919,381	42,221,303	85,140,684	7.03	72.64
40-44	37,545,386	34,892,726	72,438,112	5.98	78.62
45-49	32,138,114	30,180,213	62,318,327	5.15	83.77
50-54	25,843,266	23,225,988	49,069,254	4.05	87.82
55-59	19,456,012	19,690,043	39,146,055	3.23	91.05
60-64	18.701,749	18,961,958	37,663,707	3.11	94.16
65-69	12,944,326	13,510,657	26,454,983	2.18	96.34
70-74	9,651,499	9,557,343	19,208,842	1.59	97.93
75-79	4,490,603	4,741,900	9,232,503	0.76	98.69
80-84	2,927,040	3,293,189	6,220,229	0.51	99.2
85-89	1,120,106	1,263,061	2,383,167	0.2	99.4
90-94	652,465	794,065	1,446,534	0.12	99.52
95-99	294,759	338,538	633,297	0.05	99.57
100+	289,325	316,453	605,778	0.05	99.62
Unknown	2,372,881	2,116,921	4,489,802	0.37	99.99
Total	623,270,258	587,584,719	1,210,854,977	100	--

Table-1 tells us a lot about the changed demography of India. About 65% of Indians i.e., about 79 crores are in the age group 15-64. This is the most productive age group of life. This can surely be considered as insurable population of the country. May be, some of them did not join the workforce by 2011. But it can be safely said that more than 80 crores are insurable at this moment, since many have joined the workforce in the last ten years and the number that exited the workforce is much less. The above table also shows that persons in the age group of 65 and above are only 5% of the population. So, the people leaving the workforce because of old age are much less than people steadily joining the workforce. What can be the size of insurable population right at this moment? If we assume that Indian population stands at 140 crores as on 2022 (a rational estimate) and Indians do not join the workforce before they are in 20s, even then the insurable population can be estimated to be no less than 77 crores. This is greater than the population of every country except China. So, if some insurer thinks that the market is nearing saturation, they should look at demographic data and venture into unexplored segments. They must be having data on the age structure of the people taking insurance from them. By looking at that data, they can find out which age groups have lower representations.

According to the latest IRDAI Handbook 2020-21[3], total number of in-force policies in India is 33.2 crores. Out of these, 28.62 crores

belong to the market leader LIC. So, 86% market share of in-force policies belong to LIC. According to reliable estimates, number of unique policyholders in possession of at least one life insurance policy is no more than 22 crores, given the fact that a large number of customers are in possession of multiple in-force policies. So, all insurers together have only been able to insure 28% of insurable lives. Even if we assume that there are a few more crores of unique policyholders covered by group insurance cover and cover granted under Pradhan Mantri Jeevan Jyoti Bima Yojana or PMJJBY (none of these having any savings element, though), the gap between insurable and insured is still more than 70%. This is all the more disturbing because more and more women are now having an earned income these days and can afford insurance cover from their own earned income! According to data displayed by the Ministry of Statistics and Program Implementation[4], workforce now consists of as much as 30% women, with the increase in education and workplace safety of women across the country well in place.

State-wise India's Population and Insurance Penetration

Now, let us look at the state-wise population of the country as per Census, 2011. Our objective can be to see whether life insurance penetration has been made according to the population size of each state. We have taken the new business data on 2020-21 as published in the Insurance Handbook. There is business data in respect of both First Premium Income and number of policies sold. I think it is better to carry on with our discussion on the basis of number of policies sold, as this is a better indicator of insurance penetration in a region. Selling a policy of one lac premium is less desirable than selling policies to ten different individuals with ticket size of ten thousand. The latter option gives the insurers better foothold in the market. Again, it is more important to cover greater number of Indians rather than earning high premium income from fewer policyholders.

Table-2 below shows state-wise data on population and number of policies sold. Since Census figures show population as on 2011, we have made some extrapolation to arrive at the population size of 2021 in each of the states. 2011 Census shows that in each decade, the population growth rate is steadily coming down because of better family planning adopted by Indian families. In the period 2001-2011, population grew by 17.7%. It will not be totally inappropriate to assume the growth rate of population to be around 15% for the decade 2011-2021. For the sake of simplicity, we have also assumed that all states have experienced population growth as this rate. Based on these assumptions, Table-2 has been prepared. A column named policy sold per lac population has been added to see how much efforts have been taken by the insurers in reaching out to all the states and Union Territories of the country.

Table-2: State-wise Population *vis-à-vis* Insurance Penetration

SL. No.	*State / UT*	*Popn 2011*	*% of total*	*Popn 2021*	*Policies Sold*	*% of Total*	*Policy sold per lac popln*
1	Andhra Pradesh	49386799	4.08	56794819	1321841	4.70	2677
2	Arunachal Pradesh	1383727	0.11	1591286	14082	0.05	1018
3	Assam	31205576	2.58	35886412	874737	3.11	2803
4	Bihar	104099452	8.60	119714370	1581188	5.62	1519
5	Chhattisgarh	25545198	2.11	29376978	535534	1.90	2096
6	Goa	1458545	0.12	1677327	89556	0.32	6140
7	Gujarat	60439692	4.99	69505646	1359533	4.83	2249
8	Haryana	25351462	2.09	29154181	767367	2.73	3027
9	Himachal Pradesh	6864602	0.57	7894292	266632	0.95	3884
10	Jharkhand	32988134	2.72	37936354	629126	2.24	1907
11	Karnataka	61095297	5.05	70259592	2005097	7.13	3282

SL. No.	State / UT	Popn 2011	% of total	Popn 2021	Policies Sold	% of Total	Policy sold per lac popln
12	Kerala	33406061	2.76	38416970	764503	2.72	2289
13	Madhya Pradesh	72626809	6.00	83520830	1286587	4.57	1772
14	Maharashtra	112374333	9.28	129230483	3161577	11.24	2813
15	Manipur	2855794	0.24	3284163	35996	0.13	1260
16	Meghalaya	2966889	0.25	3411922	24439	0.09	824
17	Mizoram	1097206	0.09	1261787	7968	0.03	726
18	Nagaland	1978502	0.16	2275277	21121	0.08	1068
19	Odisha	41974218	3.47	48270351	1323591	4.71	3153
20	Punjab	27743338	2.29	31904839	709614	2.52	2558
21	Rajasthan	68548437	5.66	78830703	1577839	5.61	2302
22	Sikkim	610577	0.05	702164	14742	0.05	2414
23	Tamil Nadu	72147030	5.96	82969085	1572452	5.59	2180
24	Telangana	35193978	2.91	40473075	953829	3.39	2710
25	Tripura	3673917	0.30	4225005	124626	0.44	3392
26	Uttarakhand	10086292	0.83	11599236	310400	1.10	3077
27	Uttar Pradesh	199812341	16.50	229784192	3240253	11.52	1622
28	West Bengal	91276115	7.54	104967532	2461517	8.75	2697
29	Andaman & Nicobar	380581	0.03	437668	6220	0.02	1634
30	Chandigarh	1055450	0.09	1213768	69571	0.25	6592
31	Dadra, N' Haveli and Daman- Diu	343709	0.03	395265	8959	0.03	2607
32	Delhi	16787941	1.39	19306132	736956	2.62	4390
33	Jammu & Kashmir	12541302	1.04	14422497	197769	0.70	1577
34	Ladakh	----	0.00	0	38352	0.14	----
35	Lakshadweep	64473	0.01	74144	118	0.00	183
36	Puducherry	1247953	0.10	1435146	33733	0.12	2703
	Total	**1210854977**	**100**	**1392483224**	**28127425**	**100**	**2323**

Certain important facts are coming out from Table-2. These are mentioned below:

- There are some states which are not properly penetrated by life insurance products. Ideally, states with high population should be associated with high number of sales of insurance per lac of population. If 10% of national population lives in a state, then close to 10% of total policies should be sold in that state. However, we find that the states of Bihar, Madhya Pradesh, Uttar Pradesh and Jharkhand are grossly under-penetrated under this metric. It is clear that the insurers have been able to sell more policies in more prosperous states like Goa, Delhi, Chandigarh etc. In West Bengal, the situation is favourable in spite of it being not so prosperous. The state is traditionally insurance minded as insurance business was set up and developed in this state since 1818 and insurance awareness is quite high here even among the poorer people.
- So, it is also clear that the insurers have failed to make much inroads into the bigger states like Bihar, Uttar Pradesh and Madhya Pradesh. Together these states constitute more than 30% of Indian population or more than 40 crores of people. So, when the insurers start ignoring bigger markets, their total business cn not be too exciting!
- The states of Goa, Andhra Pradesh, Telangana, Haryana, Karnataka, Chandigarh and Delhi are penetrated much better than

the other states. But these are also the wealthier states and it is always easy to sell financial products in such states. So, it is clear that the insurers are busy in cherry-picking kind of job in the market and are not too interested in developing the markets of poorer states with large insurable population.

- We can now take a closer look at the last column of the table. It shows policies sold per one lac population. Many experts use this metric to see whether life insurance is properly marketed in a geographical region. All India figure is 2323 policies sold per one lac population. We find that many states are alarmingly below the national average. These states are Arunachal Pradesh (1018), Bihar (1519), Jharkhand (1907), Madhya Pradesh (1772), Manipur (1260), Meghalaya (824), Mizoram (726), Nagaland (1068), Uttar Pradesh (1622), Andaman & Nicobar Islands (1634) and Jammu & Kashmir (1577). Some of the bigger states among these are pulling the national average down.
- Some states show up quite high sale of policies per lac population. These are Goa (6140), Haryana (3027), Himachal Pradesh (3884), Karnataka (3282), Tripura (3392), Uttarakhand (3077), Chandigarh (6592) and Delhi (4390). Again, we find that all these are wealthier states with the exception of Tripura. Insurers are able to access the customers quite comfortably in the states/ UTs like Chandigarh, Delhi and Goa. However, these three states/ UT bring only 3% of total policies sold by the insurers. By ignoring less affluent states, the insurers are keeping a large part of the market unattended.
- There is huge disparity between the insurance penetration between the states. While the mean policy density is 2323, the standard deviation between the policy densities among states is as high as 1374. This is too much in a country where insurance penetration is still very low (using the metric of number of people insured).

Literacy Rates of States and Union Territories

Literacy rates have considerable influence on insurance industry. Insurance is a high involvement product. It requires the ability to understand a product and also a financial ability to buy the right product. Unless one is educated, one can not see the policy conditions and benefit structure on his own in printed papers and electronic media. He has to take what the agents say as granted. The illiterate people will naturally be not too comfortable with insurers. On top of it, insurance is such a product which sells promise and not any benefit immediately on buying a policy, while a person buying the policy has to keep on paying premiums for a long time. This is what the illiterate people find difficult to digest. In most cases, their income is low as their educational qualification is low. So, they tend to avoid a complex financial product like life insurance. Although literacy and financial literacy are not the same things and one needs to be a financially literate in order to understand a financial product properly, the functional literacy can serve as a proxy of financial literacy in the Indian context. A literate person is most likely having access to better information about the insurance products available in the market as he can look at print and social media for validation of what the insurance intermediaries say. He also has more knowledgeable neighbours and colleagues than the illiterate persons. Let us look at Table-3 below to understand the point more clearly.

Table-3: Effect of Literacy on Insurance Penetration

SL. No.	*State / UT*	*Literacy % Total*	*Literacy % Male*	*Literacy % Female*	*Policy Sold in 2020-21 (per one lac population)*
1	Andhra Pradesh	67.35	74.77	59.96	2677
2	Arunachal Pradesh	66.95	73.69	59.57	1018
3	Assam	73.18	78.81	67.27	2803
4	Bihar	63.82	73.39	53.33	1519
5	Chhattisgarh	71.04	81.45	60.59	2096
6	Goa	87.4	92.81	81.84	6140
7	Gujarat	79.31	87.23	70.73	2249

SL. No.	State / UT	Literacy % Total	Literacy % Male	Literacy % Female	Policy Sold in 2020-21 (per one lac population)
8	Haryana	76.64	85.38	66.77	3027
9	Himachal Pradesh	83.78	90.83	76.6	3884
10	Jharkhand	67.63	78.45	56.21	1907
11	Karnataka	75.6	82.85	68.13	3282
12	Kerala	93.91	96.02	91.98	2289
13	Madhya Pradesh	70.63	80.53	60.02	1772
14	Maharashtra	83.2	89.82	75.48	2813
15	Manipur	79.85	86.49	73.17	1260
16	Meghalaya	75.48	77.17	73.78	824
17	Mizoram	91.58	93.72	89.4	726
18	Nagaland	80.11	83.29	76.69	1068
19	Odisha	72.9	82.4	64.36	3153
20	Punjab	86.6	81.48	71.34	2558
21	Rajasthan	67.06	80.51	52.66	2302
22	Sikkim	82.2	87.29	76.43	2414
23	Tamil Nadu	80.33	86.81	73.86	2180
24	Telangana	67.35	74.77	59.96	2710
25	Tripura	87.75	92.18	83.15	3392
26	Uttarakhand	79.63	88.33	70.7	3077
27	Uttar Pradesh	69.72	79.24	59.26	1622
28	West Bengal	77.08	82.67	71.16	2697
29	Andaman & Nicobar	86.27	90.11	81.84	1634
30	Chandigarh	86.43	90.54	81.38	6592
31	Dadra, Nagar Haveli and Daman & Diu	87.07	91.48	79.59	2607
32	Delhi	86.34	91.03	80.93	4390
33	Jammu & Kashmir	68.74	76.75	58.01	1577
35	Lakshadweep	92.28	96.11	88.25	183
36	Puducherry	86.55	92.12	81.22	2703
	Total	**74.03**	**82.14**	**65.46**	**2323**

Let us analyse the data shown in Table-3 as under:

- The above table clearly shows that the states with higher levels of literacy have seen purchase of more insurance policies than others. Let us consider some high literacy states. Goa, Delhi, Punjab, Tripura, Chandigarh, Puducherry and Daman & Diu have high literacy rates of 87.4, 86.34, 86.6, 87.75, 86.43, 86.55 and 87.07. The insurers have been able to sell policies that are much higher than the average sale of policies in other states, per one lac of population.
- On the other hand, let's look at some states with low literacy rates. The states of Bihar, Jharkhand, Uttar Pradesh and Rajasthan have literacy rates of 63.82, 67.63, 69.72 and 67.06 respectively. These figures are below the national average. All these states have also insurance sales per lac population below the average of the country.
- While we can establish a correlation between insurance sales and literacy rate, there is a greater correlation between insurance sales and literacy rates of female population. In some states, although literacy rates of males are quite high (above 80%), female literacy rates are very low and insurance policies sold under one lac population is also below the average. These states are Chhattisgarh, Jharkhand, Madhya Pradesh, Rajasthan and Uttar Pradesh. Since the women take most decisions regarding household savings in India, lack of education of women is adversely impacting the decision to buy insurance by a household.
- While it can easily be established that literate people buy more of insurance, there are some states where insurance buying is very low despite these states being high on literacy. All North Eastern states except Assam fall under this category. It is also not clear why insurance density is below average in states of Tamil Nadu

and Kerala when the literacy rates are quite high in these states. In a later section, we shall find that these two states sell a large number of high-ticket size policies.

Incomes of Individual Customers

Income of customers plays an important role in the marketing of insurance products. Insurance can be purchased by someone who has the ability to pay premiums for quite a long period of time. Insurers have all types of products. This product is not for the monied people only. Insurers need to train the intermediaries how to sell various products for various means of people.

Do Indians find insurance cover unaffordable? I don't think so as Indians on an average are much better off than what they were two decades back. According to a recent World Bank report, less than 10% Indians (about 14 crores) are now below the poverty line (BPL). Even then, 126 crores are above the BPL. Moreover, more than 45 crores of Indians are considered as middle-class Indians. So, we can not buy the alibi that Indians find life insurance unaffordable, especially since minimum sum assured in most policies is just Rs. 1 lac and the annual premium for such a plan will be around Rs. 5,000. Let us look at Table-4 to see the per capita incomes of the states and how that compares with the per capita income of the country. Then we shall examine whether insurers are making best of this demographic feature in the states.

Table-4: Per Capita Income of States and its Impact on Insurance Sales

SL. No.	*State / UT*	*% to Total Population*	*% to Total Policies*	*% to Total New Business Premium*	*Per Capita Income Rs.in 2019-20*	*% to Per Capita Income of India*
1	Andhra Pradesh	4.08	4.70	3.48	188371	124
2	Arunachal Pradesh	0.11	0.05	0.08	152716	101
3	Assam	2.58	3.11	2.37	92533	61
4	Bihar	8.60	5.62	3.08	50735	33
5	Chhattisgarh	2.11	1.90	1.47	112318	74
6	Goa	0.12	0.32	0.54	520030	**343**
7	Gujarat	4.99	4.83	7.09	222486	147
8	Haryana	2.09	2.73	2.70	260287	172
9	Himachal Pradesh	0.57	0.95	0.83	225839	149
10	Jharkhand	2.72	2.24	2.01	87126	57
11	Karnataka	5.05	7.13	6.75	246880	**163**
12	Kerala	2.76	2.72	4.49	225484	**149**
13	Madhya Pradesh	6.00	4.57	3.04	109372	72
14	Maharashtra	9.28	11.24	17.10	216375	143
15	Manipur	0.24	0.13	0.11	92427	61
16	Meghalaya	0.25	0.09	0.12	102671	68
17	Mizoram	0.09	0.03	0.04	221384	146
18	Nagaland	0.16	0.08	0.08	129978	86
19	Odisha	3.47	4.71	3.33	119075	78
20	Punjab	2.29	2.52	2.32	285282	**188**
21	Rajasthan	5.66	5.61	3.53	131700	87
22	Sikkim	0.05	0.05	0.07	435199	**287**
23	Tamil Nadu	5.96	5.59	6.93	243189	**160**
24	Telangana	2.91	3.39	3.21	250920	**165**
25	Tripura	0.30	0.44	0.31	139540	92
26	Uttarakhand	0.83	1.10	1.08	220257	145
27	Uttar Pradesh	16.50	11.52	8.78	74141	49
28	West Bengal	7.54	8.75	8.99	126121	83
29	Andaman & Nicobar	0.03	0.02	0.02		0
30	Chandigarh	0.09	0.25	0.33	359030	**237**
31	Dadra, Nagar Haveli and Daman & Diu	0.03	0.03	0.04		0
32	Delhi	1.39	2.62	4.53	427309	**282**
33	Jammu & Kashmir	1.04	0.70	0.59	110890	73
35	Lakshadweep	0.00	0.14	0.41		0
36	Puducherry	0.01	0.00	0.00		0
	Total	0.10	0.12	0.15	244431	161

Table-4 says which demographic factor is made to be of best use to the insurers. The following points can be mentioned:

- States which have high per capita income are also the states where the insurers are getting high value business, resulting in high proportion of New Business premiums. Let's take the case of Delhi. Although they have 1.39% of people living there and policies sold were 2.62% of the total policies sold in that year, in terms of premium, The insurers got 4.53% of the business from that state. The same picture is found in Goa, Maharashtra and Gujarat.
- There are more interesting revelations. Kerala and Tamandu which sold policies per lac well below their population as a proportion to the national population (as found in Table-2), when it comes to New Business Premium, their share in total business of the insurers is quite high as compared to their population. That means, the insurers have been successful in selling high ticket policies and these can be sold to people of better financial means.
- In the same vein, we can say that the states which have per capita income below the national average, have contributed very little to the new business premium as compared to their population size. Assam, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Rajasthan and Uttar Pradesh fall under this category. All North Eastern states (except Sikkim) fall under this category too, as their per capita incomes are all below the per capita income of the country.
- This table also proves that although insurers are in possession of products for low-income people, they are not marketed with the necessary interest and enthusiasm. Insurers are keener in selling high ticket size policies to those having high per capita incomes.

Life Expectancy at Birth

While life expectancy at birth in India at this moment can not exactly be said before the 2021 Census data are collated, according to UN estimates[5], the figure is 70.19. This is the life expectancy of the general population. It can safely be said that life expectancy for the insurable population is much more as the people seeking insurance cover are found to have access to better nutrition and medical facilities. As the country grows further socially and economically, more and more people will be living in cities offering better civic amenities and healthcare facilities. According to 2011 census, 31% Indians lived in urban areas. It can be said that the figure is about 40% now. As India grows into a more developed nation in the next ten or twenty years, more than 60% Indians will be living in metro cities or big cities offering better healthcare and civic amenities. That will push up life expectancy beyond 80 years. This is not an imagination. Already life expectancy of developing (but more urbanised) countries like Sri Lanka, Tunisia and Vietnam are 77.39, 77.17 and 75.67 respectively. There is no reason why India can not reach these figures in foreseeable future.

We already find many super senior citizens (age more than 80) around us. They need to live in peace and dignity in their twilight years. Insurers have a great opportunity in making senior citizens live comfortably by selling them right pension products, deferred or immediate at right time. Deferred annuity is a better financial plan as a person can save money over a long period of time to reach a good pension corpus at the age of superannuation. Even whole life plan with limited pay is a decent proposition for the citizens. Insurers need to foresee the future. At the moment, senior citizens consist of a small proportion of the population. But, as life expectancy keeps growing and growth rate of population keeps falling, they will form a much bigger proportion of the population. India will find it difficult to give them social security from government coffers, no matter howsoever developed it becomes in 20 years. Hence, insurers have an opportunity as well as responsibility to popularise more and more insurance among younger people, for future provision. Protection products are good but they serve limited purposes. They provide money only in case of death. Permanent life insurance policies and pension policies need to be marketed more vigorously as they make money available in all contingencies.

Are Insurers in Tune with the Changing Demographics of India?

Insurers need to be in tune with the changing demographics of the market. If there are more youths among the population, more products have to be developed for the benefits of the youths. If longevity is increasing rapidly, people have to be made convinced on buying more pension products and buy them at the prime of their youths so that they can get a big pension corpus when they hang up their boots after a long working life. In all advanced markets, insurers are successfully doing that. Indian Insurers also need to understand that bigger the market, more heterogeneous it is. Study of demographics can make the insurers understand which area is under-penetrated. The they can find out how then can develop insurance markets in under-penetrated regions. Insurers have to carry out research to understand which factors are responsible for poor insurance penetration in some regions. When they identify the reason of under-penetration, it becomes easier for them to take the right action. Otherwise, they will forever be beating around the bushes for the result and keep on trying same marketing strategies that have not given desired results. We discuss below certain points to examine whether Indian life insurers are taking action according to changing demographics of the country.

- Indian insurers have launched a plethora of products for all segments of the market. But there is hardly any structured plan to sell need-based products to the customers according to their demographic profiles. All the factors mentioned in foregoing sections need to be taken into account in determining the marketing strategies. The insurers and also the regulator is happy if there is growth of the business. Whether all market segments are properly covered according to the proportion of their sizes as compared to the total market size, is not given any importance. Even twenty-two years after the opening up of the sector, the private insurers focus on selling insurance in the bigger cities only, leaving the responsibility of serving the hinterland to LIC.
- Private insurers continue to get a lot of their growth through selling of ULIPs only. According to IRDAI Handbook, 39.73% of premium income of the private insurers comes from ULIPs. Now, ULIP is more a mutual fund type of product than a life insurance product. When the insurers have good demographic opportunities of selling protection, savings and pension products to the Indians, most of whom really need such products, private insurers are busy selling a product which have very little insurance component. Although insurers are not disclosing data on the people buying these products, the common experience says that these are sold to just anyone having good purchasing power. We do not even know whether people buying ULIPs have already purchased some protection/ savings products.
- Insurance Handbook also says that the private insurers are closing down their offices from the rural areas. No wonder, states like Bihar, Uttar Pradesh and Rajasthan have much fewer offices of insurers as compared to their population. It's a known fact that in rural areas people want to see and visit the offices of insurers. In bigger cities, people can do a lot of financial transactions digitally. But insurers have their brick-and-mortar offices concentrated in bigger cities and metros. Delhi, Kerala and Goa have more offices as compared to their population size. LIC has only 17% of its offices in metro cities. Private insurers have more than 30%. Private insurers are having some presence in Tier-I and II cities but their presence in rural areas is less than1%.
- Insurers are looking at one demographic factor only. That is, Income. This is not the right way to develop insurance market or even to grow profitability. The people who are not affluent do also save and simple insurance products can be profitably sold like mass products even among the people who can not buy large insurance cover.

How Insurers Can Make Better Use of Demographics?

Indian demography is extremely favourable for insurance industry today. Huge working age population,

comparably lower level of older people than most other countries and ample opportunity for the economy to grow make India ready for the high penetration of life insurance. India has less than 5% people aged 65 and above. As much as 65% Indians are in working age group. China has an unfavourable demographics now. Four Chinese are dependent on one Chinese in working age. So, their one child economic policy has now backfired. Since three people are not earning out of four in a family, their insurance industry finds it difficult to grow in the absence of enough insurable people. But India has a large number of people in need of insurance cover and we have seen that in the foregoing sections. There are products which the people of very modest means can buy. Our intermediaries are not too interested to sell these products as the commissions are low on low premium products.

Life insurance should be found suitable to the psyche of young working people. They need to save enough for their children's education, take good care of old parents and set aside reasonable money for the next generation. That is why savings-oriented insurance products are very popular among all segments of population. Indians by nature are interested in precautionary savings and that is the reason why despite best efforts by some private insurers to popularise term products and ULIPs, the customers continue to prefer endowment products to term products. When somebody has to plan for making provision of some money at a definite future date, mutual funds or stocks can not be fully relied on. Insurance goals have to be kept separated from investment goals and this message of life insurance has to be spread among the youths by insurers. The insurers are not able to launch successful Insurance Awareness campaigns among the youths. Now, Indian Insurance Institute is doing this job quite vigorously. But insurance companies must join hands in making the movement a greater success.

There are 28 states and 8 Union territories in India. Insurance needs vary widely as we move from one state to another. Insurers need to understand localised needs by studying the risks associated with various occupations of the individual regions. Insurance penetration can not automatically happen simply because people have better purchasing power. More innovative products have to be developed and tie-ups with InsurTech firms can help them understand changing insurance needs very quickly.

Women are getting educated more and more in all the states. We have seen that literacy of women result in better acceptance of life insurance in a household. Now that women are earning well from all professions, insurers need to develop women specific products more.

Insurers should make their presence felt more in under-penetrated regions. More offices should be opened there and more agents have to be recruited in states neglected by them so far. Many more agents have to recruited in North Eastern states as these are grossly under-penetrated. The insurers have to leave their comfort zones of low hanging fruits and reach out to people who require insurance more in neglected segments both in rural and urban areas. India is a lower middle-income country. The low-income people need insurance more than the rich because unlike the rich, the poorer people do not have much savings or ancestral wealth to fall back on, in case of financial difficulties.

Young Indians and especially the urban elites among them, have faulty lifestyles. They prefer to stay in 17 degrees Celsius of the air-conditioned rooms, travel in private cars and eat food that adds fat to the body, cause liver ailments and also cardio vascular ailments at early ages. Insurers have a role in educating the youths on the need to take better care of health. With the improvement in health and habits of younger people, both the insurers and the insured benefit. Insurer is able to collect premiums for a longer term, thereby improving the policyholders' and shareholders' value. The insured gets to live a long life, enjoy benefits of pension products for a longer time and enjoy better dignity in the society.

The following table has been constructed on the basis of foregoing discussions on Indian demography. The table gives a snapshot view on how the insurers are dealing with the changing demography and what they need to do in the coming days, to make insurance available for all Indians in near future.

Table-5: Summary of the Demographic Factors *vis-à-vis* Response of Life Insurance Industry

Demographic Factors	***What Insurers are doing now***	***What Insurers need to do instead***
Age	• Insurers do not have any marketing plan to cater to the insurance needs of people according to their ages • Private insurers popularise term products and ULIPs among the youths who earn well	• Insurers need to develop marketing plan according to the age of the customers • Youths need savings products more as they need to save a lot more for uncertain future • Since many women are joining workforce, focus should be on developing women specific products
Population of States/UTs	• Although high population states have better business potential, insurers are focusing on states with better prosperity. So, many people living in rural areas of high population states are given a miss	• Insurers must open more offices and engage more agents in high population states (but with lower sale of policies) • Micro insurance and low-cost group insurance can also be the right products for the poorer people of the high population states
Literacy Rate	• Insurers do well in high literacy states and not so well in low literacy states	• Insurers should launch Insurance Awareness Campaigns in low literacy states, to make people understand the value of insurance
Income	• An overwhelmingly high proportion of business (in terms of premiums) is sourced from states with high per capita incomes	• Since prosperity has come even in pockets of rural areas, insurers need to be present there • Even in high income states, more policies need to be sold to the poorer people, rather than selling high ticket policies to limited individuals
Life Expectancy	• Insurers fail to market long term savings or pension products vigorously, although these are suitable when our life expectancy is rising steadily	• Insurers should sell products like long term Endowment, Whole Life and Deferred Annuity to enable people to have enough money in old ages

TJ

References

1. The World Factbook https://www.cia.gov/the-world-factbook/field/median-age/country-comparison
2. UN Demographic Year Book, 2021 https://unstats.un.org/unsd/demographic-social/products/dyb/documents/dyb2021/table07.pdf
3. IRDA Handbook 2020-21 https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_List.aspx?DF=Creport&mid=11.2
4. https://indbiz.gov.in/participation-of-women-in-the-workforce-increases-significantly/#:~:text=According%20to%20data%20from%20the%20periodic%20labour%20force,to%2024.5%25%20in%202018-19%20and%2023.3%25%20in%202017-18.
5. https://www.macrotrends.net/countries/IND/india/life-expectancy
6. https://statisticstimes.com/economy/india/indian-states-gdp-per-capita.php#:~:text=GSDP%20per%20capita%20%20%20%20Rank%20,%20%20%20%2031%20more%20rows%20

Demographic Effect on Life Insurance Business in India

Vanita Balasubramanian
ValuEnable
Key Account Manager & Training
B.vanita96@gmail.com

As per the IRDAI guidelines, all the possible steps are taken to increase the insurance business penetration in India. In life Insurance the penetration stands at 3.4% & at general it stands at 1.4%. The common factors said to increase the penetration is increase in the Rural Market for Insurance, better technology for process, insurtech, early and smooth process of claim, quick licensing of new players etc. One need to understand that Life Insurance penetration not only depends on the organizational factors but also on the demographic reasons which includes the economic & culture factor. Before knowing the factors that affects the business penetration one need to understand the -

Insurance Penetration means:

Ratio of Total Insurance (Premium Written In Particular Year) / Gross Domestic Product

Total Written Premium includes all the life insurance product available in the market for sale. It include annuity product also. Whereas GDP include Goods & Services Produced in the Market for Sales. We also need to look at the Insurance density which is calculated as per the population of the country.

Insurance density means:

Ratio of Total Insurance (Premium Written In Particular Year) / Population

Education Factor: It is considered in Insurance business that education plays a vital role. Mostly insurance is provided to someone with at least 12TH pass or least matric pass. In some cases graduation is must. Not every Indian who earns good money will be a graduate or 12th Pass. Mostly insurance companies don't prefer to provide insurance to them. Because it is considered that people with less education will adversely affect the pooling of life insurance business. This problem occurs most with the business people who wants life insurances.

Age: Age plays a very crucial factor in life insurance, young people have to pay relatively lesser premium compared to old people. But in some cases the financially requirement for this age individuals is for completely some different purpose. Buying car & house is their top most priority not life insurance. As age grows they finally realize the need of the insurance cover and decide to buy one but after certain age, the insurances becomes quite expensive, even they might have encountered some illness as they grow old.

Martial status: In India men's average age of marriage lies between 27 to 35 years & women's between 21 to 30 years. Due to increase in education and another aspects of lives individual tend to marry at the said age bracket. Although socially & economically it is a progressive step but this might become a drawback while taking a life insurance policy, young adults usually don't save much of the income and spend a major chunk of it before marriage and mostly today all companies provide Group insurance policy for their employees so the awareness of an individual life policy is relatively low among this group of individuals, they understand the need when they have their first kid and expenses starts growing. Usually they buy policy at that time when they realize their responsibilities but as age grows premium increases and life insurance gets expensive and secondly the chances of encountering some health ailment is high hence life insurances become less affordable because of stressful & fasting moving life young individuals do suffer health issues like hypertension, diabetics, heart stroke etc.

Health related problems: As mentioned earlier in today's stressful lives having any sort of health ailment is common, Even young people today suffer from heart strokes, cancer etc. Most people lead an unhealthy lifestyle with least physical activities involved. Obesity is common issue faced today, In spite of advancement in medical today most insurance companies restrict themselves in covering certain level of illness. Companies are extremely careful while evaluating an individual health history before proceeding with any policy, and if they accept the policy with certain health problem the required amount of loading is done and it eventually makes insurances more expensive for them.

Smoking/Drinking habits: Life Insurance policy are usually concerned with the drinking & smoking habits of the individuals, The rate of premium differs for Smokers as well as the non-smokers. Even though rates are high this habit might cause serious problem, if not left at the early stage it might cause serious problem. Usually it is observed that smokers & alcoholic individuals develop various health related problems at the later stage of their lives. Unfortunately it is very difficult to understand the level of the alcohol consumption & no of cigarettes that an individual smokes. In extreme cases the level of consumption increases due various factors like stress etc. So even insurance company takes adequate premium to cover the risk, but it will still be insufficient to cover the actual occurred risk if it happens at the early stage of the policy duration. Section 43 of Life Insurance act clearly states that companies have to settle the claim if it arises after 3 years of policy commencement so companies cannot know if the individual had become severe alcoholic or chain smokers because policy is usually not concerned with the smoking of the drinking habits of the individual once the policy is issued by them. Hence one need to extremely careful in understanding the smoking and drinking habits of the proposer

because this initially looks the matter of less importance's but this usually can trigger to the much bigger and serious problem if left unattended by the underwriters. This can be done by including few important information during the underwriting level. Even while given policy to a non-smokers certain exclusion is required so that they don't start smoking post the policy issuance.

Occupation: In life insurance certain occupation are not eligible to have an insurance policy. This professional are into hazards professional which involves high risk of death. In India large number of individuals are involved in such occupation, everyone does not a desk job. Even well-educated and highly paid professional are decline for insurance cover because of their occupation. Professionals involved in manufacturing of hazards substances, chemicals etc are usually excluded. Even if they are given the policy they have to pay extra premium to cover the risk or their occupational risk is excluded from the coverage. Such professional does not find insurance as a suitable option for them and switch to the other alternatives of savings. In some cases they are supported by their companies or government. In some cases certain hobbies like mountaineering are considered as a hobby but it is profession for few individuals.

Financial status: This is faced mainly by someone who earns but does not earn enough to be eligible to get an insurance coverage for themselves. Life insurances mainly rejects such individuals because they feel that such individuals will not pay the future premiums and it will hamper the companies' persistency level of the company. Business people are usually examined in regards to their ITR, Balance sheets & P&L statements, the problem is usually most businessmen show profit after 3 to 4 years of their business and 4 to 7 lacs of ITR for continuous 2 to 3 years is expected but sometimes in certain year ITR will be less due to various factors and especially at the initial years of business. Consultants who are engaged with various companies as consultants are required to produce Form 16 & 26AS to the underwriters again in certain year they might have not engaged themselves into good projects showing less ITR. Salaried individuals have straight forward requirement they need to produce Pay Slips & Bank Statement. The financial status is difficult to understand because someone on their notice period without new job in hand might go for insurance cover because insurer will not know that the person is on the last month of his job. Secondly the many have multiple source of earning and it gets extremely difficult to analyses it.

Gender: Many still feel that life insurance is a men thing because in most cases men are the sole bread winner in the family & they are expected to have a life insurance policy for themselves. Even working women usually don't have life insurance policy because of a mind-set that husbands need to protect his family from unforeseen condition of death & physical disability. Since women have less mortality rate compare to men they have to pay lesser premium compare to men for the same assured & benefits but still don't prefer to buy one. Secondly if husband had any sort of liability or loan, laws like MWPA protects women in case of husband's death. Mostly ad campaigning of the insurance companies show that how wife suffers when husband dies without insurance cover, even during Indian festivals like "Karwachauth" male audience are targeted to purchase life insurance as a gift to their spouse. Today few initiatives have been taken by the insurance companies in protecting the housewives by giving the policy based on their husband's coverage, but still the awareness is still low even in the urban areas. This mentality of the gender bias towards the insurance coverage needs to be changed.

Rural Population: Today close to 65-70% of the population in India resides in rural areas in India. Now Rural Population are not insured and market still remain under penetrated, this can be seen as a huge scope to trap the rural market. But with scope there also comes the challenge of insuring them mainly because of illiteracy, unawareness of insurance protection, poverty, importance to landlords, superstitions, unstable

income, Seasonal employment highly depended on traditional methods of agricultures. And today General Insurance companies are able to produce few insurance products in relation to the rural population. But life insurance are still struggling to make their mark their there. People are rural areas are ignorant mainly because they are educated enough about it.

Geographical Wise Business Pattern: As per the Insurance Information Bureau Life Fact book, few states in India have less insurance penetration, whereas some as moderate to high business penetration. The Insurance coverage distribution in unevenly & uniformly spread in India. It can be because of various reasons like less agents availability, less banks or insurance office, lack of awareness among that particular area. Following are the various parameters to measure different states insurance penetration in India.

a) Life Insurance Coverage : $\frac{\textbf{Total Number Of policies}}{\textbf{Total Population}}$

b) Life Insurance Density : $\frac{\textbf{Total Number Of premium}}{\textbf{Total Population}}$

c) Life Insurance Penetration : $\frac{\textbf{Total Annual Premium}}{\textbf{GSDP}}$

So as per the reports Goa, Delhi & Haryana has the maximum life Insurance Coverage. Maharashtra, Telangana, Odisha have moderate Coverage, But few states like Bihar, Uttar Pradesh, Madhya Pradesh have lowest business coverage.

Again Goa, Delhi & Haryana has the maximum life insurance density & Bihar, Uttar Pradesh, Madhya Pradesh has the lowest insurance density.

Whereas, Delhi, Goa & Maharashtra leading in case of business penetration & Rajasthan, Madhya Pradesh & Andhra Pradesh as the lowest business penetration.

Hence insurance in India is concentrated only in few states of the country, this leads to a serious issue of uneven distribution of the insurance. Since all the demographic is not equally covered by the companies some states are under-penetrated, while some are appropriately covered. Even Urban areas of this states are not appropriately covered with insurance. This leads to demographic imbalances in the sector.

Few Suggestive measures to overcome demographic barriers towards life insurance penetration:

a. Importance of the life insurances should begin right from the school & colleges, young students should be made awareness about its importance. People should view life insurances as a necessity not something that is forcefully sold to them by someone. Creating awareness in something that every institution needs to contribute equally it is not only regulatory job to do so.

b. Corporates should promote various workshops and seminars on the importance of the insurances to their employees in collaboration with an insurance companies, especially to those employees who are single & young, they should be encouraged and educated about the life insurances.

c. Companies should built their services & product as per the need of rural population. Since commission to the agents is low under rural insurance policy regulatory need to revise the same and make it little attractive for the agents to sell to. Rural Marketing techniques should be used like word of mouth, seeking the support of the village teacher to promote insurances in rural areas. Rural sector is different, one need to completely study the life of rural population and design the product accordingly. Like miscellaneous insurances which covers various small segments under rural insurances which mainly includes **poultry, cycle rickshaw, honey bee, silkworm, huts, pumps, wells etc.** Same

model should be used for life insurances segment, one need to focus mainly on the cause of death in rural areas and design cover accordingly. Today government had provided certain insurances benefits for kids education, medical expenses and disability benefits for rural people but still certain amount of life cover is still required to cover rural population.

d. Education & good health is still a problem and needs to be addressed. This is collective responsibility because any sort of negligence will seriously affect the insurance pool. Good education & Health is a sign to the insurance companies that individual is aware about the wellbeing & good lifestyle and understands the importance of the same. Insurance companies can work out and provide certain exclusion in the cover, by excluding certain illness and communicating with less educated people to understand their level of awareness about health and other aspects which might be important for the insurance company.

e. Since insurance companies want to cover all the individuals with insurance, it need to develop products which will be suitable to a particular community. Few companies can create few products applying the takaful law of Islam, it can restrict itself with certain limit in case of sum assured & also restrict it within some geographical limits. A detail study must be conducted to understand the Halal Concept of Islamic Community and understand what all areas of investment is permissible under Quranic studies. Yes few companies & researchers in India had worked on the takaful insurance previous as well but little to no success achieved till date.

f. Since Financial documents plays a crucial role in Life insurances its significance and cannot be ignored by us. In most cases we find that financial status of an individual is not eligible to buy an insurance policy for themselves but in such cases surrogate financial document plays the crucial role. Surrogate documents is now adopted by the most of the insurers but it is not been explored to the maximum level. Such documents comes in the favor that policyholders who have fluctuation in his income. Underwriters need to careful analysis this and approve the surrogate documents of the prospect before it enters into the system.

g. Regulator as well as the insurer need to increase their reach of insurance, concentration of the business in a particular state or zone will not give industry the desire results of the business penetration. This can done by increasing the agents and insurance branches in that states. Even though in GDP we include all the Goods & Services available in market for sales, still we cannot provide life insurances to all the individuals who want to buy it. In real world Insurance is different from banking though inclusion is part of life insurance business but still we cannot include everyone in insurance pooling business. Life Insurance Companies are accepting risk on someone's life hence even today most of the insurance companies do follow strict underwriting norms. To understand the life insurance market in India we should have the figures on the proposals rejected by the underwriting team on various grounds. Yes we can increase the penetration by adapting technology but still life insurance business comes with various restrictions. 3.2% of business penetration in life insurance is mainly because of the annuity products sold by them. Annuity product is usually a safe net for insurers because usually the premium is paid on sum lumps & medical history or occupation background does not play much crucial role in deciding the acceptances of the policy. And most people go for annuity as a mandate made by the government to them. Most companies have a separate unit for NPS sales which tap the customers who's NPS is about mature and sell the annuity to them because NPS customer have to take annuity compulsory from the any insurance company of their choice. Same even goes to the Superannuation Customers of the

group insurance they have to invest certain amount in annuity. Hence most customers buy annuity because they have to buy it from someone. But returns on the annuity is relatively less to them. Life companies need to concentrate on the other segment of business to increase their profit. IRDAI should suggest different penetration rates. So advancement in insurtech, digitalization of policy documentation alone cannot improve the growth of the sector. Better product to include all the community, awareness of insurance in case of rural population, good health & education background of the individual, good surrogate documents for financial underwriting is needed.

As on 2022, IRDAI had already introduced various initiatives to introduce better insurance penetration in the country, it has made policy selling bit easy with the introducing of BIMA SAGAM, Opening sector to all the agents & Banks etc. This will surely increase the market for sector but at the same time even the demographic barriers should be considered by them.

Key Take away from the article

1) Regulators should consider demographic structure of the country while formulating any sort of policy. Only considering factors like technology, Infrastructure, easy to business will not help in long run. Life insurance largely depends on demographic factors of an individual.

2) Geographical Distribution of the life insurances need to be understood, efforts need to be taken to increase the life insurance penetration in the area where the insurance is under penetrated.

3) Marketing techniques differ according to the product, target audiences and area of resident.

4) Importance of the life insurance need to implant across both men & women

5) Importance of taking early life insurance should be understood by the individuals.

6) Insurer underwriting, should be extremely well versed with the demographic changes happening in the country.

7) Rural Agents should be motivated in form good commission so that he can involve himself in the rural insurance selling.

8) Better products should be developed to fit the needs of the rural population. TJ

Role of Insurance in Transforming the Demographics of the Rural and Marginalized Communities

Sunil Kumar Mishra
Legal Advisor
IDL Insurance Marketing Pvt. Ltd.
Ramnath Deoria CC Road, Uttar Pradesh, 274001.
idlsamuh@gmail.com

Anil Kumar
Principal Officer
IDL Insurance Marketing Pvt. Ltd.
Ramnath Deoria CC Road,
Uttar Pradesh, 274001.

Abstract

Insurance not only provides protection but also helps in leading a dignified life. But due to lack of awareness, insurance is not on the priority list of the rural and marginal people. In India where almost 70% of the people are living in rural areas, the insurance sector has huge potential to transform the rural community by providing coverage of insurance.

Objective

The main objective of this exploratory article is to study the role of insurance in transforming the demographics of the rural and marginalized communities.

Methodology

The methodology of this article involved both primary and secondary research including interaction with field community members, senior officials of Insurance Marketing Firm, Insurance Companies, as well as reviewed literatures of IRDAI and other related stakeholders.

Keywords

IMF : Insurance Marketing Firm

IRDAI: Insurance Regulatory Development Authority of India

LIC: Life Insurance Corporation

NRLM; National Rural Livelihood Mission

RAP: Rural Authorised Person

PwD: Person with Disabilities

RBI: Reserve Bank of India

SDG: Sustainable Development Goal

VLE: Village Level Entrepreneur

WHO: World Health Organization

Generally people in this materialistic world want to be happy and empowered. They are struggling every moment to achieve this. But the materialistic world is full of uncertainty. Nothing is permanent. Indian scriptures have also indicated towards this. **Acharya Sankaracharya** said very clearly in Tatvbodha (A Beginner's book for the spiritual seeker) that "नित्यवस्तु एकं ब्रह्म, तद् व्यतिरिक्त सर्वं अनित्यं |"

(The eternal object is only one i.e. Brahman (The Almighty GOD), and everything apart from that is impermanent.)

In such a situation the common man is worried and anxious about the uncertainty of the future. They are always concerned about the loss of their property and life as well as their loved ones. In this condition, they are not able to enjoy this world to their full potential. Therefore, it is also affects their working performance. This was described very beautifully by a great ancient Indian scholar and spiritual master Ashtavakra in his book Ashtavakra Gita Chapter 11 Verse 5.

चिन्तया जायते दुःखं नान्यथेहेति निश्चयी।
तया हीनः सुखी शान्तः सर्वत्र गलितस्पृहः ॥5॥

{*Worry gives rise to suffering and nothing else. One who frees from worries, he/she definiteness becomes happy, peaceful and without any desire (unwanted desires).*}

That's why in this situation, there is a great need of a proclamation by a trusted person/institution who assures the concerned and needy community members that "I will always be with you to take care of you".

This is very beautifully explained in Shri Bhagwat Geeta in Chapter 9 verse 22

अनन्याश्चिन्तयन्तो मां ये जना: पर्युपासते।
तेषां नित्याभियुक्तानां योगक्षेमं वहाम्यहम् ॥ 22॥

Those who always worship Me (Lord Krishna) with exclusive devotion, meditating on My transcendental form – to them I carry what they lack, and I preserve what they have.

Here when Arjuna was worried due to his Vasnas (inherent tendencies), Lord Krishna (The Supreme Personality) assured him to carry his all **Yoga** (requirements) and **Kshemam** (protection). The effect of this statement we can easily see in *Mahabharata* where *Arjuna* fought with Koura without any worry and anxiety and got success.

Insurance has also the potential to play a similar role for proclamation against the uncertainty of the future. Hence, the Life Insurance Corporation of India (LIC) kept very wisely the last line of this verse in its logo.

In our daily life it is also applicable where we struggle with worry and anxiety due to our inherent tendencies. Here insurance can play a very crucial role not only to protect the common people financially and socially, but also provides them psychological support to lead a stress free dignified life.

It is stated very extensively by Eric Grant, Communications Manager, in a study paper i.e. The Social and Economic Value of Insurance, A Geneva Association Paper, September 2012, as mentioned below.

"Insurance should rightly be perceived not only as a protection and risk management mechanism, which pays out when a catastrophe occurs, but more as a partnership that allows individuals and businesses to spread their wings and go where they might otherwise not have dared to go."

The insurance is equally important for all sections of the society including rural and marginalized communities. As a welfare state (refer to Article 38 of the Constitution of India) our Government of India introduced various insurance schemes like Pradhan Mantri Jeevan joyti Bima Yojana, Pradhan Mantri Durghatana Bima Yojana, Aam Adami Beema Yojana to provide insurance coverage to their citizen on very subsidized premiums in order to provide social security at very grassroots level.

IRDAI is also trying to cover rural and social sectors as mandatory provisions for the insurers through the "IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, 2015". But it is not enough unless every member of the community is made aware and fully covered under the protective wings of the insurance.

There are about six lakh forty thousand villages in India. As per censes 2011, there are 68.86% people are living in these villages. But life insurance coverage in rural India stands below 10% while less than even 20% of the rural population has any form of health insurance. Their small earnings do not allow them to put insurance on their priority list. They are already surrounded by their other predetermined priorities. This can be easily understood through following illustration.

As per data of Ministry of Rural Development 10,61,69,000 total individuals worked in Mahatama Gandhi National Rural Employment Guarantee, Act 2005 (MGNREGA) at the average wage rate of 208.84 per day in financial year 2012-22. (MGNREGA provides 100 days unskilled employment to rural households in a year). On these minimum wages they can fulfil only their basic urgent needs for their family. These peoples are not able to make insurance in their priority list.

An American famous psychologist Abraham Maslow presented a theory of motivation for human beings known as Maslow's hierarchy of need. His theory states that the actions of human being are motivated by certain physiological needs that progress from very basic to complex in five major steps. The theory is depicted in figure point no. 1. Under this theory the individual first strive for their basic physiological needs including food, water, warmth, rest and then in the second step they think about their safety needs. This safety needs will involve insurance needs. In our rural areas majority of people are still struggling to fulfil their basic physiological need. Hence the need for safety including insurance is not on their first and top priority list.

In such a situation, the Government should facilitate insurers to promote such type of insurance plans according to the financial condition of rural and marginalized community members. Because without providing adequate financial and social protection, positive transformation of the rural and marginalized community members will not be easy. Under the directive principal of state policies, Article 41, the Constitution of India also indicates towards the same i.e. "The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want."

Figure 1

The major factors that contribute the rural and marginal community in transforming their lives into a strong and risk resilient community are mentioned below:

- **To manage the various risk in life more efficiently:** In rural and marginal communities, it is observed that generally the entire family is financially dependent on the earnings of one member and struggles to meet their daily needs. In such a situation, if something untoward happens to this earning member, the whole family suffers.

  Today, there are many insurance protection plans/policies available with very low premiums which will provide a ray of hope in the lives of these families. These protective covers will help rural and marginal families to handle these situations more efficiently and effectively. It prevents rural families to collapse in any disaster.

- **To help for reducing the gender discrimination:** In our patriarchal

society of India, there are still male child preferences. The sex ratio as per 2011 census was 943. The people generally think that "*beti paraya dhan hai*" (The daughter is someone else's asset). Hence they do not provide equal opportunities to their daughter as compare to male child. As a result majority of women are not financialy independent and they are dependent on their male partners/ guardians. The are being mostly impacted by issues of poverty, malnutrition and poor governance. According to the agricultural census (2015-16), of the 73.2% of rural women engaged in farming, but only 12.8% own land. As per WHO report on 9th March 2021, across their lifetime, 1 in 3 women, around 736 million, are subjected to physical or sexual violence by an intimate partner or sexual violence from a non-partner – a number that has remained largely unchanged over the past decade. The women are socialized to accept violence. The situation becomes more vulnerable when the women become widow/ divorced/single. In this situation, coverage under a proper insurance plan will not only provide financial security but also provide a psychological support to lead a dignified life.

On the other hand financially and socially secure women are able to change feelings and thoughts of their partners/spouse/family members which give rise to gender biased actions. The process of feeling, thought and action are depicted in figure no.2.

Figure 2

So it is necessary for every sensitive guardian/spouse/ partner to cover their beloved girl child/wife/woman partners with proper insurance plans.

- **Ability to create an asset from liability:** Generally the non-earning hands (who are not able to contribute financially for their family) family members such as Person with Disability (Divayang Jan), old age and women are treated as liability to the family. But even coverage under a small/ micro insurance can change the status of marginal members from liability to asset for their family. They can act as a contributor and partner for the entire family, not just the recipient of the sympathy. The insurers provide many life and health insurance plans on very low premiums to women and marginal groups. The government also facilitates coverage of health and life insurance on very subsidized rates/free of cost. Under Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PM-JAY) the Government has aim to provide a health cover of Rs. 5 lakhs per family per year for secondary and tertiary care hospitalization to over 10.74 crores poor and vulnerable families (approximately 50 crore beneficiaries) form the bottom 40% of the Indian population. It is the largest health assurance scheme in the world.
- **Source for self esteem:** All need to have a good sense of self esteem. The insurance helps one to hold the head high and provides a feel of valuable person for the family. This provides the courage to do the things which they otherwise find difficult or impossible. It also gives a tremendous sense of respect for oneself. It helps to beneficiaries to increase their credit score. On behalf of the insurance policies they can increase their credit score and get loan easily during the times of need.
- **Helping hand for Government:** Insurance facilitates to grow rural economy in more sustainable manner. It also reduces the burden of Government to provide social security at every movement. This sector has good potential to provide employment opportunities to rural and marginal people to work as intermediaries/agents. The data given below in table no. 3 illustrates it clearly.

Sr.No.	Major types of intermediaries/agents	Numbers
1	No. of RAP (Rural Authorised Person) who have undergone training & passed exam and have been issued certificates since inception	79,971
2	No. of RAP who have undergone training and passed exam and have been issued certificates in FY 2020-21	9,800

Sr.No.	Major types of intermediaries/agents	Numbers
3	No. of VLE-Insurance (Village Level Entrepreneur) who have undergone training and passed exam and have been issued certificates in FY 2020-21	1,46,748
4	Micro insurance agents (Life insurance) as at March 31, 2021 stood at	93,748
5	Principal Officers 570 POs (Principal Officers) are qualified for soliciting insurance as part of the IMF (Insurance Marketing firm) Channel.	570
6	Insurance Sales Persons are qualified for soliciting insurance as part of the IMF Channel.	1139
7	Insurance Agents (Life Insurance)	24,55,077
8	Insurance Agents (Health and General Insurance)	14,22,304
	Total	42,09,357

Table no. 3, (*Source: IRDAI Annual Report 2020-21)*

Government Initiatives

The Government has taken several important initiatives to provide insurance coverage to rural and marginal community members at grassroots level. These schemes are playing a significant role in transforming the lives of rural and marginalized communities. Some of major initiatives are given below:

- Government has launched Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Aam Adami Beema Yojana in order to provide social security at very low cost. Pradhan Mantri Fasal Bima Yojana is also a unique initiative to provide a comprehensive insurance cover against failure/ damage of the crops. The Government provides free coverage of PMSBY to the workers of the unorganized sectors through the E-sharm Card scheme.
- Under the Deendayal Antayodaya Yojana-National Rural Livelihood Mission (DAY-NRLM), a flagship Program of Central Government, the Government has nurtured and facilitated a total of 79,42,869 SHGs (Self Help Groups) with 8,60,30,630 members. In these SHGs, along with the livelihood and bank credit activities the Government also promotes coverage of insurance to the members of SHGs. As per NRLM data, there are 16,84,679 members covered under PMJJBY and 32,81,371 members covered under PMSBY. (Source: https://nrlm.gov.in/shgOuterReports.do?methodName=showShgreport)
- National Trust (A statutory body of the Ministry of Social Justice and Empowerment, Government of India) launched *Niramaya* Health Insurance for PwDs (Person with Disabilities related to Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities) with a minimal single premium across all age groups.
- The IRDAI is trying to cover rural and social sectors as a mandatory provision for the insurers through the "Insurance Regulatory and Development Authority of India (Obligations of Insurers to Rural and Social Sectors) Regulations, 2015". Under this government and private sector insurance companies also launched attractive plans to meet the needs of rural and marginal people.
- The Micro insurance plans are also playing a vital role to reaching out to the rural and marginalized communities. The IRDAI has opened the door to involve various insurance intermediaries/channels/Micro Insurance Agents /institutions/ stakeholders such as NGOs (Non Government Organizations), SHGs (Self Help Groups), Micro Finance Institutes and RBI Regulated NBFCs (Non Banking Finance Companies). These institutions have good outreach among rural and marginalized communities. This Micro insurance sector is regulated by the provisions of IRDAI Micro Insurance Regulation, 2015.
- As a United Nation member, India has adopted SDG (Sustainable Development Goals) where The Goal no. 8 directly supports of insurance and indirectly contributes 13 SDGs out of total 17 SDGs.

- The Employees' State Insurance Corporation (established under the Employ State Insurance Act, 1948) provides medical benefit, sickness benefit, maternity benefit, disablement benefit, dependants benefit and other benefits to its registered employees/workers.
- The Ministry of Panchayati Raj and Rural Development are facilitating to promote the insurance sachems through its guidelines under Gram Panchayat Development Plans (GPDP). Through the GPDP the Government are covering around 2.56 lakhs Gram Panchayats in India.

Major Challenges and Suggestions

- As per IRDAI annual report 2020-21, life insurers have achieved the mandatory requirement i.e. 20% as per IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, 2015. But even where about 70% are the rural areas, this data does not seem very justified. These gaps can be easily visualised in figure no. 4. As per this IRDAI annual report, life insurers received 63.85 lakh policies in the rural sector (i.e. 22.67 per cent as against the stipulated 20 per cent) out of the total 281.27 lakh policies received by them in 2020- 21. LIC received 21.43 per cent of the new policies and private insurers received 26.32 per cent of their new individual policies in the rural sector.
- As we know about 50% of the total population are women. Here women agents/intermediaries can be a better resource for providing insurance services to women population. Because women as a peer group can better understand the need of women in a vivid manner. As per IRDAI annual Report 2020-21 there are 17,93,687 i.e. 73.06% agents are Man and only 24,55,077 (26.94%) agents are woman associated with Life Insurers (Refer to figure no. 5). This data indicates that there is a great need for women agents who are able to serve the women with a gender sensitive approach in a women friendly environment.

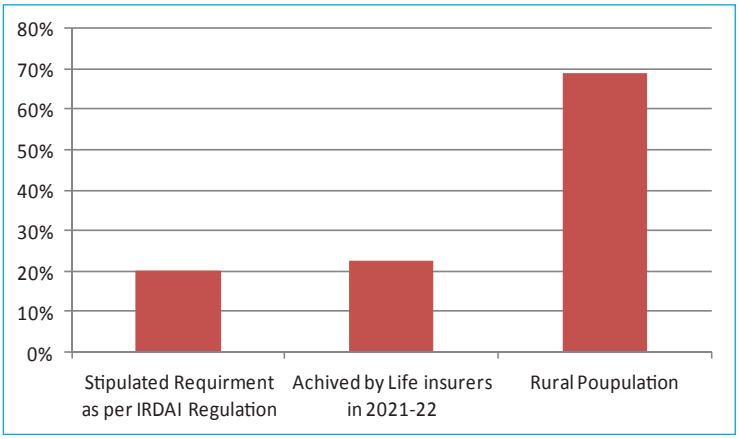


Figure 4

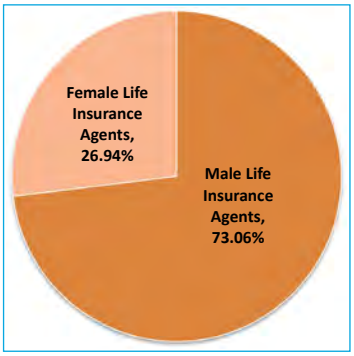


Figure 5

- The need for smaller and lower premium policies in rural and marginalized communities makes insurance companies feel that it is not cost-effective for them. The insurance companies agree that it is better to hold on to a rich person and sell a bigger policy than to sell 100 small/micro policies. They think that small premium plans are not financially profitable for them. Recently the LIC has revised its low premium insurance plan *Adhar Stambh* (for man) and *Adhar Shila* (For women) minimum sum assured from Rs. 75 thousand to two lakhs. Due to low premium, earlier this plan was very popular in rural and marginalized communities. But the increase in the sum assured amount will increase the basic premium rate and it will surely disappoint the rural and marginalized community. The vast

geographical area of rural field can also be big factor for the private insurance companies as it requires huge infrastructure and human resource. In this situation LIC can play a very important role to cater to the rural and marginal people as per their requirement as it has a good infrastructure and human resource i.e 13,53,808 (10,42,686 Male and 3,11,122 Female) out of total 24,55,077 agents in all over India.

- Less utilization of Elected Panchayat Representatives is also a major challenge. Majority of the people think that it is only the responsibility of insurance companies and Banks to reach the rural people. India has a strong base of constitutionally recognized Panchayati Raj System where more than 3 million Elected Panchayat Representatives are giving their services through direct involvement with rural and marginal people at grassroots level. If they are properly utilized through proper sensitization and appreciation programs, they can play a tremendous role as a catalyst to cover the rural and marginal people under the various insurance schemes.

Conclusion

In the insurance sector, setting up targets and meeting them are insurer-centric, it will not necessarily enhance consumer welfare unless products sold are suitable to consumer. So it is required for insurers and various insurance intermediaries such as corporate agents, IMFs, individual agents to make aware the community about suitable and relevant insurance products and provide the same with consumer centric approach as per consumer needs. This will not only help in the growth of the insurance business but also provide an opportunity to serve rural and marginal communities.

This year, 2022 is the 75th year of independence and all we are celebrating "Azadi Ka Amrit Mahotsava". Our honourable Prime Minister of India explained the meaning of it as The Azadi Ka Amrit Mahotsava means elixir (divine drink) of energy of independence, elixir of inspirations of the warriors of freedom struggle, elixir of new ideas and pledges and elixir of Atmanirbharat". Therefore this *mahotsav* is a festival of every Indians to make his nation self reliant (Atmnirbhar) and do the best for their nation. But it really would not happen without the financial and social security of all Indians including members of the rural and marginalized communities. Because no one community will grow with its worried and anxious members and surely it will affect the collective development of the Nation. The insurance sector has immense potential to help them in it. The insurance sector can take a big step to make *Atmnirbharbharat* or self reliant India through transforming the demographics of the rural and marginalized communities into strong and risk resilient communities. This will require mutual effort from both the insurers and the community members. TJ

References

- Constitution of India
- Eric Grant, Communications Manager, September 2012, The Social and Economic Value of Insurance, A Geneva Association Paper,
- Insurance Regulatory Development Authority of India, Annual report 2020-21
- Insurance Regulatory Development Authority of India (Obligations of Insurers to Rural and Social Sectors) Regulations, 2015
- Maslow, A. H. (1958), A Dynamic Theory of Human Motivation.
- https://www.masterclass.com/articles/a-guide-to-the-5-levels-of-maslows-hierarchy-of-needs
- https://dashboard.rural.nic.in/dashboardnew/mgnrega.aspx
- https://www.drishtiias.com/daily-updates/daily-news-editorials/feminization-of-agriculture-1
- https://bfsi.economictimes.indiatimes.com/blog/life-insurance-for-rural-india-the-need-for-inclusion/93347918
- https://timesofindia.indiatimes.com/blogs/voices/the-unexploited-insurance-market-of-rural-india/

Demographics and Insurance

Riddhi Biswas
AVP – Reinsurance
Tata Motors Insurance Broking & Advisory Services Limited
1st Floor AFL House,
Lok Bharti Complex,
Marol Maroshi Road, Andheri East
Mumbai 400059.
riddhi.biswas@tmibasl.com

Abstract

Demographics and Insurance are very much connected. However, their influence to each other is hardly palpable if analyzed in isolation. There are other key levers which must be calibrated in desired levels of convenience and amenability before we establish their relationships. If those factors are on positive side, insurance stands as an ally in apocalypse and a friend in fortuity. Both can then sing paean to each other. Else, insurance has a little role to play where unfathomable uncertainty and staggering snafu like a war steps in. The article, thus, discusses those nuances diligently. It has endeavored to buttress its points with facts and figures from various geographies and fields across the globe. However, a special attention has been showered to India where the world's almost 15% population live in with a diverse background.

Keywords

Dividend, Fortuity, Personalized Insurance, Political Stability.

Demographics and insurance are intensely intertwined in today's world. The effect of population and its profile has a bearing on insurance and vice versa. How insurance can help people or an entity or a nation to be more resilient and recover fast from a sudden disaster is well known and well established. Hardly anyone can argue on this. However, there are naysayers who would counter it. Thus, the link of demographics and

insurance has been a paradox. How a nation can think of a quality health insurance if it is peopled by more than 125 billion and insurance density is USD 78 much below the world average? Can a bread winner of each family be covered in a life insurance plan for an economically underdeveloped nation like Bangladesh, having a highly dense population, by the government? Can insurance be made affordable, and accessible to all? These are some of the questions related to insurance and the demographics. But the answer remains elusive. Probably, this is what reminds the infamous treatise of Thomas Malthus of 1798. The thesis argues that a growth of human populace had a proclivity to outpace all possible ways of subsistence, thus pushing them to the precipice of poverty. The consequence of it is inevitably an insipid response for insurance. This was long held, more or less, true in the world around Malthusas the planet was incapacitated by the fixed resources for growing food and slow technological progress. His views received a robust rebuff post the World War II (WW II).Since 1940s, human inhabitants doubled while the per capita GDP increased in five folds aiding to the proliferation of insurance which rose by more than ten times. This is attributed largely to a fast progress of technological advancement and accessibility. This has turned the table of population from a burden to an asset. Businesses see a new opportunity in the changing demographics. This makes the topic to top the list of a round of palavers.

The below two tables exactly reflect this trend. How the demographics' change result in the substantial growth of the insurance industry. Direct premium data is available since 1980. However, we can conclude the trends on the growth of the industry.

Table 1: Population Size

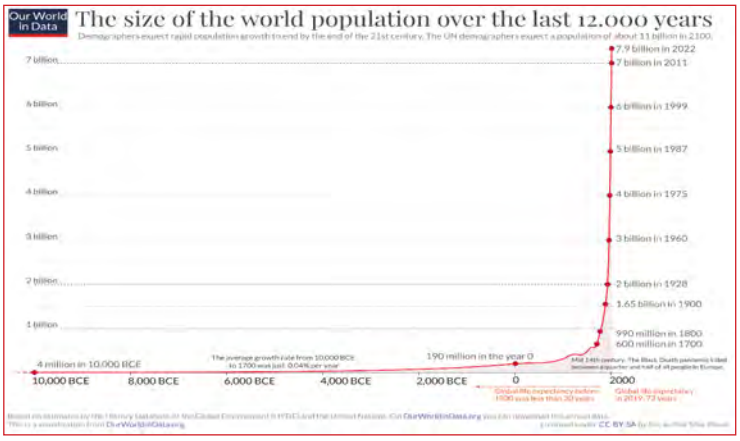
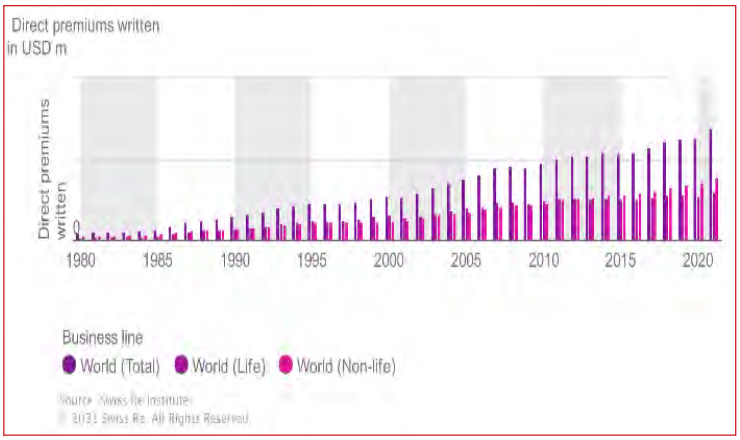


Table2: Direct Premiums written



Demographics - a dividend or a disturbance

Demographics include various categories affected due to a lot of factors such as geopolitical landscape, technological progress and accessibility, socio-economic condition, etc. We must not view these sub-sects and others factors in isolation. We must see them in concomitant with each other. They lay a strong foundation for a spurt in economy driving insurance. Then only we can draw a right picture. Whatever skillful and disciplined the mass may be, they can do little in what is happening in Ukraine today. Their disrupted life can do nothing to make any positive impact on the insurance. Similarly, risk carriers will be reluctant to

extend their support in the backdrop of the unfathomable uncertainty and stupendous snafu. Demography whether a dividend or a disturbance depends upon those elements.

First, the primer sheds, keeping the above points in mind, more light on the influencers without which any potential economic activity can't happen meaningfully despite plenty of resources whether human capital or natural resources. This will take into account the below factors – political, economic, social and technological aspects (PEST), and how they are the primary to put forth any points on demographics and insurance.

Political and legislative factor– Any political instability can hugely affect an economy of a region. The more stable and predictable nation has more potential to grow, thus leading to a spurt on the insurance penetration. A case in point here is Afghanistan. Before take-over by the Taliban regime, the country saw many insurances, and world reinsurers were supporting them for classes like project insurance, political violence, terrorism and other lines of liability as the investment was pouring from outside. Once the war between the Ghani government and the opposition forces began, not only did the complete halt of many insurances ensue, but also (re) insurers started issuing notice of cancellation due to changes of material facts. In these throes of political upheaval, any normal day to day life is hard to pass by let alone insurance. Therefore, it is cardinal that a nation first achieves political peace. Once, it is done. It generally paves way to create a good ambience for insurance inhaling a fresh air of life. It is also the leaders of a nation who are responsible to give impetus to the industry by laying down new laws and regulations amenable to the business.

Most of the countries, where motor third party liability is compulsory, witness the maximum premium in the motor insurance only. The growth of the product is then supported by agents, brokers, insurance companies' own sale channel, etc. As the opportunity peeps, the demographics can play a vital role in taking the mantle ahead.

The tale of Singapore is inspiring. How it has become a regional insurance and reinsurance hub tells that a positive political outlook is a first stepping stone to any business. Surprisingly, the island nation itself has a relatively meagre premium volume emanating from the country.

Economical aspect – Once a political peace is positioned in a right place, a nation, by default, gets a key to turn on a business tap. This leads to a heightened economic activities. Without a healthy economy, ennui is the next best to insurance.

There are, however, varied factors that impact economy to run.

Financial downturn – Any financial crises spell doom for the economy. When the world saw the financial meltdown in 2008-09, a lot of big insurance companies' balance sheet bled. They could not go unscathed. One of the giants AIG was almost on the brink of bankruptcy. It is the USA government which came to its rescue offering a bail-out package of close to $182 billion. A lot of companies scaled down their operations. In this bad time, even a vibrant demography has little role to play.

Underwriting cycles – The insurance industry sees ups and downs times and now. In particular years, there is a supply surplus and more capital available for (re)insurance. This makes the market soft. Prices drop, coverages become wide and more uptick of insurance activities are seen. The trend continues till markets are hard hit and their underwriting results push them to the drawing room. For an example, from 2016 till early 2018, prices moved south. After a series of natural catastrophe losses in USA, the global premium for Marine port package policies came across 15-20% rate hike even on a clean business in other regions. Various segments thus saw a progressive curve. When the insurance trends upwards, many promotional activities pace up, requiring more labour force to support the growth. Direct and indirect job opportunities are created. But in bad times, even more skilled persons become a liability. It is very clear that economic moods shape outlook of the sector.

Social and cultural ambience –There are many societal and cultural factors that can either improve or impede insurance. If the citizens of a country are more educated and skilled, it has capability to move its economy. More income generation capability is created. Once earning increases, people tend to knock the door of insurance for a peace of mind and

security. Moreover, insurance is a comparatively technical field. To manage it, the industry demands for qualified people. With education on right track, right people are easily available egging on the rise of insurance.

There are other dragging forces like many societies do not encourage women participation in the workforce, as a result, the net family income goes down resulting in a less pick-up of insurance products. Some faiths may not promote insurance due to their religious practices. Those regions where societies are more pluralistic and open minded, insurance penetrates more. Therefore, culture and practice of a society has an impact on its demographics and thus on insurance.

Technological environment – The technological advancement has propelled the risk management sector to a high. It is the people who are the drivers of technical progress. They make a country tech savvy. Then the affordability and accessibility to mass makes it spread widely. Here the skilled and unskilled both are contributors for its proliferation. While the former is the developer, the latter is the users. The combination makes it a success. Insuretech, a term not heard decades back, is now doing all rounds. This has helped the insurance available at the doorstep and even at the click of mouse. This has facilitated to grow the insurance. With the increase of number of users in the field, new products have developed like cyber liability, electronic device insurance, etc. The more advancement of technology, the wider customer base, the more scope of growth of insurance. All go in unison. The lack of technical know-how by people is a laggard for insurance.

Therefore, it is glaringly evident that those basic aspects must be conducive if insurance is to flourish.

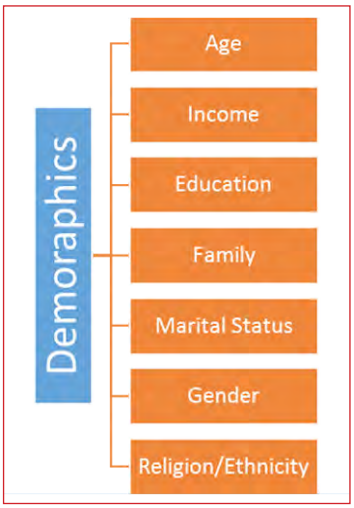
Then, any analysis depends upon a lot of assumptions. So, goes this piece. To meticulously depict the link of demography and insurance does call for conventions. We assume that political, economic, social and technical factors give a thumbs-up. They are all positive – politically stable state, economically attractive, socially friendly and technically sound. Then these factors generate a multiplier effect between demographics and insurance. The cycle goes on with people driving the insurance and the risk transfer instrument pulling the mass.

A burgeoning economy with a vast demographics keeps the doors ajar for an entry of insurance. This is the fertile ground for its growth. We shall see the both sides of it – the impact of insurance on demographics and the vice versa.

In the above ideal business environment, the following lines have a conceivable impact on people and its profile and vice versa. People profile such as age, gender, economic status, socio-cultural position, education, etc are directly connected to insurance. Other lines may too impact or be impacted but minimally. Thus, they are not mentioned here.

- Life
- Health
- Motor insurance
- Home insurance
- Electronic devices insurance
- Travel insurance
- Marine insurance

Now, let us have a quick look at the main parts of demographics and how it can influence or be influenced and which segments of demography can be targeted based on opportunity and how.



Age – it is one of the main profiles. An insurance industry can only thrive where there is a young work force and less dependent population. The available labour force is key to drive an economy which in turn will uplift insurance overall. However, the aging population throws open a window of opportunity for health insurance most suitable to them and other plan that can help in their retirement time.

Income – it is a critical component. It is seen that an uptick of this risk transfer product takes place when there is more disposable income. People rush to the insurance mart to pick up various products. With

increasing income, persons tend to protect themselves from any kind of fortuity. They do not like to take chance. This automatically makes insurance appealing.

Education – It is undeniable that education makes people more aware. A higher awareness leads to a heightened insurance activity. Moreover, education makes people skillful. This not only directly helps this industry to grow but also helps other sectors to drive fast. This, in turn, pushes this financial instrument to move fast.

Family – If other factors like income, age, etc remain positive, a person with a family is more inclined to secure himself and other members of the family. They need to take care of their dependent family members like their children and the elderly people at home. This easily translates to a sale of various products suitable to their needs.

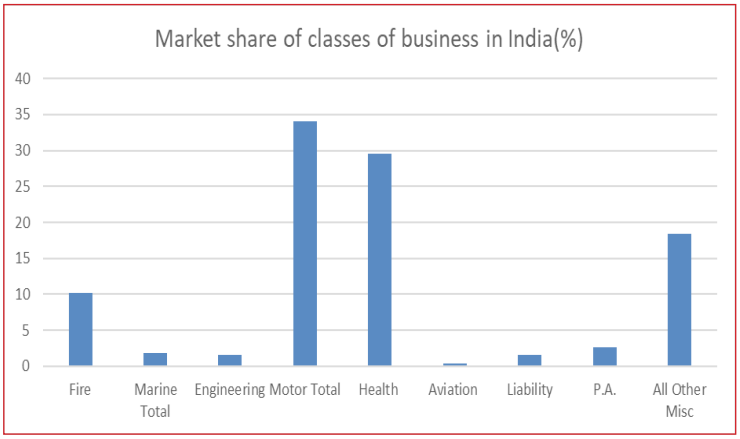
Marital status – A married couple is more risk averse than singles. Naturally, they are more prone to have enquiries and purchase insurance.

Gender – While gender specifics may have little role in insurance, the participation of women in economic activity has always a positive vibe. Furthermore, they help to add more to the family coffer. This increases the disposable income which again enhances an appetite for this product.

Religion/ethnicity –Due to religious beliefs, some forms of insurance or dealings may not be promoted. Or some different products are to be introduced. Like in Bangladesh, insurance broking is not permitted. This may not be favourable to development of this industry.

As those are key demographic constituents, the classes of financial tools to be used to transfer risks are considered to be more personalized in nature. Life insurance is an ever green facilitator and more appealing one to less develop and developing countries in comparison to an appetite for other segments. Health insurance is an emerging star in the bunch. As people are becoming more and more aware and conscious of insurance along with the increasing disposable income, they tend to enquire more on this product and thanks to rising medical costs which has making this insurance a pull product. With rising population and household income going up, people tend to have a motor vehicle parked in their backyard. With a push from a government making it a compulsory, this insurance does not need to look back. This is the reason that this line, if made unavoidable as stipulated in local laws, tops, most times, the list of having the highest gross written premium (GWP). In India, motor premium clocks almost 35% of total GWP amounting to INR 701 Billion approximately. Table 3 substantiates this trend. This shows when government and population profile join hands, insurance gets a long rope to walk.

Table 3: Market share in India in 2020-21



Data: GIC council of India

Home insurance is another unexplored territory in the developing nation. Although a household in countries like USA is quite familiar with this, countries like India it is yet to see its growth. If it can be well targeted, families can motor it ahead with an exponential pace.

The emerging trend of demographics and insurance potential:

Insurance can catch a trend to stay relevant. It is also dynamics and varied in nature. New generation is quite different from their fathers' or grand-fathers' days. Their requirement is also diverse. Let us see how the development of

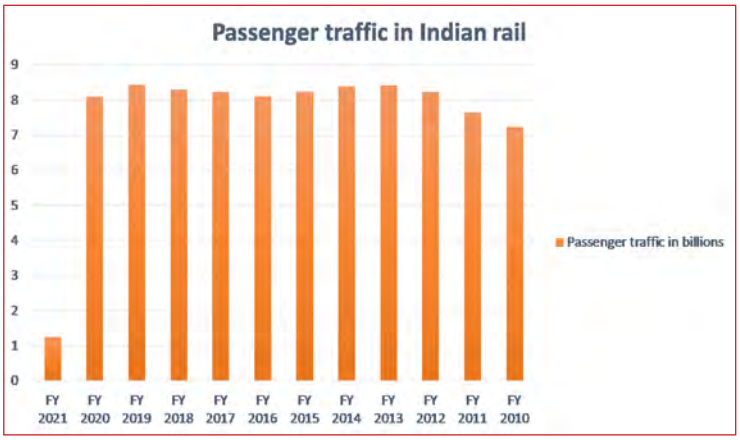
people's profile can provide prospects for the sector.

Trend of Migration – With an improvement of transport and people making a flock to hit big cities for opportunities in career, education, health care facilities, etc, this provides transit insurance a new fillip. To add to it, insurance companies are also finding this segment attractive. Insurance companies have tied up with various packers and movers for intra or inter-city travel. Many people are insuring their goods. However a vast portion is yet to be explored and brought to the fold.

Indian Rails carries over 23 million passengers daily – tantamount to moving the entire population of Australia

An urge to travel – With a rise of income level, number of tourists have also increased in manifolds. To see the unseen and know the unknown has surely fueled travel insurance. Not only has this, with an improvement of overall transport system, the frequency of travel expanded. The travelling in Indian train over years have only gone up except the covid hit years. A travel insurance unheard for this vast nation a few years back is at least not an unfamiliar any more. Even IRCTC has an uber cheap voluntary travel insurance for long journey. The potential is huge if tapped and captured correctly. The average daily travel of passengers on trains are over 23 million before pandemic. Even an average INR 0.5 rupee premium per policy can translate into close to INR 45 million premium. This is only in one mode of travel. If we consider other means, the daily average passengers in India is higher than many country's total citizen like Sri Lanka, Taiwan, Romania, Chile, Bhutan, etc. The purpose of the statistics is to show how the population can provide a chance of goldmine for such types of unexplored areas.

Table 4: Passenger volumes in Indian rail

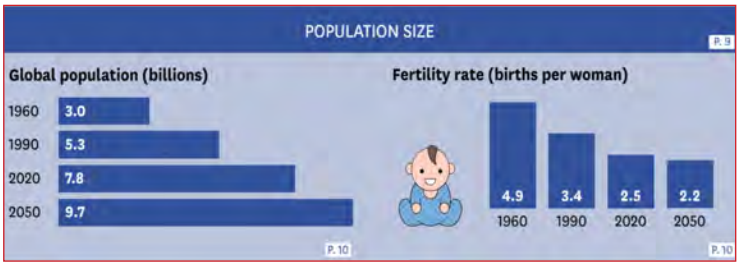


Trend of Global population in general and India's in particular:

The world population is on rise but the fertility rate is dropping. The slowdown of the world's population growth rate (and eventual decline in world population) is attributed to a direct result of the decreasing Total Fertility Rates (TFR) in many countries. This has halved from an average of 5 live births per woman between 1960 and 1965 to 2.5 in 2020. Global TFR is further expected to decline massively to 2.2 in 2050, just above the population replacement TFR of 2.1. Europe is the worst hit with TFR currently at 1.6 and this is projected not to bend until 2050.

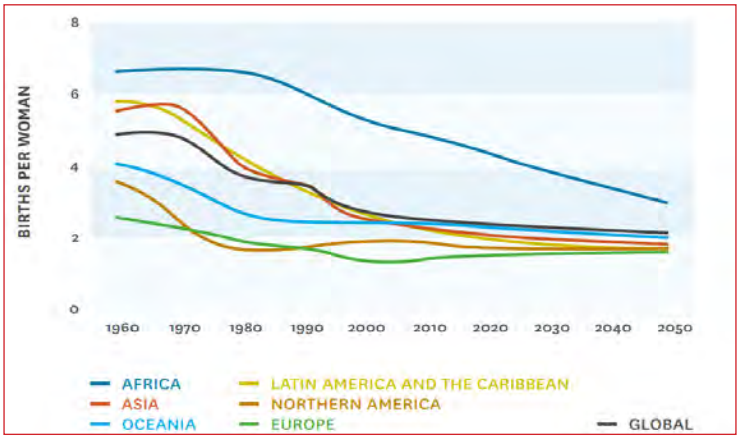
It means the earth is to see an ageing population. Demographic dividend is then turning into a burden as dependency of population moves up and active labour force diminishes. Therefore, insurance companies must devise products related to retirement age related like annuity, health, life, etc. more suitable to those communities.

Table 5: World population and birth rate



Source: Scor re

Table 6: Fertility rate across geographies (1960-2050)



Source: Scor re

An ally in apocalypse and a friend in fortuity

If this is future prospects of the world population, this sector will be affected hugely and it must strategize plans to meet new requirements. But all is not bad for the old. They pave ways to innovative solutions. Covid19 has changed the way we think and live. We are not the same as we were before the covid hit the globe. It showed that senior citizens are most vulnerable to it. Another crisis of another form can't be ruled out. It is only the matter of time to see what new takes a monstrous dimension in our way – the uncertainty looms large. And the best tool to tackle it is insurance – an ally in apocalypse and a friend in need indeed. For an example, diabetes is such a wide prevalent disease which even try to be a constant companion to person aged early 30, let alone the people quite older. If insurance can come forward with a right solution, it has a probability to catch eye balls. Dementia is another widely perceived threat among the aging population.

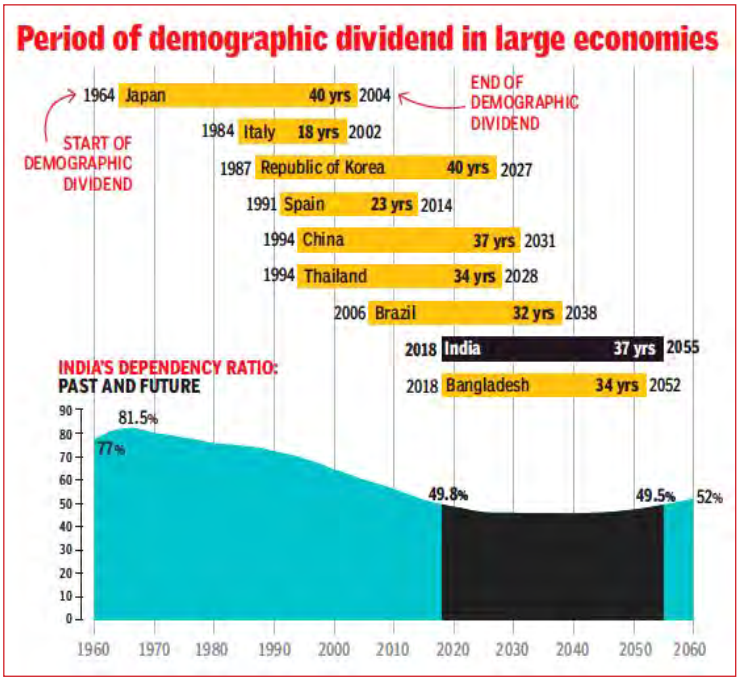
There is no known cure – yet – and dementia symptoms become progressively more severe with time, often making patient to be cared both emotionally and financially. Cost-wise, it can be devastating.

Nonetheless, understanding of the risk factors is improving, including lifestyle and genetics. Swiss Re has recently conducted an extensive research which reveals that – if it were available – consumers would be willing to purchase an insurance product that helps them understand and manage the impact of dementia through various services and financial support. The value proposition must have:

- A financial fixture to offset some of the high cost of care.
- Services for support along the way, including before and after diagnosis.

Risk carries can prepare themselves for this type of exigency. There may be many other such things that can be designed for any specific needs.

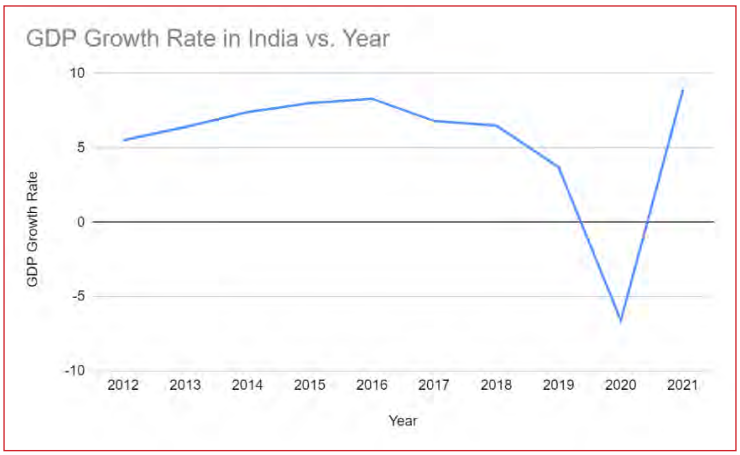
Table 7: Demographic dividend period for big economies



Now let us focus in India where almost 15% of world human beings live. It is still far from being explored but has a huge potential to grow at a staggering pace. Insurance penetration is about 4 and insurance density is at USD 78 much below the world average. The country has a population close to 1.35 billion.

India had made an entry in a 37 years' path of demographic dividend in 2018 where the working age population aged above 15 to 64 outstrips dependent one having age group less than 15 years and more than 64 years. The trend will continue till 2055. So, India has an upper hand in terms of the dividend and it has the potential to reap the benefit if it follows the same foot-steps of other Asian giants. For example, Japan used the opportunity as late as 1964 and it went on till 2004 for 40 years. The economic outcome and insurance growth reached its summit. Other notable nations like China and Korea has also used it to its potential. To buttress the positive co-relation, let us take the example of South Korea entering into this phase in 1987 and in the next 10 years there were only two years when its growth rate fell below 7%.

Table 8: India's GDP growth in last 10 years



India is the 5th largest economy in the world and clocked growth above 5% except two years in last 10 years. This has resulted in an above average 10% growth of the insurance industry. Still, it has enough room to zip fast keeping in mind lower insurance penetration and density.

There are several growth drivers endemic to India that can up its insurance space. These include a young working professional, rise in nuclear family structures, sustained increase in formalization of household savings, awareness about financial products, a growing digital economy and various government schemes to increase mass insurance coverage. In addition, the Covid-19 pandemic has heightened a demand for retail insurances such as life, health and other related insurance products. For an e.g, we can see this pattern in health insurance and how the above positive aspects spur its proliferation.

Table 9: *Health Insurance premium in India: Fig in INR Crore.

2011-12	2021-22	
Total of all health insurance classes	Retail	Group
13,211.54	30,690.32	36,387.89

Source: Data from IRDAI

* Health insurance consists of Health-Retail, Health-Group, Health-Government schemes, Overseas Medical

While in 2011-12, all portfolios of health insurance generated INR 13 BN, only retail segment did 20 BN premium in 2021-22.

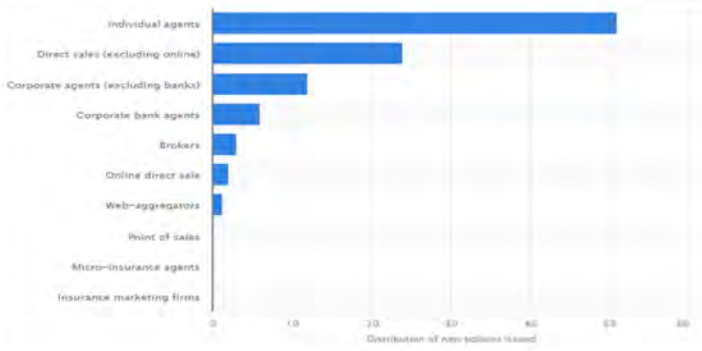
In another scenario, when the majorly government sponsored PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY) was introduced in the year 2016, the insurance premium from crop segment infused almost another INR 180 Billion premium from earlier years of close to INR 60 Billion, becoming the 3rd largest agri insurance market behind USA and China. This has impacted not only in the agricultural insurance but also helped allied services to grow or to be birthed. Crop cutting experiment (CCE) was hardly a known terms for us a few years ago. Now, there are many firms grown and dedicated to this service only. Based on their report, claims are managed. The effect of this is reciprocal – a huge number of farming communities helped it to reach the stage where it is today and the development of this

class creates many employment avenues. The premium has been largely funded by the central and state government and smaller portion has been borne by the beneficiaries. This is only possible when Indian economy is on the right track and robust. This shows, in a healthy economy, a government intervention can make swift and drastic changes in the insurance penetration. Then this risk transfer mechanism can benefit the people in myriad ways.

Despite the above favorable demand side factors, systemic changes are imperative within the insurance industry to push supply to higher levels. To this end, various regulations and norms as to the ease of doing business in the industry calls for government's swift actions.

To support the growth of the industry, India needs technology and skilled man power. This industry is the least digitally matured. Moreover, it is difficult to serve clients at doorstep through a traditional brick and mortar structure. E-connect can be a right answer.

Table 10: Distribution of new insurance policies issued across India in financial year 2019, by distribution channels (100%)



Sales through e-channel are below 10%. It has a huge potential to serve people in terms of insurance. Therefore, skilled people can make technology available and accessible. Insurance can then harness this to expand its base.

Source: www.statista.com

However, it is noteworthy that this change in population structure alone cannot push growth. A country can only harness the economic potential of the youth bulge if they are able to dispense good health, quality education and decent employment to its entire population. India can afford all if political will and public response merge together.

The pandemic has introduced many terms and transformed the way of living or working. WFH (work from home), Team Meeting, Town hall, etc. are some of the jargons that the world was not too acquainted with. But the improvement of digital and IT universe has absorbed many shocks and tremors that the lockdown threw. Unlike previous occasions, everything is managed remotely. IT has made the sector well equipped and well prepared to deal with it. Businesses averted a serious disruption. This is what good man power can contribute to insurance.

Many countries do not have expertise to reinsure their own businesses. They scout for international players to secure their supports. Consequently, their overall insurance market is limited. Even product-wise, they mostly have traditional lines only. Various special segments are hardly touched. Due to a lack of demographic advantage, they are still way behind the developed nations. For an example, online sales channel like Policy Bazar has aided to increase sales and make people aware of insurance. This is how demography can impact the sector.

Therefore, it is manifest that insurance and demographic are very much closely associated with each other and more knitted with some personalized lines. However, this duo depends upon a lot on politics, economy, socio and technological drivers. They can't live in isolation without taking into consideration these driving forces like PEST. A political stability is the first and foremost thing to be in place to lay a strong foundation for the growth of insurance with the help of people. Economic upheaval lends its helping hands to make it rise again. Next, socio and technical advancements facilitates to pace it up and put it on a fast track. Again, all these drivers are run and managed by people. So, to increase penetration of insurance, demographics will have to set the ball rolling first. With this affable

atmosphere, insurance is all poised to deliver its benefits to the masses. Rhapsody in insurance is only possible when a rousing involvement of all positive aspects of demography arises, well aided by amiable PEST. Maybe difficult but the reward is worth pursuing. TJ

References

- By Riddhi Biswas, January – March 2013, 'The Journal' of the Insurance Institute of India, 'Insurance Distribution: Challenges and prospects'
- By Riddhi Biswas, April – June 2013, 'The Journal' of the Insurance Institute of India, 'Innovations in Insurance'
- By Riddhi Biswas, June 2019, The IRDAI Journal, 'Reinsurance and Indian reinsurance market'
- By The Emerging Risk initiative of the CRO Forum, December 2020, CRO Forum, 'IMAGINE ALL THE PEOPLE' — Demographics and social change from an insurance perspective'
- By Department of Economic and Social Affairs, United Nations (UN), 16 May, 2018: 'Population Dynamics' retrieved 27 September, 2022, from https://www.un.org/development/desa/en/news/population
- By Government of India, July 15, 2022, The Ministry of Statistics and Programme Implementation: 'Youth in India 2022 report' retrieved 27 September, 2022, from https://journalsofindia.com/youth-in-india-2022-report/
- By Shangliao Sun, May 2, 2022: 'Indian railway passenger traffic FY 2010-2021' retrieved 27 September, 2022, from https://www.statista.com/statistics/726386/india-railway-passenger-traffic/
- July 13, 2022, The Indian Express: 'India's demography at crossroads: Elderly may outnumber the youth' retrieved 27 September, 2022, from https://indianexpress.com/article/business/economy/india-demography-at-crossroads-elderly-may-outnumber-the-youth-8025664/
- Swiss Re: 'Covering Dementia Risk' retrieved 27 September, 2022, from https://www.swissre.com/dam/jcr:8a200055-e9d1-493e-b1ce-40614aa6f439/Covering%20dementia%20risk.pdf
- 01 July, 2017, Swiss re: 'Who are the ageing' retrieved 27 September, 2022, from https://www.swissre.com/reinsurance/life-and-health/solutions/ageing-population.html

Maximising Insurance Penetration and Leveraging Protection Gap: Strategic Thoughts and Actions

B K Nayak
Principal
College of Insurance, Kolkata.
bk.nayak@iii.org.in

Insurance penetration, as is being talked about much in the recent past, has been referred to the ratio of Total Insurance Premium income of any country to the Gross Domestic Products (GDP) of that country. This can otherwise be called as the percentage of contributions of insurance premium to the GDP of a country. Penetration rate indicates the level of development of insurance sector in a country. This connotation is different from Market Penetration where the latter signifies the number of customer acquisition done from among the total population, expressed in terms of a ratio.

Insurance Penetration Scenario

Insurance Penetration Ratio is rising very slowly in India, currently at 4.2% (3.2% for LI and 1% for GI) in FY 20-21 from 3.76% in 19-20. India lags behind many countries, against a world average rate of 7.3% (3.3% for LI and 4% for GI).The countries like USA, UK, Canada, Italy and the like are way ahead being above 10%. Taiwan being the highest at 14.8%. India with a population size of 1.4 billion is all set to surpass China's by 2023 to be world's most populous country having largest size of young population (Close to a Billion) in the world. Having such large human resources in the country and being

the fastest growing economy (7% approx. in 2022) of the world, the insurance sector of the country, both Life and General Insurance, has of late shown the steely resolve to grow rapidly to carve out greater share in the GDP of the country, year after year. At the current growth rate Gross written premium (GWP) in India (Life Insurance @ 11% pa and General Insurance @ 16%pa, this can safely be projected to see India as the 6th largest insurance market in the world by 2030 from the current position of being the 10th. By such time India is set to become the 3rd largest economy in the world. And insurance for all by 2047 to make India a fully insured society. This ambitious projections and targets are supported by the growing economic scenario, in tandem, for the Indian economy.

Growing Economy and the Time Ahead

It is commonly said that a poverty ridden economy with mushrooming population and poor infra is a burden on the nation to transform. This being the condition in India, the challenges are well taken care of to make India grow with right strategic planning. Make in India and *Atma Nirbhar Bharat* (Self dependent India) are the spirited themes to our pursuing success. We watch the economy is growing consistently leaving past the Covid blues. Export growth, favorable balance of trade, growing Forex reserve, skill India initiatives, rapid development in physical infrastructure, *Gati Shakti*, green energy, independent foreign policy, role in geo political stability etc have made India a consistently growing economy.

Year	GDP Growth-India (%)	GDP Growth-China
2017	6.18	6.95
2018	6.45	6.75
2019	3.74	5.95
2020	-6.60 (Covid afflicted)	2.24
2021	**8.95**	**8.11**
2022 (Forecast)	**7.00**	**2.8%**

The top Indian industrialists like Mr Gautam Adani and Mr Mukesh Ambani agree in tandem in their recent revelations that the Indian economy to grow much faster to be a $43 Trillion economy to be the **2nd largest in the world by 2050** surpassing its 3rd position that it would fetch by 2030 from its current status of being the 5th largest economy.

"A stable government, clearer rules and falling tax rates, along with increased government spending in infrastructure, spurred the investment upcycle in the world's largest democracy" said Jim Coulter, the founding partner of TPG Capital, San Francisco, a $120 billion private equity firm who have done $3.5 billion investments in India in last two years, told in an interview to ET.

The growth in economy is the outcome of and sequel to the actions like massive FDI in manufacturing, investments in infra building, venture capital in growing number of start-ups, innovations in technology and more vibrant reforms in economic activities including hugely in energy sector. Ambani said, the glaring possibilities of meteoric rise of the economy by 2047, as envisioned, shall be driven primarily by a clean energy revolution and digitalization in the country. **Growth in insurance sector** is dependent on the rise in the economy of the country, and more so in the **per capita income** growth of the population. Insurance as a sector is seminal to the growth of the overall economy.

Opportunities, Challenges, Strategies in increasing Insurance Penetration

Often people, in short cut, mistake targets as strategies. **Strategy** would mean to Think, Plan, Provision and Act towards reaching the set targets and attaining the desired objectives. Increased penetration being the objective, the following are some of the strategies we need to dwell upon:

1. **Current active role of the regulator in development of the insurance industry:**

By making a strategic shift of IRDAI from the "Rule based" approach to "Principle based" one while regulating the insurance sector, the regulator have made their stand clear that they are going to give the ease and comfort to the market players for doing business, and to gain speed and strength in the interest of growth, and service to the insuring public. Some of the major moves of the regulator are noticed in the course of their bringing rapid reforms in the regulations for the insurance industry, as given under:

i. IRDAI has given a clear mandate to the non-life insurance industry

to gain penetration to 2.5% (250% growth) from its level of dismal 1%, by 2027 to set the aggressive ball rolling.

ii. IRDAI has shown a right intent with an informal **business target** given to the individual Life Insurance companies on an average growth rate of 30% YoY and the individual Non-Life companies(Private) at an average growth rate 35% YoY. The insurers however should be careful of not resorting to cut throat competition disregarding the strength of the bottom lines (for the PSU insurers in particular), financial disciplines ethical market practices and also leading to the miss-selling at the cost of customers' interest.

iii. IRDAI's initiative to launch **Bima Sugam,** a common portal for the use of customers, insurers and the intermediaries as well, to facilitate, sell, purchase and service retail insurance products online, paperless. Distribution cost shall come down as low as 5-7% as against the current (15-30%). There can be a direct sale & purchase also without the help of any intermediary, if the customer so desires. The price of the insurance products shall come down accordingly for the benefits of the customers to make products affordable. This is said to be a huge game changer with disrupting technology for sales and service 9ncluding claims management in a transparent manner. It would be the likes of Amazon and other similar e-commerce portal. The intermediaries and web aggregators are afraid of their loss of income.

iv. IRDAI makes gradual efforts to **reduce number of "exclusions" in health** policies (the biggest LoB driving the growth of Non-Life industry) to cover almost all ailments in order to reduce the number of complaints against short or non-payment of claims. However this would make for rising premium for the health policies causing people to remain further away from buying the policies unless *medi-flation* (rise in medical treatment cost) is checked by some effective mechanism which is alarmingly steepest in Asia at 14% YoY currently. The country does not have a dedicated regulator to bring sanity and orderliness in the sensitive health care sector ensuring quality of health care service and fair treatment cost.

v. In its endeavor to allow the market bring in innovative insurance products, **"Use and File"** procedure have been adopted by IRDAI instead of archaic "File and Use" procedures stipulated earlier causing delay in induction of new products.

vi. Adoption of **new technology** and experimenting through **Sandbox** would promote InsureTech**.** This would enable tapping even the bite sized micro insurance products in embedded form at a low cost across the insurance value chain. This has been the policy of the IRDA to bring in technological innovations for having an outreach to the urban poor and the large rural market, hugely underserved.

vii. **Enabling Capital Infusion**: Currently the minimum capital requirement to set up an insurance company is Rs.100 Crores. IRDAI is now examining to bring down such stipulation for the forthcoming proposal of forming regional/sectoral companies, on mini or mono line, with an objective to spread the availability of specific insurance products, (Motor, Retail & SMEs, Health, products or the rural market etc) to the niche target markets (state, region, zone etc. to meet the special needs under the special socioeconomic conditions) and bring in innovations for the underserved.

FDI limit was enhanced from 49% to 74% for the insurance company. Insurance intermediary companies like Brokers can have FDI up to 100%. This decisions are helpful to bring in more capital to increase the capacity and to retain risk and capital more within the country.

Bima Vistar is an initiative coined by IRDA to enhance the spread of policies across product lines in the rural sector which is likely to get a boost by forming the smaller need based players with low capital.

viii) **Bima Bemissal** is the educational initiative of IRDA for the customers with the tagline **"Promoting Insurance-Protecting Insured"** to grow

awareness among the masses about the insurance. So also the **Bima Bharosa** grievance/ complaint portal and mobile app for the customers to escalate complaints for IRDA's intervention.

ix) IRDA did allow Banks to have **9 banc assurance partners** from the Life, Non-Life and Stand-alone insurance partners each (9X3=27) from the current stipulation of 3 nos. This would give more choice to the customers to choose the products on the platter. Banc assurance channel has been a proven model, especially for the Life business constituting 56% of the LI business coming through this channel. Insurance Marketing Firm (IMF) intermediary can deal with the products of **six insurers** instead of two at present.

X. IRDAI's recent decision to put an overall **cap on the Expenses of Management (EoM)** of insurers, including on the commissions payable to the intermediaries, tend to reduce the business procurement cost for the insurance industry. This would have a positive effect on the lower pricing of the products to make for increase in sales. Unreasonably high pay out to, as alleged now, to the intermediaries shall be at the risk and perils of the insurers as the percentage of commissions and incentives are subsumed in the EoM by the proposed capping made effective from 1st April 2023. The cap limits are 30% for GI, 35% for standalone health insurers, of their respective GWP.

2. Product Innovation:

Time to bring in simpler, comprehensive and cost effective products to the use of different segments of the market, especially for the small ticket size rural mass and urban lower middle class. Retail products like cyber cover for the individuals, loss of livelihood/ employment security insurance, simple home, travel, laptop and mobile insurance are some to cater to the needs of urban educated mass. Comprehensive package policies with Fire, Burglary, Personal Accident, Health, Motor, Ag Pump set, Livestock, Pedal Cycle etc shall be useful to market in the rural market. Key to success shall be to design Policy wordings made short & simple to read and understand **replacing the old archaic policy wordings**, distributed through multiple channels like PSPO, Govt. run kiosks, rural Agents, and on ensuing *Bima Sugam* Portal etc. As smart phones are almost in every hand, use of digital technology in product distribution and claims servicing must be made extensively taking advantages of the devices. Short and simple Policies with proven delivery of services assured shall help gaining confidence of people. And that would be the moot point to spread the sale.

3. **Cutting on price of the insurance products:**

Health insurance premium in particular are showing a steep rise year after year possibly due to rise in health treatment cost. Claim cost though seems irreversible has room to reduce the claim ratio. Hospital charges have to be negotiated commercially on win-win terms in addition to having some pragmatic regulatory embargo. The inflationary trend of medical treatment cost at 14% pa is highest in Asia and is really alarming. Customer friendly digital distribution and servicing on all policies would reduce on intermediary fees paid. This is imperative to make Health products affordable to the missing lot in the Health insurance screen, estimated to be around 40 Crores of our population going out of pocket when in health emergency, having the potential to generate about Rs.60,000 crores of insurance premium in a couple of years.

Furthermore, if we truly want to see that the insurance premium charges to be less than what it is in all the risk-segments, the Risk Management everywhere has to be strictly followed and enforced. Greater is the risk exposure due to negligence and carelessness, higher shall be the occurrence of loss events in terms of frequency and severity. The avoidable losses/disasters like the recent Morbi hanging bridge collapse in Gujarat made huge loss of life and property. More the occurrence of such losses, higher shall be the burden on insurance premium to rise. Reinsurers often do not show interest to grant support at the price Indian insurance market offers them due to poor risk management culture.

Controlling on climate risk by proactive and reactive measures (disaster risk reduction) can reduce the losses caused by natural disasters like flood, cyclone, landslide etc.

Digital products and services shall also make for reduction in operating cost of the insurers to pass on the cost saving benefits to the customers in the form of low insurance premium.

4. Govt. Initiatives:

For the EWS category of our population, Government at center and the states provide different kinds of insurance covers either free or at a nominal cost. The schemes like Atal Pension Yojana and PMJJBY (Covers life) through LICI covering 4 crores and 13 crores of citizens. Similarly the other Govt. schemes like PMSBY (Covers PA) , PMJAY (Covers health) and PMFBY (Covers crop) run by the PSU/Pvt. general insurance companies cover 25 crores, 40 crores and 2.5 crores (farmers) of the population, respectively. Govt.'s initiatives led to increase in insurance penetration. This however leaves a huge protection gap among the covered ones, and millions in the category of senior citizens and lower middle class not covered being not tapped. These left out lot, estimated to be around 40 crores of our fellow citizens, can be self-enabled for taking insurance, and may be, with partial support by the Govt. The potential for insurance premium generation from this source can hover around Rs.80 thousand crores.

5. Fraud Control:

Insurance frauds are associated with the claims lodged. It is more in the case of Non-Life, P&C category. In India, it is estimated that 10% of the total claims paid are the unchecked fraudulent claims to the tune of Rs. 34,000 crores. Use of technology like AI, Data analytics, Forensic tests, investigations, digitalization etc with more vigilance can save on fraud cost to the insurers and consequent premium reduction for the policy holders.

6. Uninsured Motor Vehicles on Road:

As per the published information of the Insurance Information Bureau, a mammoth 57% of the total 23 crores of motor vehicles on the road are not insured having not been renewed even for the mandatory Motor TP Liability cover. Enforcing the law on the mandatory TP Liability cover has been easier now due to the digitization done on all the vehicles linking the data base of insurance companies to the database of the RTAs for all over India. Tapping on this would not only fetch an estimated additional Rs.10,000 Crores of premium for the insurance industry but it would be a social good to the road accident victims to get compensations under the provisions of MV Act.

7. GST:

Insurance is a subject matter of solicitation. People consider this as the last order of need for them. There has been demand for reducing rate percentage of GST on insurance premium, especially on Health Insurance from 18% to 5% which is essential to make health insurance affordable to the common men leading to increased sales.

8. Reformation of the Agencies:

IIB, LI and GI Councils' roles need to be revamped to make them more proactive to provide quality data and analytics timely, to promote useful and simple insurance products for sale and to adopt standardized technology and best ethical market practice to the benefits of the policy holders.

9. Awareness through Advertisement and Publicity:

In India, particularly the less privileged and the rural masses, together over half of our total population, do not have the knowledge of the benefits of insurance. Even if some know a little, they do not have much confidence on the insurance products being complicated, involving paper works, unaffordable etc. People leave the contingencies to their fates. Many ruin their business following the damages and losses, or go out of pocket, sale their properties in a health emergencies or even lead a poverty ridden life on the death of the earning member of the family. This alarming situations push more people to the list of poverty. Many even just neglect insurance cover with less priority over other needs. Rural policies need to be sold through groups like Cooperative Societies, rural and cooperative banks, village committees, Panchayats etc who can get the people in the group covered and fetch claim services for them. Different levels of awareness programs required for different categories of market.

10. Reducing the Protection Gap:

Protection Gap is the uninsured losses in any given country.

Mortality Protection Gap is the difference between **resources needed** (the quantum of protection

actually needed by a family) and the **resources available**, should the wage earner passes away suddenly. According to a study by Swiss Re, $ 92.2 (92.2%) per household is the shortfall/gap causing national gap of staggering $ 9,000 billion for the Indian citizens.

According to the latest Economic Survey 2022, only 3 out of 100 people in India have Life Policies which is 53 in UK in comparison.

People and business are either not covered at all against the contingency or are inadequately covered leaving a gap for protection. Mass loss of properties and lives does happen across the globe, more so in the vulnerable countries where the countries' risks & disaster events are managed negligently. Natural disasters are rising alarmingly and unpredictably due to climate changes. Since the entire population and properties are not under the cover of insurance, most of them go uncompensated. On the other hand many have taken insurance plicy but under-covered either for the life or for the properties. Under insurance do not compensate in full to the extent the financials are affected by the happening of an unfortunate and uncertain event. The rising protection gap can be a boon to enlarge the insurance market to cover the increasing threat of the risk or it can even be a bane for the insurers/ society to consider such frequent happening of disastrous events not insurable! Let's discuss and examine influence of Protection Gap in enhancing the market for insurance below:

No or Inadequate Insurance Covers- Life Insurance: Term life insurance plan is the prime necessity to begin buying life insurance policies at the young age. Secondly, many, not-so- well informed people, either do not know how to assess their financial risk for the family or even if they know they cannot afford to buy Policy for adequate Sum Assured for to cover them. In the event of a loss of life, the family is compensated with a very little sum to take care of their normal financial needs in absence of the earning member. Term insurance plans have been of help enabling people to buy large Sum Assured with a small amount of risk-premium only. Awareness campaign should be more appropriately done to educate the people to buy the Term Plan first for adequate Sum assured for full financial protection of the family before thinking of investment plans through insurance.

No or Under Insurance in Non- Life Insurance: Uninsured assets are a total loss to the owners ruining their financial condition to get back to the same position anterior to the loss. On the other hand, often it's found the properties are not insured for their full Replacement/Commercial value but at a much lower book value post depreciation on the purchase price or they do insure to the extent the finance is made on the assets by the bank/financier. This leads to lower compensation, pro-rata, following the loss.

In both the above propositions, continuous education and support would help cover them all, and adequately, enabling to fill this protection gap.

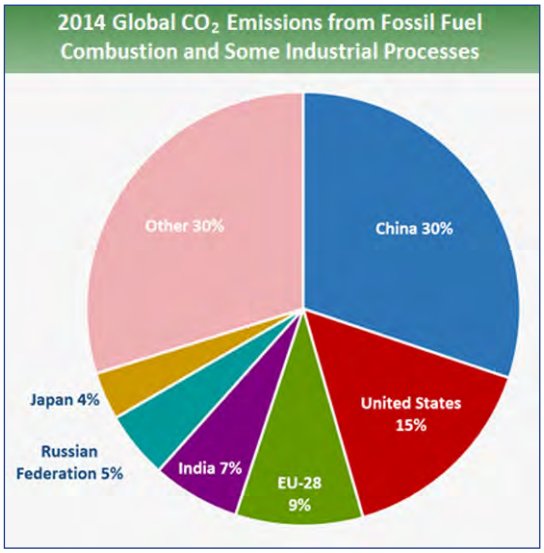
Protection Gaps Caused by Disaster Risk

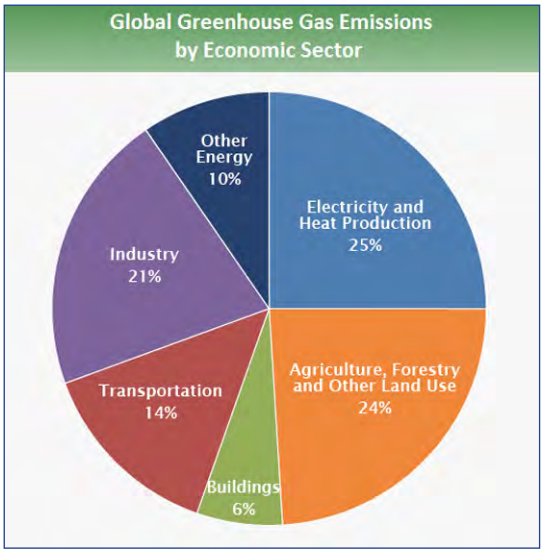
Natural Disasters:

Climate change has been a dangerous threat on our earth for the past couple of decades! 75% of the Greenhouse Gas emissions in the world are contributed by G 20 countries, as per UNEP Emission Gap report 2022. Tope 7 emitters in the globe are China, US, EU, India, Indonesia, Russian federation, Brazil who contribute 50% of the global greenhouse emissions.

As greenhouse gas emissions blanket the Earth, they trap the sun's heat. This leads to global warming and climate change. The world is now warming faster than at any point in recorded history. Warmer temperatures over time are changing weather patterns and disrupting the usual balance of nature causing natural disasters like severe rain fall, flash flood, droughts, rise in sea level, landslide, possibly Earthquake caused by glacial rebounding as the studies say. Human health too gets affected.

For a livable climate, Net Zero commitments of the parties to the COP (196 countries) must be backed by credible actions. Emission level needs to be cut by 43% by 2030 and reach Net Zero by 2050. COP 27 at Sharm- el- sheikh in Nov 2022 came out with key decisions on "**Loss & damage"** funding for the vulnerable countries hit hard by climate related disaster. Also to limit global warming to1.5 degree Celsius being not greater than pre industrial level warming with rapid, deep and sustained reduction in emissions of greenhouse gases.





Manmade Disaster: The serious events like industrial fire, forest fire, and collapse of buildings, dams, bridges etc, pandemic breakout like Covid19, terrorism, cyber-attacks, war, riot, strike and civil commotions, failure of power grid, business interruptions are some of the examples of manmade events which increases the protection gap if not filled with risk management and insurance coverage. These disastrous events are often avoidable and mitigated with appropriate risk management actions.

Effect of Protection Gap: The number and quantum of catastrophic losses are rising globally year after year, depicted in a table below.

	2021 ($ Billion)	2020 ($ Billion)	Annual Change	Previous 10 years average ($ Billion)
Economic Losses (Total)	**259**	**216**	**20%**	**229**
Nat Cat	250	202	24%	216
Manmade	9	14	-38%	13
Insured Losses (Total)	**112**	**99**	**13%**	**86**
Nat Cat	105	90	17%	77
Man-made	7	10	-24%	9
Protection Gap	138	117	18%	**166%**

Extreme weather events caused by climate change and manmade disasters caused by poor risk management do increase the protection gap year after year globally and more so in the vulnerable developing countries. Such events do prompt the population to be self-dependent by way of arranging adequate insurance covers in terms of value and kinds-of-perils, for the lives as well as properties. Larger the number and size of coverage, greater would be the resilience of the economy. Educating the business and the masses to be *Atma Nirbhar* can bring about **shrinking of the insurance protection gap** leading to **rising insurance penetration,** of course.

However the flip side of the rising protection gap is that if the **severity of losses become more frequent**, pricing of the risk shall be steeply rising. In that situation it would be difficult enough to afford buying the insurance cover economically, or there will be denial of cover being the "Undesired Risk". Again the insurance mechanism shall fail and protection gap further goes up! Hence Risk Management, whether global or local, and risk mitigation are the keys to contain occurrence of losses and consequently reduce protection gap. When loss-cost reduces, insurance premium goes down too. People tend to buy affordable insurance covers. Insurance as a risk-financing tool thrives! TJ

Inclusive Insurance: Closing the Gender Protection Gap

Raiba Spurgeon
Research Officer,
State Bank Staff College, 6-3-1188,
High Cliff, Begumpet Road,
Greenlands,
Hyderabad- 500016.
raiba.spurgeon@sbi.co.in

Financial Inclusion and Insurance

In August 2022, the Reserve Bank of India released the financial inclusion index (FI-Index) for the financial year 2021-22. The index, first released in 2021, captures the extent of financial inclusion in the country, by examining three dimensions of financial services- Access, Usage and Quality, quantified through a total of 97 indications. The first dimension- access- reflects the efforts made by suppliers of financial services to make available physical and digital financial infrastructure, and the second dimension-usage- reflects the active usage of financial services and infrastructure. The third dimension- quality- reflects the efforts taken up by various stakeholders to bring awareness about financial services and its safe usage, reflects the effectiveness of the grievance redressal mechanism and takes account of uneven distribution of financial access and usage. The four areas that have been studied to measure access are banking, digital, pension and insurance; the five areas that have been studied to measure usage are savings and investment, credit, digital, insurance and pension; and the three areas that have been studied to measure quality are financial literacy, consumer protection and inequality. The multi-dimensional FI-Index for India for 2022 was 56.4 and reflected an improvement from 53.9 in 2021.

Financial inclusion, as a concept, is aimed at allowing every person in society access to timely financial services, credit and financial

Chart 1: India's FI-Index for 2017-2021

Source: Reserve Bank of India

education, with the end goal of improving wellbeing of individuals and society at large. Since low-income groups and weaker sections of society are usually the most vulnerable and have least access to economic and financial resources, financial inclusion policies are usually focused on these groups in society. In most developing countries, inclusive policymaking is an intricate part of development and is built into the decision-making processes of governments and regulatory institutions. This has allowed these countries to make a headway in their drive towards financial inclusion. This is reflected in the Global Findex 2021 report, where it was found that the income gap in account ownership in developing countries has reduced from 20 percentage points in 2011 to 8 percentage points in 2021.

Interestingly, insurance forms a part of two of the three dimensions of India's FI-index and is a reflection of the key role that it plays in financial inclusion of all countries, especially developing economies. At a micro level, insurance empowers individuals to overcome shocks, helps create wealth and provides income-generation opportunities, and at a macro level, it allows for continued stability and economic progress, through risk pooling and loss compensation. As such, the expansion of insurance activity is considered to be a prerequisite for sustained and inclusive growth.

The Gender Protection Gap

The Global Findex 2021 report pointed out that the majority of unbanked people are women. They are one of the largest underserved customer groups and face greater financial exclusion than their male counterparts. Despite the overwhelming role that women play in the economy, their financial needs are constantly under met. While the first step towards financial inclusion is the access to a transaction account, the availability and access to other financial services like credit, insurance, payment and pension, are equally important for them. The Women in Financial Services Report 2020 found that there is atleast a $700 billion global revenue opportunity in providing women suitable financial services, that is currently left untapped. The share of the insurance sector in this missed opportunity is the highest at $500 billion dollars.

For women in general, while possession of a transaction account acts as a gateway to financial inclusion, it is the access to insurance services that makes them less vulnerable and allows social mobility. The gender protection gap, which refers to the exclusion of women in insurance, is more prominent among the poor, but is pervasive across all socio-economic groups. For example, in India, of the total life insurance policies sold in the year 2020-21, only 33% were issued to women. Studies show that women are more willing than men to spend a higher portion of their household income on healthcare and insurance. However, ironically, most insurance products are developed and marketed for men, leading to the widening of the gender protection gap.

Barriers to Inclusive Insurance for Women

The inclusion of women in insurance face both supply side and demand side barriers. From the demand side, one of the biggest barriers in availing insurance products is the lower income of women, Globally, women earn only 77 cents for every dollar earned by men. The World Inequality Report 2022 pointed out that Indian men captured 82% of labour income while their female counterparts earn just 18%. Adding to this is the seasonal and part-time nature of jobs

and income that are linked to women, especially in developing and emerging economies. According to the National Statistical Organisation, in India, for every man who works part-time, more than 3 women do the same. Such large pay gaps, instability in employment opportunities and income barriers put women at a disadvantage and forces them to use their earnings to cover their basic needs while making it almost impossible for them to seek protection and insurance facilities for themselves and their families. Even in cases where women are willing to secure insurances, traditional models of insurance make it difficult for seasonal and part-time income earning women to avail an insurance plan that meets their requirements in terms of protection, and flexibility in terms of premium payments.

Another important demand barrier is the financial education of women. Even though insurance would enable them to protect their life, health and assets, and would provide them compensation at times of great need, the awareness about this is very low among women. A Financial Literacy and Inclusion Survey conducted by National Centre for Financial Education found that financial education in India is at a mere 27%. The survey also showed that Indian women are 5 percentage points behind men in being financially literate. Educating women about financial principles beyond possession of a mere transaction account is key to breaking cycles of non-protection and insecurity.

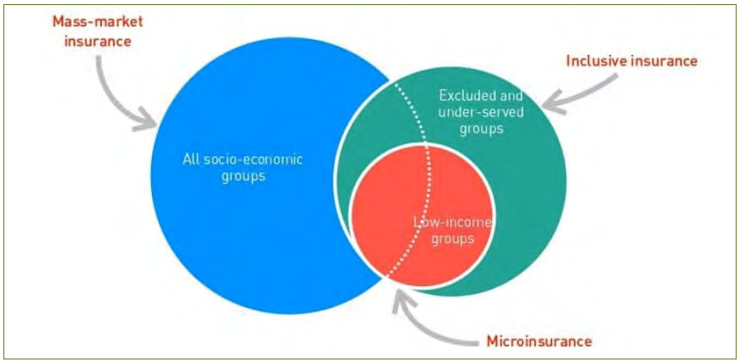
In addition to the existing demand side obstacles, there are many supply side obstacles that prevent the inclusion of women in insurance. Top among them are the business models of traditional insurance providers, which are not designed to match the needs of women policyholders. In general, insurance products are developed with men as the target, and because the coverage requirement and risk appetite of women are different from men, this becomes a hindrance to optimum protection. This issue is compounded in cases where women are uneducated, are employed part-time, have low and irregular incomes, reside at rural places, and have low awareness about possible health and life risks. Other supply-side barriers like non-inclusive delivery channels, complexity in calculation of suitable coverage, absence of flexible premium payment mechanisms and lack of information for risk-assessment, have existed in the insurance industry since long. In such cases, it is the regulators who must ensure protection and coverage of vulnerable women, through promotion of policies that enable insurance companies to deliver tailor-made products, at affordable prices through non-traditional distribution channels.

Towards Inclusive Insurance for Women

Insurance is critical to resilient and inclusive development, and as such plays a supporting role in the United Nation's Sustainable Development Goals. In the background of the Covid-19 pandemic, the importance of insurance has been demonstrated, whereby countries with stronger safety nets have fared better in overcoming economic and financial shocks. One of the insurance tools that is largely associated with financial inclusion is micro insurance. While micro insurance is usually directed towards low-income groups, inclusive insurance is meant for those who are underserved or excluded from the insurance net. However, given that there has been a massive push for micro insurance from regulators and the government, it is currently one of the easiest and fastest ways in which low-income women can be provided risk-protection. Micro insurance is usually associated with risks that are high in impact and low in frequency and such insurance coverages, combined with other social policies laid out by the government, can help women recover from possible setbacks. For insurances companies, who were initially unwilling to enter the micro insurance space, technology has enabled them access to potential policy holders at previously inaccessible locations, albeit at a reasonable cost, and this has led to greater expansion in the sector. As such, the global micro insurance market is expected to reach US$ 111.84 billion by 2027.

Another factor that needs to be considered in inclusive insurance is the adoption of simple yet impactful insurance products. Along with this, insurance companies need to think out of the box, not only in in product design, but also in marketing and delivery. Lack of flexibility in marketing, combined with products and services that appear gender-neutral, but in reality, default toward men, can result in a gap in the way women are served. By creating targeted approaches to better serve

Chart 2: Inclusive Insurance and Micro Insurance



Source: MAPFRE Economics

women customers, insurers can differentiate themselves and become insurers of choice for women for key insurance products. In doing so, these insurance providers will remain the choice provider for low income women, who have the potential to become middle income insurance consumers over time.

Another way of delivering innovatively to women is to identify different target groups of women and to empower them with additional capabilities (especially in the form of insurance information and filling of knowledge gaps), that would eventually lead to betterment for themselves and their families. For example, delivering of insurance products to women entrepreneurs could be enhanced by providing additional non- financial services, like opportunities to attend trainings and seminars on finance and taxation, and providing encouragement in establishment of networking groups among women business owners etc. In delivery, insurers need to look out for and understand networks that women use and trust. This may, in some cases, be traditional channels like insurance agents or financial intermediaries, but could also be non-government organizations, self-help groups and other public and private organizations that advocate for women's rights. For example, in Nigeria, AXA Mansard leveraged its relationship with the country's largest women's business network, WimBiz, to promote financial literacy and awareness about how insurance can address individual, family and business risks.

One of the other ways in which insurance products can be delivered effectively to women is through cross-selling. For example, educating female credit seekers about the availability of suitable insurance products, and providing them with the option of availing such insurances may help low-income women from having to make a choice between providing education for their children and providing hospital care for unwell family members. In supporting inclusive insurance, low-cost government insurance programmes aimed at supporting vulnerable groups may also be made a part of cross selling approaches. The delivery of need-based and solution-oriented insurance products through trusted intermediaries and in innovative ways, will help insurance companies become a critical part of the financial 'circle of trust' for women and their communities.

Today, technology and digital have the power to bring together all the elements of inclusive insurance, in a cost-effective manner. Digital technology can help bridge gender protection and inclusion gaps by empowering women with information and by providing immediate access to multiple financial services. Across the globe, mobile money is driving growth in account ownership, and this is particularly the case in Sub-Saharan Africa where 33% of adults have mobile money accounts. What is interesting though, is the fact that mobile money has helped in the inclusion of women into the formal financial system in this area- among mobile money account holders, in 2021, women were equally or more likely than men to have only a mobile money account (Global Findex Report 2021). Promotion of financial services like insurance through digital and mobile technology allows women to cut across barriers related to access, distance and purchasing costs.

One of the finest examples of innovative delivery of micro insurance through digital channels is BIMA's delivery of micro insurance in Papua New Guineas as part of their partnership with United Nations' Pacific Financial Inclusion Programme. The aim of the partnership programme was to address the extremely low rates of insurance penetration in the country,

especially among rural women. Customers of BIMA were allowed to subscribe and enroll for the micro insurance product via text messages. The programme enabled clients to circumvent lengthy paperwork and other health and identification checks associated with traditional products. During the life of the project, close to 8,00,000 life insurance and hospitalization policies were sold.

Chart 3: Global Potential Market Size for Inclusive Insurance (in population size)

Source: Peak-Re

Conclusion

Insurers look toward digital technology as a means of ensuring cost effectiveness, and women seek out insurance products that suit their needs. As such, inclusive insurance aimed at women can truly be enrichened, for both insurers and insures, through data-driven digital delivery of tailor-made products. Because of the benefits associated with it in the short and long term, inclusive insurance is seen as the main tool for bridging insurance protection gap among women, especially in developing economies. In the short-term, it raises demand by bringing previously excluded or underserved women into the protection and compensation net. At the same time, it enables social and economic development through financial education, thus creating a mid to long term impact. With adequate regulatory support, the access to inclusive insurance services could very well be the difference between poor women and their families achieving social mobility or remaining in economic vulnerability.

Insurance was developed, and is widely promoted, for the direct and indirect role that it plays in economic welfare, and in the promotion of stable economic growth. However, it is possible that when insurance companies follow a target oriented approach that is based solely on profit, welfare goals get pushed into the shadows. This may help these companies achieve their profitability goals in the short run. But, given the high degree of competition that exists in the sector, focus on profitability alone is bound to backfire in the long run. It is important for insurance companies to develop and sell products that are sought by customers as part of their security needs. Customer loyalty is a key part of retaining customers in the insurance sector. Keeping customer welfare as one of their primary goals will not only make insurance companies drivers of growth in their customers' lives, but it will also make these companies their trustworthy choice, as they progress across income groups. Research also indicates that women are more loyal customers, and as such the onus is on insurance companies to reach out to women, to include them and to prioritise their welfare in the development and marketing of insurance products. TJ

Reference

1. The Global Findex Database (2021), Financial Inclusion, Digital Payments and Resilience in the Age of Covid-19, World Bank Group
2. MAPFRE Economics (2020), Financial inclusion in Insurance, Madrid, MAPFRE Economics
3. Advancing Women's Digital Financial Inclusion (2020), Better Than Cash Alliance, Women's World Banking, and World Bank Group
4. Insurance Regulatory and Development Authority of India Annual Report 2020-21
5. COVID-19 and the Insurance Industry (2020) Why a Gender Sensitive Response Matters, International Finance Corporation and Women Entrepreneurs Finance Initiative
6. National Centre for Financial Education (2019) NCFE Financial Literacy and Inclusion Survey
7. Financial Inclusion Index for India, RBI Bulletin, 2021

Insurance in Metaverse: An Immersive User Experience

Pramit Pal
Senior Manager – Strategy and Innovation
Capgemini Invent
pramit.pal@capgemini.com

Rohit Pal
Manager – Strategy and Innovation
Capgemini Invent
rohit.c.pal@capgemini.com

Vineet Saxena
Associate Consultant- Strategy and Innovation
Capgemini Invent
vineet.saxena@capgemini.com

Scenario- *45 Years, Rajesh is an associate accountant in Sugar Firm. He wanted to purchase an insurance saving plan. He visited many insurers' websites, but he couldn't understand the plan very well and had a lot of confusion. Fortunately, he found a Virtual Reality (VR) platform for customer service on the website of Neo Insurer. So, he took the VR headset of his son to get the help from VR platform for policy understanding.*

Once he wore a VR headset, he entered a 3D simulated virtual room and interacted face to face with an Insurance Expert in Virtual Avtar. This platform displayed policy-related information and kept engaged, Rajesh through using visual assist elements via animation and 3D graphics.

Rajesh had deeply enquired about insurance plans through conversation with Virtual Avtar and finally, purchased an insurance plan which will help him in meeting all his financial commitments.

From the above example, we can see how the Virtual Reality (VR) platform has helped Rajesh to get a deep understanding of insurance plans and clear all his doubts by just real-time discussion with an insurance expert virtually. Just like Metaverse is playing a significant role in other sectors like gaming, engineering, retail & manufacturing, etc., it can also contribute positively to the insurance sector. Metaverse refers to the seamless convergence of our physical and digital lives, creating a unified, virtual community where we can work, play, relax, transact and

socialize. The Metaverse combines and counts on several elements of technology, including virtual reality, augmented reality, video, network connectivity, mobile devices, sensors, motion devices, perambulators, suits, goggles, and various other technologies so that users 'live' within a digital universe.

Those who think the Metaverse is some obscure sci-fi fantasy should think again. The metaverse is not only here, but also all over the news. According to a Bloomberg report, the market size of the metaverse will be $678 billion by 2030. And consulting firm Gartner pointed out that 25 percent of people will spend at least one hour a day in the metaverse by 2026, giving companies an exciting new channel and opportunity to engage with their audience.

Insurers may feel that their products and services lie outside this domain, but already some insurance firms use Metaverse approaches to help sell and manage insurance like Yulife, PNB Metlife, Heungkuk Life Insurance, and AXA to name a few. Metaverse is an evolving journey for the Insurers, but it can give a distinct first mover advantage to early adopters. Further, it is transforming the customer experiences and traditional ways of doing business. Insurers can bank on metaverse to tap into new customer segments through an immersive buying and servicing experience, innovative yet viable products, aided by digital ecosystems of the future. Metaverse can play a role across the insurance value chain in improving top line or bottom line. Apart from this, it can aslo help insurers in providing immersive customer experience, saving costs by building virtual hubs, offering new product categories, improving the operational experience, and improving the insurance awareness among millennials by making it a fun activity.

Metaverse Simplified: Future of Internet

The term 'metaverse' was first mentioned in the 1992 science fiction novel 'Snow Crash' by Neal Stephenson. Metaverse is made of two words 'meta' and 'universe'. Meta means beyond. So metaverse is a universe that exists virtually but feels like real. And in this virtual universe people interact via their digital avatars. People can do anything- go shopping, attend meetings, play with their friends and so on. This virtual universe can be accessed through devices like smartphones, or computers. However, to get complete immersive experience- users should use devices like VR headsets, AR glasses and gaming consoles.

In short, metaverse is a futuristic digital world where people get chances to immerse in virtual and augmented versions of reality through digital avatars.

Examples

Scenario 1: Meet your friend living in London city in a local restaurant in Mumbai- in a virtual environment in real-time via digital avatars.

Scenario 2: Shop with your friend living in America in a shopping mall in Delhi- in a virtual environment in real-time via digital avatars.

The present form of internet is two-dimensional- 2D. If you are browsing Instagram, you are seeing your social connections on a 2D screen as 2D images, right?

2D to 3D is the next move with metaverse. So metaverse is internet application in 3D! or Internet brought to life!

Metaverse Application in Insurance

Improved Customer Experience

The pandemic has impacted the usual customer engagement practices of insurance companies. Due to fear of the virus, customers are not much interested to meet up personally with the insurance experts. However, insurance is one kind of intangible product that requires personalized advice for the customer to understand the insurance plan well as well as its terms & conditions. Hence, there is a strong need to improve and innovate customer engagement practices. Here, the metaverse can play a very big role. Metaverse offers the opportunity to engage with customers in a much more intimate way, allowing them to curate their own experiences by providing customers with all the tools they need to do so.

With the help of VR and AR tools customers can have an immersive meta experience like they can enter the meta–Advisor Hub of Neo Insurer, move to the Policy Purchase Room, and purchase a policy with a meta wallet. In addition to the self-service kiosk, customers will also have the option to talk to an Advisor, just as in

the real world, and get personalized advice.

PNB MetLife, one of India's top life insurers recently launched conVRse, a first-of-its-kind virtual reality (VR) based customer services platform. This platform offers the opportunity for customers to interact with virtual avatars and ask queries and gain more information about plans.

Allianz, a German international financial services company, is presenting another awesome case of the use of augmented reality in insurance. For their users, they've created an immersive experience in which they can learn about the risks they might experience in their daily lives.

Cost Saving and New Revenue Streams

Usually, customers buy the insurance plan from the company, which is having office nearest to them, just to have quick reach to the insurer in critical times. However, it is an uphill task for the insurer to have offices in different places because of the capital expenditure incurs in buying brick-and-mortar office spaces, especially in tier-2 and tier-3 cities. So, it is not feasible for the insurer to have physical offices in all areas. Here the Metaverse can help insurers by providing Remote Virtual Hubs to reach out to customers. And this also reduces the need for physical offices.

Heungkuk Life Insurance in Korea has opened a 'virtual counseling window' in the Metaverse. UK-based hubb becomes the first metaverse–ready insurance broker. It has established a hybrid working environment through a virtual workspace, which aims to ensure that clients are offered new, adaptable ways to work with the usage-based broker, with customer preferences at front of mind. This move towards the virtual environments of the metaverse isn't just a convenient working practice allowing meet customers where they are, whether that be a sunny beachfront or the summit of Everest.

Further, Metaverse also presents the insurer's new revenue streams by providing different insurance product categories. Immersive experiences and the metaverse provide a unique opportunity for Insurers to engage with customers – current, past, and prospective – in a direct, personal way. Insurers can look at immersive experiences as a way by which to diversify existing revenue streams, with the metaverse opening new channels for them. New product categories can be providing insurance solutions for the AR/ VR headsets, offering liability coverages from the usage of AR/ VR headsets, and worker's compensation for the job-related AR/ VR usage. Many insurers have already entered the space of Metaverse tools insurance like Aviva.

Operational Excellence

The most important insurance company operations consist of rate making, underwriting, claim settlement, and reinsurance. Right now, there is a lot of pressure on Insurers effectively manage their current operating expense environment. There are many challenges in this regard such as persistent low investment returns, ever-increasing competitive pressures, and enduring excess capacity. These challenges have hindered the industry's capability to raise revenue quicker than the rate of operating costs, which is rising leaps and bounds. These expenses are growing in the low single digits over the period and have largely kept pace with the rate of growth in premium income among life and property & casualty (P&C) carriers.

Therefore, insurers are struggling to manage their operational expenses. Metaverse can become a game-changer in their struggle to streamline their expenses. It offers a plethora of opportunities to insurers in reducing operational expenses and creating value through operational excellence.

MetLife Infinity app, allows users to curate their legacy by uploading important documents, photos, and videos, and allowing them to share them with loved ones at a set date in the future – even after death. Multinational insurance company AXA is also not behind in venturing out of the metaverse space. It has recently purchased a virtual plot of land in the Sandbox. With this, the company wants to acquaint itself with the activities of the metaverse. It has become the very first player in the French banking and insurance sector to begin itself in the metaverse.

State Farm, a USA-based insurer, is making a big jump in virtual and immersive experiences. Recently, engineers developed a proof of concept (POC) designed to help

users, like State Farm agents. This proof of concept (POC) helps in appropriately quoting a new small business insurance policy. This POC gives freedom to people to travel and interact with multiple businesses from their desks.

Another example, a virtual underwriting room, could be created for underwriter/broker collaboration through technology such as Microsoft Mesh. Even insurance assets can be assessed remotely along with risk advisory through the Omniverse platform. Similar technology can also be established in claims for virtual damage assessment post-event.

Making Insurance Attractive

A recent survey conducted by Life Insurance and Market Research Association (LIMRA) shows that only two-thirds of Generation Y, called millennials, have any kind of life insurance. And as per the survey, the main reason behind it is a lack of awareness among millennials about the latest insurance product development and its market development. For youngsters, reading about insurance plans and their lengthy policy documents is uninteresting activity. To make insurance attractive and increase its awareness among common people, metaverse can help insurers. The smartphones which can show AR simulations are easily available and insurance companies can easily leverage this feature of smartphone devices. Buying insurance can be converted into a fun activity through AR and VR technologies.

Case of Indonesia- gamification in insurance

In Indonesia, Less than 2% of the population has insurance. One of the reasons for the low penetration of insurance is a lack of understanding of insurance products.

AXA redefined and disrupted the insurance landscape in Indonesia by making a game called Crazy Cash, the first insurance game in Indonesia aimed to educate the population on insurance products.

The result was the game was trending worldwide on Twitter for two days with the hashtag CrazyCash. In the first month, the game had 30 million impressions and over 200,000 tweets. Many game players said that they didn't know insurance could be this fun and their perception about insurance changed after playing this game.

(Ref. – Digital Training Academy)

To make the product appealing, **YuLife** has developed its app like a game and is centered on the 'Yuniverse', a virtual world in which users can 'level up' through quests, duels, and challenges to access new zones and boost their YuCoin count. Desjardins Insurance, a Canada-based company has developed an AR-based app that delivers video explanations of people's retirement goals and plans when users select specific options.

Liverpool Victoria, UK based insurer, uses a unique way to engage with customers. It uses newspaper flyers and AR technology to communicate with customers. And when you scan these flyers, they become 3D house models. Then the customer can explore the insurable objects in the house. It provides them with different ideas to protect their belongings, which they may not have thought of before.

Insurance Surveys and Loss Assessment using AR and VR

Metaverse enabled with AR and VR can help in determining the dented area of various objects and provide 360° assessment by using photos of the damage and making 3D models from them. For technical specialists, it is always a difficult task to understand the damage volume. But this can be made easy with the use of AR and VR technologies, overlaying object images representing the object condition before and after the accident can help understand the damage volume It also makes it easy to assess the required repair cost by measuring the dimensions of damaged parts.

Geographic location will no longer be a restraint for the insurer. They can maintain insured claims beyond geographical boundaries. The smart devices enable a surveyor to gain remote visual access to the claim object. They have innumerable options like pausing the video or running it, pointing out any suspect information, and providing significant images and facts to the customer's

claim. The major advantage of technologies such as AR and VR is to precisely estimate the damage even remotely.

Customers can send their insurance claims in real-time through AssistXR Remote Assistant which is powered by AI and augmented reality. This tool also helps insurers in inspecting the damaged property from a remote place. It also assist Policyholders and insurers in working together in real-time in Augmented reality over a computer vision enabled video call with Remote Assistance.

Metaverse- A Double-Edged Sword

Metaverse is brining so many benefits for the users. But there are many concerns related to metaverse-

Data Collection by third parties- Third parties will be able to collect vast amount of data of the users. Such data is prone to be misused by the third parties. Strong data laws should be implemented by the government to manage this concern.

Myriad Privacy Issues- The data collected by the third parties also include private data of users such as individual names and address. If the organizations don't have strong data security, such private can be leaked and used inappropriately.

Cybersecurity Risks- the cyber attacks have scaled new heights in recent time. Any system is susceptible to attack by cyber attackers. Strong security measurers should be taken by IT team of the company to detect any malicious activity in metaverse projects.

Conclusion

Metaverse is the next big disruptive entrant that would transform insurance business of today and drive innovations of tomorrow. It will not be limited to open world games or sci-fi movies but will penetrate daily lives, where virtual worlds would be inhabited by human avatars and industries with their digital identities and assets.

While metaverse data creates value in terms of seamless customer journey, data interoperability, process optimization, building analytics models, designing products & services, there is a flip side of the coin dealing with the security & User Privacy. There are concern areas like cyberattacks, identity thefts, cyberhackers, malwares, cyberbullying and so on, that become a potential roadblock in leveraging metaverse solutions. Data Security & user privacy is a problem whose solutioning is not the responsibility of just one party. Parties like regulatory bodies, metaverse solution developers, metaverse users need to come together to create a meaningful solution. TJ

References

- https://www.mckinsey.com/industries/financial-services/our-insights/the-future-of-insurance-creating-value-finding-focus
- https://www.forbes.com/sites/forbescoachescouncil/2022/11/15/the-metaverse-and-the-insurance-industry-three-tips-for-managing-technological-changes/?sh=7f7b6a5f5ae5
- https://www.pwc.com/jp/en/knowledge/column/metaverse-impact-on-the-insurance-industry.html
- https://www.swissre.com/risk-knowledge/risk-perspectives-blog/metaverse-in-insurance.html
- "Gamification case study: AXA online game educates customers on insurance fund", Digital Training Academy, accessed October 2017 at http://www.digitaltrainingacademy.com/casestudies/2015/03/gamification case study axa online game educates customers on insurance fund.php

Literature Review Research: Big Data and Analytics in Insurance Industry

Murali Balaji M C
TN Apex Skill Development Centre for Banking
Financial Services and Insurance
B201, Second Floor,
B-Block, Omega Wing,
Raheja Tower, Anna Salai,
Chennai – 600 002, Tamil Nadu, India
Murali@Tnfinskills.Com

Abstract

In this literature review research study, the five research papers were chosen based on both novelty and discussion of important topics related to big data and analytics in a manner that serves the purpose of this research and also as per the research method described by Vom Brocke et al (2009). Various questions such as: Are there any changes in business analytics theories/practices since these five papers were written? Are the ideas and theories proposed in these five papers applicable? To what extent the issues mentioned in these five papers have been resolved? And how do the models, frameworks, and guidelines are applicable to skill development professionals? are answered in this paper.

Keywords

Insurtech, Big Data, Upskilling, Insurance, Social Media, Digital Economy, AI & ML.

Introduction

Big data refers to datasets that are both large in size and high in variety and velocity of data, data characteristics that make it difficult for them to be handled using traditional techniques and tools (Constantiou, I.D. and Kallinikos, J., 2015). Big data analytics have already been extensively researched in academia: however, some industrial advances and new technologies have mainly been discussed in industry papers thus far (Elgendy and Elragal, 2014; Elragal and Klischewski, 2017).

An effective literature review provides the reader with state-of-art reporting on a specific topic and also identifies any gaps in the current state of knowledge of that topic. Literature reviews have played a decisive role in scholarship, particularly where scientists are looking for the new knowledge created by explaining and combing existing knowledge process. The literature search process used determines the quality of a literature review (Webster and Watson, 2002). The literature review writing goal is to reconstruct available knowledge in a specific domain, offering access to subsequent literature analysis. The process should thus be described comprehensively, allowing the reader can assess the knowledge available within the relevant field in order to use the further research.

This paper aims to study and present a literature review work in the field of big data and analytics, a contemporary topic that has started gaining momentum in the past ten years as one of the important technologies suggested for solving many academic and industrial problems.

In recent days, the focus on AI, Big Data, Machine Learning, Data Analytics, and Data Science in the research and industrial domains, which was reflected in the sheer number of papers, conferences, and white papers discussing the different tools, methods, and applications that have been published. The procedure followed in writing this literature review is as in most commonly used literature review methods.

As we all know that the insurance sector is growing at a faster pace and also the Artificial Intelligence and Big Data are playing a significant role in the future expansion of the insurance sector. Big Data is anticipated to affect insurance in a number of ways. The application of Descriptive Analytics, Diagnostic Analytics, Predictive Analytics, and Prescriptive Analytics will definitely play an important role in Insurance Industry, as Technology in Insurance is about to emerge as an Insurtech industry by itself.

This literature review paper will focus on the 5 literature or research or journal articles published between 2016-2021, which are in the context of big data and analytics catering to the insurance sector. Most of the references were from academic journals, whitepapers, search engines, and other on secondary data sources.

The five papers were chosen based on both novelty and discussion of important topics related to big data and analytics in a manner that serves the purpose of this research.

The five chosen research papers to perform this critical literature review are as follows:

1. "ORGANISATIONAL CHALLENGES BEFORE INSURANCE INDUSTRY DUE TO RAPID INTRODUCTION OF TECHNOLOGY, ARTIFICIAL INTELLIGENCE AND DATA ANALYTICS", authored by Abhishek Das (OCT-DEC, 2020), published in the JOURNAL OF INSURANCE INSTITUTE OF INDIA:

This particular paper focuses on various challenges that are before the insurance industry such as a thorough analysis of processes, Understanding the impact on the delivery pyramid. Upskilling the manpower to embrace new challenges, finding long term tech-partner, Assessing the partnership with Insurtech, gain stakeholder buy-in early on, Capital required for new tech acquisition, Lack of centralized effort within the organization, Gap between data analytics expertise and business sense, and Change management.

2. "BIG DATA – CAN IT MAKE A BIG IMPACT IN THE INSURANCE SECTOR?", authored by Srinidhi Venkatesh (APR-JUN, 2019), published in the JOURNAL OF INSURANCE INSTITUTE OF INDIA:

This particular paper focuses on the impact of Big Data on the insurance industry, such as the Application of Big Data in Insurance, Analytics in Insurance, and High Performance Analytics.

3. "PRACTICAL UTILITY OF ARTIFICIAL INTELLIGENCE AND BIG DATA IN THE INSURANCE INDUSTRY", authored by CA Siddhartha Khurana (OCT-DEC, 2021), published in the JOURNAL OF INSURANCE INSTITUTE OF INDIA:

This particular paper focuses on the practical utility of artificial intelligence and big data in the insurance industry such as Artificial Intelligence and Big Data, Artificial Intelligence to make revolutionary changes? Rate Making, Underwriting, Production, Claim Settlement, Reinsurance, Emerging Artificial Intelligence Technologies for

Insurers in India, and Artificial Intelligence and Big Data synergy is indispensable for Insurance Sector's sustainable growth.

4. "PRACTICAL UTILITY OF ARTIFICIAL INTELLIGENCE AND BIG DATA IN THE INSURANCE INDUSTRY", authored by Yatender Kumar Sharma (OCT-DEC, 2021), published in the JOURNAL OF INSURANCE INSTITUTE OF INDIA:

This particular paper focuses on the practical utility of artificial intelligence and big data in the insurance industry such as Big Data, Artificial Intelligence, Challenges with Big Data and AI implementation for the Insurance Industry, and How to prepare for AI and Big Data for thriving in the insurance market.

5. "DATA ANALYTICS FOR THE INSURANCE INDUSTRY: A GOLD MINE", authored by Ravindra Muley (OCT-DEC, 2018), published in the JOURNAL OF INSURANCE INSTITUTE OF INDIA:

This particular paper focuses on data analytics for the insurance industry such as The role of Data Science in Insurance Industry, Need of Analytics in Insurance, Data Foundations of Insurance Industry, The Exponential Rise of Data and Data Science, How Data Science is Aiding the Decision Making Process, Insurance Industry's Tryst with Data, Leveraging Data Analytics for the Insurance Industry, Building a Modern Insurance Data Warehouse, Data Analytics for Insurance Industry, Analytical Decision Making – A Primer on Statistical Techniques, What kind of Data Analysis is Critical in Insurance, New Data Resources for Insurance Industry, Marketing Analytics to improve efficiency gains, Big Data Impact on Insurance Value Chain. Data Analytics for Insurance Regulation, Data Governance, Data Standards for Insurance Industry, Data Science and Applications for Insurance Industry, building a Predictive Model for Insurance Agency Retention, Data Science and Risk Modelling, How Data Science Shaped the Development of an Accurate Natural Catastrophe (Nat-Cat) Model. Data Analytics for the Health Insurance Industry, and Applicability of Data Analytics in Motor Insurance.

This Critical Literature Review mainly focuses on the results or findings, analysis, and general critique of the 5 chosen research articles published in the Journal of Insurance Institute of India.

Research Methods

The Classic Literature Review method of research will be carried out in this critical literature review paper, as Big Data and Analytics is an important topic that requires a solid research base.

The research method, described by Vom Brocke et al. (2009) shows that only five research papers are required for a review as long as they contain sufficient information and are chosen for sensible reasons and that this can be regarded as adding more value to both the authors and the community than a review with a broad range of contribution analysis without sufficient information about where, why and what literature was obtained.

The stages of the effective search for the literature review process followed in this research work are:

1. Select a reference
2. Sources from peer-reviewed journals, conferences, or books
3. Consider Keyword Search
4. Consider Period Covered
5. Consider the Number of Citations
6. Consider Literature Search

The process of the literature review followed in this research work are:

1. Identifying the concept and reviewing scope
2. Finding related databases and sources
3. Literature search
4. Literature analysis and synthesis
5. Reviewing and combining the result

Jan Vom Brock, 2009 approach to writing a critical literature review paper:

1. Select five research papers with sufficient information
2. Provide enough information about where, why, and what literature is obtained

Research Question

Due to the lack of similar studies addressing state of the art in Big Data Analytics, the research question is essential to academia and industry.

For industry, a literature review helps with examining areas in big data analytics that are already mature as well as identifying problems that have been solved and those that have not been solved yet. This clarity helps

investors and businesses to think positively about big data (Lee et al., 2014; Chen, M. et al., 2014).

With regards to society, big data analytics help to address economic problems such as allocating funds, making strategic decisions, immigration problems, and healthcare problems such as cost pressure on hospitals, adding an extra dimension to addressing such societal problems (Chen et al., 2012).

A literature review on Big Data Analytics shows what is already known and what should be known. This research also frames valid research methodologies, goals, and research questions for such proposed study (Levy and Ellis, 2006; Cronin et al., 2008; Hart, 2018).

1. Are there any changes in business analytics theories/ practices since these five papers were written?
2. Are the ideas and theories proposed in these five papers applicable?
3. To what extent the issues mentioned in these five papers have been resolved?

Findings

In this section, a summary of the critical points published in the five chosen papers will be discussed in detail:

For a long time, the Indian insurance sector, a British legacy, has remained untouched by innovation. But now the vital industry for the economy is opening up with the digital boom. Though there were private players in the pre-Independence period the new free Indian government in the 50s, highly influenced by Socialist thinking, had brought all the private insurance companies under the State-controlled monopolistic Life Insurance Corporation of India, which in turn, without any challengers to perform, had remained static for decades.

After switching to a free market economy in the 90s, there are sea changes in every sector without any government control and the Insurance industry is luring private players, even from foreign countries, triggering more and more strong competition to monopolistic institutions like LIC. These private companies have unleashed new ideas, attractive schemes to lure customers from the traditional players, and new technological innovations.

Digital Transformation

Till 2000, these companies maintained most of the documents in physical format. After the boom in the Information Technology sector post-2000 and the introduction of new rules and regulations by the government, these physical documents were converted and stored in digital format. This move of digitization led to the demand for database management. The huge amount of data and databases to be managed in the insurance paved the way for Big Data and Analytics.

Technology Disruptions

There is a real visible transformation in the insurance segment with the arrival of Artificial Intelligence and Data analytics, coupled with human intelligence, which will maximize the benefits both for the customers as well as service providers. In the process, it will unlock the hidden potential of available Big Data, which, in turn, will disrupt the insurance industry for the greater good.

Convenience is the primary object of the insurance sector. More emphasis should be put on ease of doing business like house owners and renters getting their policies under a minute at a competitive cost and the claims being done within minutes.

These steps will throw up enormous organizational challenges for the insurers, which, however, can be tackled smoothly with the proper coordination between the insurer and Insurtech.

The enormous amount of data available for insurers now on insured (life and non-life), claim history, natural catastrophes like floods, earthquakes, tsunamis, storms, and underwriting procedures help the insurance industry to have a positive change in ease of doing business.

This same vital insurance sector once was crippled by a monopolistic attitude, management complexity of risk profiling, a huge number of fraudulent claims, unsatisfied customers, and lethargy to adopt innovative methods, prolonged claim delays, and so on.

Though these technological changes are still in the developing stage, with the rapid transformation through Artificial Intelligence and Big Data the insurance companies can resolve some of the perennial challenges haunted by the industry.

What these insurance companies need is immediate attention through technologies like Artificial Intelligence and Big Data to create mechanisms to provide early detection of fraudulent claims and provide quick customer service, preferably at their doorstep. They can create innovative products to suit the customers" needs. If the new technology is properly channelized it can optimize its risk and reduce the operation cost, cutting down the premium of insurance customers.

If this happens then the insurance facility will reach a large section of people unlike the stagnated and elite-oriented growth now, which is very low compared to western countries. The larger spread of insurance touching even the remote corners of the country will boost the Indian economy, benefitting a large section of the people.

As many of the Artificial Intelligence players are coming into the market the insurance industry can't be left behind and already some insurance companies have already started applying it in the field of customer journey mapping, fraud analysis, user interaction, Robot advisors and claim prediction analytics, paving the way for bigger use of Artificial Intelligence and Big Bata in the field.

Importance of Social Media data and Meta-data

The importance of Social Media data can't be ignored. The most notable aspect of data usage by insurance companies is the usage of Social Media data collection for fraud analytics. Social Media data is relevant in tracing and evaluating medical claims and workers' compensations. It is a pretty tough job but still accumulating all information across all providers in a chain is the right approach to convert them into useful information.

However, the present infrastructure and IT systems of many insurance companies are not enough flexible and scalable to support the huge volume of data on social media platforms, where in general about 12 terabytes of data is generated on an average per day. So there needs to be a way to find a solution to this complex problem. As we progress, at some point, Artificial Intelligence and Big Data will push the insurance sector into automation in most of its tasks like Tesla's driverless car.

Unfortunately, we are lagging behind countries like China and others. There are various reasons for this lethargy in our application of Artificial Intelligence like the huge population, scarcity of resources, talent generation, management issues, and lack of support from the Government and regulators.

Underwriting Enigma

Underwriting is the riskiest part of the insurance business and it needs the help of the latest technology in the field. It brings huge risks to insurers like the loss of Rs 22,859 cr in 2019-20 in India. Sometimes big insurance companies are also pushed to the brink of bankruptcy like the debacle of Aviva Ltd. (India), Conseco (US), and Conservatrix (Netherlands). Likewise, a pandemic situation like the present one, namely Coronavirus spread, can play havoc with the insurers.

However, there is a hope for the underwriting enigma. The Artificial Intelligence techniques like Machine Learning, Deep Learning, Robotics, Automation, Snapshots, and Machine Vision can provide apt solutions perhaps. They can perform underwriting job, which takes hours to finish, in a jiffy.

According to an IBM study, 2.5 quintillion bytes of data are being generated every day, flooding modern businesses to get actionable insights. But these data can't undermine the importance of business acumen. However, the real success lies in finding knowledge in the heap of data that is being created incessantly.

Big Data's power and influence can't remove the need for business vision, acumen, or insight. It only compliments.

Analysis

a. Are there any changes in business analytics theories/ practices since these five papers were written?

- Yes, there are changes in the business analytics theories and practices since these five papers were written, the evolution of different models and techniques contribute to these changes.

b. Are the ideas and theories proposed in these five papers applicable?

- The ideas and theories proposed in these five papers are applicable to some extent, due to implementation difficulties.

- Like, theory of amalgamation of human intelligence and data analytics, in order to rationalize the outcomes and maximize benefits out of the whole exercise is applicable with the correct intervention of strategic team in any organization.
- The theory of adapting AI in phase-wise is acceptable, but not without zero human intervention
- Upskilling the team with skills ranging from data science, technology, cloud, big data and analytics is highly acceptable

c. To what extent the issues mentioned in these five papers have been resolved?

- Majority of the issues mentioned in these five papers have been resolved.
- The common issues on these five were, to address the skill gap or demand in the emerging sector like AI, ML, Big Data and Analytics. This is issue has been addressed, as one can see more number of institutes and universities offering courses in these technologies
- Legal boundaries, compliances and monitoring to become strict with implementation of laws and acts, is yet to resolved, as it requires the intervention of government
- The challenge of upskill the manpower to embrace the change in insurance sector with the rapid introduction of Technology, Artificial Intelligence and Data Analytics must be addressed with proper care, more number of skill development courses to be development in the field of Insurtech
- The gap between Data Analytics and Business Sense must be bridged by providing appropriate knowledge to the workforce. This issue must be dealt with proper care and solution
- The issue of Change Management is resolved to some extent
- The issues of infrastructure and technological must be addressed

d. How the models, frameworks, and guidelines applicable to skill development professionals?

- The various models, frameworks, and guidelines mention in these five papers will be useful in preparing the knowledge transfer capsule.
- Example, to prepare the case study based on the organisational challenges published in the "Organisation Challenges Before Insurance Industry Due to Rapid Introduction of Technology, Artificial Intelligence and Data Analytics"
- Another example, is to understand the Case Study on Building a Predictive Model for Insurance Agency Retention and create a knowledge capsule for the skill development course
- To prepare a knowledge capsule and train the research team of an insurance company on statistical techniques like: Regression Analysis, Data Visualization, and Predictive Modelling

Research Contributions

The research contributions made in these five papers are:

- The research contribution of analysing social media data will help in addressing the fraud happening in the insurance industry during the claim and settlement process is a highly valid point
- The research contribution of applicability of data analytics in Motor Insurance that uses predictive models to address various practical difficulties is a highly valid point
- The research contribution on change management and new age insurers gave a thorough insight into the emergence of Insuretech as an industry and is a highly valid point
- The research contribution on claim settlement using AI tools is a very good contribution
- The research contribution on 'How Big Data help customers?' gave a thorough insight into the impact of Big Data in Insurance Sector and is a highly valid point

Conclusion

The necessary findings, analysis, general critique, and research contributions are shared in this critical review research paper. The research contribution of analysing social media data will help in addressing the fraud happening in the insurance industry during the claim

and settlement process and also the applicability of data analytics in Motor Insurance that uses predictive models to address various practical difficulties.

The various models, frameworks, and guidelines mention in these five papers will be useful in preparing the knowledge transfer capsule. The L&D teams of insurance companies can develop a knowledge capsule and train the research team on statistical techniques like: Regression Analysis, Data Visualization, and Predictive Modelling.

PAPER	FOCUS	APPLICATIONS
ORGANISATIONAL CHALLENGES BEFORE INSURANCE INDUSTRY DUE TO RAPID INTRODUCTION OF TECHNOLOGY, ARTIFICIAL INTELLIGENCE AND DATA ANALYTICS	On upskilling, new talent acquisition, gap between data analytics and business sense, and change management	Upskilling and Reskilling the employee workforce
BIG DATA – CAN IT MAKE A BIG IMPACT IN THE INSURANCE SECTOR?	On the high performance analytics and applications of big data in insurance	Various applications such as, quick claim settlement, online inspection in automobile industry
"PRACTICAL UTILITY OF ARTIFICIAL INTELLIGENCE AND BIG DATA IN THE INSURANCE INDUSTRY", authored by CA Siddhartha Khurana (OCT-DEC, 2021), published in the JOURNAL OF INSURANCE INSTITUTE OF INDIA	On the practical utility of artificial intelligence and on how to prepare for AI and Big Data for thriving in insurance market	Various applications such as, Rate Making, Underwriting and Production across numerous insurance products
"PRACTICAL UTILITY OF ARTIFICIAL INTELLIGENCE AND BIG DATA IN THE INSURANCE INDUSTRY", authored by Yatender Kumar Sharma (OCT-DEC, 2021), published in the JOURNAL OF INSURANCE INSTITUTE OF INDIA	On the practical utility of artificial intelligence and on how to prepare for AI and Big Data for thriving in insurance market	Various applications such as, Underwriting, Claim Settlement, Reinsurance across different insurance products.
DATA ANALYTICS FOR THE INSURANCE INDUSTRY: A GOLD MINE	On how data science shaped the development of an Accurate Natural Catastrophe (Nat-Cat) Model	Various application such as claim processing in health care and automobile industry

The common issues in these five papers were, to address the skill gap or demand in the emerging sector like AI, ML, Big Data and Analytics. These issues were addressed, as one can see more number of institutes and universities offering courses in these technologies.

The Future scope of this study can be carried out by choosing five different recently published papers on Big Data and Analytics about Insurtech or Insurance industry and carrying out research as per the prescribed method.

PAPER	FUTURE SCOPE OF STUDY	ARE THE PROPOSED IDEAS AND THEORIES APPLICABLE
ORGANISATIONAL CHALLENGES BEFORE INSURANCE INDUSTRY DUE TO RAPID INTRODUCTION OF TECHNOLOGY, ARTIFICIAL INTELLIGENCE AND DATA ANALYTICS	Organisational Challenges before Insurance Industry due to the application of AI or ML in Fraud Detection	YES
BIG DATA – CAN IT MAKE A BIG IMPACT IN THE INSURANCE SECTOR?	The amount of impact that Big Data had created in Insurance Sector	YES

PAPER	FUTURE SCOPE OF STUDY	ARE THE PROPOSED IDEAS AND THEORIES APPLICABLE
"PRACTICAL UTILITY OF ARTIFICIAL INTELLIGENCE AND BIG DATA IN THE INSURANCE INDUSTRY", authored by CA Siddhartha Khurana (OCT-DEC, 2021), published in the JOURNAL OF INSURANCE INSTITUTE OF INDIA	The level of acceptance of practical utility of artificial intelligence	YES
"PRACTICAL UTILITY OF ARTIFICIAL INTELLIGENCE AND BIG DATA IN THE INSURANCE INDUSTRY", authored by Yatender Kumar Sharma (OCT-DEC, 2021), published in the JOURNAL OF INSURANCE INSTITUTE OF INDIA	Challenges with Big Data and AI implementation for Insurance Industry	YES
DATA ANALYTICS FOR THE INSURANCE INDUSTRY: A GOLD MINE	What kind of Data Analysis is Critical in Insurance Industry	YES

The gap between Data Analytics and Business Sense must be bridged by providing appropriate knowledge to the workforce.

The challenge of upskilling the workforce to embrace the change in the insurance sector with the rapid introduction of Technology, Artificial Intelligence, and Data Analytics must be addressed with prper care, and more skill development courses to be developed in the field of Insuretech.

In the future, the role of advanced technology in the insurance sector is inevitable.. TJ

References

1. Abishek Das. (2020). Organisational Challenges Before Insurance Industry Due to Rapid Introduction of Technology, Artificial Intelligence and Data Analytics. The Journal of Insurance Institute of India, (October – December 2020), pg26-pg38.
2. Srinidhi Venkatesh. (2019). Big Data – Can it make a big impact in the insurance sector?. The Journal of Insurance Institute of India, (April – June 2019), pg92-pg97.
3. CA Siddhartha Khurana. (2021). Practical Utility of Artificial Intelligence and Big Data in the Insurance Industry. The Journal of Insurance Institute of India, (October – December 2021), pg82-pg91.
4. Yatender Kumar Sharma. (2021). Practical Utility of Artificial Intelligence and Big Data in the Insurance Industry. The Journal of Insurance Institute of India, (October – December 2021), pg70-pg81.
5. Ravindra Muley. (2018). Data Analytics for the Insurance Industry: A Gold Mine. The Journal of Insurance Institute of India, (October – December 2018), pg03-pg24.
6. Sarah Al-Shiakhli. (2019). Big Analytics: A Literature Review Perspective. Lulea University of Technology, (2019), pg01-04.
7. Abdullah Ramdhani. (2014). Writing a Literature Review Research Paper: A step-by-step approach. International Journal of Basic and Applied Science, Vol. 03, No. 01, July 2014, pg47-pg56.
8. Ahmed Elragal. (2014). Big Data Analytics: A Literature Review Paper. Industrial Conference on Data Mining, (2014), pg214-pg227.

Aspects of financial planning - Saving, Investment and Insurance

Amitava Banik
Associate Commercial Underwriting Head – Kolkata
Reliance General Insurance Company Limited.
amitava_banik@yahoo.co.in

Abstract

Personal financial planning is about putting individual income into productive use to generate capital appreciation and fulfill the various needs of individuals. The two broad objectives of financial planning are – Capital appreciation and savings through investments and Risk protection through insurance products. In the Indian psyche, insurance protection always takes a back seat and is considered more as an unwanted expense than a necessity.

Insurance is an important financial risk transfer tool. The risk is being transferred from the insured to the insurer on the payment of consideration called as the premium. In India, due to lesser awareness levels and education on insurance, the sector has not seen the desired results. The assets of individuals are left unprotected. Also, the sector had not been able to reach its potential as custodian of funds for national development and protection of assets. But things are changing in India as well. The government initiatives in terms of providing protection to the uninsured population for life, health and crops are steps to improve insurance coverage and penetration levels. However, creating more awareness at the individual level and designing products keeping in view the needs for protection of the general population is very important.

This paper discusses the broad contours of financial planning and

how the insurance industry is doing in catering to the protection needs of individuals.

Keywords

Planning, Investments, Protection, Insurance, Awareness.

Introduction

Personal financial planning is the use of income generated into productive use to generate capital appreciation and fulfill the various needs of individuals.

The two broad categories of financial planning are –

1. Savings and Investments
2. Risk protection and Insurance

Savings and Investments

There are various options available for capital appreciation and savings, depending on the needs – short and long-term objectives are enlisted below:

1. Bank Fixed deposits – This may be both short and long term. The major need that this investment fulfills is that of liquidity and assured savings.
2. Mutual funds – There are several categories of mutual funds that are available – Liquid, Debt, Equity, Balanced, etc. Each fund is intended to take care of the specific needs. The liquid funds are the most short-term investment options and the least risky. The debt funds also carry lesser risk and may be short or long term. The equity funds are riskier and should be opted for a longer term to reap the benefits. Balanced funds are hybrid in nature and is a combination of debt and equity. The investments also depend on the risk-taking ability of the investor. The ELSS (Equity Linked Savings Schemes) provide the double benefit of investing in equity and tax saving with a comparatively smaller lock in period of 3 years.
3. Pension funds – The pension funds are long term investments to build up a retirement corpus that can provide a regular income after retirement from active employment
4. Provident fund – This is also a long-term investment that is intended to build up a savings kitty for the future which is safe and secured. There are both employee and public provident funds.
5. Equity investments – These are the investments in stocks and are highly market linked and are not advisable for everyone. These are usually risky investments with high return potential and only for people with awareness of the capital markets and should be only done by people with higher risk appetite. Value investments are ideally long term but there are traders taking short term positions in the market also.
6. Bond market – These are investments in debt instruments of government or private companies and gives steady and lower return but comparative less risky. These may be long term and short term.
7. Government bonds – Government bonds are sovereign bonds with almost zero risk but with lesser and assured return
8. Gratuity – This is a fund arranged by employers to award people who had been loyal to the employee in rendering their valuable service for a long time.
9. Property investment – Investment in property is also considered another mode of investment which has got a long-term capital appreciation objective as well as fulfills one's need for housing.

Risk protection and Insurance

1. Life insurance – Life insurance is the protection of life which is invaluable. Life insurance products are of various types – Term plan, endowment plant, ULIPs, etc. The term plan is the real-life protection that provides relief to the family in the event of the death of the breadwinner or near and dear ones. The other plans of endowment and ULIP are basically hybrid plans that take into account both risk and investment aspects.
2. Health insurance – With burgeoning healthcare expenditure, health insurance has become indispensable part of personal financial protection. Health is the most valuable asset and so in today's world health insurance is a must.
3. Home and property insurance – The financial protection in case of any accidental loss to property due to fire, burglary, machinery breakdown, electronic equipments, etc.

4. Personal accident insurance – The personal accidents can cause loss of earning capacity for individuals. The personal accident insurance has also become a must have in the personal financial protection plan of individuals
5. Professional indemnity – Error and omissions by professionals can cause loss of fortunes. So professional indemnity policy should form a part of the insurance portfolio for professionals.
6. Travel policy, motor policy, etc – These are some other policies required for people owning motor vehicle or going abroad on trips.

Allocation of Individual Savings in Various Asset Classes

According to various reports, the saving-investment gap has come down over the years, indicating that a larger part of the requirement to fund investment is being met through domestic resources and conversely, the net inflow of resources from abroad has declined, which corresponds to the degree of openness of the economy. The allocation of individual funds in various asset classes is illustrated in the following table:

FINANCIAL SAVINGS OF THE HOUSEHOLD SECTOR

(In percent of GNDI)

Item	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
A. Gross financial savings of which	**10.4**	**10.5**	**10.4**	**9.9**	**10.7**	**9.2**	**10.8**
1. Currency	1.2	1.1	0.9	1.0	1.4	-2.0	-
2. Deposits	6.0	6.0	5.8	4.8	4.6	6.3	-
3. Shares and debentures	0.2	0.2	0.2	0.2	0.3	0.2	-
4. Claims on government	-0.2	-0.1	0.2	0.0	0.5	0.4	-
5. Insurance funds	2.2	1.8	1.8	2.4	1.9	2.3	-
6. Provident and Pension funds	1.1	1.5	1.5	1.5	2.1	2.0	-
8. Financial liabilities	**3.2**	**3.2**	**3.1**	**3.0**	**2.7**	**3.0**	**4.3**
C. Net financial savings (A-B)	**7.2**	**7.2**	**7.2**	**6.9**	**7.9**	**6.2**	**6.5**

GNDI - Gross *National Disposable Income; -: Not Available*

Note: *Figures may not add up to total due to rounding off*

2. Data on components of gross financial saving are as per First Revised Estimates of 2016-17.

Source: *NSO as published in RBI Annual Report 2018-19. Appendix Table 3B*

Risk protection is one area which is seen in India as more of expenses than being put into proper use. This is reflected in the low insurance penetration in India.

Penetration (premium as percentage of GDP)	**World**	**India**
Life insurance	3.31	2.74
Non-Life insurance	2.78	0.97
Overall	6.09	3.7

Life Insurance – The below table gives an estimate of the number of new life insurance policies underwritten in India in 2018-19.

NEW INDIVIDUAL POLICIES ISSUED BY LIFE INSURERS IN FY 2018-19

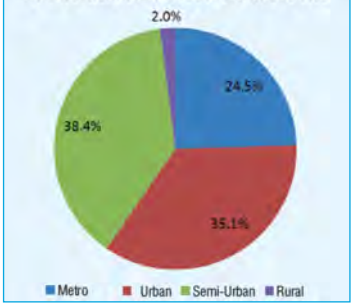
(in lakh)

Insurer	**2017-18**	**2018-19**
LIC	213.38	214.04
	(5.99)	(0.31)
Private Sector	68.59	72.44
	(8.47)	(5.61)
Total	**281.97**	**286.48**
	(6.58)	**(1.70)**

NOTE: *Figures In bracket indicates the growth (in percent) over the previous year in percentage terms.*

The geographic spread of Life Insurance offices shows the low presence in rural areas at only 2% of the total number of offices that indicates low spread and awareness levels and is an indication of the lower penetration levels in rural areas which constitute the majority of the Indian population.

CHART I.14: GEOGRAPHICAL DISTRIBUTION OF LIFE INSURERS OFFICES-INDUSTRY



The total market size of Life insurance products in India in reference to the total premium underwritten is as follows:

TABLE I.9
PREMIUM UNDER WRITTEN AND MARKET SHARE: LIFE INSURERS

(Premium in ₹crore) *(Market Share in percent)*

Insurer	Premium		Market Share	
	2017-18	2018-19	2017-18	2018-19
First year premium (1)				
LIC	28146.40 (7.02)	31326.22 (11.30)	42.82	42.79
Private Sector	37581.33 (13.71)	41887.02 (11.46)	57.18	57.21
Total	**65727.73 (10.75)**	**73213.24 (11.39)**	**100.00**	**100.00**
Single premium (2)				
LIC	106525.29 (8.39)	111009.74 (4.21)	82.95	73.29
Private Sector	21900.88 (24.65)	30780.06 (40.54)	17.05	21.71
Total	**128426.17 (10.85)**	**141789.80 (10.41)**	**100.00**	**100.00**
New Business Premium (3=(1+2))				
LIC	134671.69 (8.10)	142335.96 (5.69)	69.36	66.20
Private Sector	59482.21 (17.51)	72667.08 (22.17)	30.64	33.80
Total	**194153.90 (10.82)**	**215003.04 (10.74)**	**100.00**	**100.00**
Renewal Premium (4)				
LIC	183551.51 (4.35)	195169.11 (6.33)	69.35	66.58
Private Sector	81104.03 (20.39)	97959.88 (20.78)	30.65	33.42
Total	**264655.54 (8.79)**	**293129.00 (10.76)**	**100.00**	**100.00**
Total Premium (5 =(3+4) =(1+2+4))				
LIC	318223.20 (5.90)	337505.07 (6.06)	69.36	66.42
Private Sector	140586.24 (19.15)	170626.96 (21.37)	30.64	33.58
Total	**458809.44 (9.64)**	**508132.03 (10.75)**	**100.00**	**100.00**

Note: *Figures in brackets indicate the growth (in per cent) over the previous year.*

General Insurance

The penetration of General (Non-Life) insurance and Health insurance in India is even lower than the Life insurance market. This is primarily because of very low level of awareness about General Insurance in India. The following table shows the market size for general insurance and health insurance companies in India in terms of premium underwritten in these segments.

GROSS DIRECT PREMIUM INCOME IN INDIA GENERAL AND HEALTH INSURERS

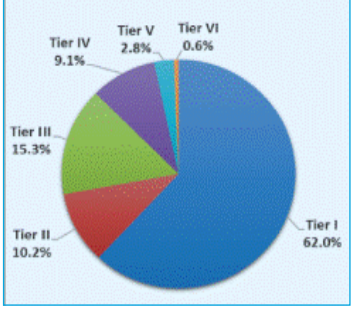
(₹crore)

Insurer	2017-18	2018-19
Public Sector Insurers	67,794.23 12.58%	68,658.85 1.28%
Private Sector Insurers	65,419.82 21.59%	81,287.15 24.25%
Standalone Health Insurers	8,314.28 41.93%	11,354.03 36.56%
Specialized Insurers	9,133.81 10.75%	8,148.42 -10.79%
Total	**1,50,662.13 17.59%**	**1,69,448.46 12.47%**

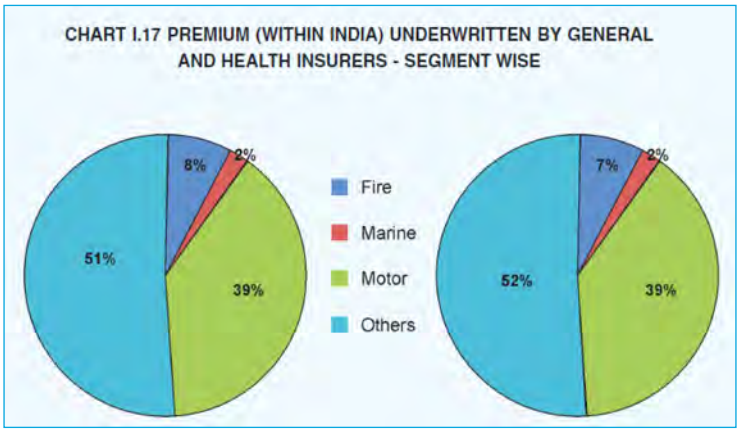
Note: *Figure in percentage indicates growth over previous year. Reclassification/Regrouping in the previous year's figures, if any, by the insurer has not been considered.*

The following table shows the spread of general insurance offices in India. Here again these points towards the poor coverage in rural areas.

CHART I.16 NUMBER OF GENERAL INSURER'S OFFICES TIER WISE 2018-19

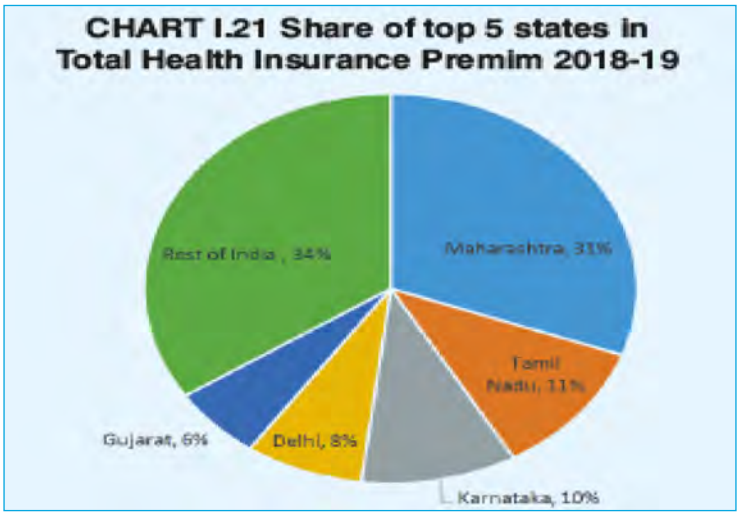


The product wise market of general insurance product in India is illustrated in the following chart –



Thus, the majority of the market is constituted by Motor and Health insurance. Though there had been some push in the market in regard to Health insurance due to increased awareness particularly among the middle-class population and also due to Government schemes, but the proportion of other important lines of General insurance products like Fire is very low. Around 60% of the Indian subcontinent landmass is vulnerable to earthquakes and other natural catastrophes, and at least 38 Indian cities lie in high-risk seismic zone. Further, most Indian cities are densely populated and do not adhere to best architectural layout standards. Also, a majority of both residential and commercial premises do not comply with earthquake and flood resistance safety guidelines. These aspects make them highly vulnerable to natural and man-made perils.

As regards, health insurance in India, the top 5 states account for 66% of the total Health Insurance premium.



Government Schemes

During 2018-19, the insurance industry has covered a total of 120.75 crore number of lives under Personal Accident Insurance. It includes 94.71 crore number of lives covered under Government Sponsored Schemes namely Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jan Dhan Yojana (PMJDY) and IRCTC Travel Insurance for e-ticket passengers.

NUMBER OF LIVES COVERED & GROSS DIRECT PREMIUM UNDER SOME OF THE MAJOR GOVERNMENT SPONSORED SCHEMES DURING 2018-19

(In Lakh)

Name of the Scheme	No. of lives Covered In Lakh	Gross Direct Premium Lakh
IRCTC	3099	1566
PMJDY	5030	1505
PMSBY	1342	16103
Industry Total	**9471**	**19174**

***Note**: It is to be noted that under IRCTC Scheme, PA cover is offered to railway passengers only for a specified Journey undertaken by the passenger and one person may undertake multiple journeys during the reported period.*

Microinsurance

While the individual new business under the micro insurance segment for the year 2018-19 stood at 8.65 lakh new policies with a premium of Rs.32.10 crore, the lives covered under group business was Rs. 12.13 crore with a premium of Rs. 3205.74 crore. LIC contributed to the business procured in this portfolio by garnering Rs. 6.18 lakh individual policies with

a premium of Rs. 20.91 crore and in group insurance LIC does not have any business.

NEW BUSINESS UNDER MICRO-INSURANCE PORTFOLIO FOR 2018-19

(Premium in ₹ lakh)

Insurer	Individual		Group		
	Policies	Premium	Schemes	Premium	Lives covered
Private Total	247444	1118.44	931	320573.78	121307855
LIC	617653	2091.43	0	0.00	0
Industry Total	**865097**	**3209.87**	**931**	**320573.78**	**121307855**

Note: *New business premium includes first year premium and single premium.*

General Micro Insurance Products cover health insurance, cover for belongings, such as, hut, livestock or tools or instruments, personal accident, either on individual or group basis with a maximum amount of cover of Rupees one lakh (2.5 lakh for family/group health) and for a period of one year. Total number of general insurance policies procured by Micro Insurance Agents in the year 2018-19 is as follows:

Channel	Private	Public	Total*
Micro-Insurance Agents	6,168	7,956	14124

Note: ** Does not include Micro Insurance policies issued by Standalone health insurers*

Conclusion

In the financial planning space, there should be a proper balance between savings, investments and risk coverage. The blend also depends on the risk-taking ability (risk appetite) for investments in various asset classes like equity, debt, commodity, real estate, etc. The risk protection and coverage depend on the need for protection as well as the affordability of the individuals. In India, due to lesser awareness levels and education on insurance, the sector has not been able to see the desired results. The assets of individuals are left unprotected. Also, the sector had not been able to reach its potential as custodian of funds for national development and protection of assets.

So, there is the need to create awareness among the general population on various aspects of personal financial planning like investment planning keeping in view one's short, mid and long term goals, contingency planning as well as risk protection.. TJ

Bibliography

1. IRDA Annual report 2018-19
2. Ernst & Young reports – Future Trends in insurance – Trevor & Rorbye, May 2013
3. Global Insurance trends analysis 2018 – Ernst & Young
4. Global insurance industry insights, 2014 – McKinsey & Company
5. Insurance industry – Road Ahead – KPMG and Bengal Chamber of Commerce
6. Principles of risk management and insurance – George E Rejda (Pearson Education)

The Self-Reliant Indian Farmer: Enhancing Rural Income Levels along with Improved Crop Insurance Schemes Post Covid-19 Pandemic

"Good, bad, or indifferent, if you are not investing in new technology, you are going to be left behind".

- Philip Green

Prof. Venkatesh Ganapathy
Associate Professor (Marketing)
Presidency Business School,
Bangalore - 560024.
gvenkatesh69@gmail.com

Abstract

Indian agriculture is dependent on monsoons and arrival of monsoons is often associated with uncertainty. Failure of monsoons, production and marketing risks continue to play havoc with the interest of farmers. Crop insurance is one of the means to mitigate the production risk. The Government has launched various crop insurance schemes from time to time. A glimpse into the history of crop insurance in India reveals the bottlenecks that were faced at various points in time. Despite attempts to revamp the crop insurance schemes, farmers continue to be dissatisfied due to erratic crop loss assessments and delayed claim settlements.

An in-depth analysis of the PMFBY (Pradhan Mantri Fasal Bima Yojana) crop insurance scheme has exposed the ground level realities associated with this scheme. The scheme has been successful in parts but a lot needs to be achieved in the near future. Technological interventions in crop cutting experiments and loss

assessments will enable farmers to receive their claim settlements on time. The Government needs to take actions on war-footing to address the challenges in implementing crop insurance schemes. This research effort recommends building a greater level of farmer engagement with crop insurance schemes using technology as an effective conduit. However, attempt must also be made make the farmer self-reliant by providing opportunities to boost income levels.

Keywords

Crop Insurance, Crop Loss Assessments, Agricultural Risk Management, Remote Sensing, Technology, PMFBY, Artificial Intelligence, Crop Cutting Experiments.

Introduction

India is the third largest market for crop insurance after US and China. India's crop insurance market has reached US $4bn in 2021.

In 2018-19, the cropper area under insurance was 26%. India's low irrigation coverage makes it vulnerable to vagaries of weather – especially rainfall that causes floods or deficiency of rainfall that leads to drought. Only 49% of farming land was under irrigation in 2015-16. Production losses due to crop diseases have led to fluctuations in farm incomes necessitating the significance of crop insurance.

Increased droughts in India, risks like natural disasters, floods, winds and hailstorms are few reasons why farmers need crop insurance. Crop insurance protects farmers against variations in yield due to uncertainty of all natural factors beyond their control. It is a financial mechanism whereby attempt is made to minimize the impact of loss in farm income by considering uncertainties that can affect the yield of crops.

There are two approaches to crop insurance

1. Individual approach - the yield loss on individual farms forms the basis for indemnity payment
2. Homogeneous area approach – here a homogeneous crop area is taken as a unit for assessment of yield and payment of indemnity.

It is worthwhile to remember that crop insurance indemnifies the cultivator against shortfall in crop yield but weather insurance is based on the notion that weather conditions can affect crop yield even when the cultivator has taken all care to ensure a good harvest.

Diversification of crops, integrated pest management and intercropping (practice of growing two or more crops in proximity to produce a greater yield) can provide relief to farmers to some extent but nothing can match the power and influence of a crop insurance scheme.

In this research effort, we attempt to understand how technology can be used to revamp the crop insurance schemes and support the implementation of these schemes. We also argue how attempts must be made to boost farm income levels to make the farmer self-reliant.

History of Crop Insurance in India

1947	Government commissioned a study to deliberate on the idea of crop insurance
1950	Two pilot programs in crop insurance were introduced but states did not take them up due to resource constraints
1965	Government drafted a model scheme of crop insurance; states refused to agree as they had to bear a portion of the premium subsidy
1970 March	Draft bill for crop insurance designed by an expert committee
1972	LIC launched first crop insurance scheme using an individual farm-based approach. The scheme initially covered cotton and later included groundnuts, wheat and potatoes. Gujarat, Andhra Pradesh, Maharashtra and Tamil Nadu were the states where this scheme was introduced. Determining the crop yields of past and current seasons for each farmer was challenging due to remoteness and inaccessibility of villages and inadequate infrastructure.
1979	GIC assumed responsibility for crop insurance business. Introduction of pilot crop insurance scheme based on the area approach – this was a voluntary scheme for farmers who took loans from commercial banks & credit institutions. This scheme operated till 1984/1985 when the scheme reached 623000 farmers in 13 states.

1985	Launch of Comprehensive Crop Insurance scheme – open to all farmers and compulsory for borrowing farmers. Sum insured was 150% of crop loan amount. In 1988, this was reduced to 100% of loan subject to a cap of Rs 10000/- per farmer. 50% premium subsidy was offered to small holder and marginal farmers. Claim settlement was based on yield. The scheme was operating at a loss because the claim-to-premium ratio was too high.
Source: Nirmal, R., & Babu, S. C. (2021). When implementation goes wrong: Lessons from crop insurance in India (Vol. 2012). Intl Food Policy Res Inst.	

To address the shortcomings in the Comprehensive Crop Insurance Scheme, the National Agricultural Insurance Scheme (NAIS) was introduced during the rabi (spring) crop season of 1999/2000. This scheme operated on an area approach for widespread calamities and on an individual approach for localized calamities like hailstorms and landslides to make loss assessment more realistic and attract non-borrowing farmers to crop insurance.

Though NAIS was implemented in 25 states and two union territories, the reach of the scheme was limited. By 2008, it had covered only 16% farmers in the country. The scheme covered only risks in the stages from sowing to harvesting. Natural events that prevented sowing were not covered. Large variation in yield between villages in the same block as unit of insurance was the block/ district. Farmers were disappointed because they were not adequately compensated. Based on the feedback, modified NAIS was launched in 2011 where unit area of insurance was reduced to the panchayat (village) for all major crops. The scheme offered indemnity for prevented sowing and post-harvest losses. Still the coverage of crop insurance could not be improved. The farmers were not indemnified to the full extent of the loss and were disappointed again.

The loss assessment using area approach was far removed from reality. Risks due to localized calamities such as hailstorms, landslides and post-harvest losses were not covered. This discouraged non-borrowing farmers from signing up for crop insurance cover. Besides irregularities in crop cutting experiments, discrepancies in the crop area insured as compared with the net area sown produced an adverse effect for farmers.

Let us look at the various crop insurance schemes launched by the Government:

Sr. No.	Name of the Scheme	Benefits under the Scheme
1	Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)	An amount of Rs 6000 per year is released (in three equal instalments of Rs 2000 every four months) by the central government online directly into the bank accounts of the eligible farmers. During Covid period, Rs 84,600 crore was paid to 10.52 crore beneficiaries under the scheme.
2	Kisan Credit Card (KCC)	Initiated by Department of Agriculture Cooperation and Farmers Welfare (DAC&FW) in mid-February, 2020. It aims to provide universal access to institutional concessional credit to all farmers including Animal Husbandry, Dairy and Fisheries farmers with special focus on coverage of PM-KISAN beneficiaries. Under the 'Atmanirbhar Bharat Abhiyan (ABA)' campaign, the government has set a target of issuing additional 2.5 crore KCCs so that farmers can avail cheap credit. So far, Banks have issued KCC for 2.18 crore eligible farmers.
3	Pradhan Mantri Kisan Maan Dhan Yojana (PM-KMY)	A voluntary and contributory pension scheme for Small and marginal farmers. 114721 farmers covered under the scheme during 2020-21
4	Pradhan Mantri Fasal Bima Yojana (PMFBY)	An affordable crop insurance scheme for farmers against all non-preventable natural risks.

Source: ***https://www.zeebiz.com/india/news-financial-aid-to-farmers-during-covid-crisis-from-pm-kisan-to-pradhan-mantri-fasal-bima-yojana-check-schemes-that-benefited-farmers-161153***

Challenges in Crop Insurance in India

The Indian crop insurance model is subsidized by government but there is no support for private market institutions to explore crop insurance as a business. Asymmetric information creates barriers in developing a private crop insurance market in India. The crop insurance schemes in India haven't achieved adequate penetration despite best efforts by the insurance industry. To some extent, the Pradhan Mantri Fasal Bima Yojana (PMFBY) has managed to change this scenario.

The primary reasons for lower demand for crop insurance are – lack of awareness and lack of interest shown by the farmers. As insurance programs offer uncertain benefit in exchange for certain cost, this can be an irritant to the farming community and result in subdued demand for crop insurance. There is no legal or regulatory framework to protect farmers against potential malpractices.

As insurance buying behaviour depends on the past experience, the ability of the insurers to settle claims quickly becomes a main differentiator. Sub-optimal claims handling efficiency can lead to dissatisfaction of farmers. In India, the number of small agricultural holdings is large. This poses a high administration cost for farmers. Research in crop insurance has revealed that adverse selection and moral hazard are issues needing attention in developing countries. From the insurer's perspective, there is lack of financial and human resources for crop yield surveys.

It is rather unfortunate that every crop insurance scheme launched in India has failed to provide support to farmers. In most cases, implementation challenges have crippled the administration of crop insurance scheme. The Pradhan Mantri Fasal Bima Yojana has alleviated the problems to some extent.

Since the last three years, the South West monsoons during June-Sept have been normal. Despite the pandemic, the agriculture sector registered a modest growth of 3.6%. Government plans to bring 50% of the area cropped under insurance. This was why the PMFBY (Pradhan Mantri Fasal Bima Yojana) was revamped and weather-based crop insurance scheme was restructured.

It has been found that crop insurance claims are rejected because of the way they are structured, funded and implemented. For example – under PMFBY, state governments have delayed their share of premium subsidy causing misery to farmers.

This research effort tries to underscore the need for exigent interventions by Government to make crop insurance schemes viable so that the basic goal of supporting farmers remains indefatigable. The paper also highlights the challenges faced by PMFBY and the need for technology enabled crop cutting experiments to reduce the cycle time for crop loss assessments and settlement of claims.

Pradhan Mantri Fasal Bima Yojana (PMFBY)

Pradhan Mantri Fasal Bima Yojana (PMFBY) scheme was launched in India by Ministry of Agriculture & Farmers welfare, New Delhi from Kharif 2016 season onwards. The PMFBY was launched after two successive years of drought.

The two Schemes under the said operational guidelines are:

1. Pradhan Mantri Fasal Bima Yojana (PMFBY).
2. Restructured Weather Based Crop Insurance Scheme (RWBCIS)

The PMFBY supports farmers through combination of technology, insurance coverage and efficient processes. In 2021, the scheme generated a premium income of Rs 31,500 crore.

Restructured Weather Based Crop Insurance Scheme (RWBCIS) aims to mitigate the hardship of the insured farmers against the likelihood of financial loss on account of anticipated crop loss resulting from adverse weather conditions relating to rainfall, temperature, wind, humidity etc. It uses weather parameters as "proxy" for crop yields. This is used as a basis for compensating the cultivators for crop losses.

The Pradhan Mantri Fasal BimaYojana (PMFBY) supports sustainable production in agriculture by providing financial support to farmers suffering crop loss and ensures stabilization of income of farmers. The scheme encourages farmers to follow innovative agricultural practices. The idea behind the scheme is to ensure

flow of credit to agriculture so that food security is achieved, farmers are protected from production risks and crop diversification results in biodiversity. The scheme is compulsory for all farmers who availed loan. The insurance coverage is equivalent to sum insured/ hectare. Cereals, millets, pulses, oilseeds and horticultural crops are covered under the scheme.

The PMFBY scheme extends coverage for the entire cropping cycle from pre-sowing to post-harvest, including coverage for losses arising out of prevented sowing and mid-season adversities. Post-harvest losses due to perils like inundation, cloudburst and natural fire are also covered.

Under Pradhan Mantri Fasal Bima Yojana (PMFBY), following risks leading to crop loss are covered:

1. Yield losses due to non-preventable risks, such as fire, lightning, storm, hailstorm, cyclone, typhoon, tempest, hurricane, tornado, flood, landslide, drought and dry spells, attacks by pests/ losses due to crop diseases.

   In case the farmer is unable to do sowing/planting due to adverse weather, the farmer is eligible for indemnity claims up to a maximum of 25% of the sum insured.

2. Post-harvest losses – Cover is available till 14 days from harvesting for those crops kept to dry in the field after harvesting against perils like cyclone/ cyclonic rains and unseasonal rains throughout the country. Losses due to local calamities like hailstorm, flooding and landslide are covered.

However, exclusions consist of war & kindred perils, nuclear risks, riots, malicious damage, theft, act of enmity, grazed and/or destroyed by domestic and/or wild animals.

The crop insurance portal has put an end to age old practices in insurance. Digitisation has led to better data consistency, reduced duplication of payments and greater transparency. Technology has also led to integration of land records with insurance schemes to assess insurable interest on a real time basis.

Crop cutting experiments (CCEs) are carried out to measure crop yields, for production estimation and crop insurance. Under the PMFBY, CCEs are conducted to estimate yield for insurance claim computation. Mobile app has allowed instantaneous capture of crop cutting experiments – so calculations are far more realistic.

The crop insurance mobile app ensures easy enrolment of farmers. Assessment of crop losses is technology-enabled through usage of technology such as satellite imagery, remote-sensing technology, drones, artificial intelligence and machine learning. Farmers can report crop losses within 72 hours of occurrence of any event through the crop insurance app or common service centre.

The Union Government made payment of Rs 1008 crore to farmers as part of PMFBY. Farmers can now choose to be a part of PMFBY as optional scheme. The farmer can choose insurance cover for flood or drought. Remote sensing (satellite imagining) for the assessment of loss will make the claim settlement process very transparent and quick.

PMFBY – Ground Level Realities

When the yield of crops is good, the farmers may not need support from insurance. However, during crop failures, if farmers don't get support through insurance, they find this devastating. Even though claim settlement through PMFBY is substantial, instances of delayed claim settlements do not bode well.

The total number of farmers covered under PMFBY was 21.7 million in 2018. It reduced to 20.2 million in 2019 and further whittled down to 11.4 million farmers in 2020. Unfortunately, Gujarat, Andhra Pradesh, Telangana, Jharkhand, West Bengal and Bihar left the scheme. They cited the high cost of premium subsidy. Insurers have been advised to pay penal interest on delayed claim settlements. But delays in assessing the yield and disputes between insurance companies and state governments over yield data have exacerbated matters further.

The failure of PMFBY in most states has been analysed by researchers. Marathwada is a drought prone region in Western India with the highest rate of farmer suicides. However, Karnataka has a successful track record of implementing PMFBY though the penetration levels for crop insurance have not been fully

achieved. If the claims experience is adverse, the farmer won't seek insurance cover the next time. The Standing Committee on Agriculture evaluated the effectiveness of the PMFBY and this led to the forming of a working group to revamp this scheme from Kharif 2022 season.

In February 2020, revamped guidelines mandated use of satellite technology for crop cutting experiments. States had the option to choose a district level value of notional average yield. The threshold yield calculation was changed to help increase pay-outs for farmers. There have been serious administrative glitches under PMFBY. All claims have to be settled by insurers within 3 weeks of the end of the cropping season, but this seldom happens. Insurers claim that state governments delay the submission of yield data. States say that the delay in submitting yield data is due to challenges in crop cutting experiments. But these arguments are not in favour of the farmers' interest. Lack of transparency in crop loss assessments coupled with delayed claim settlements have made farmers unhappy. The scheme has been unable to bring smallholding farmers and marginal farmers into its fold.

Impact of Pandemic

The pandemic disrupted the Indian agricultural system. It affected production and marketing through labour and logistical constraints. The negative income shock resulted in increase in the prices of commodities. Thus, the pandemic had an adverse effect on stakeholders of the Indian agricultural system.

The 2020 pandemic made many nations across the globe invest in measures to contain the spread of the virus. Economic and social disruptions were caused by Covid-19 pandemic. India's Covid-19 social assistance package (Rs 1.7 lac crore) (PM – Garib Kalyan Yojana) was announced in March 2020 to provide immediate relief to the vulnerable population. The scheme involved direct cash benefit transfers to farmers for procuring agricultural inputs for the upcoming farming season.

During the first phase of Covid in 2020, the agriculture sector remained vibrant. For millions who lost their livelihoods after the nationwide Covid-19 lockdown, agriculture became the fall-back option. In 2020, the rise in employment of farmers was actually disguised unemployment. But during the second phase of the pandemic, rural demand decreased.

Interestingly, the effect of lockdowns was not uniform in all states in India. These differences were attributable to structural differences in market infrastructure and state specific Covid related interventions. Odisha has limited mechanization. Farmers rely on manual labour to harvest crops. The absence of a well-oiled procurement system led to distress selling. The situation was different in Haryana. A well-structured market infrastructure allowed procurement at stable prices. Farmers in Odisha benefited from diverse crop patterns and increased local supply of foods. The same cannot be said about farmers of Haryana.

A study of 1789 smallholder households in Rajasthan, Madhya Pradesh and Uttar Pradesh revealed that the government package alleviated credit constraints. Farmers were able to use the funds for procuring seeds, fertilizers, and pesticides. Direct cash transfers are beneficial because of lower transaction costs, minimal leakages and immediate delivery. An important challenge remains however. How to ensure that farmers develop resilience after receiving such relief measures?

During the first phase of the pandemic in 2020, the Government disbursed crop insurance claims worth Rs 2,424 crore to farmers across 12 states during lockdown under PMFBY. Post February 2020, the scheme has been made voluntary. The scheme was intended to provide a comprehensive risk solution at the lowest premium for farmers. The average sum insured per hectare has increased from Rs 15,100 during the pre-PMFBY schemes to Rs 40,700 under PMFBY. The Government of India has urged farmers to take advantage of PMFBY and become self-sufficient in times of crisis and support the creation of Atmanirbhar Kisan. The Aadhar seeding has enabled faster settlement of crop insurance claims under the scheme.

For all farmers who took loans on Kisan Credit Cards, the insurance premium was deducted from their loan amounts. Some farmers insure their crops separately. But though these farmers made the crop insurance claims (in 2018) they did not receive the compensation.

% OF HOUSEHOLDS NOT RECEIVING CROP INSURANCE CLAIM (2018)	
Crop	**%**
Paddy	73.1
Jowar	84.7
Bajra	57.9
Maize	82.1
Ragi	100
Arhar (Tur)	86
Sugarcane	98.6
Groundnut	85.9
Cotton Ipsum	89.5

Source: https://theprint.in/opinion/has-crop-insurance-helped-indian-farmers-many-dont-get-payments-on-time/757815/

Digitalization in Crop Insurance

Crop Cutting Experiments or CCE is an assessment method used by governments and agricultural bodies to estimate the yield of a crop during a given cultivation cycle. In the traditional method of CCE, sample locations are selected based on a random sampling of the total area under study. The plots are selected and the produce is analysed. The data so gathered is extrapolated to the entire region to give a fair assessment of the average yield of the state.

PMFBY uses this data based on which payments are made to fulfil farmers' crop insurance claims. Each state has to carry out at least four CCEs in every village panchayat. Digital platforms are used to verify that claims are based on the data. This is useful to all the stakeholders in the agricultural value chain.

However, the limitation of this method is that it is dependent on variables like administrative setup, type and size of field staff, farmer co-operation, and harvest conditions. This is a laborious process considering the number of panchayats that India has. There are 250,000 village clusters (panchayats) in India. It is a humongous challenge to complete the mandatory number of CCEs within a short harvesting window with limited human resources. In India, 10 million CCEs are performed annually.

To bring CCEs to a manageable level, satellite technology, machine learning and big data analytics can identify farm plots that can represent a reasonably accurate sample for CCE for a particular village. In Philippines, such technology-enabled risk assessments have improved administration of crop insurance schemes. Damage assessments can be more accurate if scientific selection of plots is used for CCE. Remote sensing technologies can lead to assessments that are more than 70% accurate. Remote sensing can be used that can capture the precise location, size of the farm, details of the farmer, and the crop details right from the pre-harvest stage. This leads to field data that is relevant and accurate.

Radar satellites use microwave sensing technology. Artificial intelligence based algorithms can provide reliable data. Technology can greatly aid the penetration of indemnity based crop insurance programs. These scientific methods can result in optimised method of plot selection providing government and insurance companies with scientific, scalable and accurate reports.

Technology can enable a large number of CCEs to be conducted with limited manpower during a short harvesting window. Reduced paper work complemented with reduced manual errors makes this an attractive proposition. Decision about claim pay-outs by insurers is data driven obviating fraudulent claims. Insurance companies can thus customise crop insurance schemes and products based on real-time data gathered from each individual farm. Claims settlement is free of biases/prejudices leading to satisfaction of farmers.

Farmer Producer Organizations (FPOs) and Start Ups: Improving the Financial Well-being of Farmers

Micro land holdings limit a farmer's scope to use mixed farming or attempt to grow diverse crops. To address this issue, Government set up FPOs.

FPO is established under the statute of Companies Act or the State Co-operative Act. It is a collaborative effort of farmers belonging to a particular region that can have a positive impact on the farming value chain. Farmers can tackle price uncertainty, improve processing and storage capacities and deploy newer farming methods. Farmers are also empowered to identify sectoral risks in the farming ecosystem and take collective steps to mitigate these risks.

The Government of India has announced a goal of incorporating 10000 FPOs by 2023. State

governments have proposed a dedicated state legislation to establish and regulate state FPOs in the near future. Madhya Pradesh, Maharashtra and Karnataka are states having the largest number of FPOs. Mechanization of agriculture and incentives for farmers are recent developments. The PMFBY has added more crops under the scheme. Even for agri loans, crop insurance is a must.

Applications like Umang and M-Kisan have ensured that farming communities have access to critical information. Such platforms make it easy for farmers to get seed fertilizer credit subsidies. Entrepreneurs have introduced service-based models so that farm productivity can be improved. This can lead to improvement in farmers' socio-economic conditions and increase incomes.

The role of start-ups has been pronounced in terms of

1. Sourcing quality seeds
2. Providing mechanized tools for farming
3. Ensuring logistics support for movement of crops
4. Improve access to new markets

Block chain and artificial intelligence can enable farmers to gain access to futuristic solutions so that farm output can improve.

Other important steps by Government

1. Encourage private crop insurance
2. Promote diverse crop insurance products in the market
3. Sensitize farmers about the need for insurance
4. Allocate financial and technological resources
5. Encourage use of Kisan Credit Card scheme

The Pradhan Mantri Kisan Maandhan Yojana has been received well by farmers. Farmers up to the age of 40 can create a retirement corpus for themselves. Monthly contributions by farmers are meagre. This scheme has 21 lakhs subscribers since it was announced in 2019.

Recommendations

A comprehensive capacity building plan is needed. State government officials and leaders from villages must be trained in the implementation of the insurance program. Farmer leaders and extension workers must be trained to conduct crop cutting experiments. Extension workers are experienced farmers selected and hired by the government to mentor and train local farmers.

The Government has to set up weather monitoring stations, invest in agro meteorological research and fund innovative start-ups in picture-based insurance, remote sensing and machine learning. Visible crop characteristics are derived from farmers' own smartphone pictures. This minimizes the costs of verifying losses and detecting damages at the plot level. This can make crop insurance attractive to small farmers. This is what picture based insurance is all about.

Rights and duties of all stakeholders in crop insurance must be delineated. The National Crop Insurance portal can be used for real time tracking of the implementation and the payments to farmers. The Government should regularly collect feedback about the crop insurance schemes from farmers. Further, the insurance programs must be subject to periodic audits. Some private insurers have exited from crop insurance citing losses. This is not great news either. The reinsurance terms for crop insurance deserve greater attention.

Designing actuarially sound crop insurance policies need data. Private insurers need access to reinsurance for which a regulatory framework needs to be constructed. Private insurers can sustain in market only if they can reduce transaction costs. For example – private insurers and government can work together to bring down administrative costs. Technology can also lead to reduction in transaction costs.

India's compensation schemes for farmers are largely result of a public-private partnership with globally renowned insurance experts. In future, satellite and drone technology can be deployed to make loss assessments and expedite processing of claims.

The Policy focus to strengthen the agriculture sector's market linkages will improve income levels of farmers. Setting up of FPOs can improve access to farming services and products. These FPO centers can be used to provide credit, crop insurance, technological solutions and marketing support. Start-ups can work with FPOs and introduce

farming interventions. A dedicated social security scheme for farmers will add to the existing welfare measures for the farming community.

Climatic changes cannot be avoided. But science can help a reasonably accurate prediction about the vagaries of weather. This can be used to improve the quality of crop insurance cover provided. Farmers must be made aware about the claim initiation processes so that they receive the right compensation at the right time.

The time to assess crop damage losses is between 30 and 45 days. This makes it difficult for state governments and insurance companies to conduct the required number of crop cutting experiments for final yield assessment so that farmers can process their claims. Alternative sources like satellite (optical and radar) data and weather data can be used to optimise the number of crop cutting experiments and estimate crop yields.

To Sum Up

India boasts of a population of close to 1.36 billion. Nearly one in four farmers in India live below the poverty line. High dependency on agriculture to drive rural incomes is adding to the woes of the Indian farmer. Floods in Maharashtra in July 2021 damaged standing crops. Lack of rain in August 2021 had an adverse impact on the agricultural ecosystem in India.

Crop insurance is a well-intentioned initiative to insulate farmers from suffering losses due to factors that are beyond their control. The reasons why the crop insurance schemes have done little to ameliorate the plight of farmers is something that needs investigation. The private insurers can't be divested of their responsibility to provide crop insurance covers. The energy and enthusiasm with which the private players are marketing their insurance solutions must be appreciated.

PRIORITY AREAS THAT NEED IMMEDIATE FOCUS
State government support is crucial for creating awareness of crop insurance through media campaigns, use of mobile phones to record and report crop cutting experiments including geotags. Land records can be digitized and updated.
Banks dealing with premiums under PMFBY should have dedicated staff to handle the portfolio
Premium rates fixed by insurers must be vetted by a government-appointed third party
IRDA needs to frame regulations specifically targeted at insurers empanelled under the PMFBY program; penalties must be imposed on wilful default of claim settlements by insurers; Empanelled insurers must have an office at district level
Need a systematic analysis of implementation challenges at the grass root level so that policy makers can improve the scheme

However, they should improve credibility by settling crop insurance claims quickly.

The insurance community must also spare no effort in highlighting the dos and don'ts to those who seek crop insurance cover. This is where most of the problems lie. Managing expectations of farmers who seek insurance cover is essential. Crop insurance is one of the risk mitigating mechanism or tool – it is not the only tool. The insurance companies must move a step further in educating farmers about protecting their crops and try to listen to the problems faced by the agricultural community.

The uptake of crop insurance has been dismal. 38% of rice farmers reported crop loss in July-December 2018, but only 8% had crop insurance. Nearly 60% and 70% of rice and ragi farmers were unaware about crop insurance schemes. The tribe of farmers who feel that they don't need insurance is also gradually growing. This only points out the need for government to reach out to farmers and explain to them the value proposition of crop insurance.

When farmers were educated by an insurance educator endorsed by a trusted local agent, demand for crop insurance increased by 36%. The success of any crop insurance scheme depends on the amount and timeliness of claims payment.

Policies are needed to incentivise farmers to diversify and improve access to credit. Farm incomes often remain stagnant even during a period of inflation. More investments in

infrastructure and technology are needed to improve crop insurance in India. Adoption of remote sensing technologies, strengthening infrastructure and institutional capacity and putting in place a monitoring mechanism can lead to better outcomes from crop insurance schemes.

Crop insurance schemes in India have seldom achieved success. They often need support through large government subsidies. Researchers feel that the existing insurance products may need tweaking to suit them to the needs of the farmers. Farmers (as per a few research studies) are willing to pay more than the subsidized rates for premiums but they are dissatisfied with delayed indemnity payments.

It appears that all crop insurance schemes in India have been launched on a trial and error mode. A scheme is launched, the problems are taken note of and a new crop insurance scheme is launched. The pandemic has further exacerbated matters. Can this constant experimentation and modification of insurance schemes be really beneficial in the long run? Or would it make more sense to analyse ground realities and introduce crop insurance schemes that have a greater buy-in from farmers? Why can't farmers co-create insurance policies by voicing their opinions on the design of crop insurance policies? Considering the vast regional disparities in a country like India, do we need a region specific crop insurance cover? These are some of the questions that need to be answered if a permanent solution has to be found out.

Farmer engagement is crucial for the success and sustainability of crop insurance schemes. The Covid pandemic must be treated as a signal for the government to re-evaluate the effectiveness of existing crop insurance schemes. Stakeholders and their responsibilities must be clearly identified and accountabilities must be fixed. Those who are responsible for delaying legitimate claims to farmers need to be penalised. Like the PM Gati Shakti National Master Plan for multi-modal connectivity, we need a similar scheme for a fool-proof crop insurance scheme. As part of the Gati Shakti plan, a digital platform has been created to bring 16 ministries together for integrated planning and implementation of infrastructure connectivity projects. A similar digital platform should connect all crop insurance stakeholders so that the process of crop insurance underwriting and claim settlements remains seamless.

The Government cannot forever subsidise crop insurance schemes. Steps need to be taken to develop a private crop insurance market in India. Encouraging cultivation of cover crops can prove to be beneficial for climate change endeavours. FMCG players have successfully penetrated the rural markets in India with innovative products. Initiatives like Project Shakti (by HUL) and E-choupal (by ITC) are being discussed as case studies in business schools. This indicates that the Government needs support of private players and new age entrepreneurs to popularize crop insurance in India. HUL started Project Shakti in 2001 to empower underprivileged rural women and provided them with income generating opportunities. E-choupal has provided farmers transparency regarding the prices of crops.

The Government must ensure that farmers get a fair price for their crops and their income levels are boosted. Rather than using crop insurance to make Indian farmer (kisan) self-reliant (atma nirbhar), it is essential to understand how can the Indian farmer (kisan) become self-reliant and make crop insurance as one of the enablers (supporting mechanism) to achieve this goal. This is no time for selling stand-alone crop insurance products. In the digital era where technology has become a requirement to streamline business processes and in a world ravaged by the ill-effects of Covid-19 pandemic, selling of crop insurance schemes must be tactfully combined with social welfare schemes that can empower the Indian farmer. This is the true mantra of "self-reliance".

Farmers are an integral part of India's demographic landscape. Considering India is an agrarian economy, it is essential to support the farming community in every possible way. Atma Nirbhar Bharat will be really successful only if the farmer is made Atma Nirbhar. TJ

References

http://www.businessworld.in/article/Another-Waive-Of-Relief-For-Farmers-Amidst-Covid-19-outbreak/08-04-2020-188597/

https://theprint.in/opinion/has-crop-insurance-helped-indian-farmers-many-dont-get-payments-on-time/757815/

https://www.ifpri.org/publication/impacts-national-lockdown-smallholder-farmers%E2%80%99-income-and-food-security-empirical

https://link.springer.com/article/10.1007/s12524-020-01213-5

https://www.researchgate.net/publication/344622655_Impact_of_COVID-19_on_the_Indian_Agricultural_System_A_10-Point_Strategy_for_Post-Pandemic_Recovery

https://nationalinsurance.nic.co.in/en/pradhan-mantri-fasal-bima-yojana-pmfby

https://www.moneycontrol.com/news/india/covid-19-lockdown-crop-insurance-claims-worth-rs-2424-crore-disbursed-to-farmers-5151521.html

https://economictimes.indiatimes.com/news/economy/agriculture/pradhan-mantri-fasal-bima-yojana-completes-5-years-of-operation-govt-urges-farmers-to-take-benefit-of-scheme/articleshow/80237336.cms?from=mdr

https://www.indiaspend.com/agriculture/pre-covid-average-farm-incomes-rose-debt-777585

https://sustainableagriculture.net/blog/new-pandemic-cover-crop-program-is-a-first-step/

https://www.agriculture.com/crops/cover-crops/new-pandemic-cover-crop-program-helps-farmers-receive-premium-benefit

https://www.zeebiz.com/india/news-financial-aid-to-farmers-during-covid-crisis-from-pm-kisan-to-pradhan-mantri-fasal-bima-yojana-check-schemes-that-benefited-farmers-161153

http://www.indiaenvironmentportal.org.in/content/470207/when-implementation-goes-wrong-lessons-from-crop-insurance-in-india/

http://www.indiaenvironmentportal.org.in/content/462628/is-there-a-market-for-multi-peril-crop-insurance-in-developing-countries-moving-beyond-subsidies-evidence-from-india/

https://www.sciencedirect.com/science/article/pii/S0308521X21000020

Singh, G. (2010). Crop insurance in India. Ahmedabad: Indian Institute of Management.

Nirmal, R., & Babu, S. C. (2021). When implementation goes wrong: Lessons from crop insurance in India (Vol. 2012). Intl Food Policy Res Inst.

https://www.cropin.com/blogs/how-is-ai-optimising-insurance-payout-for-one-of-the-worlds-largest-crop-insurance-programs/

https://timesofindia.indiatimes.com/blogs/voices/indias-transformative-state-crop-insurance-system/

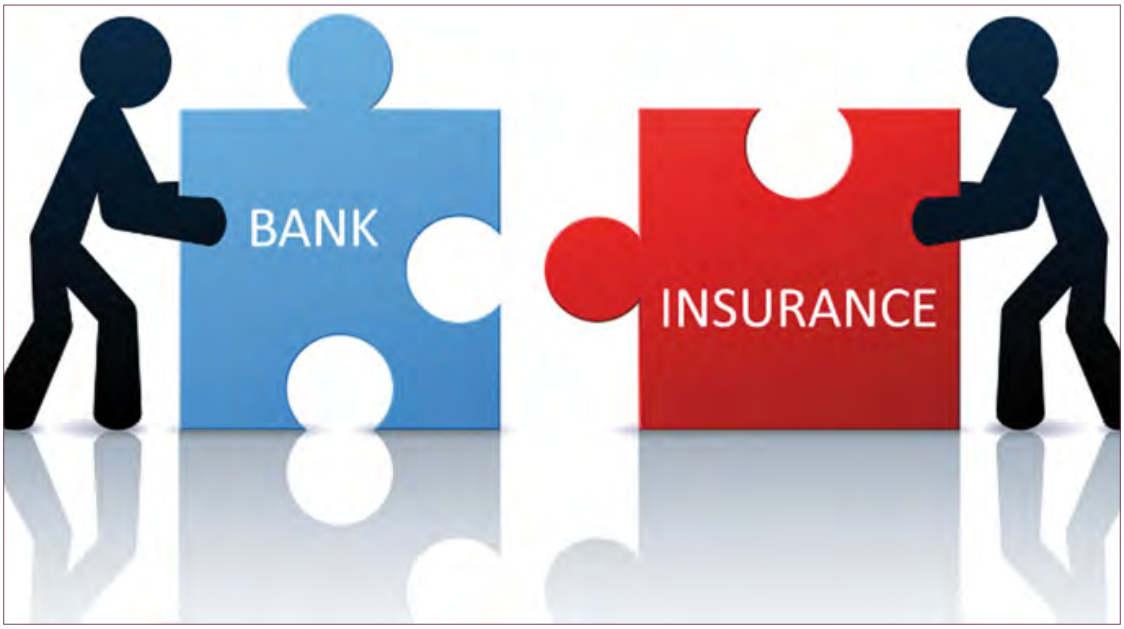
https://www.niti.gov.in/strengthening-indian-agriculture-ecosystem

https://timesofindia.indiatimes.com/india/taking-all-steps-to-make-farmers-self-reliant-modi/articleshow/80691802.cms

http://sfacindia.com/

https://theprint.in/india/india-focuses-on-hi-tech-agriculture-to-make-farmers-self-reliant/874339/

Awareness of Bancassurance Services among Public and Private Bank Customers in Punjab: A Cross-Sectional Analysis



Diksha Verma
Research Scholar
Lovely Professional University, Jalandhar
verma.diksha56@gmail.com

Dr. Pooja Kansra
Professor
Mittal School of Business
Lovely Professional University, Jalandhar
pkansra@gmail.com

Abstract

Bancassurance can extensively improve the financial performance of banks if customers are aware about it. Assessing the level of awareness of customers about Bancassurance is an essential requirement in order to increase the penetration of banks and insurance both. A structured questionnaire was disseminated among 536 customers of public and private sector banks of Punjab. The questionnaire was pre-tested and validated before data collection. The analysis of the level of awareness was made with the help of descriptive statistics and Chi-square test. It was observed that majority of the respondents were aware of Bancassurance but were not fully aware of its various features. However, awareness was associated with socio-economic variables. This analysis will not only facilitate to identify the level of awareness but also assist to propose considerable policies and strategies to improve the scope of Bancassurance penetration among bank customers of Punjab.

Keywords

Bancassurance, Chi Square, Awareness, Socio Demographic Variables, Punjab.

I. Introduction

According to IRDA, "When banks act as corporate agents for insurance

companies to disperse insurance products, it is termed as Bancassurance. It is an agreement in which insurance companies and banking organizations join hands to sell the products of insurance companies through banks' premises in which both the companies earn profit." (Rajput, 2013). However, Bancassurance may be defined as an endeavor where insurance companies market their products and services to the customers through banks. Customers are targeted for selling insurance using premises of the banks only (Bharathi and Kumar, 2019; Chattha, 2020 and Rajamannar and Yamuna, 2020).

According to Economic Survey (2022), penetration level of insurance in India is 4.2 percent as compared to global average penetration of 7.5 percent. Bancassurance contributed approximately 9 percent for insurance business which is low as compared to individual agents who contributed 35 percent share for insurance business in India (IRDA Reports, 2021; Malti, 2022; Patnaik, 2022). Although percentage of premium collection was 4 percent but number of policies sold have increased by more than 32 percent in 2021 as compared to 2020 (Malti, 2022; IRDA Report 2021-22).

Indian banks consist of approximately 120,000 branches consisting of 65 percent investments through households therefore declaring it as a nation of immense avenues for insurance companies (Bala and Verma, 2012; Rajput, 2013; Muthumari&Pushpaveni, 2017). In order to achieve the basic objective of insurance penetration in India, banking industry plays an imperative role. It was found that 200 million people are from middle class category and if this huge population is merged with large banking network of India, it can open doors for Bancassurance in India (Neelamegan and Veni, 2008; Gupta et al., 2011). Customers prefer to invest their savings in insurance as well as other investment options because of several factors such as ease, feasibility, convenience, tax related assistance etc. (Kumar, 2007; Bala and Verma, 2012; Bawa and Bhagat, 2015). Prior to the introduction of IRDA Act in 1999, the term Bancassurance was unheard in India (Aggarwal, 2012; Bala and Verma, 2012 andSamal, 2019). However, Bancassurance has now developed as a trend known worldwide, breaking the conservative norms of distribution of financial services (Braua, 2004; Fan and Cheng, 2009;Bala and Verma, 2012 and Kumar, 2014). Also, the bankers as well as insurers prefer Bancassurance over other channels as a marketing instrument to enhance their market penetration (Popli and Rao, 2009; Bhalla and Grover, 2013). Banking and insurance distribution model has observed more prominent growth in Eurozone, USA, UK and Germany while Asian countries are also witnessing smooth penetration of insurance. Hence, banking sector is earning additional revenue from the distribution of insurance products without any additional investment of hiring brokers or agents (Alavudeen & Rosa, 2015; Guillem, 2020).

Why there is a need of Bancassurance?

If penetration of banking sector of India is considered, more than 1,20,000 branches are active in India. Banking sector not only targets urban sector of the country but also take into consideration the customers settled in rural areas, semi-urban areas etc. (Sinha, 2005; Karunagaran, 2006; Rajkumari, 2007). India's population size if compared with the penetration level and density of Bancassurance, it has been observed that it has very low mark in both the contexts (Karunagaran, 2006; Kumaraswamy, 2012). The universalization of banking operations as suggested by Narsimham Committee and the Khan Committee led the public sector and private sector banks to move from traditional feature of depositing and accepting funds to propose several kinds of products to the customers of banks through its dispersed branches. Thus, Bancassurance provided insurance service to its customers that indirectly encompassed the above suggestions (Banerjee, 2009; Abey, 2016).

The decision regarding distribution channels of insurance depends on the capabilities of agents. However, characteristics of Bancassurance have distribution contract, models, venture, and financial services in its sack and witnessed success in different sectors such as economic sector, demographic sector and legislative sector (Sharma and Bhateja, 2016; Guillem, 2020).But customers still not feel comfortable with purchasing of insurance through their banks. Customers have demand

for insurance but this demand is not converting into the needs of the customers. In previous literatures it has been found that customers are partially or significantly aware about banks selling insurance policies still the conversion rate of potential customers in to existing customers is quite low (Lymberopoulos et al., 2004; Bhalla and Grover, 2013;Bawa and Chathha, 2016; Kumar and Bharathi, 2019).

Most of the banks have adopted omnichannel approach to sell their products as customers now expect comfort, easiness for their services. Omni channel is the platform that provides services to the customers across all channels through digital or physical mode. Bank customers can avail same set of services from bank's website, banking application or though the bank's branch. Therefore in order to increase the penetration of insurance services through banks, omni channel is also an additional input that can be used by banks.

The main problems faced in Punjab were the lack of knowledge about Bancassurance, longer processing time in banks, increased documentation work in banks, negative attitude and difficulty in claim settlement through banks (Ali and Chatley, 2013, Bhalla and Grover, 2013, Kamau et al., 2016; Gujral, 2018). As compared to other states, Punjab is far behind the penetration and density of insurance and an ample scope of insurance in Punjab is expected (Bhalla and Grover, 2013, Annual Report IRDA 2019-20).

Keeping the above in consideration the main intention of the present research is to study the awareness of Bancassurance among the customers of Public and Private sector banks in Punjab. To achieve the objective, the paper has been partitioned into six broad sections. Section I describes the need of Bancassurance in Punjab. Section II is basically associated with the review of literature available on awareness of Bancassurance. Section III discussed about the research methodology used in the present study. Section IV explains about the observed findings. Section V concludes the discussion of the results along with policy implications.

II. Review of Literature

Indian banking and insurance market is becoming dynamic day by day so in response, customers are also changing their tastes and preferences related to the markets specifically or generally. Therefore, in order to compete in the market, it becomes essential for the companies to escalate the network of distribution for insurance policies and also implement the strategies that could help them to penetrate the market (Bawa and Chathha, 2016; Chattha, 2020). Bancassurance is one such distribution channel which offers insurance products through banking routes making availability of additional representatives to the customers leading to the growth of social, legislative and economic environment in the country (Sharma and Bhateja, 2016; Kumar and Bharathi, 2019; Guillem, 2020).

The low level of awareness of customers about the financial products in India in comparison to several other countries (Kumar and Bharathi, 2019) makes it difficult for the banks to target the customers for marketing insurance products (Sahoo, 2017). From previous literatures it has been observed that the level of awareness about Bancassurance among the customers is low or partial (Kumaraswamy, 2012; Kumar and Bharathi, 2019; Chattha, 2020; Rajamannar and Yamuna, 2020). Even after huge and extraneous efforts of banks as well as insurance companies, the level of awareness about Bancassurance is not up to the required extent. Therefore, a need is there to cover the gap so that all the parties involved in Bancassurance can get benefit (Hora, 2004; Grover and Bhalla, 2013). The comparison of public and private sector banks has been done in previous studies and it was observed that customers mostly prefer their convenience rather than the type of bank in which they hold account (Viswnadham, 2005; Joji and Gomatheeswaran, 2016). Up to some extent the customers are aware about the concept of Bancassurance but in other side of the society; people are not ready to trust banks for taking insurance policies. People prefer to take insurance through insurance agent and avoid investing money with banks for insurance purposes (Singha and Singh, 2010; Paramasivan and Naidu, 2014 and Chattha, 2020). The present research is an endeavor to assess the level of awareness among public and private sector banks in Punjab.

III. Research Methodology

i. Research Design and Data Collection

A cross-sectional study was carried out in Punjab, India. It was based broadly on primary data, although it also utilized some information from secondary sources. Customers of both public and private sector banks were included in the study. Data was collected from 536 respondents through a structured questionnaire. The questionnaire was validated and pre tested before the final data collection.

ii. Sampling Design

Multi stage stratified random sampling design has been adopted for collection of the data. At the first stage, districts have been selected from the three regions (Majha, Malwa and Doaba) constituting the Punjab state. Based on the proportion of the districts (25 percent), one district from Majha region, three from Malwa and one from Doaba region have been selected. As per census of India, 2011 those districts were selected from a given region which has the highest population. Accordingly, Amritsar was selected from Majha; Ludhiana, Patiala and Sangrur from Malwa; and Jalandhar from Doaba region.

iii. Selection of Banks

The study is confined to Indian Banking Industry. The Indian banking sector is dominated by the two major categories of commercial banks, viz. public and private sector banks. Therefore, an exhaustive list of the presently existent public sector and private sector SCBs was prepared with the help of RBI bulletins and Bancassurance income of banks was taken as base for selecting banks. In total, 8 banks were selected for study. 4 banks were selected from public sector banks and 4 banks were selected from private sector banks based upon the highest and lowest income of Bancassurance.

IV. Empirical Analysis

Table 1 shows the socio-demographic profile of the respondents. It was observed that respondents were almost in equal proportion (20 percent) from all the five districts of Punjab. Out of the total respondents, majority of them were female (55 percent) followed by males (45 percent). Maximum respondents were of 21-30 years (41 percent) followed by 31-40 years (19 percent). Out of 536 respondents 45 percent of the respondents were post graduate followed by graduates (41.6 percent). 59.6 percent respondents were unmarried. Majority of the respondents were doing service (52.8 percent) followed by business (24 percent). Approximately 24 percent respondents were earning a monthly income of ₹20,001-₹30,000 followed by ₹60001 and above (22 percent). 50 percent respondents were from joint family and 50 percent from nuclear family, maximum having family size of 2-4 members (44.4 percent).

Table 1: Socio Demographic Profile of the Respondents

Characteristics	(N= 536) (%)
District	
Amritsar	107 (20)
Ludhiana	107 (20)
Patiala	109 (20.3)
Sangrur	107 (20)
Jalandhar	106 (19.7)
Gender	
Male	241 (45)
Female	295 (55)
Age	
Up to 20 years	91 (17)
21-30 years	220 (41)
31-40 years	102 (19)
41-50 years	80 (14.9)
51-60 years	30 (5.6)
Above 60 years	13 (2.4)
Education	
Primary	10 (1.9)
Secondary	62 (11.6)
Graduation	223 (41.6)
Post graduation	241 (45)
Marital Status	
Married	216 (40.4)
Single	318 (59.6)
Present Work Status	
Service	283 (52.8)
Business	128 (23.9)
Homemaker	96 (17.9)
Retired	29 (5.4)
Monthly Income ₹	
Upto₹20,000	38 (7.1)
₹20001-₹30000	129 (24.1)
₹30001-₹40000	40 (7.5)
₹40001-₹50000	103 (19.3)
₹50001-₹60000	108 (20.2)
₹60001 and above	117 (21.9)
Family Type	
Joint	268 (50)
Nuclear	268 (50)
Family Size	
Up to 2 members	20 (3.7)
2-4 members	238 (44.4)
4-6 members	151 (28.2)
6 members and above	127 (23.7)

Source: Authors calculation based on primary data & figures in parenthesis represent percentages.

Majority of the respondents had their accounts in Punjab National Bank (14.2 percent). Only 11.8 percent respondents were those having accounts in their respective banks for more than 8 years as most of the respondents were moving from one bank to another after 4-6 years. 79.1 percent respondents prefer to take banking services through online mode however 43.7 percent respondents prefer to visit banks on monthly basis for their services as they found it convenient. However, respondents who preferred to take services through online mode, around 46.7 percent respondents were those who were taking services from 0-2 years.

72.9 percent respondents were not subscribed with any type of insurance. It was also observed that majority of the respondents had taken insurance from insurance agents (46.2 percent) followed by banks (42.8 percent). Only 9 percent respondents were those who had taken insurance through online mode. Majority of respondents (64 percent) had taken life insurance and that also for the purpose of protection (77.9 percent).

Table 2: General Information Related to Bank and Insurance

Characteristics	(N=536) (%)
Name of the Bank	
Punjab National Bank	76 (14.2)
State Bank of India	74 (13.8)
UCO Bank	74 (13.8)
Punjab and Sind Bank	62 (11.6)
ICICI Bank	57 (10.6)
HDFC Bank	55 (10.3)
Dhanlaxmi Bank	69 (12.9)
City Union Bank	69 (12.9)
Since how many years you are taking banking services?	
0-2 years	103 (19.2)
2-4 years	151 (28.2)
4-6 years	154 (28.7)
6-8 years	65 (12.1)
8 years and above	63 (11.8)
How frequently do you visit your bank?	
Daily	1 (0.2)
Weekly	37 (6.9)
Monthly	234 (43.7)
Yearly	51 (9.5)
Don't visit banks (prefer to take services online)	213 (39.7)
Do you prefer taking banking services through online mode?	
Yes	424 (79.1)
No	72 (13.4)
If yes, since how many years you are availing services online?	
0-2 years	198 (46.7)
2-4 years	180 (42.5)
4-6 years	14 (3.3)
6-8 years	28 (6.6)
8 years and above	4 (0.9)
Have you taken any type of insurance?	
Yes	145 (27.1)
No	391 (72.9)
Through which mode you have taken insurance policy?	
Insurance agent	67 (46.2)
Bank	62 (42.8)
Online	13 (9.0)
None	3 (2.1)
Which insurance policy you have taken?	
Life insurance	93 (64.1)
Health insurance	36 (24.8)
Motor insurance	4 (2.8)
Any other	12 (8.3)
What are the objectives of taking insurance policy?	
Investment	26 (17.9)
Protection	113 (77.9)
Tax benefit	5 (3.4)
Education	1 (0.7)

Source: Authors calculation based on primary data& figures in parenthesis represent percentages.

It was found that 66.5 percent respondents were aware about Bancassurance. Majority of them were aware about Bancassurance through advertisements (37.9 percent) followed by friends and relative (23.6 percent). However, very less respondents were aware (15.3 percent) about the Omni channels provided by banks and also, they can buy insurance through various Omni channels (17.6 percent).

Table 3: Awareness and Sources of Awareness about Bancassurance in Punjab

Characteristics	(N=536)(%)
Are you aware that banks sell insurance policies (Bancassurance)?	
Yes	356 (66.5)
No	180 (33.5)
If Yes, What is the source of your awareness about banks selling insurance policies?*	
Advertisement	135 (37.9)
Bank staff	68 (19.1)
Friends and relatives	84 (23.6)
Bank's website	67 (18.8)
Exhibitions/ conferences/ awareness camps organized by bank	2 (6)
Are you aware about Omni channels provided by banks for their services?	
Yes	82 (15.3)
No	453 (84.7)
Are you aware that you can take insurance through Omni channels of banks?	
Yes	94 (17.6)
No	441 (82.4)
If yes, what is the source of your awareness about Omni channels? *	
Bank staff	13 (15.9)
Bank's websites	17 (20.7)
Friends and relatives	3 (3.7)
Advertisements	49 (59.8)

Source: Authors calculation based on primary data.

*Note: *Multiple responses possible& figures in parenthesis represent percentages.*

It was found that out of 356 aware respondents, majority of the aware respondents were from Amritsar (29.91 percent) and male respondents were more aware (73.44 percent) in comparison to female respondents (60.67 percent). Most of the aware respondents were from the age group of 21-30 years (75.82 percent). Mostly Graduates (77.13 percent) were aware and the least aware respondents (20 percent) were those who had only primary level education. Majority of the aware respondents (79.24 percent) were unmarried and respondents who were in service were more aware (81.25 percent) in comparison to business persons.

Respondents who were earning ₹ 60,000 and above were most aware (81.19 percent)and mostly respondents who were living in nuclear family were aware (72.01 percent) in comparison to those who were living in joint family (60.82 percent). Families having 4-6 members were most aware (78.80 percent) as compared to those having up to 2 members only (25 percent).

Table 4 also tries to demonstrate the association of Awareness of Bancassurance with various Socio-demographic variables in Punjab using Chi-square *(χ2)*. The values obtained indicate that there was a significant association between awareness and the socio demographic variables as p value for all the variables were less than 0.05. The χ2 test value of 108.4 ($p < 0.05$) indicated a significant association between awareness and district of the respondent. However, Cramer's V value (0.450) indicated a weak strength of association between both the variables. Association was found between gender and awareness of the respondent with a χ2 value of 9.692 ($p < 0.05$) and phi value of 0.134 showed a weak strength of association between the variables.

The Chi-square value of 47.239 ($p < 0.05$) revealed a significant association between age of the respondent and awareness whereas Cramer's V value of .297 showed a weak strength of association. There was a significant association between education and awareness of respondent as the value was27.898 ($p < 0.05$) and the Cramer's V value of .228 showed a weak strength of association between the variables.

Table 4: Awareness about Bancassurance and its Association with Socio-Demographic Variables in Punjab

Socio-Demographic Variables	Awareness about Bancassurance		Grand Total
	Aware	Unaware	
District			
Amritsar	32 (29.91)	75(70.09)	107(19.96)
Ludhiana	84 (78.50)	23 (21.50)	107(19.96)
Patiala	65 (59.63)	44 (40.36)	109 (20.33)
Sangrur	40 (37.38)	67 (62.62)	107 (19.96)
Jalandhar	60 (56.61)	46 (43.39)	106 (19.79)
Gender			
Male	177 (73.44)	64 (26.56)	241(44.96)
Female	179 (60.67)	116 (39.33)	295 (55.04)
Age			
Upto 20 years	166 (75.45)	54 (24.54)	220 (41)
21- 30 years	69 (75.82)	22 (24.18)	91 (17)
31- 40 years	65 (63.72)	37 (36.28)	102 (19)
41-50 years	37 (46.25)	43 (53.75)	80 (14.9)
51-60 years	18 (60)	12 (40)	30 (5.6)
Above 60 years	1 (7.69)	12 (92.31)	13 (2.4)
Education			
Primary	2 (20)	8 (80)	10 (1.9)
Secondary	41 (66.12)	21 (33.88)	62 (11.6)
Graduation	172 (77.13)	51 (22.87)	223 (41.6)
Post-Graduation	141 (58.51)	100 (41.49)	241 (45)
Marital Status			
Married	104 (48.14)	112 (51.86)	216 (40.4)
Single	252 (79.24)	66 (20.76)	318 (59.6)

Socio-Demographic Variables	Awareness about Bancassurance		Grand Total
	Aware	Unaware	
Work Status			
Service	229 (81.25)	54 (19.08)	283 (52.8)
Business	81 (63.28)	47 (36.72)	128 (23.9)
Homemaker	34 (35.42)	62 (64.58)	96 (17.9)
Retired	12 (41.37)	17 (58.63)	29 (5.4)
Income			
Less than ₹20,000	29 (76.31)	9 (23.69)	38 (7.1)
₹20,001- ₹30,000	72 (55.82)	57 (44.18)	129 (24.1)
₹ 30,001- ₹ 40,000	19 (47.5)	21 (52.5)	40 (7.5)
₹ 40,001 - ₹ 50,000	67 (65.04)	36 (34.96)	103 (19.3)
₹ 50,001 - ₹ 60,000	73 (67.59)	35 (32.41)	108 (20.2)
₹ 60,000 and above	95 (81.19)	22 (18.81)	117 (21.9)
Family Type			
Nuclear	193 (72.01)	75 (27.99)	268 (50)
Joint	163 (60.82)	105 (39.18)	268 (50)
Family Size			
Up to 2 members	5 (25)	15 (75)	20 (3.7)
2-4 members	164 (68.90)	74 (31.09)	238 (44.4)
4-6 members	119 (78.80)	32 (21.20)	151 (28.2)
6 members and above	68 (53.54)	59 (46.49)	127 (23.7)

Variables	Chi-Square (Value)	p-Value	Phi	Cramer's V
District	108.4	.000	-	.450
Gender	9.692	.002	.134	-
Age	47.239	.000	-	.297
Education	27.898	.000	-	.228
Marital Status	55.975	.000	-.324	-
Work Status	18.323	.000	-	.185
Income	26.176	.000	-	.221
Family Type	7.528	.006	-.119	-
Family Size	35.874	.000	-	.259

Source: Authors calculation established on primary data.
Chi-square ($\chi 2$): significant at 5 percent & *figures in parenthesis represent percentages.*

Marital status also impacted awareness of the respondent as $\chi 2$ value was 55.975 ($p < 0.05$) however the phi value of -0.324 indicated a negative strength of association. Work status of the respondent and awareness about Bancassurance were significantly associated ($p = .000$). Chi-square value of 18.323 ($p = .000$) and Cramer's V value of 0.185 showed a weak strength of association between the variables. Similarly, income was positively associated with awareness with a $\chi 2$value of 26.176 ($p = .000$). Family type and family size of the respondent were also significantly associated with awareness as Chi-square value of both were 7.528 ($p = .006$) and 35.874 ($p = .000$) respectively. Majority of the respondents (49.4 percent) were not at all aware about the level of financial protection. 53.2 percent respondents were not at all aware about premium amount to be paid and only 14.4 percent respondents were fully aware. Only 8.8 percent respondents were fully aware about types of products available. 18.8 percent were fully aware about age limit for taking the policy. Only 9.7 percent respondents fully aware about Basic documents required and 41.4 percent respondents were not at all aware. 46.8 percent respondents were not at all aware about death benefits.

Table 5: Level of Awareness about Features of Bancassurance in Punjab

S. No.	Features	Fully aware	Partly aware	Not at all aware
1.	Level of financial protection by Bancassurance	58 (10.8)	213 (39.7)	265 (49.4)
2.	Premium amount to be paid in Bancassurance	77 (14.4)	174 (32.5)	285 (53.2)
3.	Types of products available in Bancassurance	47 (8.8)	183 (34.1)	306 (57.1)
4.	Age limit for taking the Policy	101 (18.8)	142 (26.5)	293 (54.7)
5.	Basic documents required for Bancassurance	52 (9.7)	262 (48.9)	222 (41.4)
6.	Death benefits provided by Bancassurance	72 (13.4)	213 (39.7)	251 (46.8)
7.	Investment component provided by Bancassurance	91 (17.0)	186 (34.7)	259 (48.3)
8.	Maturity benefits provided by Bancassurance	70 (13.1)	157 (29.3)	309 (57.6)
9.	Tax benefits provided by Bancassurance	87 (16.2)	212 (39.6)	237 (44.2)

Source: Authors calculation established on primary data& figures in parenthesis represent percentages.

48.3 percent respondents were not at all aware about investment components. Similarly, around 57.6 percent respondents were not at all aware about maturity benefits. Lastly, 44.2 percent respondents were not at all aware about tax benefits. Overall, it was witnessed that majority of the respondents were not at all aware about the features of Bancassurance products.

V. Policy Implications

1. People are not getting very much aware through bank's websites or digital platforms therefore to make people aware about various omni channels and digital platforms like bank's website, bank's application and other social media platforms is essential.
2. Instead of awareness about Bancassurance, people prefer to buy insurance through insurance agents and not from banks therefore efforts are required from bank's side to motivate their customers to buy insurance from banks.
3. Respondents are not much inclined towards awareness through Exhibitions/ conferences/ awareness camps organized by bank therefore these kinds of programmes should be formulated and designed at offices, public meetings, religious places, educational institutions etc.

VI. Conclusion

The penetration and density level of insurance is low in India as compared to other developing countries. Thereby, it is important to assess the level of awareness of Bancassurance. The study has clearly identified that majority of the respondents were aware about the concept of Bancassurance and main source of the awareness were advertisements by the banks through the pamphlets and brouchers displayed in the bank branches. Although respondents were aware but they were not very much familiar about different features of Bancassurance such as its types, maturity benefits and tax benefits. But if proper awareness about Bancassurance is created through different sources such as advertisements in magazines, televisions, radio and digital platforms then it can increase the penetration of the insurance in the country.

Bancassurance can become a survival weapon and can change fundamentally banking industry and insurance industry. In order to increase the penetration of Bancassurance banks have to upgrade and constantly think of new innovative customized packages and services. Nowadays customers expect more services from banks and insurance institutions hence they need to set up one -stop services for all financial products. Moreover, regular dealing with bank customers, brochures, advertisements in newspapers, magazines and TV channels can be beneficial. TJ

References

Alavudeen, R., & Rosa, K.D. (2015). Growing Role of Bancassurance in Banking Sector. *Bonfring International Journal of Industrial Engineering and Management Science, 5*(2), 10-16.

Ali, L., & Chatley, P. (2013). Customer perception of Bancassurance: A Survey. *European Journal of Business and Management*, *5*(22), 34-46.

Abey, J. (2016). Mounting Role of Banc Assurance in India. *International Journal of Business and Social Science, 7*(4), 51-58.

Aggarwal, R. (2012). Innovative distribution channels and their effectiveness in Indian life insurance industry. *Asian Journal of Research in Banking and Finance*, *2*(10), 39-47.

Bala, R., &Verma, A. (2012). Scope for the bancassurance in Indian life insurance sector: an analytical approach. *Asian-African journal of economics and econometrics*, *12*(1), 235-246.

Banerjee, A. (2009). Bancassurance: A Major Para-banking Activity. *Insurance Chronicle,* 35-38.

Barua, A. (2004). "Bancassurance: New Concept Catching up Fast in India. *The Chartered Accountant,* 1348-1351.

Bawa, S.K., & Bhagat, N. (2015). Efficiency of Life insurance Companies Operating in Punjab. *Pacific Business Review International, 7*(9), 76-85.

Bawa, S.K., & Chattha, S. (2016). Distribution Channels of Indian Life Insurance Industry: Understanding Customers' Awareness. *Business Analyst, 37*(1), 63-80.

Chattha, S. (2020). Consumer Awareness and Insurance Services: An Empirical Study of Punjab. *Journal of Information and Computational Science, 13*(2), 72-83.

Fan, C. K., & Cheng, S. W. (2009). An efficiency comparison of direct and indirect channels in Taiwan insurance marketing. *Direct Marketing: An International Journal*, *3*(4), 343-359.

Guillem, M. (2020). The Customer Orientation Service of Spanish Brokers in the Insurance Industry: The Advisory Service of the Insurance Distribution Channel Bancassurance. *Sustainability, 12*(7). Retrieved from https://doi.org/10.3390/su12072970

Grover, N. & Bhalla, G.S. (2013). Level of Awareness Regarding Bancassurance and Choice of Insurance Product among Bank Customers in India. *Eurasian Journal of Business and Economics, 6*(12), 63-77.

Gupta, S., Jain, A., & A. (2011). Bancassurance –A New Feasible Strategy in Banking & Insurance Sector Moving Fast in India. *International Journal of Research in IT & Management, 2*(2), 771-781.

Hora, A. (2004). Bancassurance –Opportunities and Issues for Banks. *Bank Economist Conference 2003 Business Strategy-I, 3*, 111-122.

Insurance penetration requires improving awareness and trust, say industry leaders ahead of National Insurance Awareness Day. (2022, June 28). The Economics Times. https://economictimes.indiatimes.com/industry/banking/finance/insure/insurance-penetration-calls-for-improving-financial-literacy-and-customer-trust-say-industry-leaders-ahead-of-national-insurance-awareness-day/articleshow/92490906.cms

IRDAI. (2021). *Annual Report.* Retrieved from https://www.irdai.gov.in/admincms/cms/uploadedfiles/annual%20reports/Annual%20Report%202020-21.pdf

Joji, R., & Gomatheeswaran, M. (2016). Bancassurance: A Comparative Study on Customer Satisfaction Towards Public and Private Sector Banks in Pathanamthitta District- Kerala, *2*(7), 12-18.

Kamau, J., Karimi, R.W., Knyanjui, I. (2016) . Bancassurance, Awareness, diversification, risks, expenses and performance of commercial banks*. Research Journal of Finance and Accounting, 7,* 235-245.

Karunagaran, A. (2006). Bancassurance: A Feasible Strategy for Banks in India?. *Reserve Bank of India Occasional Papers, 27*(3), 125-170.

Kumaraswamy, S. (2012). Bancassurance: Tapping of Insurance into Banking Pursuit. *International Journal of Scientific and Research Publications, 2*(7), 1-5.

Kumaraswamy. S. (2012). Swot Analysis for Bancassurance: Application Of Confirmatory Factor Analysis. *Review of Research, 1*(11), 1-4.

Kumar, A. (2014). Bancassurance- A SWOT Analysis. *International Journal of Marketing, Financial Services & Management Research, 3*(4), 91-96.

Kumar, M. (2007). Economics of Bancassurance. *Bankers Middle East, 85*(1). Retrieved from http://www.einsuranceprofessional.com/arteconomics.html

Kumar, S.K.V.R., &Bharathi, S.P. (2019). Awareness & Preferences of Bancassurance in India. *International Journal of Recent Technology and Engineering, 8(*4), 4469-4474.

Lymberopoulos, K., Chaniotakis, I.E., & Soureli, M. (2004). Opportunities for Banks to Cross-Sell Insurance Products in Greece. *Journal of Financial Services Marketing, 9*, 34-48.

Malti, M. (2022, July 11). Total Number Of Life Insurance Policies Sold In June 2022 Up 32%, Shows Irdai Data. *Outlook.* https://www.outlookindia.com/business/total-number-of-life-insurance-policies-sold-in-june-2022-up-32-shows-irdai-data-news-208244

Muthumari, A., &Pushpaveni, K. (2017). A Study on Customer Service Loyalty towards BancassuranceofPublic And Private Sector Banks in Virudhunagar District, Tamilnadu. *Journal of Emerging Technologies and Innovative Research, 4*(12), 385-392.

Neelamegan, R., &Veni, K.P. (2008). Bancassurance – An Emerging Concept in India. *The Journal,* 49-54.

Paramasivan, C., & Naidu, C.K. (2014). A Study on Role of Bancassurance in Indian Life Insurance Business. *Journal of Social Science, 5*(20), 7-11.

Patnaik, A. (2022, July 30). Banking on Bancassurance. *Financial Express*. https://www.financialexpress.com/opinion/banking-on-bancassurance/2611182/

Popli, G. S., & Rao, D. N. (2009). An Empirical Study of Bancassuarance: Prospects and Challenges for selling Insurance Products through Banks in India. http://ssrn.com/abstract=1339471, 1-21.

Rajamannar, K., & Yamuna, P. (2020). Awareness and Satisfaction of Bancassurance among Customers with Special Reference to Tirunelveli District. *The International journal of analytical and experimental modal analysis, 12*(6), 40-51.

Rajkumari, M. (2007). A Study on Customer Preference towards Insurance Services and Bancassurance. *ICFAI Journal of Risk and Insurance*,*4*(4), 49-60.

Rajput, V.U. (2013). Research on Bancassurance. *International Journal of Scientific and Research Publications, 3*(7), 1-6.

Sahoo, A.K. (2017). A Study of Bancassurance undertaken by Private Sector Banks in India. *International Journal of Engineering Research and Application, 7*(12), 69-73.

Samal, A. (2019). Impact of Bancassurance on Financial Performance of Private Commercial Banks in India. *International Journal of Engineering and Advanced Technology, 8*(63), 2027-2034.

Sharma, B.,&Bhateja R. (2016). Bancassurance in India: Promising Distribution Network of Insurance Industry. *Pacific Business Review International*, *1*(4), 89-95.

Singhal, A.K., & Singh, R. (2010). Bancassurance: Leveraging on the Synergy between Banking and Insurance Industry. *IUP Journal of Risk and Insurance, 7*(1), 28-37.

Sinha, T. (2005). Bancassurance in India: Who is tying the knot and why. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=715203

Viswanadham, G.P. (2005). Bancassurance in India: An Alternative Channel of Insurance Distribution. *Indian Journal of Marketing, 35*(11), 15-19.

A Review of Traditional Advisors of Life Insurance and Bancassurance Channel

Meenakshi Acharya
Assistant Professor,
Government First Grade College,
Mudipu, BantwalTq. D.K. Karnataka,
India.
meenakshigfgc17@gmail.com

Dr. C.K. Hebbar
Associate Professor (Retd.)
Research Guide,
Srinivas University, Mangalore,
D.K. Karnataka.
hebbarkc@yahoo.com

Abstract

Advisors are the traditional channel and continue to be the primary distribution channel. On the other hand, Bancassurance is a distribution channel where the insurance sector gets the help of the banking system. Bancassurance is a digitally equipped channel with a huge banking network. However, the services of life insurance advisors are much needed in a country like India, where still a large number of customers depend on the assistance of life insurance advisors. This paper presents a review of articles related to two primary distribution channels of life insurance. In the review, nearly 90 articles have been reviewed that have studied either life insurance advisors or Bancassurance. There are minimal studies which compare these two distribution channels. It is concluded that there is a research gap in comparing the performance of these two distribution channels. Training and mis-selling concepts related to traditional advisors and Bancassurance are evaluated in the article.

Keywords
Bancassurance, Life insurance advisors, Mis-selling, Training.

1. Introduction

Indian life insurance saga has begun in the year 1818 with the help of life insurance advisors who are

commonly known as life insurance agents. In the two century journey life insurance sector has come across different challenges and cross roads. The insurance industry has witnessed an exemplar shift in a short period of time after liberalisation [1]. Life insurance advisors, who were the very first stake holders, are the backbone of the entire life insurance sector. The life insurance sector in India has experienced structural changes in different activities. One could observe major transformations over the last two decades. [2] Even after the changes in distribution channels, the role of life insurance advisors continued. The whole world is moving towards innovative products, services and distribution methods. So the case of India, privatisation and liberalisation has introduced innovative distribution channels.In the insurance market, there has been huge competition between public and private sector insurance companies to acquire market share [3].To acquire big market share distribution channels are important. Distribution channels play a vital role in the life insurance sector. An effective and efficient distribution network leads to the growth of the insurance company [4], [5] & [4] .This acts as a crucial factor of the insurance sector's growth and penetration, and it serves as the arteries of marketing systems, delivering services to customers [6]. After liberalisation, IRDA has approved adding new distribution channels along with traditional life insurance agents. Liberalisation brought capital, technical know-how, innovative products and also fancy designations. These companies reframed the term life insurance agents as life insurance advisors. Earlier job of life insurance agents was restricted to sell the risk-oriented products, after liberalisation and privatisation IRDA has given scope to sell investment-oriented products also. This has led to specialised training to agents. This in turn makes the agents as specialised life insurance advisors. All efforts have been put into bringing an array of distribution methods to cater to different customers' needs. For any insurance firm financial health and performance have become more significant goals [7]. To attain these objectives, multiple distribution channels are critical.So to capture the entire market, the life insurance industry has switched from an omni-channel to a multi-channel strategy. Sales Managers, agents, online/ ecommerce, multilevel banking, and bancassurace are some of the numerous distribution channels associated with the insurance sector [8] &[9].

There are studies conducted on two important channels namely, life insurance advisors and Bancassurance. Many studies were conducted on life insurance advisors, their motive behind mis-selling, need for training.[10], [11],[12] &[13] At the same time, one can find a similarly large number of studies conducted on the performance of Bancassurance. [14], [15],[16],[17] &[18].However, it is found that there are limited studies conducted on comparison between the two primarydistribution channels. Identifying the gap, the present paper reviews the existing literature on these two distribution channels.

2. Objectives

(1) To review the literature related to traditional advisors and Bancassurance by means of systematic literature review.

(2) To identify SWOC factors of traditional advisors and Bancassurance channel.

(3) To find the gap and to suggest future research direction.

3. Methodology of Data Collection

The present study is a conceptual study. Present study is a background study which is commonly used for identifying the gap in the literature [19], [20], & [21]. Three main steps in literature review are: planning, conducting and reporting the review [22], [23], & [21]. Transfield, Denyer and Smart [24] & [4] prescribed the guidelines for management review, followed in the present study. The inclusion criteria used in the review are discussed in the current section.

Population: Life insurance advisors and Bancassurance

Period: 1995 to present

Publication: Academic journal in the English language

The search was conducted through search engines. The search was conducted with different keywords such as 'life insurance agents', 'bancassurance' and 'comparison between life insurance agents and bancassurance.

4. Related Work

Many studies have been conducted by researchers on life insurance advisors. These studies explained about the relationship between the performance, effectiveness and motivators of life insurance advisors. Relationship building and management are the main focus in service sector. [25] Hence quality control and marketing must take place during service production and consumption. [26]

Table 1: Review of studies conducted on life insurance advisors

Sl. No.	Study	Focus	Reference
1.	Purchase of life insurance	Behaviour and attitudinal variables	Ferber & Lee, (1980). [27]
2.	Sales performance	Role perception, motivation, situational factors, salesperson characteristics, salesperson behaviour	Giacobbe, (1991). [28]
3.	Service Quality	Service Quality and Customer Satisfaction	Cronin & Taylor, (1992). [29]
4.	Demand for insurance	Tobit analysis	Showers & Shotick, (1994). [30]
5.	Service Quality	Insurance agents and Customer satisfaction	Joseph et al., (2003). [31]

Source: Compiled by Authors

4.1. Current Status

Till the year 2000, there was monopoly in life insurance company and distribution channel. But, after privatisation of life insurance sector, IRDA allowed the life insurance companies to introduce newdistribution channels. At present, there are ten different distribution channels are working in Indian life insurance sector. Each channel has its own network and customers. So it becomes necessary to understand and analyse the efficiency and performance of each channel.

4.2 Research Gap

There is a research gap of comparative study or performance by different channels. Among the distribution channels traditional advisors and Bancassurance channels play a major role. So, present study focuses on these two channels.

4.3 Research Agenda

Present study focuses on cumulative method of review of literature. Under cumulative method, researcher focuses on similar concepts. After compiling the studies researcher draws conclusions. [19] Accordingly, present study has focused on questions

- What are the literature available on two major distribution channels, traditional advisors and Bancassurance?
- Is there any comparative study on the performance of different distribution channels?

5. Results and Discussions

In the search process, literatures related to life insurance advisors and bancassurance channels were selected for the study. The findings of the studiesrelated to life insurance advisors revealed about ethics [32], service quality [29] & [31] , effectiveness [33] Commitment [34] of life insurance advisors. The findings of the studies related to Bancassurance revealed about improved profitability [18] & [35] Cost effectiveness [36] positive relationship [37] & [38]

5.1 Advisors

A life insurance advisor is any person who has obtained the training provided by life insurance authority, and cleared the prescribed examination and obtained licence from IRDA to sell the life insurance policies.

5.1.1 SWOC analysis

The most well-known tool for analysing a company's overall strategic position is the SWOC study. SWOC provides the foundation for appraising internal potential and constraints, a well as external opportunities and challenges [45].

5.1.2 Strength

In developing countries, advisors play a comparativelymore important role amongst the other intermediaries in the insurance field [46].

Table 2: Summary of Literature Survey related to Life Insurance Advisors

Sl. No.	Authors (Year)	Place	Sample size	Sample description	Variables observed	Analysis	Key Findings
1	Kurland, (1996). [32]	USA	245	Life insurance advisors	Ethics, incentives	Multiple Regression	A straight commission system is the only key to solving disputes, moral hazards and adverse selection
2	Berger et.al., (1997). [39]	USA	472	Life insurance advisors	Cost and profit efficiency	Spearman rank correlation	Cost inefficiency is more significant than profit inefficiency
3	Eckardt, (2002). [40]	German	927	Intermediaries	Quality indicators, structural variables and customer-specific variables	Coefficient	Brokers are better for agents
4	Gamarra, (2008). [41]	German	608	Life insurance advisors	Output quality	Ordinary Least Squares Regression t-test	Insurance advisors havea direct relationship between input and output
5	Haron et al., (2011).[42]	Malaysia	246	Life insurance advisors	Supervisory influence, role ambiguity, sales targets	Hierarchical Multiple Regression Factor Analysis	Perceived behaviour control influences intention behaviour directly as well as indirectly
6	Pandey et al., (2011). [33]	India	160	Life insurance advisors	Agent effectiveness	Two-way ANOVA, t-test	People trust public company agents more than private
7	Kandelousi & Seong (2011). [43]	Malaysia	400	Life insurance advisors	Retention, communication, leader preferences	Pearson's Correlation, regression	A causal link between leadership method and employee retention
8.	Bhola & Rao (2013). [44]	India	100	Life insurance advisors	Self-assessment and locus of control	Correlation, Regression and Chi-square	No dependability between LOC and self-assessment
9	Chotechuong & Vesdapunt (2015). [34]	Thailand	495	Life insurance advisors	The behaviour of agent on organisational commitment	CFA (Confirmatory Factor Analysis), Path Analysis and SEM (Structural Equation Modeling)	Committed life insurance advisors provide better services

Source: Compiled by Authors

The performance of any insurance companydependsupon the ability of well-trained advisors [47].Life insurance advisors play multiple roles. In one such role, he guides the customers while choosing the right policy. Severalworks of literature raise the question regarding this role. Life insurance is always treated as a professional service which includes high involvement of the policyholders and customers with the life insurance advisors [48] &[49]. Given India's low financial literacy, it is felt that an explanation from a seasoned agent will go a long way in clarifying the product's features to customers [9].

5.1.3 Weakness

Major threeareas of concern in insurance are instances of wrong selling, non-settlement of claims and advisor attrition. These two more significant issues necessitate the need for proper training for advisors. Advisors motivated to earn a commission even at the cost of the wrong policy choice may mislead the customers. Mis-selling and non-settlement of claims hamper the growth of the life insurance industry. Mis-selling is a case where advisors sell insurance products either by hiding facts or giving false promises. A life insurance advisor's attitude is the reason for inappropriate product recommendations [50].In order to achieve target and to earn high rate of commission, life insurance advisors show a tendency of unethical behaviour. After the ULIP (Unit Linked Insurance Plan) failed to generate expected returns, the insurance intermediaries lost much of their credibility. The majority of such policies were sold on false promises, resulting in losingpeople's confidence [51].Lack of trust worthiness and delay in claim settlement are the reasons for non-popularity of life insurance sector [52], & [53].Third major concern is, advisor attrition rate. Advisors leave industry due to many reasons. Due to this, customer trust is eroded. Such advisor turnover affects the repeated sales by customers. [9]. A trusting relationship between the advisor and the client is significant in the life insurance sector [54], [55] &[56].

5.1.4 Opportunity

Even though there is a complaint about mis-selling, life insurance advisors are the most powerful distribution channel to reach customers. The majority of the customers depend on advisors, so one cannot avoid them. Professional tenure of the advisors also considered as an important factor influencing business [57] & [58].Maintaining effective Customer Relationship Management is the opportunity before the life insurance advisors [59]. By identifying the reasons behind the advisor attrition, life insurance companies can reach the unreached with magical personal contacts.

5.1.5 Challenge

In India, advisor attrition is very high. The rate of advisors joining the insurance field and leaving the area is almost equal. In the majority of the cases, the insurance sector is used as a temporary halting-place by a life insurance advisor before moving to any other sector [60]. Leadership style and employee retentionare directly linked,especially among young employees [43].In the life insurance sector leadership style, better human resource practices, in-house training,and better communications may reduce the attrition rate [61].Challenge before the life insurance companies is the quality manpower [44]. The insurance business environment in any country is reflected by the kind and quality of training available for the advisors and intermediaries [62]. Therefore, providing ethical and professional training and building professionally equipped and ethically responsible life insurance advisors is a challenge before the life insurance industry. Highly committed employees are the requirement to achieve the organisational goals [63] & [58].

5.2 Bancassurance

In this section, literature related to Bancassurance has been studied. Bancassurance is a business model began in France and continental Europe [64].It is the way of selling life and non-life insurance products using a bank's client relationships. In simple words, Bancassurance is a distribution channel where banks sell insurance products to insurers via banking networks [65].In any country, bancassurance can take one of four forms: pure distribution, strategic alliance, joint venture, or financial service group [64]. The country's model will be determined by the regulating authorities.

Table 3: Summary of literature survey conducted on Bancassurance

Sl. No.	Authors	Place	Variables observed	Tests	Key Findings
1	Grover & Bhalla, (2013). [18]	India	CAMEL model(Capital adequacy, Asset quality, Management performance, Earning performance, Liquidity)	t-test	Bancassurance has improved the profitability except in Capital Adequacy Ratio, Non-interest Income, Return-on-Assets and Return-on-Equity
2	Chui &Kwok, (2009). [37]	38 countries	Institutional collectivism, in-group collectivism, future orientation	Baseline Regression and Robustness test	A positive relationship between insurance consumption and group collectivism
3	Jongeneel (2011). [66]	17 countries	Market concentration, size of the insurance market, branch density	Regression Analysis	Market concentration, size of the insurance market, branch density had a negative effect on Bancassurance
4	Peng et al., (2017). [35]	Taiwan	Bank efficiency and shareholder's value	Hausman test, Tobit Regression Model	Bancassurance cooperation strategy had positive and significant impacts on bank profitability
5	Singh & Choudhury, (2017). [38]	India	Reliability, Responsiveness, Empathy and Assurance	Kolmogorov-Smirnov, Friedman Test	Customers have highly favourable perception towards the Bancassurance for the four attributes studied.
6	Gamage, (2018). [67]	Sri Lanka	Administrative Expenses, Staff Ratio, Productivity per Branch, and Customer Penetration	Pearson Correlation Coefficient and Multiple Regression Analysis	Except for administrative expenses, there is a positive relationship between the factors
7	Onuorah et.al., (2020).[68]	Nigeria	Growth Rate, Bancassurance, Total Investment, Interest on Loans and advances, and Inflation rate	Johansen's multivariate Approach	Long term relationship between identified variables
8	Sliwinski et al., (2021) [69]	Poland	Econometric model	Cronbach Alpha, Linear Regression	Mortgage sales volume determines the level of gross premiums collected through Bancassurance
9	Misas, (2022). [36]	Spain	Cost efficiency and Profit inefficiency	Heckman's two-stage random effects regression model	Bancassurance is a cost effiecent

Source: Compiled by Authors

The above studies were conducted by different authors on Bancassurance. Based on them SWOC analysis of selected literatures of Bancassurance was conducted.

5.3 SWOC Analysis

Technique of SWOC analysis is used to know the strengths, weaknesses, opportunities and challenges of Bancassurance channel also.

5.3.1 Strength

It is one kind of conglomeration between banking and insurance companies. [70] This concept would reduce the burden of both the banks and insurance companies. [71]It is growing as a logical path for the effective development of insurance. Swiss Re (1992) presented a more precise overview of Bancassurance as an approach implemented by banks or insurance companies to administer the financial services industry more or less integrated. [72] Bancassurance benefits insurance, banks, and clients, and it is projected to grow in the future. [73]. Bancassurance has a significant role at the present stage of development. [74]Because consumers assumes this mode of distribution as an authentic mode of distribution channel [75] & [38]The customer experience is positively influenced by branch layout, design and environment, lighting, and other sensory indications [76] & [77]. Brand, service quality of bank personnel influences the customer experience [17].

5.3.2 Weakness

Major weakness of Bancassurance is lack of personal touch which is very much present in traditional life insurance advisor channel. Bank staff will be reluctant to answer the queries of customers [38] Limited expertise of banking staff regarding insurance products is one more weakness in Bancassurance channel. Kumar [78], Singhvi and Bhatt [79] observed that cultural differences between bank and insurer executives can lead to divergent thinking and business strategies.[78], [79], & [80].

5.3.3 Opportunity

The Bancassurance model will play a major role in the life insurance business in India. Trust is the primary reason behind insurance purchases through the Bank [3]. In the current financial climate, the themes of good governance, ethics, trust, and transparency are becoming increasingly important. [81]The major drawback of traditional agents has led the way for Bancassurance. Banks can earn risk-free income by selling insurance products through Bancassurance by leveraging their current distribution channels and human resources [82] & [83]. One could observe mis-selling in bancassurance also. But chances of mis-selling are more with traditional agents than Bancassurance agents [13]. Bancassurance is a service, so tangible features must be included to improve the customer experience [84], [85] and [86].Bancassurance has achieved success in many countries. Improved insurance through Bancassurance leads to higher insurance penetration.

5.3.4 Challenge

It is difficult for the bancassurance channel to attract and maintain customers in an era of financial business where product, price, people, and technology are all so comparable its clients [87] & [17]. Success of Bancassurance varies from country to country due to social and cultural factors, regulatory considerations and product complexity.In addition, public confidence in financial institutions determines the success and growth of Bancassurance [88]. It also depends on a reliable and honest relationship between banks and insurance companies [89]. The impact of Bancassurance in developed countries is more in contrast to the impact on developing countries. [90] Bancassurance has to create a strong sales network. Moreover, employees should get product expertise to position right product to customers. These are the challenges before banking company to ripe the benefits of Bancassurance. [64] A well-developed insurance sector is one of the indicators of a successful economy [91] & [92] In Indian economy the life insurance sector is considered as the largest long-term investor [93], [94] & [95]. The life insurance industry will contributeto economic development in the long run [96] So, it becomes the challenge before the banker to have a strong base of network.

Table 4: List of Review of literature on comparison between Bancassurance and life insurance advisor

Sl. No.	Author	Country	Variables observed	Tests	Key findings
1	Chang et al., (2011). [97]	Taiwan	Comparative efficiency of Bancassuranceand traditional sales channel through input and output variable	DEA model, Mann-Whitney U Test, Wilcoxon &Spearman Rank Correlation	Efficiency scores of traditional sales channels are higher than those of bancassurance channels.
2.	Acharya & Hebbar, (2016). [98]	India	Comparative effectiveness of individual and group business premium	Percentage	Individual advisors are more effective to Bancassurance

Source: Compiled by Authors

6. Findings

From the above study, one could observe that there is no paucity of studies on both distribution channels of life insurance. Effectiveness and efficiency of both the distribution channels has been studied independently. Comparison of effectiveness and efficiency of these channels may provide broader vision for the future of life insurance sector. There is little evidence on comparison between different distribution channels.It would seem relevant for policy makers to plan for the better distribution channel or channels.

7. Suggestions

Based on the study following suggestions

a. From the point of policy makers, studies based on comparisons between different distribution channels may provide broader view of efficiency of different distribution channels.

b. Each distribution channel has its own effectiveness. Studies identifying this will help the policymakers to decide the channel of distribution suitable to each region, type of consumers etc.

8. Practical Implications

The findings from the review of literature throw light on several practical implications. The contribution from a life insurance advisor is always needed for the growth of the company [43]. So life insurance companies should give due importance for trained advisors. Bancassurance is also gaining a reputation, as it is a cost-effective method and quickly reaches the groups. It helps both banks and insurance companies [89]. Comparison between different distribution channels helps management to focus and divert the resources.

9. Limitations

The present review explores only studies related to two distribution channels of life insurance, namely, life insurance advisors and bancassurance. However life insurance industry has other distribution channels also, which are gaining popularity. Further study regarding the effectiveness and efficiency of different distribution channels of life insurance may provide better understandings.

10. Conclusion

Insurance plays a vital role in the development of economy. Any economy can be called as a successful economy if it has well-developed insurance sector. Insurance sector can become the backbone of economy only if it is win-win situation for both life insurance company and the consumer. Consumer can win, if he buys the most appropriate life insurance product, which is most suitable to his needs. Life insurance company can win, if he connects to the larger market. As a marketer, this becomes the responsibility of life insurance companies to offer suitable products to the customers. Array of different flavoured products with the help of different distribution channels are offered to reach the larger customer base.

Different studies conducted in the field have focused on the necessity of each distribution channel and its role. All these studies, highlights the importance of life insurance sector. There are evidences which prove the causal relationship between insurance sector development and economic growth of a country. But in majority of the cases, insurance service is sold and not bought by the people. There may be still a long way to change this situation. Till then, the service of a life insurance advisor is much needed. Bancassurance has slowly started gaining importance in all countries. The majority of the group insurance business is through the Bancassurance channel. A strong banking network helps reduce the cost of reaching a large customer base. However, each distribution channel caters for the needs of a different set of customers. Therefore, each distribution channel is vital for the inclusive growth of the insurance industry. Comparison of the efficiency between the channels gives the direction to policy makers and life insurance companies. But the comparison part has not touched much on the literature review.

The study concludes that there are very few studies in the area of comparison between different distribution channels. Therefore, a research gap has been identified for comparative efficiency between the distribution channels through the study. Further research on comparing the efficiency of these two major distribution channels will unfold various aspects to life insurance business. TJ

References

[1] Darzi, T. A.(2012).*Financial Performance of Insurance Industry in Post Liberalization Era in India.*University of Kashmir.CrossRef↗

[2] Saha, S. &Dutta, A. (2019).Factors Influencing Service Quality Perception in Indian Life Insurance Sector.*Global Business Review, 20*(10), 10-25.CrossRef ↗

[3] Alavudeen. R, & Rosa, K.D. (2015).Growing Role of Bancassurance in Banking Sector.*Bongring International Journal of International Engineering and Management Science*, *5*(2), 10-16. Google Scholar ↗

[4] Ennew, C., Kharouf, H., &Sekhon, H. (2011). Trust in UK financial Services: A Longitudinal Analysis.*Journal of Financial Services Marketing*, *16* (1), 65-75. Google Scholar ↗

[5] Sinha, A. (2013).Emerging Trends in Distribution in the Life Insurance Sector in India: A Study of a Few Leading players.*Indian Journal of Marketing*, *43* (7), 53-61. Google Scholar ↗

[6] Devi, P.P. (2019).Bancassurance: A Marketing Perspective*. International Journal of Civil Engineering and Technology (IJCIET), 10 (*4), 936-945. Google Scholar ↗

[7] Ghimire, R. & Kumar, P. (2014), Testing of Financial Performance of Nepalese Life Insurance Companies by CARAMELS Parameters, *Journal of Business and Management,* 2-15.CrossRef↗

[8] Verma, R., &Aggarwal, A. (2012). A study of attrition rate among sales force of life insurance companies in Delhi. *Researchers World*, *3*(4), 90-99.Google Scholar ↗

[9] Roy, N. C., &Rao, K.N. (2014) , *Triggers for Agents'Attrition – A Case with Indian Life Insurance Companies*, In Proceedings of Fourteenth AIMS International Conference on Management, 101- 108. Cross Ref ↗

[10] Lin,C., Hsiao, Y.J., &Yeh. C.Y. (2017).Financial Literacy, Financial Advisors, and Information Sources on Demand for Life Insurance.*Pacific- Basin Finance Journal, 43*(1), 218-237.CrossRef↗

[11] Hoffman, K.D., Howe, V &Hardigree, D. W. (1991). Ethical Dilemmas Faced in the Selling of Complex Services: Significant others and Competitive Pressures.*Journal of Personal Selling and Sales Management, 11*(4), 13-26. Google Scholar↗

[12] Haron, H., Ismail, I., &Razak, S. (2011).Factors Influencing Unethical Behavior of Insurance Agents.*International Journal of Business and Social Science,2*(1), 84- 100. Google Scholar ↗

[13] Shetty, A. (2019). *Performance of Bancassurance and Traditional Agents Model in Life Insurance Industry*. Manipal University.Google Scholar ↗

[14] Teunissen, M. (2008).Bancassurance: Tapping into the Banking Strength.*The Geneva Papers on Risk and Insurance – Issues and practice, 33*(1), 408-417. Google scholar↗

[15] Clipici,E., &Bolovan, C., (2012).Bancassurance – Main Insurance Distribution and Sale Channel in Europe.*Scientific Bulletin – Economic Sciences, 11*(1), 54-62. Google Scholar↗

[16] Kaley, P.G.(2019), Measuring Channel Partners Experience in Bancassurance: An Empirical Study.*International Journal of Trend in Scientific Research and Development, 3*(4), 552-555. Google Scholar↗

[17] Choudhury, M. & Singh, R. (2021).Identifying Factors Influencing Customer Experience in Bancassurance: A Literature Review. *Journal of Commerce & Accounting Research, 10* (2), 10-22. Google Scholar↗

[18] Grover,N. &Bhalla, G.S. (2013). Profitability Gains from Bancassurance: A Case study of State Bank of India. *International Journal of Banking, Risk and Insurance, 1*(2), 55-61. Google Scholar↗

[19] Templier, M., &Paré, G. (2015).A Framework for Guiding and Evaluating Literature Reviews. *Communications of the Association for Information Systems*, *37*(1), 113-137.Google Scholar ↗

[20] Levy, Y., & Ellis, T. J. (2006). A systems approach to conduct an effective literature review in support of information systems research. *Informing Science*, *9*(1), 181-212.Google Scholar ↗

[21] Xias, Y., & Watson, M. (2017).Guidance on Conducting a Systematic literature Review.*Journal of Planning Education and Research, 39*(1), 93 – 112.Google Scholar ↗

[22] Kitchenham, B., &Charters, S. (2007).*Guidelines for Performing Systematic Literature reviews in Software Engineering Technical report EBSE -2007-01*. Keele University and University of Durham. Google Scholar ↗

[23] Breretona, P., Kitchenham, B.A., Budgen, D., Turner, M., & Khalil, M. (2007).Lessons from Applying the Systematic Literature Review Process within theSoftware Engineering Domain.*Journal of Systems and Software, 80*(4), 571-583. Google Scholar↗

[24] Transfield, D.,Denyer, D., & Smart, P. (2003).Towards a Methodology for Developing Evidence – Informed Management Knowledge by means of Systematic Review.*British Journal of Management*, *14* (3), 207-222. Google Scholar ↗

[25] Gronroos, C. (1994). From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing. *Asia-Australia Marketing journal, 2*(1), 9-29.CrossRef↗

[26] Gronroos, C. (1988). Service Quality: The Six Criteria of Good Perceived Service Quality. *Review of Business, New York, 9*(3), 10-25. CrossRef↗

[27] Ferber Robert, & Lucy Chao Lee. (1980). Acquisition and Accumulation of Life Insurance in Early Married Life. *Journal of Risk and Insurance 47* (4), 713-734. Google Scholar↗

[28] Giacobbe, R.W (1991). *Adaptive Selling Behavior and Sales Performance Effectiveness: A Contingency Approach*. Arizona State University. CrossRef↗

[29] Cronin, J.J. & Taylor, S.A. (1992). Measuring Service Quality: A Re-examination and Extension.*Journal of Marketing, 56*(7), 55-68. Google Scholar↗

[30] Showers, E.V. & Shotick, J. A. (1994) The Effects of Household Characteristics on Demand for Insurance: A Tobit Analysis. *Journal of Risk and Insurance, 61*(3), 492-502. Google Scholar↗

[31] Joseph, M., Stone, G. & Anderson, K. (2003). Insurance Customers' Assessment of Service Quality: A Critical Evaluation. *Journal of Small Business and enterprise Development, 10*(1), 81-92. Google Scholar↗

[32] Kurland, N. B., (1996). Sales Agents and Clients: Ethics, Incentives and a modified Theory of Planned Behaviour. *Human Relations*, *49* (1), 51-74. Google scholar ↗

[33] Pandey, K. K., Pandey M., Kerwar M., Khare A., Singh D. (2011). Insurance Advisors Effectiveness for Public and Private Insurer: A Demographic Study. *Peoples Journal of Management*, *1*(1), 1-5.CrossRef↗

[34] Chotechuong, W., &Vesdapunt, K. (2015). A Managerial Internal Marketing Strategy Model for Life insurance Industry in Thailand.*International Journal of Behavioral Science*, *10*(2), 53-68. Google Scholar ↗

[35] Peng, J. L., Jeng, V., Wang, J.L. & Chen, J-Ch. (2017). The Impact of Bancassurance on Efficiency and Profitability of Banks: Evidence from the Banking Industry in Taiwan. *Journal of Banking & Finance*, *80*(1), 1-13. CrossRef↗

[36] Misas, R.M.,(2022) Bancassurance& Coexistence of Multiple insurance Distribution Channels. *International Journal of Bank Marketing, 40* (4), 724 -745 CrossRef↗

[37] Chui, A.C.W. & Kwok C.C.Y (2009). Cultural Practices and Life Insurance Consumption: An International Analysis using GLOBE Scores.*Journal of Multinational Financial Management*, *19(2),* 273-290. Google Scholar ↗

[38] Singh, R., &Choudhury, M. (2017). Measuring Customer's Perception in Bancassurance Channel Using Psychometric Scale.*DLSU Business & Economic Review, 26* (2), 67-86. Google Scholar↗

[39] Berger, A., Cummins, J., & Weiss, M. (1997). The Coexistence of Multiple Distribution Systems for Financial Services: The Case of Property-Liability Insurance. *The Journal of Business*, *70*(4), 515-546. Google Scholar ↗

[40] Eckardt, M. (2002). *Agent and Broker Intermediaries in Insurance Markets--An Empirical Analysis of Market Outcomes*.Thunen – Series of Applied Economic Theory Working Paper No. 34. Andrassy University Budapest. GoogleScholar↗

[41] Gamarra, T.L. (2008). Reasons for the Coexistence of Different Distribution Channels: An Empirical Test for the German Insurance Market. *Geneva Papers on Risk and Insurance Issues Pract, 33*(3) 389–407. Google Scholar ↗

[42] Haron, H., ismail, I., &Razak, S.H.A. (2011).Factors Influencing Unethical Behaviour of Insurance Agents. *International Journal of Business and Social Sciences, 2*(1), 84-100.Crossref↗

[43] Kandelousi, N. S., &Seong, N. K. (2011). Retention of Generation Y's Insurance Agent: Mediating Role of Communication Satisfaction An Empirical Study.*Global Journal of Management and Business Research*, *11*(6), 19-29. Google Scholar ↗

[44] Bhola, S.S. &Rao, S. (2013). A Study of Insurance Advisors Performance with Reference to Locus of Control and Self-Assessment.*Vision Research, 3*(2), 5- 8.CrossRef↗

[45] Aithal, P.S.,& Kumar,P.M. (2015) Applying SWOC Analysis to an Institution of Higher Education. *International Journal of Management, IT and Engineering, 5*(7), 231-247. Cross Ref↗

[46] Bodla, B. S., Garg, M.C. &Singh, K.P. (2003).*Insurance Fundamentals, Environment and Procedures*. Deep & Deep Publications Pvt.Ltd. Google Scholar ↗

[47] Bawa, S. K. (2007), *Life Insurance Corporation of India-Impact of Privatisation and performance.* New Delhi: Regal Publications. Google Scholar ↗

[48] Tsoukatos, E. & Rand, G.K. (2006). Path Analysis of Perceived Service Quality, Satisfaction and Loyalty in Greek Insurance.*Managing Service Quality, 16*(5), 501-519. GoogleScholar↗

[49] Siddiqui, M. H. &Sharma, T.G. (2010). Analyzing Customer Satisfaction with Service Quality in Life Insurance Services, Journal of Targeting.*Measurement and Analysis for Marketing, 18*(1), 221-238. CrossRef↗

[50] Tseng, L. M. , Kang Y. M. & Chung, C. E. (2016). The Insurance Agents Intention to make Inappropriate Product Recommendations: Some Observations from Taiwan Life Insurance Industry.*Journal of Financial Regulation and Compliance, 24*(3), 230-247. Google Scholar↗

[51] Sane, R., Thomas, S. &Halan,M. (2013).Estimating Losses to Customers on Account of mis-selling Life Insurance Policies in India, Working Paper 007.*Indira Gandhi Institute of Development Research, Mumbai*. Google Scholar↗ CrossRef↗

[52] Khan, M. S. U., &Uddin, M. N. (2013). Insurance industry in Bangladesh: opportunities and challenges. *Thoughts on Economics*, *23*(4), 55-77. Google Scholar ↗

[53] Chowdhury, T. U., (2021).A Review ofLiterature on the Life Insurance Business of Bangladesh and the Impact of COVID-19 Pandemic on the Industry.*The Journal of Risk Management and Insurance, 25*(2), 36-49. CrossRef↗

[54] Howe, V., Hoffman, K. D., and Hardigree, D. W. (1994).The Relationship between Ethical and Customer-oriented Service provider Behaviours.*Journal of Business Ethics*, *13* (7), 497-506. Google Scholar↗

[55] Moin, S.M.A, Devlin, J., &McKechnie, S. (2015). Trust in Financial Services: Impact of Institutional Trust and Dispositional Trust on Trusting Belief. *Journal of Financial Services Marketing*, *20* (2), 91-106. Google Scholar ↗

[56] Shetty, A., & Basri, S. (2017). Sales Behavioral Intentions of Distribution Channels in the Insurance Industry: A Systematic Review.*Indian Journal of Marketing*, *47* (12), 19-35.Google Scholar ↗

[57] Lynn, S. A., Cao, L. T., & Horn, B. C. (1996). The influence of career stage on the work attitudes of male and female accounting professionals. *Journal of Organizational Behavior*, *17*(2), 135-149. Google Scholar↗

[58] Patranabis, I.C. (2017). Influence of Demoraphic and Job Related Factors on the Performance of the Life Insurance Advisors in the Kolkata Region. *Anweshan, 5*(1), 112-145. CrossRef↗

[59] Tiwari, A., &Yadav, B. (2012). A Customer Survey and Perception TowardsBancassurance (With Reference to Life Insurance Industry).*South Asian Journal of Marketing and Management Research, 2*(2), 142-164. Google Scholar ↗

[60] Agrawal, A. (2015).Sales Force Attrition Study in Indian Life Insurance Industry.*Pacific Business Review International*, *8*(2), 105-109.CrossRef↗

[61] Das,V. &Vijayalakshmi, C. (2015). Employee Attrition and Retention in Life Insurance Sector: An Empirical Study. *Paripex-Indian Journal of Research*, *4*(2), 79-85.CrossRef↗

[62] Pal, K., Bodla B.S., Garg M.C. (2007).*Insurance Management Principles and Practices*. New Delhi: Deep & Deep Publications Pvt Ltd.

[63] Hunjra, A. I., Ali, M. A., Chani, D., Irfan, M., Khan, H., &Rehman, K. U. (2010). Employee voice and intent to leave: An empirical evidence of Pakistani banking sector. *African Journal of Business Management*, *4*(14), 3056-3061. CrossRef↗

[64] Ganapathy, V.(2021).Digital Bancassurance Business Models.*SAMVAD SIBM Pune Research Journal, 21* (1), 48-62. Google Scholar↗

[65] Brophy, Richard (2013). Bancassurance: an Insurance Concept from a Irish Perspective.*Journal of Financial Regulation and Compliance*, *21*(4), 319-333. Google Scholar↗

[66] Jongeneel, O. (2011). *Bancassurance:Stale of Staunch? A Pan- European country analysis.*Erasmus University Rotterdam.Google Scholar ↗

[67] Gamage, S.K. (2018).Impact of Bancassurance Practice to the Insurance Industry in Sri Lanka.*International Journal of Scientific Research and Innovative Technology*, *5*(1), 12-25. CrossRef↗

[68] Onuorah, A.C., Arubayi, D.O., &Olannye, A.P. (2020).BancassuranceSynergtic Strategy and the Aggregate Insurance Companies' Growth Rate: An Empirical Evidence from Nigeria.*International Journal of Management*, *11*(9), 452-464. Google Scholar ↗

[69] Sliwinski, A., Dropia, J., &Duczkowski, N. (2021).Risk Factors Affecting Bancassurance Development in Poland. *Risks, 9* (7), 1-19.CrossRef↗

[70] Genetay, N., &Molyneux, P. (2016).*Bancassurance*, Springer. page no.1 Retrieved from Google Scholar↗

[71] Dua, P., Sahay, N., Deol, O.S. (2019).Bancassurance Model and its Impact on Financial Inclusion: Review and Analysis*. International Journal of Research and Analytical Reviews, 6* (2), 661- 669.CrossRef↗

[72] Brar, A.S., & Singh, S. (2016).Bancassurance: A Study in Relation to Total Income &Branch Network of Private Sector Banks in India.*IOSR Journal of Business and Management (IOSR-JBM,)02* (02), 43-47. CrossRef↗

[73] Choudhury, M., Singh, R., & Saikia, H. (2016). Measuring customer experience in bancassurance: an empirical study. *Market-Tržište*, *28*(1), 47-62.Google Scholar↗

[74] Zharikova, O. &Cherkesenko, K (2021). Integration of Banks and Insurance Companies Activities in Ukraine, *Journal of Scientific Papers Social Development and Security, 11*(2), 42-57. Google Scholar ↗

[75] Tiwari, A., &Yadav, B. (2012). A Study on Recent Trends of Life Insurance Industry After Liberalization*, International Journals of Multidisciplinary Research Academy (IJMRA), 2*(10), 217-232. CrossRef↗

[76] Garg, R., Rahman, Z., &Qureshi, M. N. (2014). Measuring customer experience in banks: scale development and validation. *Journal of Modelling in Management*. *9*(1), 87-117. Google Scholar ↗

[77] Bhatt, P. J. B. (2015). Customer experience: A key to build customer loyalty. *Journal of Multidisiplinary Research*, *7637*(3), 2-5. Google Scholar ↗

[78] Kumar, M. (2004).Marketing and Distribution Channels in Bancassurance.*The Insurance Times, 24*(4), 33-39. Google Scholar ↗

[79] Singhvi N. & Bhatt, P. (2008).Distribution Channels in Life Insurance.*Bimaquest, 8*(1), 20-40. Google Scholar ↗

[80] Bala, R. &Verma, A. (2012). Scope for the Bancassurance in Indian Life Insurance Sector: An Analytical Approach. *Asian-African Journal of Economics and Econometrics, 12*(1), 235-246. Google Scholar ↗

[81] Marsiglia,E., &Falautano, I. (2005).Corporate Social Responsibility and Sustainability Challengesfor a Bancassurance Company.*Geneva Pap Risk Insur Issues Pract 30*(1), 485-497. Google Scholar↗

[82] Gonulal, O. S., Goulder, N. & Lester, R. R. 2012), Bancassurance- A Valuable Tool for Developing Insurance in Emerging Markets.*World Bank Policy Research Working Paper No.6196*.Google Scholar ↗

[83] Rani, S., & Sharma, M. (2019). Does Bancassurance Improve the Efficiency of Banks? Evidence from Indian Banks. *IUP journal of Bank Management, 18*(2), 57-65.Google Scholar ↗

[84] Kamaladevi, B. (2010). Customer experience management in retailing. *Business Intelligence Journal*, *3*(1), 37-54. Google Scholar ↗

[85] Hoffman, K. D., & Turley, L. W. (2002). Atmospherics, service encounters and consumer decision making: An integrattve perspective. *Journal of Marketing theory and practice*, *10*(3), 33-47.Google Scholar ↗

[86] Sharma, A., & Mehta, V. (2004). Service Quality Perceptions in Financial Services--A Case Study of Banking Services. *Journal of Services Research*, *4*(2), 205-210.Google Scholar ↗

[87] Drotskie, A. (2009). *Customer experience as the strategic differentiator in retail banking* (Doctoral dissertation, Stellenbosch: University of Stellenbosch). Google Scholar ↗

[88] Kucherenko, V. &Trynchuk, V. (2017).Innovative development of Banks and Insurance Companies Cooperation in the countries of Asia.*University Economic Bulletin*, *34*(1), 308-315.Google Scholar ↗

[89] Gayratjonovich, I.U. (2018). Bancassurance and Ways of its Development in the Conditions of Innovative Economy. *Asian Journal of Multidimensional Research (AJMR), 7*(12), 236-245. Crossref↗

[90] Gonulal, S. O., Goulder, N., & Lester, R. R. (2012). Bancassurance--a valuable tool for developing insurance in emerging markets. *World Bank Policy Research Working Paper*, (6196).Google Scholar ↗

[91] Hammond, J. D., Houston, D. B., &Melander, E. R. (1967). Determinants of household life insurance premium expenditures: An empirical investigation. *Journal of Risk and Insurance, 34* (3), 397-408. Google Scholar ↗

[92] Skipper, H. D., Skipper, H. J., & Barfield, C. E. (2001). *Insurance in the general agreement on trade in services*. American Enterprise Institute. Google Scholar ↗

[93] Patil, K. S. (2003). Life Insurance Corporation of India, its products and their performance evaluation: A special reference to Gulbarga District. *Finance India:Delhi*, *17*(3), 1037-1040. Google Scholar↗

[94] Rangarajan, C. (2006). The widening scope of insurance. *Convocation Address at the Institute of Insurance and Risk Management, Hyderabad. India*. Google Scholar↗

[95] Verma, A. &Bala, R., (2013). The Relationship between Life Insurance and Economic Growth: Evidence from India. *Global Journal of Management and business Studies, 3*(4), 413-422.CrossRef↗

[96] Ghosh, A. (2013). Does Life Insurance Activity Promote Economic Development in India: An Empirical Analysis. *Journal of Asia Business Studies, 7*(1), 31-43. Google Scholar ↗

[97] Chang, P. R., Peng, J. L., & Fan, C. K. (2011). A Comparison of Bancassurance and Traditional Insurer Sales Channels, *The Geneva Papers on Risk and Insurance- Issues & Practice*, *36*(1), 76-93. Google Scholar↗

[98] Acharya, M., & Hebbar, C. K. (2016). A Comparative Study of Insurance advisor and Bancassurance channel in Selling Life Insurance Products in India. *International Journal of Scientific Research and Modern Education, 1* (1), 105-108. Google Scholar↗

Liberalisation and Privatisation Reforms Bode Well For Sustained Growth of Insurance Industry

Jagendra Kumar
Ex. CEO,
Pearl Insurance Brokers
71/143, "Ramashram"
Paramhans Marg,
Mansarovar, Jaipur - 302020.
kumarjagendra23@gmail.com

Two decades of liberalisation and privatisation reforms have bode well for the sustained growth of the insurance industry. IRDAI has now embarked on a reforms journey to ensure "insurance for all" by 2047, as a part of the government's overall vision of India.. In particular, the two foregoing regulatory reforms will enable the insurance industry in launching suitable, customized and innovative products in a timely manner. It will also expand the choices available to the policyholders, thereby increasing competitiveness in the insurance market. It will help address the dynamic needs of the market, which will enhance insurance density and insurance penetration in the country. The benefits of digitisation are now reaped through better integration with internet ecosystems such as ecommerce, fin-tech and logistics, among others. Currently, India has about 110 InsurTech startups. This number can be amped up significantly through simplification and rationalization of compliances for setting up and operationalization of InsurTech companies. Swiss Re in its recent Report projected over USD 7 trillion global premiums by end of 2022. It expects the stalling of premium growth in the global insurance markets this year, and a stronger, but still below-trend in 2023. India will become sixth largest insurance market in the world in the next 10 years supported by regulatory push

and rapid economic expansion. While the Insurance Regulatory and Development Authority of India (IRDAI) have publicly stated its focus to address insurance penetration through reforms, the Indian insurance industry has shown promising growth in the past few years. The insurance regulator pegs its growth rate at an impressive 15-20%. In FY2020, the life insurance segment had attracted premiums worth US$90 billion while the non-life insurance segment had written-off premiums amounting to US$27 billion.

India has traditionally been a push market for insurance, but with the latest announcements by IRDAI, a huge impact is expected on boosting consumption of insurance. For policyholders, arriving at the right decision on a potential insurance purchase will get easier over time as understanding of insurance products will get simplified. Today's most successful companies build their entire business around the customer. Infusing AI throughout the insurance customer journey can significantly increase customer satisfaction and retention. The insurance industry is poised to grow at an accelerated pace. Insurance premiums as a percentage of gross domestic products (GDP) have doubled in the past 10 years. According to IRDAI data, insurance penetration in the country is at 4.2 per cent as of 2021, which is higher than China, but lower than developed countries. Insurance services (together with banking) add about 7% to the country's GDP. The significance of a robust insurance industry cannot be understated. It not only contributes to the overall economic development of the country but also strengthens the risk-taking appetite and wellbeing of the populace. However, on the global map, India's performance in terms of insurance density and insurance penetration has not been up to the mark. In FY2020, India ranked 16th in both insurance density (at 4.2%) and insurance penetration (at US$78). There is immense potential to accelerate trade in insurance services by scaling up its exports and bringing down the imports (US$2.4 billion and US$2.1 billion respectively). The regulator's increasingly proactive approach will create more opportunities for Insurers to drive penetration and offer seamless customer experience through Digitalization. Partnerships with InsurTech will drive innovation across the value chain, and Insurers need to be agile in this regard. The FDI limits have been increased to 74% at a policy level. Another development is that public sector banks are now required to reduce their stakes in some insurance companies due to their mergers. This, along with the dominance of the top private Insurers, can trigger consolidation in the sector going ahead.

Expansion of the Scope of Insurance Sector

IRDAI wants the scope of the sector to expand from the undersized $108 billion as it exists in India. To balance the approach, the regulator has also issued a series of orders making stricter anti-money laundering guidelines. To support the regulator, the finance ministry has decided to raise the premium rates for two government-run insurance schemes that provide life and accident cover for India's poorest. The premium for Pradhan Mantri Suraksha Bima Yojana (PMSBY) was raised to Rs 20 from Rs 12, annually — a two-third rise, while the premium for Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), a life insurance scheme, jumped to Rs 436 from Rs 330, a 33 percent rise. No revision of premium rates was made in the last seven years since the inception of the schemes in spite of recurring losses to the insurers. A finance ministry data set notes there are 64 million policies under the life cover and 220 million for the accident cover, as of March 31, 2022. The government aims to double the life cover to 150 million and for the accident cover to

FY22 SCORECARD

Amount in ₹ crore

	Premiums	Growth (YoY) %
General insurers	184,775.17	8.79
Standalone health insurers	20,880.08	32.53
Specialised PSU insurers	14,979.47	14.22
Industry total	**220,634.72**	**11.03**

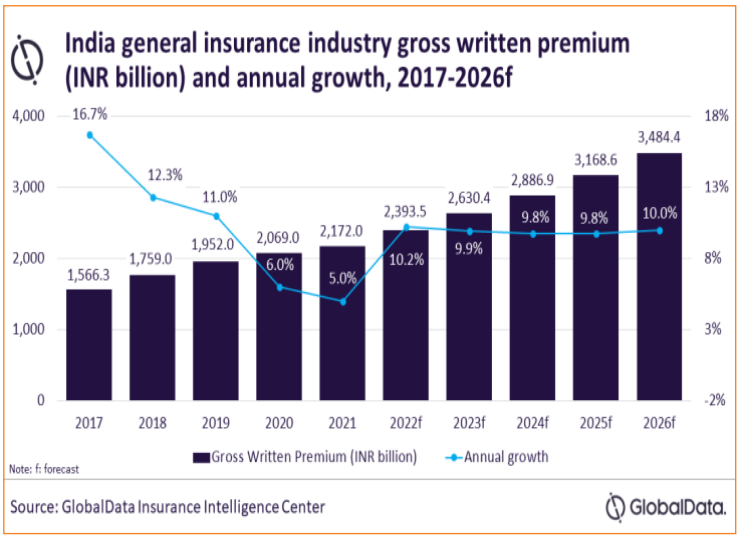
Source: Irdai

370 million in the next five years. The schemes are administered by the state governments with the banks as intermediaries. The claims are paid by them to the accounts of the beneficiaries held in the banks. The insurance industry is undergoing regulatory changes with the IRDAI bringing in reforms across categories in different areas of the business. The pace of reforms has picked up since the new Regulator, former DFS secretary, took charge of IRDAI, and the impact of these changes on both policyholders as well as insurers is expected in the coming years.

Deeper Insights and Nuanced Product Structures

The nature of insurance has always been rooted in the trust and fear continuum – we take out insurance through someone we trust, to help us manage a circumstance that we fear. Earlier this trust was placed with an insurance agent recommended by a family member or friend. Digitalization allowed the trust built up while buying insurance to extend throughout the experience. Customers today can get online help and feel supported throughout the process of claiming insurance. The way that insurance is sold has also undergone a massive perception shift – from the days of the insurance agent having coffee at your house to a few clicks online. Today, it's no longer about selling insurance. Customers expect a group health insurance provider to be more of a wellness partner, a single point of contact for all health needs. They want to go to a single platform for information to take part in health-related activities, get access to consultations and medical check-ups, etc. They expect a smooth digital experience throughout – right from on boarding to wellness partnerships to personal care during times of illness or hospitalisation when they need to claim insurance. This is due to changing priorities that focus on a holistic sense of health and wellness, not just covering in case of illness and accidents. Older millennial are choosing fewer hours to fulfill care giving roles, and young professionals entering the workplace want a balanced life. For companies, with talent becoming a competitive market.

Recently the Regulator has issued an Exposure draft to consider the need for long-term coverages in Fire Insurance. It has proposed to permit General Insurers offer "long-term products" maximum up to 30 years in respect of Dwellings covering Fire and Allied perils in variation to the 'standard product' or as 'alternative products.' Similarly, Long-Term Motor Products covering both Motor Third Party Insurance and Own Damage Insurance are proposed for 3-year in respect of Private cars and 5 years in respect of two wheelers co-terminus with Motor Third Party Liability cover. The long-term motor own damage policy would have a 30 day free-look period from the date of the inception of the policy to enable the policyholder review the terms and conditions. They would also be entitled to a refund of premium on a pro-rata basis in the event of exercising free-look cancellation.



New Approach of Selling Insurance

Historically, insurance was largely dominated by offline channels like corporate agents, offline brokers or banks. Today, rapid digitization, product innovation and progressive regulation policies have made it possible for consumers to buy insurance through multiple distribution channels with the click of a button. While direct online distribution through insurer portals eliminates the need for

intermediaries, integrated aggregator platforms offer a single window for multiple products to their customers. This platform of choice helps the consumers compare different products and provide assistance to find the most suitable one. Further aided by chatbots, video interfaces and other modes of virtual assistance, the buying process is now more congenial to convenient online purchases. This tech enablement is now redefining the future of digital insurance distribution.

Digital has now become an imperative for Insurers to enable seamless customer experience, last mile distribution, product innovation, and claims processes. With Digital being embraced by the consumers, there is a tremendous opportunity for innovative solutions across the customer/ product lifecycle. Furthering the FinTech penetration in the insurance sector, the IRDAI had created a 'Regulatory Sandbox' to use creative ideas to increase the pace of innovation. Insurers are experimenting with innovative solutions in the Sandbox across various functions. Seeing the traction, IRDAI has extended the validity of 'Regulatory Sandbox' regulations for two years. insurtech today sees a high- pitched race but with the same objectives and with every competitor using a different strategy. It's time for a new approach to selling insurance. Business transformation is driven by digital transformation across the entire value chain – distribution, sales, claims, operations, service, etc. Integration of InsurTechs in each of these domains will accelerate. It is now up to the industry to seize the opportunity while at the same time living up to the faith reposed in it by institutionalizing a more mature and responsible approach.

Setting Up New Platform for Sale of Insurance Policies

The Insurance Regulatory Authority of India (IRDAI) has launched an e-commerce platform 'Bima Sugam' which will house all the companies that sell life and non-life insurance products on a single platform. The insurance regulator is trying to create a Unified Payments Interface (UPI)-like open infrastructure for insurance products that increases convenience for both buyers and sellers as well as reduces cost of buying and selling insurance products. The aim of 'Bima Sugam' also seems to be increasing the penetration of insurance products like UPI did with digital payments. 'Bima Sugam' will be a one-stop destination for all insurance-related services, including buying, portability, claim settlement, change of agents etc - provided to policyholders through an e-insurance account (E-IA or E-BIMA account). There will be a variety of products, businesses, and payment options on this platform to choose from. All the insurance intermediaries including individual agents, web aggregators will have access to 'Bima Sugam'. Apart from this, the platform will also reduce mis-selling via transparent communication and awareness building. There will also be better quality of data aggregation and improvement of product offerings using data analytics.

Raising Money for the Specialized Insurers

Other than health there is a clutch of insurance companies at the bottom of the pyramid that have thin capital selling specialized products. One way out could be to relax the rules for raising money for the specialized insurers. Current regulations insist they also have to sell motor and health policies in the same proportion as the larger companies that have larger purses. Unless the headline investment orders are relaxed, changes like allowing banks to become corporate agents of nine insurance companies in each line of business, from

the current limit of three will not help. However, as more companies have been handed out first stage licenses for doing underwriting business, the pressure to perform will rise. The smaller companies were trying out many alternatives to reach the regulatory goal posts. IRDAI has simplified matters, however, a larger number of insurance underwriters offering insurance under the brand of the same bank, would raise the costs for the insurers. Their gross realisations could be less and so the payouts for the corporate agents could be less. The math could change if the market expands widely. Hopefully, these will bring more transparency in the reporting of accounts by the companies, making it easier for the shareholders and policyholders to take informed decisions on the health of the companies. With an objective of facilitating the insurers to efficiently utilize their capital and resources and to increase insurance penetration in Crop Insurance, the period for considering State/Central Government premium dues for calculation of solvency position has been increased from 180 days to 365 days. The solvency factors related to crop insurance are also reduced to 0.50 from 0.70 which will release the capital requirements for insurers by around Rs. 1460 crore. Also in order to enable efficient utilization of capital by life insurers, the factors for calculation of solvency provided in regulations are revised as follows:

i. For Unit Linked Business (Without Guarantees) - reduced to 0.60% from 0.80%.

ii. For PMJJBY - reduced to 0.05% from 0.10%.

This will provide a relaxation in capital requirements by around Rs. 2000 crore.

Key Regulatory Reforms

Recently, the IRDAI has introduced two key regulatory reforms in the insurance sector. First, it has extended the 'use and file' procedure for all health products and almost all general insurance products. This has allowed insurers to launch a product first and thereafter file the requisite particulars with IRDAI, resulting in a more innovative product in response to faster emerging market needs, as opposed to the earlier system that required prior regulatory approvals leading to delay in product launch. However, insurers that route their launches through the 'use and file' procedure must comply with a host of regulations. These include instituting suitable **board-approved product management and pricing policy** (BAPMPP), constituting a Product Management Committee (PMC), making regulatory filings within 7 days of product launch, complying with the provisions of the Insurance Act, 1938 and ensuring viability, self-sustainability and affordability for the target market, among others. In case of non-compliance, the insurer may be directed to withdraw the product and/ or the 'use and file' facility may be revoked for such insurer for a given period of time. Second, it has rationalised the compliance requirements for all Foreign Reinsurance Branches (FRBs). FRBs and Lloyd's India are no longer required to publish half-yearly and annual revenue account, profit and loss account, balance sheet, analytical ratios, etc. in newspapers. The entities whose investment policies do not permit equity investment are exempt from the Common Stewardship Code, disclosure requirements and returns.

In order to facilitate ease of raising other forms of capital viz., subordinated debt and/or preference shares, and the requirement of prior approval from IRDAI is dispensed with. The amendments have also enhanced the limits for raising such capital (threshold limits increased from 25% to 50% of paid up capital & premium, subject to 50% of Net worth of company). This will enable companies to raise the required capital in timely manner. Amendments have been introduced for Board's Oversight in raising such capital. Also to enable the policyholders/ prospects to have wider choice and access to insurance through various distribution channels and facilitate the reach of insurance to the last mile, the maximum number of tie ups for Corporate Agents (CA) and Insurance Marketing Firms (IMF) have been increased. Now, a CA can tie up with 9 insurers (earlier 3 insurers) and IMF can tie up with 6 insurers (earlier 2 insurers) in each line of business of life, general and health for distribution of their insurance products. The area of operation of IMF has also been expanded to cover entire state in which they are registered. The reforms are expected to streamline the operations of insurance companies and increase competition

through more products, which in turn could lead to more choices for policyholders with market forces playing a wider role in determining the premium. But even after decades of opening up the industry, insurance penetration in the country continues to remain abysmally low indicating that insurance is still considered a push product and there is still a gap in the understanding of insurance among the wider section of the population.

COMPLIANCE	EASE OF BIZ	DISTRIBUTION	PRODUCTS & INNOVATION
• Mandatory KYC requirements for new and existing policyholders • Higher due diligence for high risk profile customers such as NRIs. HNIs. trusts, charities, firms with sleeping partners. politically exposed persons • Convergence towards IndAS • Revamping of grievance mechanisms	• Use and file procedure for new products from lite, general and health insurance • Discontinuation of submission of hard copies of reports, returns and documents in certain cases • Issuance of policy documents in physical and electronic formats • Rationalising expenses ol management for life and general insurance companies • Modifications to the investment limits in mutual funds, bonds, and other debt instruments • New mechanism for processing of registration application for new insurers	• Increase the maximum tie ups with corporate agents from 3 to 9 in each category — life, general and health • Increase maximum limit of tieups with insurance marketing forms from 2 to 6 in each category — life, general and health • Insurers can empanel hospitals that meet the standards and benchmarks set by the insurance companies to facilitate expansion of cashless services	• New variants of motor own damage — pay as you drive, pay how you drive, floater policy for multiple vehicles of an individual • Customised products for dwellings and MSME for fire and allied perils • Increase in experimental period of regulatory sandbox from 6 months to 36 months • Focus on standardisation of both general and life insurance policies • Wider role of Insurance Information Bureau in supporting data and tech-driven solutions

Registration of Indian Insurance Companies

The amendments to regulations pertaining to registration of Indian insurance companies are aimed at promoting ease of doing business and simplify the process of setting up an insurance company in India. Key highlights of the amendments approved in November, 2022 are:

i. Investment through Special Purpose Vehicle (SPV) has been made optional for Private Equity (PE) Funds enabling them to directly invest in insurance companies, providing more flexibility.

ii. Now, subsidiary companies are also allowed to be promotors of insurance companies (subject to certain conditions).

iii. Investment up to 25% of the paid up capital by single investor (50% for all investors collectively) will now be treated as 'investor" and investments over and above that will only be treated as promoter". [Earlier the threshold was 10% for individual investor and 25% for all investors collectively]

iv. A new provision has been introduced to allow the promoters to dilute their stake up to 26%, subject to condition that the insurer has satisfactory solvency record for preceding 5 years and is listed entity.

v. Indicative criteria for determination of 'Fit and proper' status of investors and promotors has been included

vi. Lock-in period of investments for investors and promotors has been stipulated on the basis of age of insurer.

The finance ministry has proposed granting insurers a composite licence to allow them to sell different financial products. The Department of Financial Services has also suggested allowing

insurers to operate in multiple lines of business — general, life, and health — without having to seek separate licences from the regulator for each business, provided they meet the minimum capital requirements. This would require an amendment to the Insurance Act, 1938.

Companies have Greater Control Over their Finances and Profitability

Indian insurance companies now have greater control over their finances and profitability and it is up to them how and where they want to invest their money, Insurance Regulator has rationalised the management of expenses and left it to companies to decide how and where they want to spend. IRDAI don't want to put a cap on everything, such as commission, reward payment, salaries and so on. These have been left to the boards of the companies. If you look at the private Indian insurers, there is a higher return on equity (ROE) on average compared to the American insurers. So again, there is tremendous potential for the American companies to come and invest in India. The Indian private sector insurance companies have ROE averaging around 23 per cent as against 13 per cent for the American companies. If IRDAI factor the risks, even then the number will be higher by about 500-600 bps than the US insurers,

Embedded Finance is Making Click Buys Easier

Browse, select, click and pay is a common enough sequence. The ease of buying on e-commerce sites has been enabled by the embedded finance. Technology companies are increasingly adding a layer of connection between a banking firm and a consumer-facing organisation. The layer of connectivity embeds a financial transaction interface that allows a consumer to make a payment or purchase without leaving an app or a site. The transaction could be a payment for a product or a service. Most importantly, the payment could be for an unrelated product but available on the same site. For example, while buying an electronic device, the site could offer an insurance cover as well. The buyer could then buy the device and insurance from two different organisations but on the same platform or app. The embedded finance industry is expected to grow steadily during 2022-2029. The embedded finance revenues in India will increase from US$4.8 billion in 2022 to reach US$21 billion by 2029, according to a report by Researchandmarket.com.

Over the last few quarters, embedded insurance has emerged as a promising distribution innovation for insurers. India has experienced a massive demand for embedded insurance services in the travel industry in recent quarters. According to the report, firms such as MakeMyTrip and Amazon have built contextual insurance products within their "core purchase journeys". Travel and mobility firms like Ola and IRCTC are also embedding various financial products for their consumers. The motor insurance segment has grown faster than health for the first four months of FY23, clocking a growth rate of 22.9% and reaching Rs 21,884.5 crore. This growth rate is significantly better than last year's 4.8%. In year-to-date FY23, Motor OD grew by 23% (vs. 8.6% for the same period last year) and Motor TP rose by 22.8% (vs. 2.8% for the same period last year). For July 2022, Motor OD and Motor TP premiums grew by 7.8% and 15.4%, respectively. The growth can be attributed to a low base of last year and an increase in Motor TP tariffs.

BUMPER GROWTH

Segment-wise growth of non-life insurance premium

	Q1FY23 (₹ cr)	YoY growth in %
Miscellaneous	3,014.73	47.36
Liability	1,611.31	46.51
Motor	15,765.95	27.50
Marine	1,448.27	23.97
Health	21,281.57	22.54
Engineering	1,062.30	17.79
Fire	8,515.78	12.77
Aviation	240.11	2.21
Personal accident	1,551.17	-1.09
Total	**54,491.22**	**22.99**

Source: General Insurance Council

Moving from a Rule-Based Regulatory Regime to a Principle-Based One

The regulator has given steep aspirational growth targets to life and non-life companies to increase the insurance penetration in the country. As of 2022, India's insurance industry has a gross written premium (GWP) of $115 billion. The regulator intends to grow India's GWP to $500 billion by 2027, a growth of 34 per cent over the next five years. Among initiatives that the regulator intends to take to further propel growth in the sector is to encourage insurers to get themselves onboarded on "BimaSugam" a digital platform for selling, servicing, and settling claims. It is a plug-and-play solution with an API interface. A slew of measures along with several draft exposures have been initiated for the general insurance space, which focuses on –

1) giving more autonomy to insurers to file products,
2) reducing costs that eventually will translate into a reduction in premiums for end-customers,
3) easing the compliance burden of insurers to allow management focus on business growth and
4) setting targets for growth of various companies.

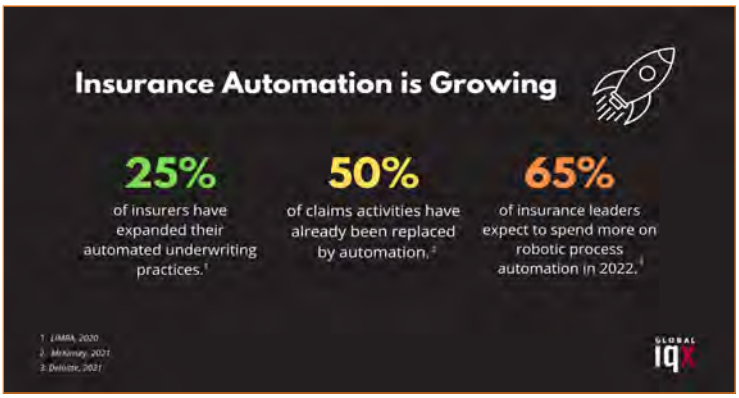
With the intent to expand the general insurance industry and bring ease of doing business, IRDAI has adopted the 'Use and File' procedure for all health insurance and most general insurance products under fire, motor, marine, and engineering. This will allow insurance companies to launch products without any prior approval from the regulator, a major shift from the current regime where the insurance companies require the regulator's prior approval for launching any product. The insurance industry is expected to use this opportunity to respond faster to the emerging market needs resulting in more choices for the policyholders, which will further help in increasing the insurance penetration in India. Among several of the reforms, IRDAI also reduced the solvency margin requirement for Insurers doing crop business. Implementation of this move is likely to be positive on the industry as it will free up the capital, which can then be utilized for underwriting more businesses. IRDAI first allowed Insurers to offer Health and most General Insurance products to customers without the regulator's approval, thus radically moving from a "File and Use" approach to "Use and File." This was extended to Life Insurance products (except individual savings, pensions, and annuity). While this intervention enables Insurers to be more responsive,

flexible, and agile, it also places great responsibility on responsible product design and transparency.. A stated approach of IRDAI is to have principle-based regulations instead of a rules-based regime. It has formed Working Groups from the industry to advise on further reforms in law, products, distribution, finance, health, finance, taxation, ease of doing business, etc. Among the proposed reforms in life insurance are the standardization of products and simplifying regulations, specifically on calculations of management expenses for these companies.

Technology-Driven Innovative Solutions

IRDAI has invited entities to develop technology-driven innovative solutions for automated death claim settlement, curtail miss-selling, and other areas of the insurance ecosystem, with an aim to protect the interest of policyholders. The insurance regulator's new norms on commissions give insurance companies more flexibility while streamlining payments to agents and incentivising higher 'persistency ratios'. However, the focus on maintaining a certain threshold of expenses could benefit larger players who have a wider business with deeper banking relationships and could also disincentivise small agents from selling policies, From technologies that can assess a person's mortality via a photograph to underwriting platforms that organize unstructured data to evaluate an insured's risk profile - the life and health insurance sector is gradually shifting towards better use of data and emerging technologies to improve modeling, underwriting and distribution channels.

The opportunity for Insurance in India continues to be huge, given the low insurance penetration and density in India. FY22 witnessed a 14 % YOY growth in Life Insurance, 11 % YOY Growth in overall General Insurance and 25% YOY Growth in Health Insurance. But beyond the numbers, the last two years of the pandemic have fundamentally transformed the sector and accelerated the pace of change – from the perspective of insurers, the healthcare ecosystem, consumers, and the regulator. In July 2021, MedPay, a Bengaluru-based B2B tech start-up, built an API infrastructure that connects healthcare service providers, standalone clinics, pharmacies, labs and insurance companies through its MedPay Connected Care Network (CCN).This can have a long-lasting positive impact on healthy business growth, increased insurance penetration, product and process innovation, and, most importantly, customer experience. In August 2021, ICICI Prudential Life Insurance tied up with the National Payments Corporation of India (NPCI) to provide a unified payments interface autopay.



The Government of India has taken number of initiatives to boost the insurance industry. In February 2021, the Finance Ministry announced to infuse Rs. 3,000 crore (US$ 413.13 million) into state-owned general insurance companies to improve the overall financial health of companies. Under Union Budget 2021, fund of Rs. 16,000 crore (US$ 2.20 billion) were allocated for crop insurance scheme. Under the Union Budget 2021, Finance Minister announced that the initial public offering (IPO) of LIC will be implemented in FY22, as part of the consolidation in the banking and insurance sector. Though no formal market valuation has been undertaken, LIC's IPO has the potential to raise Rs. 1 lakh crore (US$ 13.62 billion). IRDAI announced the issuance, through Digilocker, of digital insurance policies by insurance firms. In June 2021, the government extended a Rs. 50 lakh (US$ 66.85 thousand) insurance coverage scheme for healthcare workers across India until the next one year. In

August 2021, the Parliament passed the General Insurance Business (Nationalisation) Amendment Bill. The bill aims to allow privatisation of state-run general insurance companies.In September 2021, the Union Cabinet approved an investment of Rs. 6,000 crore (US$ 804.71 million) into entities, offering export insurance cover to facilitate additional exports worth Rs. 5.6 lakh crore (US$ 75.11 billion) over the next five years. In November 2021, the Indian government signed an agreement with the World Bank for a US$ 40 million project to advance the qualities of health services in Meghalaya, including the state's health insurance programme. In 2022, the Indian government plans to sell a 7% stake in LIC for Rs. 50,000 crore (US$ 6.62 billion). This is the largest initial public offering (IPO) in India.

The insurance sector in India offers immense growth opportunities. The future looks promising for the insurance industry with several changes in regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers. The scope of IoT in Indian insurance market continues to go beyond telematics and customer risk assessment. Customer perception towards insurance has changed tremendously. People have become more aware after the pandemic. Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian life insurance. Beyond this, the new-age insurance also functions by leveraging the omnichannel approach of online and offline to maximize the output and create a holistic value proposition for the customer. Digitization is playing a significant role in improving transparency, customizing products and reducing the turnaround time for the end consumer. It has reduced the friction points and identified the need to tap into the potential of a compound online-offline medium. The sector is already witnessing a 'second sunrise' of sorts, and these positive changes are expected to enhance the growth of insurance in India. The Indian insurance ecosystem is still adjusting to the quick speed of technological change, but insurtech has begun to reshape how the business interacts with consumers, thereby streamlining and speeding up purchasing plans or settling claims. The IRDAI is making efforts to reach the last mile by strengthening the entire ecosystem. TJ

References

1. https://www.business-standard.com/article/companies/non-life-insurers-report-11
2. https://insuranceasia.com/insurance/news/india-general-insurance-industry-doubles
3. https://www.ibef.org/industry/insurance-sector-india
4. https://www.hindustantimes.com/business/india-to-become-6th-largest-insurance-market
5. https://www.newindianexpress.com/business/2022/oct/31/how-insurance-buyers
6. Swiss Re Report
7. IRDAI Annual Report 2020-21
8. Newspapers & Journals

CALL FOR PAPERS

We invite articles/papers for the issues of '**The Journal'** of Insurance Institute of India for the year 2023.

July – September 2023

Theme for July-September 2023 issue of 'The Journal' is **'Vision Zero- Role of Insurance'.**

Last Date of submission of papers/articles will be 30th April, 2023.

October – December 2023

Award Winning Articles of Essay Writing Competition 2023.

We request you to send your articles/papers to journal@iii.org.in on or before the due dates.

Knowledge Management Center
Insurance Institute of India
Plot No. C-46, G Block,
Bandra-Kurla Complex,
Bandra (East),
Mumbai - 400051.
www.insuranceinstituteofindia.com

Guidelines for contributors of the Journal

Note to the Contributors:

"The Journal" quarterly publication of Insurance Institute of India, Mumbai. It is published in the month of Jan/ April/July/Oct every year. "The Journal" covers wide range of issues related to insurance and allied areas. The Journal welcomes original contributions from both academicians and practitioners in the form of articles. Authors whose papers are published will be given honorarium and two copies of the Journal.

Guidelines to the Contributors:

1. Manuscript submitted to the Editor must be typed in MS-Word. The Length of the articles should not exceed 5000 words.

2. General rules for formatting text:

   i. Page size: A4 (8.27" X 11.69"

   ii. Font: Times New Roman -Normal, black

   iii. Line spacing: Double

   iv. Font size: Title-14, Sub-titles-12, Body-11 Normal, Diagrams/Tables/ Charts-11 or 10.

3. The first page of the Manuscript should contain the following information: (i) Title of the paper; (ii) The name(s) and institutional affiliation(s) of the Author(s); (iii) email address for correspondence. Other details for correspondence such as full postal address, telephone and fax number of the corresponding author must be clearly indicated.

4. **Abstract:** A concise abstract of maximum 150 words is required. The abstract should adequately highlight the key aspects or state the objectives, methodology and the results/ major conclusions of analysis. The abstract should include only text.

5. **Keywords:** Immediately after the abstract, provide around 3-6 keywords or phrases.

6. **Tables and Figures:** Diagrams, Tables and Charts cited in the text must be serially numbered and source of the same should be mentioned clearly wherever necessary. All such tables and figures should be titled accurately and all titles should be placed on the top after the number. Example: Table 1: Growth Rate of Insurance Premium in India (1997-2010).

7. **References:** all the referred material (including those from authors own publication) in the text must be appropriately cited. All references must be listed in alphabetical order and sorted chronologically and must be placed at the end of the manuscript. The authors are advised to follow American Psychological Association (APA) style in referencing.

- **Reference to a Book:** Author. (Year). *Title of book.* Location: Publisher.

  Example: Rogers, C. R. (1961). *On becoming a person.* Boston: Houghton Mifflin.

- **Reference to a Journal publication:** Author(s). (Year). Title of the article/paper. *Journal name,* volume (issue), page number(s).

  Example: Smith, L. V. (2000). Referencing articles in APA format. *APA Format Weekly,* 34(1), 4-10.

- **Reference to a Web Source:** Author. (Date published if available; n.d.--no date—if not). Title of article. *Title of website.* Retrieved date. From URL.

  Example: Landsberger, J. (n.d.). Citing Websites. In *Study Guides and Strategies.* Retrieved May 13, 2005, from http://www.studygs.net/citation

8. Usage of abbreviations in the text should be avoided as far as possible and if used should be appropriately expanded.

9. Usage of abbreviations in the text should be avoided as far as possible and if used should be appropriately expanded.

10. The papers and articles submitted must be original work and it should not have been published or submitted for publication elsewhere. The author(s) are required to submit a declaration to this extent in the format specified in Appendix 1, while submitting their articles.

11. Allthesubmissions would be first evaluated by the editor and then by the editorial Committee. Editorial committee may require the author to revise the manuscript as per the guidelines and policy of the Journal. The final draft is subject to editorial changes to suit the journals requirements. Editorial Committee also reserves its right to refer the article for review/ delete objectionable content/edit without changing the main idea/ make language corrections/ not to publish/ publish with caveats as per its discretion. The Author would be duly communicated with such decisions.

12. Contribution(s) should reach the designated email address at III on or before 30th November (January issue), 28th February (April issue), 31st May (July issue) and 31st August (October issue).

13. Please send your manuscripts to

    The Editor,
    The Journal of Insurance Institute of India,
    Insurance Institute of India
    Plot no. C-46, G-Block,
    Near Videsh Bhavan,
    Bandra-Kurla Complex,
    Bandra (East), Mumbai-400051

    Or

    Electronically Mail to <journal@iii.org.in> with subject line as "Contribution for "The Journal" January/April/July/October (Mention Year) issue.

14. In case the author has submitted only the hard copy, an electronic version of the manuscript would be required once the paper is accepted for publication.

15. All enquiries related to the submissions should be addressed only to the Editor.

16. Copyright of the published articles and papers would rest with "The Journal of Insurance Institute of India" and any further reproduction would require prior and written permission of the Editor.

Appendix I

Declaration by Authors

I/we (Full Name of the Author(s)) ..... hereby declare that I/we are the author(s) of the paper titles "....." (Title of the paper), which is our original work and not the intellectual property of any one else. I/we further declare that this paper has been submitted only to the Journal of the Insurance Institute of India and that it has not been previously published nor submitted for publication elsewhere. I/we have duly acknowledged and referenced all the sources used for this paper. I/we further authorize the editors to make necessary changes in this paper to make it suitable for publication.

I/we undertake to accept full responsibility for any misstatement regarding ownership of this article.

…….

…….

(Signature Author I) (Signature Author II)

Name: Name:

Date:

Place:

INSURANCE INSTITUTE OF INDIA

भारतीय बीमा संस्थान

G-Block, Plot No. C-46, Bandra Kurla Complex,
Mumbai – 400 051.
www.insuranceinstituteofindia.com

Request Form for 'The Journal'

Dear Sir / Madam,

Greetings from the Insurance Institute of India.

It gives us immense pleasure to publish quarterly journal whose subscribers are increasing year after year.

To support the green initiative we decided to publish the digital copy of The Journal. We request our subscribers to support the green initiative.

Kindly send below details by email to journal@iii.org.in to opt for Digital Copy of the journal.

Name: _____

Designation: _____

Company Name: _____

Email ID: _____

Phone / Mobile No.: _____

Please note, henceforth, all the future issues will be circulated in digital copy only.

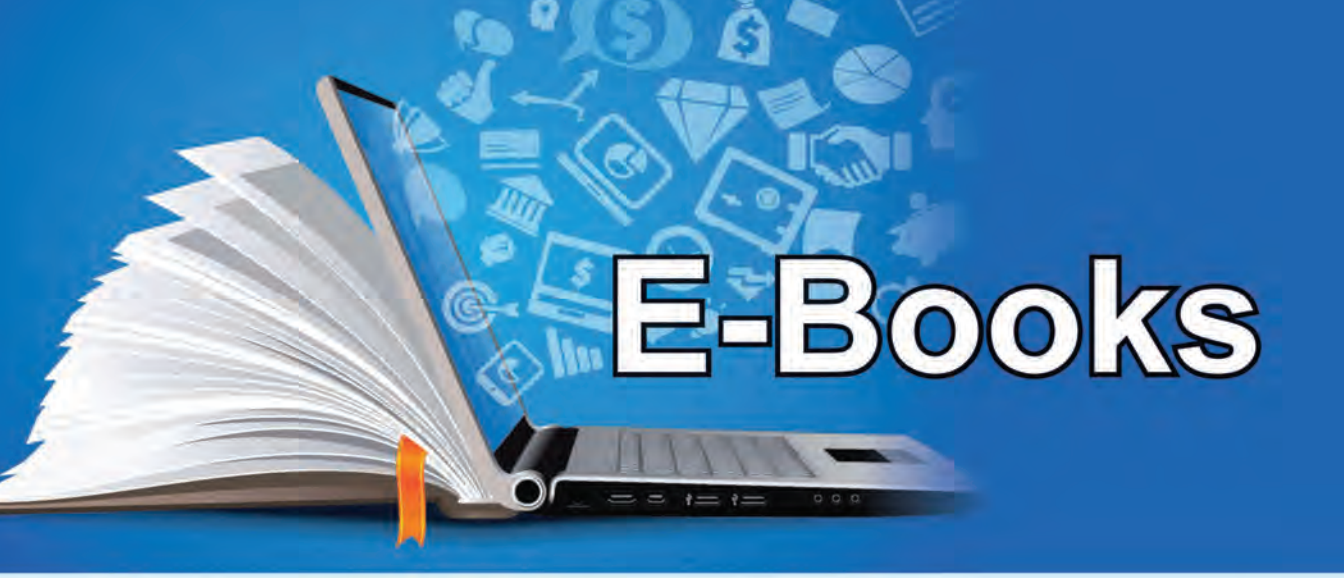
Thank you for your support. Enjoy reading.

Regards,
Knowledge Management Centre
Insurance Institute of India

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

Calendar for (Offline/Online) Training Programme Schedule - February 2023

Sr. No.	Title of the Training Program	Training Dates	Fees for Online	Fees for Residents	Fees for Non-Residents	Type of Program
1	Health Insurance : Medical Management and Fraud Control-CT-Mumbai	6th to 7th February, 2023	_	Rs. 10000/- + 18% GST	Rs. 7200/- + 18% GST	Offline-Calendar Programme-Mumbai
2	Marketing of Insurance Services - In The Current Scenario-CVT-Kolkata	7th February, 2023	Rs.1500/- + 18% GST	_	_	Online-Calendar Programme-Kolkata
3	Appreciation of International Classification of Diseases for Insurance (ICD 10)-CT-Mumbai	9th to 10th February, 2023	_	Rs. 10000/- + 18% GST	Rs. 7200/- + 18% GST	Offline-Calendar Programme-Mumbai
4	Reinsurance Treaty and Facultative Underwriting, Designing and Placements-CT-Mumbai	13th to 15th February, 2023	_	Rs. 15000/- + 18% GST	Rs. 10800/- + 18% GST	Offline-Calendar Programme-Mumbai
5	Cattle Insurance, Live Stock and Pet Insurance and other forms of Rural Insurance-CT-Mumbai	20th to 21st February, 2023	_	Rs. 10000/- + 18% GST	Rs. 7200/- + 18% GST	Offline-Calendar Programme-Mumbai
6	Management of Renewable Energy Insurance-CVT-Kolkata	23rd to 24th February, 2023	Rs.6000/- + 18% GST	_	_	Online-Calendar Programme-Kolkata
7	Management of Renewable Energy Insurance-CT-Kolkata	23rd to 24th February, 2023	_	Rs. 10000/- + 18% GST	Rs. 7200/- + 18% GST	Offline-Calendar Programme-Kolkata



The emblem of III speaks about "Achievement through application of knowledge". III as a pioneer educational institute in Insurance Domain has always endeavoured to use latest technology in order to impart and promote systematic insurance education and training as well as spread insurance awareness.

An e-Book (''electronic book'') is a digital version/replica of a traditional printed book. e-Book can be downloaded and read on a variety of electronic devices including personal computers and mobile devices such as e-book readers (browser base) and tablets.

How to apply?

1. Visit website www.insuranceinstituteofindia.com
2. Sign in
3. Go to menu "Study Material"--> Purchase Online --> e-Book
4. Fill the detail, select subjects and pay required fees.

How to use?

Registered member/candidate of Insurance Institute of India can buy an e-Book. The Candidate needs to click on the URL, which he/she will receive in the welcome email and register, following which, he/she will be able to access the portal. Once logged in, candidate can download the e-Book from the portal. The validity period of an e-Book is 90 days from the date of purchase. For renewal, candidate need to follow same Process again and pay for the same.

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

G-Block, Plot No.C-46,
Bandra Kurla Complex,
Mumbai - 400 051.

For queries, please see e-Book FAQs under menu "Study Material"--> Purchase Online --> e-Book – FAQs or email to studymaterial@iii.org.in

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

COURSES OFFERED BY INSURANCE INSTITUTE OF INDIA

ROFESSIONAL ERTIFICATION
- Licentiate
- Associateship
- Fellowship

SPECIALISED DIPLOMA
- Marine Insurance
- Fire Insurance
- Health Insurance
- Life Insurance Underwriting

CERTIFICATE / DIPLOMA / ADVANCED DIPLOMA
- Foundation of Casualty Actuarial Science

COURSES IN COLLABORATION
- Certificate Course On Compliance, Governance and Risk Management (with Institute of Company Secretaries of India)
- Certified Insurance Anti-fraud Professional (CIAFP) (with North American Training Group)
- Life Insurance Underwriting (with Association of Insurance Underwriters)

COURSES WITH UNIVERSITY OF MUMBAI
- Post Graduate Diploma in Health Insurance (PGDHI)
- Post Graduate Diploma in Insurance Marketing (PGDIM)
- Ph.D. in Business Management

REGULATORY EXAMINATIONS - The Institute conducts online trainings and examinations authorized by the Insurance Regulatory and Development Authority of India (IRDAI)

REGULATORY EXAMINATIONS
- Pre-licensing Examination For Insurance Surveyors And Loss Assessors
- Pre-licensing Examination of Web – Aggregators
- Pre-licensing Examination of Insurance Marketing Firms
- Pre-appointment Examination of Insurance Agents (Life, Non-life, Health)
- Pre-licensing Examination of Corporate Agents (Life, Non-life, Health)

ONLINE TRAININGS
- Insurance Broker Training (Fresh / Renewal) - BQP and PO
- Corporate Agent Training (Fresh and Renewal)
- Insurance Marketing Firm -Training(Fresh / Renewal)
- Authorised Verifiers of Insurance Brokers
- Renewal of License of Insurance Brokers

POSTAL LIFE INSURANCE

The INSTITUTE provides training and conducts the licentiate examination on behalf of the postal life insurance authority of India across the country in all major Indian languages for POSTAL LIFE INSURANCE AGENTS and RURAL POSTAL LIFE INSURANCE AGENTS.

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

Online Examination Schedule for the Year 2023

Steps & Details			Exam Month & Year		
			June - 2023	September – 2023	December - 2023
1	Registration (New Candidates) *		6th to 13th April 2023	6th to 13th July 2023	6th to 13th October 2023
	Subject Enrollment (Payment of fees)				
	Change of Centre **				
	Change of Subject ** (subject having similar credit points)				
2	Slot Booking - Book date & time of the examination for enrolled subjects		4th to 9th May 2023	4th to 9th August 2023	4th to 9th November 2023
3	Examination Day & Dates	Saturday	3rd June, 2023	2nd September, 2023	2nd December, 2023
		Sunday	4th June, 2023	3rd September, 2023	3rd December, 2023
		Saturday	10th June, 2023	9th September, 2023	9th December, 2023
		Sunday	11th June, 2023	10th September, 2023	10th December, 2023
4	Last date to receive Scribe request for Physically/Visually Challenged candidates		24th May, 2023	24th August, 2023	24th November, 2023
5	Result to be declared on or before		30th June, 2023	30th September, 2023	31st December, 2023

*New candidates have to first register as a member with III and then pay the paper enrollment fees.
For more details may refer Help manual available on our portal under Examinations >> Help Manual
**Candidates can change centre & subject using own login id on or before last date of enrollment.
For Professional Examination related queries :- 022- 26544 223/230/238/239/244/250. (mrm@iii.org.in)
For Surveyor Examination related queries :- 022- 26544 232/274/239. (surveyor@iii.org.in)
The examinations for the following certificate courses shall be conducted only in June & December every year.
(1) Advanced Diploma in Life Insurance Underwriting
(2) Certificate Course on Compliance, Governance and Risk Management in Insurance (IRCC).

Important Note :-
The dates given above are tentative and may be changed if required.

Updated on 7.12.22

RNI No. MAHENG/2013/50733 ISSN No. 2278-6759

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

Online Lending Library

Group Corporate Membership

Insurance Institute of India introduces a new segment in Online Lending Library named **Group Corporate Membership (GCM)** especially for corporates. In GCM, various branches/depts. of a Company can utilise library facility. Corporates can make use of rich collection of books on Insurance, Risk, Reinsurance, Finance, Tax, Law, Management & many more.

Group Corporate Membership Plans:

Particulars	Plan 1	Plan 2	Plan 3
No. of Branches/Dept.	5	10	15
Refundable Security Deposite	100000	200000	300000
Annual fees	75000 + GST	125000 + GST	175000 + GST
No. of Login	5	10	15
No of Books per login	5	5	5
Issue Period	1 month	1 month	1 month
Renew Period	1 month	1 month	1 month

* GST as applicable

GCM Services

- *More than 7000 books to choose from*
- *Free office delivery & pick up of books*
- *Delivery within 48 hours from order*
- *Multiple logins for each Company*
- *Back issues of last 6 months of National/ International Journals on insurance/ Finance/management will be issued*
- *Maximum 20 books in total will be issued to Cos. at a point of time*

Contact Details

Library, Knowledge Management Centre, Insurance Institute of India
Plot No C-46, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.
Email – library@iii.org.in | Website – www.insuranceinstituteofindia.com