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Earning the Trust of the Retail Customer of Insurance

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EDITORIAL

"A Customer is the most important visitor on our premises. He is not dependent on us.

> We are dependent on him.
> He is not an interruption on our work.
> He is the purpose of it.
> He is not an outsider on our business.
> He is a part of it.
> We are not doing him a favour by serving him.
> He is doing us a favor by giving us an opportunity to do so."

- Mahatma Gandhi

This beautiful quotation by Mahatma Gandhi, brings across the relationship between a customer and the organisation. But this fact is quickly forgotten by institutions leading to pain for both the parties involved.

While this is true for all activities and businesses, it has a special significance for the insurance sector.

Physical products can be seen, evaluated and checked prior to the purchase. insurance is only a promise to help in the event of a named contingency. In other words, it deals with a possible future event.

Obviously, the standard of service has to be set very high when it comes to dealing with customers who have acquired insurance.

There has to be great clarity in what is being offered and the insured has to be made aware of it in the same sense. Often, this is not the case. Being a specialised subject with its own set of terms and conditions and jargon, a customer may not understand it in the same manner in which the insurer offers. This leads to a lot of confusion and dissatisfaction.

Insurance may not be a single transaction. It could be a continuous process, especially when it comes to General insurance. Each instance would be a test for the insurer.

Insurance is sold through a large number of intermediaries and unless they are well informed, trained and monitored effectively, there could be cases of mis-selling leading again to acrimony.

While there could be instances of servicing needs during the policy period, the real test of insurance comes at the time of a claim. The claimant most likely would be a person who has faced a trauma and would expect to be handled in a sensitive manner.

The industry of course has come up with many rules of insurance, which have not only stood the test of times, but also evolved to take care of changing needs.

Technology is changing very fast, and this offers insurance companies smart tools to handle large numbers of customers in a quick and effective manner.

A satisfied customer is the best advertisement for any enterprise and especially so for insurance where trust is the major factor involved. Such customers not only continue with their relationship on a regular basis, but also contribute to the growth of the insurer by word of mouth and testimonies.

We have a good number of articles on topic, related to this theme in this issue, which should provide for interesting insights.

Editorial Team

Earning the Trust of the Retail Customer of General Insurance

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A General Insurance professional and Fellow of the Insurance Institute of India (III), Adithya brings specialist expertise in public administration and technology policy. This perspective guides the analysis on strengthening fiduciary integrity and realizing the ethical mandate of verifiable assurance.The views expressed are personal.

Abstract

The Indian General Insurance (GI) sector suffers from a chronic retail-trust deficit rooted in structural fiduciary asymmetry. This systemic imbalance, where institutions possess overwhelming power but lack verifiable accountability, compromises the promise of economic security. The crisis is objectively quantified by escalating consumer grievances: the Council for Insurance Ombudsmen (CIO) received **52,575 complaints** in 2023–24, and professional misconduct, specifically mis-selling, accounted for approximately **58%** of entertainable complaints in 2022–23. This paper proposes a Hybrid Governance Model designed to enforce competitive integrity through four mutually reinforcing pillars: (1) **Governance**, mandating verifiable insurer performance via Customer Fairness Certification (CFC) aligned with global *Treating Customers Fairly (TCF)* principles; (2) **Academic Capacity**, anchoring policy in objective research via a dedicated Academic-Regulatory Research Institution; (3) **Technological Reliability**, leveraging Digital Public Infrastructure (DPI) like the National Health Claims Exchange (NHCX) to facilitate objective **Insured Risk Segmentation**—a CIBIL-like fairness score—by utilizing FHIR standards; and (4) **Legal Finality**, institutionalizing swift, binding dispute resolution via scaled Permanent Lok Adalats (PLAs). The integrated adoption of this framework is a prerequisite for realizing the nation's mandate for economic resilience and financial stability.

Keywords

Fiduciary Asymmetry, Retail Trust, Customer Fairness Certification (CFC), National Health Claims Exchange (NHCX), Permanent Lok Adalats (PLAs), Insurance Fraud Monitoring Framework.

I. The Structural Crisis of Fiduciary Asymmetry in General Insurance

Trust serves as the non-negotiable infrastructure upon which any robust financial market must operate (Rejda & McNamara, 2023). The sector's efficacy rests entirely on public confidence, which is currently compromised in the Indian General Insurance (GI) market.

The pervasive deficit of consumer confidence represents the single greatest structural impediment to achieving robust market penetration and economic resilience. The core premise of the insurance contract is built on the complex promise of providing economic security against future financial loss.

1.1. Defining the Trust Deficit: Informational and Control Asymmetry

The core challenge is defined by **fiduciary asymmetry**—a systemic imbalance where insurance institutions possess overwhelming informational and capital power but operate without sufficient, verifiable accountability to the policyholder.

- **Informational Asymmetry:** This occurs when the insurer's inability to accurately rate the risk of loss results in adverse selection, where high-risk applicants are undercharged, and low-risk individuals are overcharged, thereby undermining the perception of fairness and discouraging consumption (Browne, 1992).

- **Control Asymmetry:** This arises when institutional power allows operational failures, such as unjustified delays or denials, to persist unchecked, compromising the contractual imperatives of **'Pay'** (delivering swift compensation) and **'Recover'** (mitigating losses from fraud or third-party negligence) (Council for Insurance Ombudsmen, 2024).

1.2. Quantification of Market Misalignment: Data on Misconduct and Claims Failure

The depth of the trust crisis is quantified by the high volume and nature of disputes lodged against insurers:

- **Pervasive Misconduct:** Professional misconduct, particularly **mis-selling**, remains the largest source of conflict. Mis-selling accounted for approximately **58%** of all entertainable complaints reviewed by the Council for Insurance Ombudsmen (CIO) in 2022–23. This confirms a structural failure in ensuring product suitability and sales integrity across the customer lifecycle.

- **Volume and Critical Segments:** The cumulative volume of grievances reinforces this failure; the CIO received **52,575 complaints** in 2023–24 (Council for Insurance Ombudsmen, 2024). The concentration of these grievances is particularly acute in health insurance, with **31,490** complaints related specifically to this segment in 2023–24 (Council for Insurance Ombudsmen, 2024). This figure, representing approximately **60%** of all complaints reviewed by the CIO in that period, highlights acute systemic vulnerabilities in claims handling, which is the most direct failure of the contractual 'Pay' promise.

Table 1: Quantifying the General Insurance Retail Trust Deficit (Based on Complaint Data)

Metric	Data Point	Fiduciary Implication
Mis-selling (% of Entertainable Complaints, 2022–23)	58%	Structural failure of product suitability and sales integrity.
Health Insurance Volume (CIO Complaints, 2023–24)	31,490 complaints	Acute vulnerability in a high-volume, critical claims segment.
Total Grievance Volume (CIO, 2023–24)	52,575	High consumer dissatisfaction and market pressure.

1.3. The Interdependency of 'Pay' and 'Recover'

Structural integrity requires recognizing the interdependency of the **'Pay'** and **'Recover'** imperatives. The **'Recover'** function encompasses loss mitigation through effective fraud detection and timely subrogation. When losses stemming from fraud or third-party negligence are unmitigated, the overall insurance pool becomes unstable (Insurance Regulatory and Development Authority of India, 2024). This inherent instability necessitates tighter claims scrutiny across the board, which frequently manifests as the unfair denial or delay of legitimate claims—a direct failure of the **'Pay'** promise. Therefore, robust systems for loss mitigation are essential components of achieving fiduciary integrity and ensuring reliable compensation for honest policyholders.

II. Pillar I: Governance Reform for Fiduciary Integrity

Effective governance must mandate verifiable accountability, structurally compelling competitive integrity and reliable performance across the insurer-customer relationship. India must seek a bespoke regulatory model adapted to its market scale, focusing on efficient claims processing and granular risk differentiation, rather than solely on the stringent financial solvency standards (such as Solvency II) of high-penetration Global North markets.

2.1. Mitigating Systemic Conflicts

A significant structural impediment to long-term fiduciary trust is the inherent conflict of interest arising from **vertical integration**, where conglomerates—such as hospitals, vehicle manufacturers, or banks—own insurance companies. This structure risks prioritizing the parent entity's financial goals over the policyholder's claim outcome. For instance, hospital ownership of health insurers creates an incentive to maximize service utilization and cost extraction, which complicates the claims process. Similarly, captive sales channels are a major driver of the documented high mis-selling rates (58% of complaints) by prioritizing profit targets over product suitability. To mitigate this systemic conflict, the governance framework must mandate structural separation and heightened regulatory scrutiny over related-party transactions, ensuring that the fiduciary duty to the policyholder remains strictly insulated from the commercial interests of the parent conglomerate.

2.2. Enforcing the 'Pay' Promise through Customer Fairness Certification (CFC)

To enforce verifiable accountability, mandatory annual **Customer Fairness Certification (CFC)** must be institutionalized, serving as an objective, public performance rating mechanism (Financial Conduct Authority, 2007). This framework must be explicitly aligned with the internationally recognized **"Treating Customers Fairly (TCF)"** principles.

The CFC, guided by the six core TCF outcomes (Financial Conduct Authority, 2007), compels regulatory focus onto the concrete outcomes experienced by the consumer:

1. **Corporate Culture:** Ensuring fair treatment is central to the firm's strategy and culture.
2. **Product Suitability:** Mandating products are designed for, and marketed to, identified consumer groups, directly combating the **58% mis-selling rate**.
3. **Clear Information:** Guaranteeing communication is clear, fair, and not misleading.
4. **Suitable Advice:** Ensuring advice reflects the customer's needs and circumstances.
5. **Product Performance:** Verifying that products perform as expected and associated service standards are met, rigorously enforcing the **'Pay' imperative**.
6. **No Post-Sale Barriers:** Eliminating unreasonable barriers to making a claim or complaint.

The transparent results of these CFC audits, published as a formal Insurer Performance Rating, introduce competition based on verifiable reliability and ethical conduct, structurally compelling executive management to prioritize the fiduciary duty to pay legitimate claims swiftly and fairly.

Table 2: Alignment of Customer Fairness Certification (CFC) with Global TCF Outcomes

TCF Outcome (FCA, 2007)	CFC Policy Requirement	Mechanism to Combat Fiduciary Failure
Outcome 2: Product Suitability	Mandatory audit of target market design and sales appropriateness.	Directly reduces mis-selling by tackling informational asymmetry at the point of sale.
Outcome 5: Product Performance	Verifiable metrics on claims processing speed and objectivity.	Enforces the 'Pay' imperative, compelling efficient payout and combating institutional failure.
Outcome 6: No Post-Sale Barriers	Auditable efficiency of grievance handling and claim submission.	Addresses control asymmetry and links governance to the Legal Finality pillar.

III. Pillar II: Policy Capacity and Academic Rigor

Earning long-term retail trust requires that governance and regulatory mandates are guided by demonstrable scientific, actuarial, and interdisciplinary competence in risk management.

3.1. The Necessity of a Scientific Policy Anchor

Given the sector's growing exposure to complex variables, including high-frequency climate risks and reliance on sophisticated digital technologies, policy design requires an anchoring in specialized, rigorous research. The sector needs a complementary, research-intensive institution—an **Academic-Regulatory Research Institution**—to bridge the gap between regulatory data and evidence-based policy innovation (University of Pennsylvania, 2025).

While the National Insurance Academy (NIA) provides foundational training and the Insurance Institute of India (III) publishes research, this new institution must focus specifically on generating rigorous, publicly verifiable data, driving necessary actuarial innovation, and producing crucial behavioral insights into market adoption, mis-selling drivers, claims delay causes, and sophisticated fraud patterns. This institutional rigor ensures that national risk mitigation strategies and subsequent regulatory changes are founded on sound, objective evidence.

3.2. Addressing Informational Asymmetry Through Research

The core of fiduciary asymmetry is often **informational asymmetry**—the insurer's inability to accurately rate the risk of loss (Browne, 1992). The Academic-Regulatory Research Institution is essential for validating the complex actuarial models required to move the industry away from generalized pricing toward accurate **risk-based pricing**.

By independently validating these models, the institution ensures that the price a customer pays is demonstrably fair and aligned with objective, verifiable data. This scientific assurance is a prerequisite for earning retail trust. To fulfill this mandate, the institution must be granted controlled, ethical access to aggregated and anonymized IIB-NHCX and claims data, enabling the continuous, objective monitoring of risk segmentation fairness. This formalized structure, utilizing the intellectual assets of the III, NIA, and IRDAI data streams, establishes a research complex to objectively inform the regulatory trajectory of the GI market, echoing successful international models such as the University of Pennsylvania's Leonard Davis Institute of Health Economics (LDI).

IV. Pillar III: Technology, Data Standards, and Ethical Reliability

India's Digital Public Infrastructure (DPI), including initiatives like the "Bima Trinity" (Bima Sugam, Bima Vistaar, and Bima Vahak), provides an unparalleled pathway to scale transparency and efficiency. The technological architecture must embody the cultural ethic of the ancient **Hundi** system, a traditional finance method based on a closed network of trusted agents and voluntary, verifiable assurance, serving as the ethic for modern digital adoption.

4.1. Interoperability for Objective Insured Risk Segmentation: The CIBIL-like Score

The integration of the Insurance Information Bureau (IIB) with the **National Health Claims Exchange (NHCX)** is a pivotal technological mandate for institutionalizing reliability. Developed by the National Health Authority (NHA) in consultation with IRDAI, the NHCX streamlines and standardizes health insurance claim processing across the country.

The NHCX achieves this standardization by leveraging **FHIR (Fast Healthcare Interoperability Resources) standards**, ensuring the data exchanged between payers and providers is machine-readable, auditable, and verifiable, guaranteeing interoperability across diverse systems.[1] Key workflows supported by the FHIR R4 standard include:

- Eligibility check [2]
- Pre-authorization request flow [2]
- Claims request flow [2]
- Search/fetch claims data for status checks [2]

This verifiable digital data flow enables objective **Insured Risk Segmentation**—functioning as a **CIBIL-like score for the insured**. By guaranteeing accurate and verifiable data inputs (e.g., claims history, eligibility) via IIB-NHCX/FHIR, the system provides an objective digital risk profile. This mechanism allows insurers to move toward fair, granular, and risk-based pricing, eliminating the informational asymmetry that historically led to unfair premiums and subsequent claim disputes. The use of standardized digital data transforms the highly contentious health claims segment (31,490 grievances in 2023–24) (Council for Insurance Ombudsmen, 2024) from a subjective, manual process into an auditable one, structurally resolving control asymmetry and strongly reinforcing the 'Pay' function.

4.2. Enforcing the 'Recover' Mandate through Digital Resilience

Technology is critical for securing the **'Recover'** mandate by strengthening the defense against fraud (IRDAI, 2025). The **IRDAI (Insurance Fraud Monitoring Framework) Guidelines, 2025**, establish a comprehensive framework to deter, prevent, detect, report, and remedy fraud risks effectively across the industry, aiming to enhance the sector's resilience and protect policyholders' interests. These guidelines shall come into force from April 1, 2026.

The framework mandates the use of the IIB's Fraud Monitoring Technology Framework, including the creation of an industry-wide Caution Repository and the B2B platform **Beema Satark**.[3] This collective intelligence mechanism transforms fraud mitigation into a centralized, collaborative effort. Furthermore, the 2025 guidelines mandate that insurers run regular fraud awareness programs for customers and continuous training for employees and agents about fraud risks and prevention. This technological reinforcement of the **'Recover'** function stabilizes the risk pool, ensuring that losses from fraud do not compromise the insurer's ability to uphold the **'Pay'** promise to honest customers.

4.3. Ethical Governance of Artificial Intelligence

The increasing use of Artificial Intelligence (AI) for risk segmentation and fraud detection requires strict ethical governance to prevent algorithmic bias in pricing or claims handling. Adherence to national guidelines, such as those developed by NITI Aayog for responsible AI implementation is critical. For AI to maintain public trust, the systems used for adjudication must be explainable, transparent, fair, ethical, and accountable.

V. Pillar IV: Legal Architecture and Guaranteeing Judicial Finality

The confidence that the insurance promise will be legally enforced swiftly and definitively is paramount to trust. Judicial delays create a pervasive **'litigation trap'** that severely undermines the economic purpose of insurance by discouraging policyholders from pursuing legitimate claims.

5.1. Scaling Permanent Lok Adalats (PLAs) for Swift, Binding Resolution

The statutory solution for ensuring timely and definitive dispute resolution lies in the strategic scaling of **Permanent Lok Adalats (PLAs)**. PLAs, authorized under the Legal Services Authorities Act (National Legal Services Authority, 2021), provide a forum for mandatory pre-litigation conciliation for disputes concerning public utility services.

Crucially, if the parties fail to reach a settlement, the PLA has the jurisdiction to decide the case and issue an award that is **final and binding** on all parties. Their jurisdiction is set up to ₹**1 Crore** in value. Institutionalizing a dedicated, sector-specific digital Alternative Dispute Resolution (ADR) track maximizes PLA efficiency, leveraging the standardized digital evidence stream provided by the integrated Insurance Stack. By guaranteeing swift, binding justice, PLAs restore economic value to the contract and structurally remove the ability to weaponize procedural delays.

5.2. Streamlining the 'Pay and Recover' Doctrine

Disputes concerning Third-Party Liability Claims, typically handled by Motor Accident Claims Tribunals, frequently invoke the **'Pay and Recover' (P&R) doctrine**. This judicial tool, rooted in social justice, mandates the insurer pay the accident victim immediately, even where technical breaches of the policy exist. The insurer is then reserved the right to recover the paid amount from the defaulting vehicle owner later.

Streamlining the Recovery Phase

While P&R ensures the social imperative of the **'Pay'** function for victims, the legal architecture must be streamlined to execute the **recovery phase efficiently**. The judicial precedent confirms that the insurer is initially liable to pay the compensation to the petitioner, being the indemnifier of the owner, but has the right to recover the same from the defaulting vehicle owner later. However, the insurer must establish a **breach on the part of the insured** to be absolved on any specified grounds and execute the recovery.

The streamlining of recovery relies heavily on the technological architecture (Pillar III):

1. **Digital Tracking and Identification:** The difficulty of executing recovery is overcome by leveraging digital data streams and intelligence platforms like Beema Satark, mandated by the IRDAI [3], to track and hold liable the negligent parties.
2. **Verifiable Breach Documentation:** The recovery process is simplified by the digital stack's ability to provide auditable and verifiable evidence of the policy breach (e.g., fake or expired license, misuse of vehicle), which is necessary for the insurer to be absolved of liability and initiate recovery.

By integrating technology with the judicial process, the recovery phase is made highly operational, ensuring the stability of the overall insurance pool and upholding the integrity of the P&R doctrine.

VI. Conclusion: The Integrated Policy Framework and Institutional Commitment

The mitigation of persistent fiduciary asymmetry in the GI market is a structural imperative for economic stability. The transition from a distrusted transaction to a reliable covenant must be driven by institutional competence and integrity, reflecting the ethical mandate of verifiable assurance.

6.1. Synthesis of the Hybrid Governance Model

The Hybrid Governance Model succeeds because its four pillars mutually reinforce systemic reliability, forming the integrated **"Insurance Stack"**:

- **Technological Reliability** (NHCX/FHIR) (National Health Authority, 2024) provides transparent data standards enabling **Insured Risk Segmentation**.
- These standards enable the **Governance** framework (CFC) to measure performance against TCF Outcomes 2 (Suitability) and 5 (Product Performance) (Financial Conduct Authority, 2007).
- The standardized, auditable data stream generated by Pillar III (Technology) is the necessary evidence base for the rapid, binding resolution offered by **Legal Finality** (PLAs).
- The overall integrity is underpinned by the scientific competence mandated by **Academic Capacity** (Pillar II), ensuring actuarial models are fair and accurate.

Table 3: Integrated Framework for Retail Trust: Aligning Governance, Technology, and Legal Finality

Pillar of Reform	Core Mechanism/ Policy	Institutional Mandate	Causal Outcome for Trust (Pay & Recover)
Governance & Fiduciary Integrity	Customer Fairness Certification (CFC); Conflict Mitigation (TCF Principles)	IRDAI; linking metrics (suitability, claims integrity) to accountability.	Enforces competitive behavior based on claims integrity ('Pay') and mitigates conglomerate bias.
Academic Capacity	Academic-Regulatory Research Institution	IRDAI/III/NIA/ Govt.; focus on objective, verifiable actuarial science.	Anchors policy in objective data, ensuring competent regulation of complex risk processes.
Technological Reliability	IIB-NHCX Interoperability (FHIR Standards); Fraud Monitoring	NHA/IRDAI, IIB; ensuring secure, standardized data exchange.	Enables accurate Insured Risk Segmentation and objective payout; strengthens loss mitigation ('Recover') via fraud intelligence.

Pillar of Reform	Core Mechanism/ Policy	Institutional Mandate	Causal Outcome for Trust (Pay & Recover)
Legal Finality	Scaled Permanent Lok Adalats (PLAs)	NALSA; digital ADR track integrated with DPI platforms.	Restores economic value to the contract by guaranteeing swift, low-cost, binding justice for claims and recovery enforcement.

6.2. Policy Recommendations

The structural imperative of achieving retail trust demands immediate and coordinated policy action:

1. **Mandate Customer Fairness Certification:** The mandatory annual CFC framework must be issued immediately, aligning all GI entities with global TCF principles and structurally enforcing claims integrity and product suitability against the endemic problem of mis-selling.
2. **Accelerate IIB-NHCX Operationalization:** The full-scale, mandatory adoption of the NHCX platform for all health insurance claims processing must be prioritized, leveraging FHIR standards to convert subjective claim decision-making into auditable, verifiable data exchanges, thereby mitigating control asymmetry in the highest grievance segment.
3. **Invest in Legal Infrastructure for Finality:** Centralized funding and digital integration support are required to rapidly scale Permanent Lok Adalats (PLAs) (National Legal Services Authority, 2021), including institutionalizing a dedicated digital ADR track that efficiently utilizes the standardized data from the Insurance Stack to swiftly resolve mass-volume and complex claims.
4. **Formalize Academic Authority:** The establishment and funding of the Academic-Regulatory Research Institution must be formalized, providing it with the explicit authority to audit and validate high-frequency risk models used in the market, thereby securing the scientific foundation of regulatory decision-making.

Ensuring retail trust through this hybrid governance model is a structural imperative for realizing robust economic resilience and the nation's long-term goal of financial stability. TJ

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Trust as a Strategic Asset: Achieving Competitive Advantage and Sustainable Growth in Insurance

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Dr Venkatesh Ganapathy delivers courses in business management across various business schools. He holds a Fellowship from the Insurance Institute of India (2003). He has published several research efforts on the topic of insurance and has won prizes in the essay competitions organised by III. He was conferred a PhD in Marketing in November 2025. Venkatesh has also taught courses in insurance for students pursuing an MBA.

Abstract

The insurance sector often faces a major challenge in terms of trust deficit. Unlike other services, the value of insurance is realised by the customer only when there is a claim. If the claims process is efficient, this inspires trust among the customers. This research effort looks at trust as a strategic asset – how can trust result in competitive advantage and lead to long term sustainability of the insurance business? The results show that insurers do face a trust deficit, but this is moderate. Trust must be gradually built across all organisational functions. Trust must be deployed across all organisational functions. A trust audit to assess the performance at each touchpoint in the insurance value chain will give an idea of where the organisation stands. Specific KPIs must be designed and developed to track trust. This will need realignment of internal structures. Incentives and commissions must be awarded based on long-term relationship building. Strong leadership is essential for building a trust-centric organisation.

Keywords

Insurance, Trust, Strategic Asset, VRIO Framework, Value Chain.

Introduction

The earlier model of selling insurance policies through fear and complexities is no longer relevant. The new insurance business model positions insurance as a trusted advisor. Insurance policies are complex legal documents. Policyholders seldom read the fine print. Certain terms are not understood by the policyholders. Customers often don't know what they're buying or what is excluded until they need to make a claim. The information asymmetry between the insurance company (represented by an agent) and the customer is what is primarily responsible for the trust deficit in insurance.

Insurance is purchased because it is required, not because the customer wants it. This frames insurance as a cost and not as something of value. The insurance claim is the moment of truth – this is when the promise made by the insurance company is tested. If the claim is denied, the process is slow, or if there is excessive paperwork, the trust gets shattered in no time. In the past, too, history is replete with instances of rampant mis-selling when customers were sold policies that did not meet their needs, or the insurance agents sold policies that promised them a higher commission. These experiences have made customers sceptical about insurance products as a whole.

The trust paradox is the foundation of the insurance sector. An insurance contract is fundamentally a promise with inherent information asymmetry, whereby the client pays premiums now in exchange for a payout that is assured in an uncertain future. When the time comes, the policyholder will have to rely solely on the insurer's honesty and financial stability to keep this commitment. Because of this dynamic, trust is not only a positive quality but also the fundamental tenet upon which the entire sector is built.

The industry usually experiences a severe trust deficit in spite of this crucial reliance on trust. Public mis-selling scandals, purposefully complicated policy wordings that obfuscate coverage, and a general perception of claim rejection are the main causes of this. Because of these problems, consumers now frequently approach their insurers with suspicion. More than just a reputational issue, this decline in trust poses a serious strategic risk to long-term brand equity, customer acquisition, and retention.

Therefore, the main research question this paper attempts to answer is: How can insurance companies strategically develop trust as a competitive advantage that lasts? The goal is to consciously reinterpret trust as a hard, strategic imperative that can be managed and engineered, rather than a soft, moral virtue. This paper's scope will examine the function of trust via the prism of five well-known strategic management models in order to demonstrate this shift, offering a tangible framework for its growth and utilisation.

How Can Trust Be Earned By Insurers?

Let us understand the core pillars of trust.

1. **Transparency & Simplicity** – Coverage, exclusions and processes must be simple. The terms of the insurance contract must be easy for the customer to understand. The relevant information must be presented first. The contract must not have hidden clauses or legal terminology that customers cannot understand. Setting expectations is crucial. The insurance contract must clearly specify what is not covered. This will build more trust than giving incomplete information and denying the claim later. The pricing must be transparent. The customer must clearly understand what they are paying for and why.

2. **Customer-Centricity** – Empathy and customer-centricity go hand-in-hand. Rather than selling insurance policies, companies must offer solutions that can address customers' needs. The customers' needs must be clearly understood by seeking relevant information from them. Customer-centricity is about proactively gauging customer needs and offering bespoke solutions to address those needs. The insurance company must be on the customer's side when a claim has to be paid. Due diligence is important to address concerns of fake claims or moral hazards – but this cannot be done at the cost of causing harm to customers' interests. The system must be designed in such a manner that genuine claims are processed with alacrity. Today, customers often feel that the energy and enthusiasm with which premiums are collected by insurance companies is often conspicuous by its absence when a claim has to be paid.

   Rather than waiting for customers to report a problem, proactively checking with customers or sending them reminders and updates on claims will help customers to a great extent. Customers value advice that is relevant and genuine.

3. From getting a quote to filing a claim, the process should be intuitive, fast, and accessible on any device. If the website or app is not user-friendly, it will not provide a good experience to users. The quality of service should be the same whether interacting online, on the phone, or in person. It is also important that the insurer deliver on promises.

The insurer must present itself as a committed partner in their clients' well-being rather than merely a premium collector if they want to show value beyond the insurance policy itself.

A trust-based insurance model transforms customer experience from frustration to reassurance by emphasising transparency, speed, and empathy. Insurers can demonstrate genuine care beyond transactions through educational resources, wellness programs, and telehealth services that add ongoing value between premiums. The claims process, however, remains the ultimate trust test—efficient, fair, and compassionate handling proves reliability when customers are most vulnerable. Unlike the traditional model of delays and confusion, a streamlined, empathetic process supported by digital tools fosters loyalty and advocacy. Ultimately, insurers earn enduring trust not through policy wording, but through consistent, supportive actions when clients need them most.

The insurance industry must redefine itself—from a transactional necessity to a trusted partner chosen by clients. Bridging the trust gap requires transparency, empathy, and value beyond premiums. Open communication about coverage and costs earns a "trust dividend" through loyalty, advocacy, and sustained profitability. Proactive services, educational resources, and dependable support demonstrate genuine care for customer well-being. Most importantly, a fair, fast, and compassionate claims process transforms critical moments into enduring trust advantages. Ultimately, trust is not a soft ideal but a measurable strategic asset—one that, when systematically built and managed, secures sustainable competitive advantage and long-term growth.

Defining the Strategic Dimensions of Trust

In the context of insurance, trust can be defined as the customer's willingness to be vulnerable to the insurer's actions, based on the expectation that the company will act in their interest, especially in times of need. This trust is not monolithic but comprises three distinct dimensions. The first is **Competence Trust**, which is the confidence in the insurer's ability to accurately assess risk and possess the financial strength to pay claims. The second is **Contractual Trust**, the belief that the company will honour the explicit terms and conditions of the policy. The most advanced form is **Goodwill Trust**, which is the expectation that the insurer will act with fairness and integrity even in ambiguous situations not fully covered by the policy wording, placing the customer's well-being above technicalities. All these dimensions can be mapped with the insurance principle of: Uberrima Fides (Utmost Good Faith).

Theoretical Framework: Trust as a VRIO Capability

The Resource-Based View (RBV) of the firm provides a powerful theoretical lens to analyse trust. The RBV posits that sustainable competitive advantage is derived from resources and capabilities that are Valuable, Rare, Inimitable, and Organised (VRIO). A deeply institutionalised culture of trust is precisely such a strategic capability. It is **Valuable** because it reduces customer acquisition costs, increases lifetime value, and lowers litigation expenses. It is **Rare** because genuine, demonstrable trust remains a distinguishing feature in a sceptical industry. It is **Inimitable** because it is causally ambiguous and path-dependent; competitors cannot easily replicate a culture built over years of consistent action. The final element, being **organised**, is the critical managerial challenge of structuring the firm to capture this value. Several strategic management models can be used to methodically analyse trust to operationalise this.

Table 1: Strategic Management Models that include trust as a key variable

Strategic Management Model	
Porter's Value Chain	Every step of Porter's Value Chain—from ethical data sourcing and transparent marketing (Inbound Logistics) to the crucial "moment of truth" in the claims process (Service)—has the potential to either foster or undermine trust.
Stakeholder Theory	Trust generates value that goes beyond customers by encouraging employee loyalty, lowering regulatory barriers, and drawing in long-term investors.
Coopetition	It emphasises that a reputable insurer is a more trustworthy partner for industry-wide projects like shared fraud databases, which expand the market for everyone.
Industry Life Cycle model	Establishing trust during periods of rapid expansion forges a strong defensive moat that safeguards market share and guarantees profitability as the sector develops and competition heats up.

Literature Review

Source	Focus / Key Insights
FintechOS – "Insurance: The Root Causes of Low Trust"	Identifies structural causes of distrust—conflict of interest in claim handling, unclear value proposition, and opaque communication. Calls for a redesign of business models and customer engagement.

Source	Focus / Key Insights
Liz Barclay – "Trust in Insurance: The Challenge"	Frames low trust as a business risk, not just PR. Highlights the gap between industry self-perception and customer experience, which worsened during COVID-19.
The Geneva Association – "The Role of Trust in Insurance"	Defines trust as critical industry capital built on competence, integrity, and benevolence. Essential for innovation, digital adoption, and societal legitimacy.
PwC India – "Trust Barometer"	Finds a measurable trust gap in India's insurance sector. Claims transparency and operational efficiency are the strongest trust drivers; data misuse and poor claims handling erode it.
EY – "2024 Global Insurance Outlook"	Highlights technology and AI as transformation tools. Urges a balance between financial resilience, customer-centric transparency, and responsible data governance.
Medallia – "Insurance Disrupted"	Argues that trust is built through experience, not marketing. Emphasises empathetic, transparent, and emotionally satisfying customer interactions, especially during claims.
NuSummit Blog – "How Insurers Can Improve Customer Trust Through Data Privacy"	Positions data privacy as a strategic trust driver. Advocates transparency, customer control, and strong cybersecurity as foundations of digital-era trust.
Experior Financial – "How to Build Trust in the Insurance Industry"	Focuses on the agent's role: integrity, transparency, reliability, and proactive service as key to personal trust-building.
Qubit Capital – "Building Consumer Trust in Insurance Startup"	Advises insurtechs to leverage radical transparency, tech-enabled claims, education, and robust data ethics to differentiate from legacy insurers.

Integrating the five strategic models creates a unified roadmap for operationalising trust. The VRIO framework establishes trust as a rare, valuable, and defensible strategic asset, justifying investment. Porter's Value Chain translates this into execution, identifying where trust can be embedded—from underwriting ethics to empathetic claims handling. Stakeholder Theory extends the focus to employees, regulators, and investors, building enterprise-wide alignment. Coopetition demonstrates how integrity enables collaborative market growth, enhancing industry credibility. Finally, the Industry Life Cycle model adds timing—treating trust as offensive in growth markets and defensive in mature ones—creating a dynamic, multi-dimensional framework for sustainable competitive advantage.

Research Methodology

A survey was conducted to gauge people's responses to the role of trust in their insurance buying decisions. The sample size was 100. Convenience sampling was used. 48% respondents were male and 52% respondents were female. The results of the survey are delineated below:

Table 2: Factors that influence your decision to purchase an insurance policy

Factor	
Price (Premium), Sum Insured, Cover offered	**34%**
Reputation of the insurance company	**24%**
Tax benefits when I buy an insurance cover	**20%**
Recommendations from family members and/or friends	**10%**
User reviews on social media channels	**7%**
Recommendations from an insurance intermediary (agent or broker)	**5%**
Total	**100%**

Price and cover remain the leading factors (about one-third of influence), followed by company reputation and tax benefits. Recommendations and online reviews contribute smaller but notable shares.

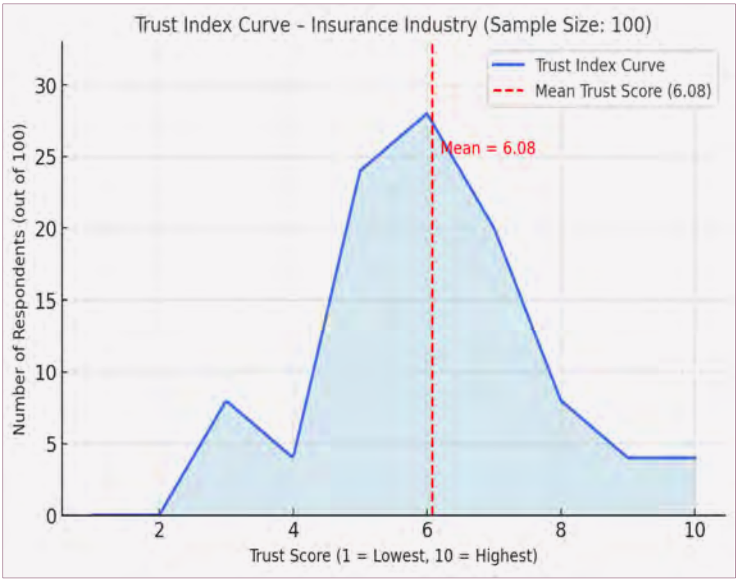
Table 3: On a scale of 1-10, how much would you trust the insurance industry as a whole? (10 is the highest score; 1 is the lowest score)

Score	% of respondents	No. of respondents (out of 100)
1	0%	0
2	0%	0
3	8%	8
4	4%	4
5	24%	24
6	28%	28
7	20%	20
8	8%	8
9	4%	4
10	4%	4
Total	**100%**	**100**

Weighted Average score of Trust: 6.08 / 10

Φ **Interpretation**

- If 100 people were surveyed, **around 52%** (scores 6–10) would express **above-average trust**,
- While **48%** (scores 1–5) would show **neutral or lower trust**.
- Overall trust in the insurance industry would remain **moderate (about 6/10)**.



The curve clearly peaks around scores **5–6**, indicating **moderate trust** in the insurance industry.

The Trust Index Curve reveals that public trust in the insurance industry is **moderate overall**, with most respondents clustering around scores **5 and 6** on a 10-point scale. The **mean trust score of 6.08** indicates **lukewarm confidence** — people neither distrust nor fully trust the industry.

- The **majority (52%)** rate their trust above average (scores 6–10), reflecting **cautious optimism**.
- About **48%** of respondents remain **neutral or sceptical** (scores 1–5), suggesting the industry still faces credibility challenges.
- Virtually no respondents rated trust at the lowest levels (1–2), implying the absence of severe dissatisfaction.

The distribution suggests that while the insurance industry maintains a foundation of moderate trust, there is significant room to enhance transparency, responsiveness, and customer confidence to shift perceptions toward higher trust levels.

Table 4

Score	Respondents	Description
1–2	0	Almost no one shows very low trust
3–4	12	A small share of mildly distrustful respondents
5–6	52	The majority fall in the moderate trust range
7–8	28	A good portion shows above-average trust
9–10	8	Small high-trust segment

Table 5: Which statement best describes your opinion about insurance?

Answer Choice	Number of Respondents (n=100)	Percentage
I do not understand insurance at all	8	8.00%
The paperwork in insurance is too much	24	24.00%
Insurers chase you when collecting premiums, but they are slow in paying claims	72	72.00%
Total	**100**	**100.00%**

Table 6: What is your biggest concern about the insurance claims process?

Answer Choice	Count (n=100)	Percentage
Will I get my claims processed on time?	32	32%
Will there be deductions from my claim amount?	40	40%
Will the insurer fulfil the promises made to me?	28	28%
Total	**100**	**100%**

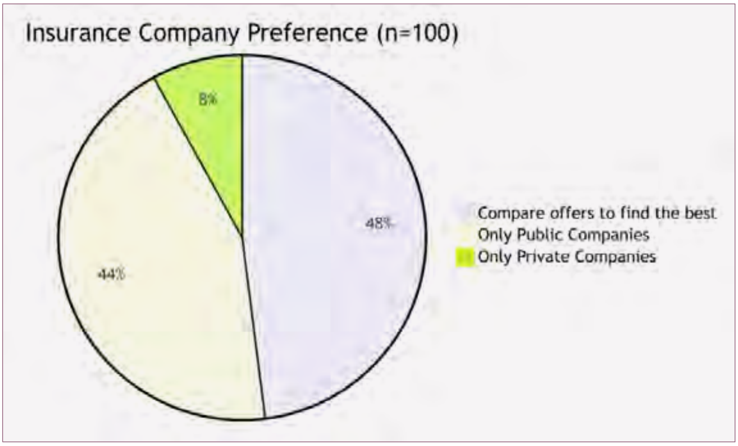


Table 7

Answer Choice	Count (n=100)	Percentage
Only Public Insurance Companies	44	44.00%
Only Private Insurance Companies	8	8.00%
I prefer comparing the offers and choosing the offer that best meets my needs	48	48.00%
Total	**100**	**100.00%**

Based on the survey of 100 respondents, a significant majority—72%—feel that insurers are inconsistent in their engagement, demonstrating eagerness when collecting premiums but unacceptable delays when paying claims. This perception of a fundamental imbalance in the relationship is the dominant consumer grievance, far outweighing concerns about policy complexity (8%) or excessive paperwork (24%). The data reveals that the core issue eroding trust is not merely administrative hassle but a deep-seated belief that insurer priorities are misaligned with customer welfare, especially during the critical claims process.

The most common concern among respondents is **"Will there be deductions from my claim amount?"**, representing 40% of all responses. This is followed by concerns about the timeliness of the process (32%) and the fundamental trust in the insurer to fulfil their promises (28%).

The chart (also refer to Table 7) clearly shows that the vast majority of respondents (48%) are pragmatic and prefer to compare offers from different companies to find the best one. A strong preference for **Only Public Insurance Companies** is the second most popular choice at 44%, while a preference for **Only Private Insurance Companies** is a distant third at 8%.

Table 8: When you buy an insurance policy, what is your topmost expectation? Choose any one option.

Answer Choice	Count (n=100)	Percentage
I should get my insurance claims on time when I need them - payout should be faster and more efficient	80	80.00%
The premium should be low	12	12.00%
The insurance company must have a good reputation	8	8.00%
Total	**100**	**100.00%**

The survey results reveal that for an overwhelming 80% of customers, the single most important factor is the speed and efficiency of the claims pay-out. This priority for a fast and efficient claim process significantly outweighs the desire for low premiums (12%) or a company's good reputation (8%), highlighting that an insurer's true value is proven almost exclusively through its performance during the claimant's moment of need.

Table 9: What would have/ has prevented you from purchasing an insurance policy?

Answer Choice	Count (n=100)	Percentage
I do not trust insurance services and am not sure whether I will receive the claims	44	44.00%
I believe paying insurance premiums is a waste of hard-earned money	20	20.00%
I do not understand the concept of insurance at all	8	8.00%
The negative reviews about insurance companies	28	28.00%
Total	**100**	**100.00%**

The survey data reveal a profound trust deficit, with a combined 72% of respondents expressing fundamental doubts about the value and reliability of insurance. The primary concern, cited by 44%, is a direct lack of trust in the claims process and uncertainty about receiving payouts. This scepticism is compounded by the perception that premiums are a waste of money (20%) and the influence of negative reviews about insurance companies (28%), indicating that the industry's core promise of financial protection is being called into question.

Summary of Findings

Trust emerges as a core strategic asset, not a peripheral concern, driving competitive advantage across the insurance value chain. It enhances resource creation through customer loyalty and data quality, streamlines operations by reducing friction, and fosters collaboration and innovation within stakeholder ecosystems. Conceptualised as a *VRIO* capability, trust is valuable, rare, inimitable, and organizationally embedded—creating sustainable differentiation. For managers, this demands treating trust as a measurable performance dimension rather than an abstract virtue. Firms should conduct comprehensive trust audits, establish clear Key Performance Indicators (KPIs) (e.g., Net Promoter Score (NPS), claim settlement ratio, employee satisfaction), and integrate trust metrics into governance and performance reviews. Net Promoter Score is a metric that gauges customer satisfaction with respect to a service received. Here, the respondents are to give a score between 0 and 10 in response to a question – How likely are you to recommend our products and services to your family members, friends and colleagues? Scores 7 and 8 are considered passive scores. Those who scored the service between 0 and 6 are called "Detractors", i.e. customers who were not happy with the service. Respondents who rated the service with scores of 9 or 10 are considered "Promoters". The Net Promoter Score is arrived at by deducting the number of people who gave a score between 0 and 6 from the number of people who scored between 9 and 10. A positive Net Promoter Score is an indication that customers are happy with the service. A negative score is a clear reflection of customer dissatisfaction with the service.

Whatever can be measured only can be controlled. This is why businesses need Key Performance Indicators (KPIs), and the insurance industry is no exception. KPIs enable insurers to track the various metrics and take preventive and corrective actions accordingly. This helps boost business performance.

_Incentive structures must reward long-term relationship building, not short-term sales. Leadership commitment is essential—executives should act as "Chief Trust Officers," aligning culture, incentives, and strategy to institutionalise trust as an enterprise-wide priority. In doing so, insurers can transform trust into a durable foundation for growth, resilience, and legitimacy. TJ

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Life & Non-Life Insurance: A Tryst with Trust

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Nobel Prize-winning economist Kenneth Arrow once said that much of the world's economic backwardness was the result of a lack of "Mutual Trust". Trust is a quintessential element in any business. For businesses with financial transactions that involve an element of time, Trust is the single most important element. According to a paper by Luigi Guiso, published in the Geneva Papers on Risk and Insurance[1], demand for insurance rises with the rise in Trust of people in the institution of Insurance. Although both the insurer and the insured can cheat each other, society considers the cheating against a weaker party, i.e. the retail customer, as less acceptable. Earning the Trust of the retail customer is of paramount importance to the insurers.

Insurers sell contingent promises. One of the guiding principles of any insurance contract is Utmost Good Faith. Both the insurer and the insured have to trust each other for what they tell each other. Unlike most other products and services, insurers offer intangible protection rather than an immediate, visible benefit. What insurers sell is contingent promise. The insurance industry is characterised by asymmetric information in the sense that full information about the products, servicing rules and claim settlement process is never fully known to a customer. Like many other products or services, insurance can not be tested before purchase!

A retail customer is at the receiving end. A corporate customer can absorb the loss even if a claim is rejected. However, a retail customer/ claimant may never recover the loss in their lifetime if the insurer fails to keep its promise. A corporate customer has a legal team to review policy conditions in depth and negotiate contract terms. The retail customer is mostly at the receiving end of a contract. So, he has to place full trust in the integrity of the insurer and its intermediary.

If the reputation is lost, almost everything is lost. The reputation of insurers depends on the Public Trust they can create over a long period of time. They can not just grow in market share and premium income. They must be able to earn the Trust to sustain the profitability.

The Trust Barometer of PWC India says Trust is a critical Success Factor. PWC India has developed a Trust Barometer that measures the trustworthiness of the insurers on the basis of 53 parameters. Their report is titled "Trust Barometer: A guiding tool to enable non-life insurers to stay ahead of the curve [2]. Here, PWC India shows that insurers high on Trust scores have improved their market share remarkably. They suggest that the organisations should keep Trust as their core value.

In the context of the insurance industry, Trust can be defined as the "Bet" on the insurer's future contingent actions that include protecting customer data, maintaining the integrity of algorithms and making payment of genuine claims in time. Most globally acclaimed insurers share the logic behind their algorithms with customers to maintain transparency.

Are the Current Practices Creating Enough Trust?

Insurance is a volume game and the insurers need a large number of loyal customers. India is the most populous nation in the world.

So, insurers should not have any shortage of customers. But what matters in the industry is the number of customers who find the insurers "Trustworthy". Insurers of India generally adopt the following measures to earn the "Trust" of the customers:

Insurers are accessible across the country

In order to improve accessibility, insurers have opened their offices everywhere. In life insurance, Private insurers have more brick-and-mortar offices than LIC. In non-life insurance, PSUs have more offices, but private insurers are present even in smaller cities. Since a significant number of Indians still prefer to visit insurers' offices and speak to front office employees, there is a compelling reason to set up offices that can not only be centres of profit and growth but also centres of positive customer experiences.

The following table shows that all insurers believe in establishing a footprint across the country today.

Table 1: Offices of Insurers at various Locations as on 31.03.2024

Locations	Life			Non-Life		
	Public (LIC)	Private	Total	Public	Private	Total
Tier-I	1,858	5,024	6,882	3,296	3,977	7,273
Tier-II	562	786	1,348	711	456	1,167
Tier-III	1,360	515	1,875	658	189	847
Tier-IV	1,043	120	1,163	320	48	368
Tier-V	126	34	160	114	13	127
Tier-VI	55	34	89	38	01	39
Total	5,004	6,513	11,517	5,137	4,684	9,821

Source: IRDAI Annual Report 2023-24[3]

Table 1 shows that both public and private insurers are present across the country's various geographies. Although most businesses originate from Tier I and Tier II locations, insurers understand that to scale up their business, they must be visible and accessible everywhere.

There is a Grievance Redressal Mechanism in Place

All insurers have set up a Grievance Redressal Mechanism for the customers. Some of these are linked to the portal of IRDAI. The customers can make use of this mechanism and get their grievances redressed. Also, 17 offices of the Insurance Ombudsman are there to reach some out-of-court settlements of conflicts between the insurers and their customers. Another cost-effective way to get claims-related grievances redressed is the Consumer Court. This court hears the petitions of both insurers and insureds and gives verdicts based on the provisions of insurance contracts.

Satisfactory Claim Settlement Record

The claim settlement ratios of the insurers are available in the public domain. The insurers believe that these numbers are impressive enough to create Trust. While claim settlement statistics are really satisfactory, we have to study deeply to make a better sense of these numbers. Table 2 is constructed on the basis of data available in the IRDAI Handbook.

Table 2: Amounts Settled and Repudiated by the Life Insurers in 2023-24 in Death Claims Under Individual Policies

Insurer	Average Amount Paid per Settled Policy (Rs.)	Average Amount Repudiated Per Policy (Rs.)	Break Up (%) of Claims Pending Duration-wise		
			<3 months	3-6 months	>6 months
LIC	2,15,392	5,67,280	72%	28%	-------
Birla Sun Life	8,00,443	27,81,740	100%	-------	-------
Ageas Federal	5,63,867	15,82,875	100%	-------	-------
Bajaj Allianz	4,18,630	34,71,615	100%	-------	-------
Bharti Axa	4,89,631	25,12,608	-------	-------	-------
Canara HSBC	8,46,683	21,19,891	100%	-------	-------

Insurer	Average Amount Paid per Settled Policy (Rs.)	Average Amount Repudiated Per Policy (Rs.)	Break Up (%) of Claims Pending Duration-wise		
			<3 months	3-6 months	>6 months
Future Generali	3,88,224	7,98,464	-------	-------	-------
HDFC Life	8,19,810	66,35,742	63%	-------	37%
ICICI Prudential	13,92,050	20,50,683	-------	-------	100%
India First	5,40,294	14,60,985	43%	-------	57%
Kotak Life	7,80,729	19,61,170	71%	14%	15%
Max Life	6,41,008	54,25,945	-------	-------	-------
PNB MetLife	8,13,868	26,35,403	-------	-------	-------
Pramerica Life	4,28,959	14,59,050	100%	-------	-------
Reliance Nippon	2,63,291	11,13,212	82%	-------	18%
SBI Life	5,16,624	10,23,740	53%	24%	23%
Shriram Life	3,06,349	37,74,138	100%	-------	-------
Star Union	6,16,509	9,59,060	100%	-------	-------
TATA AIA	17,03,759	68,53,128	50%	-------	50%
Private Sector	7,17,871	23,91,590	61%	16%	13%
Industry	2,93,784	8,34,201	68%	23%	9%

Source: IRDAI Handbook 2023-24[4]

Table 2 shows that the amounts settled under death claims are significantly less than the amounts under policies for which the insurers decided to repudiate claims. The rows highlighted in green refer to the favourable claim settlement performance of some insurers. While the claim amount under a repudiated policy will always be more than under a settled claim due to higher fraudulent intention involved in repudiated cases, the average amount should not be several times the average amount paid under settled cases. For most of the private insurers, the average claim amount per repudiated policy is really very high. Again, a high proportion of pending claims are pending for more than six months.

Celebrities endorsing the Brands

Almost all insurance companies have roped in celebrity sportspersons and film stars to endorse their brands. The insurers sincerely believe that these celebrities can help the industry build Trust. However, it is doubtful whether such advertisements have been effective enough in building "Trust" among people in the institution of insurance.

Through most such advertisements, celebrities grab attention and not the insurance products. At most, the advertisements make people aware of the existence of a new insurance company and its products. However, in the insurance industry, Trust takes time to get built up. People remember the celebrities but not the products advertised. Customer Trust studies show that people forget the names of products advertised very soon. In Insurance, it is almost impossible to endorse Trust through celebrities.

Digital Initiatives

The insurers believe that Indian customers today find it more transparent and convenient to interact with them online, including purchasing policies. So, they are collecting new business and renewal premiums through various digital channels. Many services are also rendered online through customer portals. The insurers believe all this can make their brands very Trustworthy.

While a good number of customers are happy to receive services without visiting the offices of the insurers or without depending on the agents/ brokers, the fact is that Trust in the insurance industry has to be earned through acts of credibility, online or offline. Digital tools promote access and convenience. But Trust has to be earned through a hybrid model of digital tools and human interventions.

Trust Can Not Be Built Overnight

Trust can not be earned quickly. The customer evaluates the insurer holistically. She evaluates the empathy and service-mindedness of the employees and intermediaries before arriving at her own opinion about the worth of the insurer. She also collects the opinions of peer groups. What matters is the total experience of a customer regarding the product features, intermediaries, post-sales servicing and customer engagement. The insurers need to calculate Net Promoter Score for each of the customers to ascertain whether the Trust has really been built or if something important is missing from the side of insurer.

A high claims settlement ratio means nothing if the settlement is full of hassles, unusually delayed, or if the settlement is made partially. Whatever the difficulty in investigating the bona fides of the claim, it has to be settled within 45 days, as mandated by IRDAI. The non-early death claims have no reason to be kept pending beyond 15 days.

Today's customers believe in what finfluencers say on social media and not celebrities. Digital initiatives are good only when people are predisposed to buy insurance and interested in keeping their policies in force. In insurance, customers look for a Trusted friend and not a suave salesperson or an executive explaining the rationale of insurance in fancy technical jargon.

Global Practices

Let us take a look at what the leading global insurers are doing to build Trust among retail customers. They develop a multi-pronged strategy to build longstanding Trust. They put high emphasis on transparency, Digital Ethics and Social Responsibility.

Insurers in the UK and Germany avoid legal and technical jargon in policy documents to the extent possible. Their "Key Facts Statements" summarise all important policy conditions and exclusions in simple language.

Insurers like Zurich and Generali have AI ethics policies that enable customers to verify that the algorithms used in underwriting and claim settlement are bias-free. The insurers also ensure that the data on customer profiles and digital transactions never reaches unauthorised hands. Reports on their financial strength as tested by top rating agencies like Moody's and S&P are published regularly.

Insurers like Swiss Re, AXA, and Allianz invest the money of customers and shareholders in areas that are ESG (Environment, Social and Governance) compliant. This is done primarily to assure the customers that the investments are aligned with their national values.

Most European insurers devote time and energy to helping people understand the importance of protection and savings. For example, AVIVA's Money for Life initiative in the UK helps youths in the age group 18-25 understand the value of money and how to manage financial risks through insurance.

In the US, many of the above-mentioned strategies are followed to build Trust. In addition, they look for increasing customer Advocacy through more empathetic service and proactive follow-ups. The insurers release their Cybersecurity Governance Reports in the public domain. Customers can secure their data stored in Telematics and Health Apps.

All natural catastrophe risks of the insurers are backed by reinsurance support in the US. In case of such catastrophes, the insurers do not just indemnify the insureds; they also help the insured families to cope with the crises.

How to Create Tryst with Trust?

The discussions in the foregoing sections made it clear that insurers must build Trust if they want to grow. If people have a positive experience with the insurance industry, it will be reflected in the Persistency Ratio, Insurance Penetration, and Insurance Density. If these indices remain subdued, then the insurers probably did not do enough to inspire "Trust".

Insurers have to go for countrywide Insurance Awareness Campaigns. In India, insurance awareness remains poor and the people have low risk perception. Insurers need to carry out awareness campaigns on a regular basis. They can integrate with the awareness campaigns carried out by the Insurance Institute of India (III). The III is already on this job by engaging its 92 Associated institutes spread across the country. Let people understand that Insurance remains the only way to manage diverse risks of life scientifically. People have to be told again and again that excessive emphasis on growing wealth rather than protecting it can result in loss of savings built over a long time. During the COVID-19 pandemic in India, 96% of people who required hospitalisation involving expensive medical care did not have health insurance policies. Even when the families were able to bring their COVID-affected relatives home, their entire savings of lifetime had gone.

The Employees should help build Trust. The insurers have to look for answers to certain questions. Are the employees ready to walk that proverbial extra mile for the customers who need an extra bit of support in their difficult times? Are the employees in the business of pleasing the higher-ups or using their conscience while serving the customers? Most of the insurance organisations are hierarchical in nature, where front-line employees are rules and compliance-oriented rather than customer-oriented. When a customer visits an insurer's office, she needs a humane approach to problem-solving and not an attitude akin to that of a robotic assistant. Trust can be built through employees passionate about serving the customers. This is easier said than done. But, insurers have to make this happen. While operational excellence is the minimum that is expected from employees, building Trust through empathetic behaviour is of much greater value. But the employees have to be empowered to offer personalised services.

According to a research report published in the IOSR Journal of Business & Management[5], employees play the most important role in increasing the Trust of customers in insurers. It says that if 1 unit of Trust is generated in an insurance company, 0.79 of it can be attributed to employees proving to be trustworthy. The employees create small positive experiences for the customers that can not always be seen but felt. These micro-events create satisfying experiences for the retail customers and real Trust is built.

Trust should also be built through the insurance intermediaries. Although it is now possible to buy insurance policies through various alternate channels like Banassurance and web aggregators, insurers agree that the tied agency channel plays a pivotal role in building Trust, and that is why all insurers carry a large army of tied agents in their armoury. Table 3 shows that LIC and private insurers (taken together) have almost an equal strength of tied agents at this moment.

Table 3: Number of Tied Agents of the Life Insurers as on 31.03.2024

Name of Insurer	Agency Strength in 2023	Agency Strength in 2024	% Increase in Agency Strength
LIC of India	13,47,325	14,14,743	5.00
Birla Sunlife	64,831	60,613	-6.51
Bandhan Life	172	172	0.00
Ageas Federal	2,676	5,444	103.44
Aviva Life	3,256	2,921	-10.29
Bajaj Allianz	1,25,912	1,50,841	19.80
Bharti Axa	44,457	53,587	20.54
Canara HSBC	127	126	-0.79
Edelweiss Tokio	69,034	75,904	9.95
Future Generali	8,814	9,718	10.26
Go Digit	------	14	-------
HDFC Life	1,79,435	2,14,275	19.42
ICICI Prudential	2,01,472	2,09,521	4.00
India First	1,881	1,678	-10.79
Kotak Life	1,12,697	1,19,016	5.61
Max Life	70,344	1,02,693	45.99
PNB Metlife	19,509	28,172	44.41
Pramerica Life	14,857	16,687	12.32
Reliance Nippon	54,013	61,036	13.00
Sahara Life	10,246	---------	------

Name of Insurer	Agency Strength in 2023	Agency Strength in 2024	% Increase in Agency Strength
SBI Life	2,08,774	2,46,078	17.87
Shriram Life	3,327	3,003	-9.74
Star-Union-Dai-ichi	393	1,540	291.86
TATA AIA	84,656	1,17,656	38.98
Private Insurers Total	12,80,883	14,80,695	15.60
Industry Total	26,28,208	28,95,438	10.17

Source: IRDAI Handbook 2023-24

Table 3 reveals a lot of facts about the strength of the age-old tied agency channel. The agency strength of 16 insurers has increased in 2024. All leading private insurers, which are mostly bank-promoted, have increased their agency strength. The major life insurers who have increased their agency strength are highlighted in green. Although the productivity of the agents of private insurers is very low (in terms of the number of policies sold), they continue to invest a lot in upgrading the quality of the agency force. As many as 7 private life insurers, namely, Bajaj Allianz, HDFC Life, ICICI Prudential, Kotak Life, Max Life, SBI Life and TATA AIA, have one lakh plus tied agents.

An agency force can always remain a great asset for the insurance industry. The agents have first-hand knowledge of the real insurance needs of the community and can be in touch with the people through thick and thin. So, agents should be advised to build Trust through various value-added services.

Training on "how to become MDRT/COT/TOT in one year" should be replaced with "how to grow by helping your community to grow". If the agents help their own community to manage financial risks through insurance, they can be loved and respected more. They can not grow rich just by chasing HNI/NRI customers. When the agents give consistent, transparent and selfless advice and post-sales service, "Trust" in the insurer automatically increases.

Grievance Redressal machinery is supposed to generate Trust in insurers. The registered grievances against insurers are on the rise. IRDAI Annual Report 2023-24 says that a total of 2,15,569 grievances were registered against the insurers in the Bima Bharosa portal of IRDAI itself. Most of the grievances are related to either non-settlement of claims or Unfair Business Practices (UFBP). In the space of life insurance, 9461 cases were resolved in favour of the customers. The cases that have not been resolved in favour of the customers are more worrisome for the industry. It means the customers had not been properly made aware of the policy conditions and the policies had probably been mis-sold. Grievance Redressal Machinery should be used to understand the pain points so that necessary action can be taken before grievances start taking root.

Insurers can earn the Trust of society if they can help prevent risky events from occurring. All leading global insurers stay connected to the needs of societies. They help people in risk mitigation and risk adaptation, in addition to helping them manage risks through insurance products. When insurers are seen doing this type of selfless work that is welfare-oriented, respect and Trust automatically increase. The concept of an insurer only indemnifying the customers for the losses suffered is no longer enough to generate Trust. Now, the insurers are expected to play more important roles. Indian insurers should help people take measures to prevent risky events from taking place. However, certain events like natural disasters and pandemics are something that are uncontrollable. When such events overwhelm a community, insurers should help people rebuild their lives. Trust is created through such humanitarian actions. Indian insurers must change their mission statements if they seek greater loyalty and Trust from customers.

What Insurers do in "Peacetime" Matters More...

Earlier, it was believed that the moments of truth for insurers are when they have to settle claims. People were happy if insurers settled claims. Customers now look for a better experience throughout the policy term. In other words, the insurers can earn greater Trust if they can keep the customer engagement satisfying even at a time when there are no claims (known as Peacetime) while customers are supposed to keep on paying premiums. We love and trust our Armed Forces not just because they fight wars efficiently, but also because they are always seen in difficult terrains in various "Peacetime" operations.

Trust can only be created through better personalised communications during Peacetime. Insurers have a habit of communicating with customers only when renewal premiums are due or claims arise. What is needed is better proactive engagement. What insurers do in "Peacetime" is more important for building Trust than what they do when claims arise. Customers prefer emotional engagement more than rules-bound, routine transactional engagements. So, insurers have to be with the retail customers in wartime and also in Peacetime. TJ

The following table summarises the key ideas of the write-up for quick reference:

Table 4: A Summary of the Key Concepts Discussed

Reasons why Retail Customers have low trust in Insurance	How does this affect the Insurance Industry of India	What Indian Insurers can build Trust
Insurance is still viewed only as a set of contingent promises	People delay making the purchase decision	Insurance Awareness Campaigns can help people understand various uses of Insurance products
An Indian retail customer thinks she is at the receiving end	Retail customers do not always trust the insurers and their representatives and buy insufficient Insurance	Insurers should make their employees and intermediaries more transparent and customer-focused
Non-settlement of claims (both in life and health insurance) and unfair business practices are lowering the Trust	Retail customers are not buying enough Insurance	Mis-selling and Unethical selling have to be addressed by all insurers so that people know what they are buying
Insurers are doing little business beyond Tier-II cities, resulting in low trust among people who need insurance the most	Insurers now have to depend mostly on well-off customers living in bigger cities, including HNI/NRI, resulting in a shrinking market space	Intermediaries have to be trained on how they can grow by serving their own communities
People think insurers care for them only when a **claim arises or renewal premiums fall due**	People do not believe insurers are useful in normal times when things go smoothly	Insurers must have a much better Customer Engagement policy to keep the bond with customers strong at all times

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Retail Customers in Digital Life Insurance: Trends and Analysis

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Dr. Jyothi G.H., M.Com, NET, SET, B.Ed., TET, PGDHR, Ph.D., is an Assistant Professor in MBA with over 7.5 years of teaching experience. She has published 40 research papers and authored a book, and is a member of IAA & ERDA. She has also actively participated in national and international academic events and research projects.

Abstract

The Indian life insurance sector has witnessed robust growth, driven by rising incomes, digital adoption, and regulatory reforms, yet challenges in penetration and financial literacy persist. Retail life insurance, forming the backbone of personal financial planning, has evolved from traditional endowment plans to diversified products including term, unit-linked, annuity, and pension schemes. Digital transformation through mobile apps, aggregator platforms, AI-driven underwriting, and e-KYC has enhanced accessibility, efficiency, and customer personalization. Agents play a strategic role in hybrid distribution models, combining human advisory with technology, while demographic and behavioral shifts among digitally savvy consumers demand tailored, flexible solutions. For sustainable growth, insurers, agents, and policymakers must focus on inclusion, ethical practices, and leveraging technology to bridge coverage gaps.

Keywords

Retail Life Insurance, Digital Transformation, Customer Behavior, Agents' Strategic Role, Financial Inclusion.

Introduction

The Indian life insurance sector continues to demonstrate robust growth, underpinned by evolving consumer awareness, rising incomes, and regulatory thrust yet it still grapples with structural challenges in penetration and reach. Insurance penetration and density are two metrics often used to assess the level of development of the insurance sector in a country. However, the life insurance industry recorded premium collections of approximately Rs. 8.30 lakh crore in the financial year 2023-24, marking a growth of around 6.06 % year-on-year. The benefits paid out by life insurers in the same period reached Rs. 5.77 lakh crore, which comprises about 70.22 % of net premium income. Industry profits improved as well the aggregate profit after tax (PAT) rose to Rs.47,407 crore, as against 42,788 crore in 2022-23 a growth of approximately 10.8 % (IRDAI Annual Report, 2023-24). Similarly, insurance density defined as per capita insurance premium serves as a key indicator of insurance awareness and affordability. Further, insurance density is calculated as the ratio of premium to population (per capita premium). In 2024-25, the insurance density in India showed a modest rise, increasing from USD 95 in 2023-24 to USD 97 in 2024-25. Specifically, life insurance density increased from USD 70 to USD 72, while non-life insurance density remained stable at USD 25. This upward trend in insurance density has been consistent since 2016-17. Despite these positive indicators, insurance penetration (premium as a percentage of GDP) has slipped overall insurance penetration in India declined from 4.0 % in 2022-23 to 3.7 % in 2023-24 and again in 2024-25, India's insurance penetration remained at 3.7 per cent as in 2023-24, while life-insurance-specific penetration fell from 2.8 % to 2.7 % during 2024-25. The penetration with respect to Non-Life Insurance Industry remained same at 1 % during 2024-25 as in 2023-24. This penetration level remains significantly below the global average of approximately 7 %. On the business mix front, new business premiums in the micro-insurance segment (low-income group life products) crossed the milestone of Rs. 10,860 crore, increased 23.5 % as against Rs. 8,793 crore the previous year. The performance implies that while premium growth is steady, the challenge lies in converting that into deeper market penetration and broader policy-coverage. Operationally, the life insurance sector is benefitting from digital distribution, product innovation and increasing renewal premium streams. Renewal business accounted for 52.56 % of total premiums in 2022-23, signaling the maturity and stickiness of business. Nonetheless, the sector remains exposed to major structural headwinds low financial literacy, limited penetration in rural and semi-urban regions, a trust deficit among potential insured, and the need to balance growth of high-margin term and protection products against the dominance of savings-linked and market-linked plans. Further, the life insurance industry in India is poised for sustained but nuanced expansion. The key strategic imperatives will include increasing product accessibility (especially in underserved geographies), enhancing digital & agent hybrid distribution models, deepening protection rather than mere savings products, and strengthening consumer-confidence through claims transparency and advisory-driven engagement. In effect, the sector must leverage innovation while simultaneously closing the gap between excellent macro-growth and modest penetration.

Retail Life Insurance: Concept and Features

Retail life insurance represents one of the most vital components of the financial services ecosystem, offering individuals and families long-term protection, financial security, and investment opportunities. Unlike group insurance, which covers multiple members under a single policy, retail life insurance policies are individually underwritten and customized to meet the specific needs, income profiles, and life goals of customers. These policies form the backbone of personal financial planning in India, serving as instruments for income protection, tax efficiency, and wealth creation.

The concept of retail life insurance revolves around risk transfer, wherein the policyholder pays a premium to the insurer in exchange for financial protection against death, disability, or other life-contingent events. Over the years, the Indian retail insurance market has evolved from traditional endowment and whole-life plans to a diversified portfolio of term, unit-linked (ULIP), annuity, and pension products. However, the life insurance industry collected over Rs. 8.3 lakh crore in premiums, of which nearly 65% originated from the retail segment, underscoring its growing importance in individual financial portfolios.

Key features of retail life insurance include personalization, flexibility, portability, and long-term benefits. Policyholders can select coverage amounts, premium payment terms, riders, and payout structures that align with their financial goals and family responsibilities. Modern products integrate investment-linked options, enabling wealth accumulation alongside risk protection. The advent of digital platforms and InsurTech innovations has further transformed the retail life insurance landscape simplifying policy issuance, enabling instant underwriting, and enhancing transparency through online comparisons and e-KYC processes. In addition, regulatory reforms by the Insurance Regulatory and Development Authority of India (IRDAI) have strengthened customer-centricity by enforcing standardization, faster claim settlements, and grievance redressal mechanisms. The sector's evolution reflects a shift from 'Product-centric' to 'Customer-centric, models, with insurers focusing on tailored solutions and lifecycle-based engagement. However, despite steady growth, challenges such as low insurance literacy, rural under-penetration, and preference for savings over pure protection plans continue to limit the sector's full potential. Bridging these gaps requires greater financial awareness, simplified digital outreach, and trust-based advisory services. Hence, retail life insurance is not merely a financial product but a strategic tool for achieving long-term economic resilience and intergenerational security. With India's growing middle class, digital adoption, and evolving risk consciousness, the retail life insurance segment is poised to play a transformative role in the nation's journey toward financial inclusion and sustainable prosperity.

Product Sequencing for Customer-Centric Growth in Life Insurance

A critical strategic shift required in the Indian life insurance market is the adoption of a customer-centric product sequencing approach rather than a target-driven sales orientation. Ideally, insurers should first offer Term Insurance as the foundational product, followed by Endowment plans, and subsequently other investment-linked or savings-oriented products. However, term insurance addresses the core need of income protection at the lowest cost, ensuring financial security for dependents and forming the base of sound financial planning. Further, once adequate risk coverage is established, endowment and savings-oriented products can be introduced to support long-term wealth creation and goal-based financial planning. Such a phased and need-based product sequencing aligns insurance offerings with the customer's life-cycle requirements, enhances trust, and significantly reduces policy lapsation and mis-selling. It also shifts the industry's focus from short-term premium targets to long-term relationship building and customer value creation. In the light of the above, by prioritizing protection over investment, insurers can improve persistency ratios, enhance customer satisfaction, and reinforce the social security role of life insurance. This approach strengthens ethical advisory practices, promotes financial inclusion, and supports the sustainable and customer-centric growth of the life insurance ecosystem.

Digital Transformation of Life Insurance – How?

The life insurance industry has undergone a profound digital transformation, revolutionizing how products are designed, distributed, serviced, and regulated. This shift, accelerated by advancements in technology and changing customer expectations, has redefined the operational and strategic landscape of insurers, fostering transparency, agility, and inclusivity.

- **Digitization of Product Design, Distribution, and Claims:** Digitalization has streamlined the entire insurance value chain from product conception to policy servicing and claims management. Insurers now leverage digital tools to design flexible, modular products tailored to varied life stages and risk profiles. Online distribution channels and digital marketing have expanded market reach, while e-KYC, e-signatures, and paperless onboarding have simplified the buying process. In claims settlement, automation and block-chain-based verification ensure faster, fraud-resistant and transparent claim disbursements, enhancing customer trust and satisfaction.
- **Role of Mobile Apps, Portals, and Aggregator Platforms:** Mobile applications, insurer web portals, and online aggregator platforms have become key enablers of accessibility and customer empowerment. They allow policyholders to compare plans, calculate premiums, and purchase or renew policies seamlessly. Aggregator platforms such as Policy bazaar and Cover fox have democratized information, promoting price transparency and informed decision-making. Insurers' mobile apps also facilitate real-time policy tracking, premium reminders, and instant claim intimation making insurance more interactive and customer-driven.
- **Integration of Data Analytics and Predictive Underwriting:** Data analytics and predictive modeling have revolutionized underwriting and risk assessment processes. Insurers now analyze large datasets spanning health, lifestyle, credit behavior, and social media footprints to create precise risk profiles. Predictive underwriting uses AI and machine learning algorithms to assess mortality and morbidity risks efficiently, enabling instant policy issuance. This data-driven

approach not only reduces underwriting costs and human bias but also enhances product customization and portfolio profitability.

- **Customer Experience and Personalization through Technology:** Technology has shifted the industry focus from 'Policy-centric' to 'Customer-centric'. AI-powered chatbots, robo-advisors, and virtual assistants now offer personalized guidance and 24×7 support. Through behavioral analytics, insurers provide tailored product recommendations, dynamic pricing, and proactive policy management. Such personalization fosters loyalty, transparency, and emotional connection crucial in an industry built on trust and long-term relationships.

- **Regulatory and Policy Initiatives Supporting Digitalization:** The Insurance Regulatory and Development Authority of India (IRDAI) has played a pivotal role in supporting digital transformation through initiatives like the Insurance e-Marketplace (Bima Sugam), e-KYC norms, and the promotion of InsurTech partnerships. Policies encouraging paperless processes, digital claim settlement, and cyber-security frameworks ensure consumer protection while promoting innovation. These initiatives collectively aim to create a digitally inclusive, transparent, and efficient insurance ecosystem aligned with India's 'Digital India' vision.

Strategic Role of Agents in the Digital Era

In the rapidly evolving digital landscape of life insurance, the role of agents has transformed from traditional intermediaries to strategic advisors and digital enablers. Far from being replaced by technology, agents now complement it leveraging digital tools to enhance customer experience, expand reach, and build long-term trust.

- **Agents as Digital Enablers and Relationship Managers:** Insurance agents today act as vital connectors between insurers and customers, integrating human interaction with digital efficiency. They utilize mobile-based platforms, CRM systems, and virtual communication tools to provide instant quotations, explain policy features, and assist in online onboarding. Agents play a crucial role in translating complex insurance products into customer-friendly terms, ensuring clients understand the financial protection and value offered. As relationship managers, they foster trust and continuity essential in a product category rooted in long-term commitments.

- **Hybrid Models: Combining Human Touch with Digital Tools:** The most effective insurance distribution model today is hybrid blending personal advisory support with digital convenience. In this model, customers initiate policy searches online, while agents add value by offering tailored recommendations and clarifying doubts. Digital tools like video consultations, AI-driven dashboards, and automated follow-ups help agents personalize interactions and improve conversion rates. This synergy ensures that while digital channels deliver speed and efficiency, the human touch maintains empathy and emotional assurance.

- **Up-skilling and Technological Adaptation among Agents:** To remain competitive, agents are increasingly up-skilling in digital literacy, social media marketing, and data-driven selling techniques. Training programs by insurers and the Insurance Institute of India now emphasize e-KYC, virtual policy servicing, and digital compliance. Agents equipped with technological know-how can access real-time customer data, track leads more efficiently, and provide superior post-sale services. Such adaptation has redefined the agent's role from a salesperson to a financial consultant and digital advisor.

- **Impact of Digitalization on Agent Productivity and Retention:** Digital transformation has significantly boosted agent productivity by automating routine tasks such as documentation, follow-ups, and claim intimation. Analytics-based dashboards enable performance tracking and targeted customer outreach, resulting in higher sales efficiency. Moreover, digital engagement tools enhance retention by fostering stronger relationships with clients and reducing service turnaround time. Insurers offering digital support and flexible work tools have also seen improved agent morale and career longevity.

- **Ethical and Advisory Responsibilities in a Tech-Driven Environment:** With increased access to customer data and automated decision tools, ethical conduct becomes paramount. Agents must ensure transparency, avoid mis-selling, and uphold data privacy norms. As trusted advisors, they bear the responsibility of aligning product recommendations with customer needs rather than profit motives. Ethical advisory practices, backed by digital transparency, strengthen the credibility of agents and reinforce public trust in the life insurance ecosystem.

Demographic and Behavioral Shifts among Retail Customers

The retail life insurance sector is witnessing profound changes driven by evolving demographics and shifting consumer behavior. These changes have significant implications for insurers, agents, and policymakers, necessitating innovative product designs, digital strategies, and customer engagement approaches.

- **Changing Demographics:** India's demographic profile is characterized by a young and digitally savvy population, with over 50% of the population under the age of 35. This generation prioritizes convenience, speed, and personalized experiences in financial services. At the same time, the country is experiencing rising urbanization, with increasing numbers of professionals and dual-income households seeking comprehensive financial protection and investment solutions. Older segments, particularly those approaching retirement, increasingly demand pension-linked and health-integrated life insurance plans, creating a multi-generational customer base that insurers must address. Regional variations, income heterogeneity, and socio-economic diversity further influence policy preferences and purchasing behavior.

- **Digitally Driven Behavioral Shifts:** The proliferation of smartphones, internet penetration, and mobile payment platforms has reshaped how customers discover, evaluate, and purchase insurance products. Retail customers increasingly research online, compare policies on aggregator platforms, and prefer digital onboarding over traditional methods. This behavior is more pronounced among millennials and Gen-Z, who value instant access, transparency, and minimal paperwork. Customers also rely on social media reviews, AI-based advisory tools, and online chatbots, reflecting a shift toward self-directed, informed decision-making.

- **Focus on Personalization and Value:** Modern retail customers expect insurance solutions to align with their unique life stages, financial goals, and risk tolerance. They are more likely to purchase products that offer flexible premium options, riders, or investment-linked benefits. Behavioral trends also show an increased preference for term plans and protection-focused products over purely savings-driven instruments, indicating heightened risk awareness. Additionally, customers are motivated by digital engagement, loyalty programs, and instant claim settlement, which influence retention and long-term satisfaction.

- **Awareness and Trust Considerations:** Despite digital adoption, a segment of retail customers remains hesitant due to limited financial literacy and trust deficits. Rural and semi-urban populations often prefer agent-mediated interactions, highlighting the continued relevance of hybrid models. Retail behavior is increasingly influenced by both rational factors premium affordability, returns, coverage and emotional factors such as advisor trust, brand credibility, and transparency.

Implications for Insurers, Agents, and Policymakers

The digital transformation of the life insurance sector presents wide-ranging implications for key stakeholders insurers, agents, and policymakers each of whom plays a pivotal role in shaping the future of the industry. The success of digital integration depends on coordinated efforts to balance technological efficiency with human trust, financial inclusion, and regulatory oversight.

(1) Implications for Insurers

For insurers, digitalization offers immense opportunities to enhance operational efficiency, customer engagement, and risk management. By leveraging advanced technologies such as artificial intelligence, predictive analytics, and block-chain, insurers can streamline underwriting, claims, and policy servicing while minimizing fraud and administrative costs. However, this transformation demands strategic investment in InsurTech infrastructure, cyber-security frameworks, and data governance. Insurers must also reimagine their business models shifting from product-centric to customer-centric approaches focusing on personalized offerings, flexible coverage, and omnichannel distribution. Moreover, collaboration with digital aggregators and fintech startups can expand market access, particularly among younger and digitally native consumers. Yet, insurers must ensure that innovation aligns with ethical standards, data privacy norms, and inclusive outreach.

(2) Implications for Agents

Agents remain integral to the life insurance ecosystem despite rapid digitalization. Their role is evolving from mere product sellers to trusted financial advisors who blend human empathy with technological tools. The integration of CRM systems, digital marketing platforms, and virtual advisory tools has enhanced agents' efficiency and outreach. However, it also calls for continuous up-skilling in digital literacy, data interpretation, and ethical advisory practices. Agents must adapt to hybrid work environments, using technology to augment not replace their relationship-based approach. By embracing digital tools, agents can improve productivity, reduce paperwork, and deliver faster, more transparent customer service. At the same time, maintaining ethical integrity, avoiding mis-selling, and protecting customer data will remain central to sustaining public trust in an increasingly digital world.

(3) Implications for Policymakers

For policymakers and regulators, the challenge lies in fostering innovation while ensuring consumer protection and market stability. The Insurance Regulatory and Development Authority of India (IRDAI) plays a key role in setting digital compliance standards, encouraging paperless operations, and promoting initiatives like Bima Sugam and e-KYC frameworks. Policymakers must continue to strengthen digital infrastructure, promote financial literacy, and develop cyber-security regulations to safeguard consumers. Encouraging industry-wide data-sharing standards, risk-based supervision, and ESG-compliant digital practices will be essential to building a sustainable and inclusive insurance ecosystem.

Conclusion

The Indian life insurance sector has demonstrated robust growth, driven by rising incomes, digital adoption, and regulatory reforms, yet penetration remains below global benchmarks. Retail life insurance, as the cornerstone of individual financial planning, has evolved into a customer-centric, digitally enabled ecosystem offering tailored protection and investment solutions. The strategic integration of technology and human advisory through hybrid distribution models has enhanced accessibility, efficiency, and customer trust, while agents continue to play a pivotal role in relationship management and personalized guidance. Further, the sector's sustainable expansion hinges on bridging the penetration gap, particularly in rural and semi-urban regions, and deepening protection-focused offerings alongside savings-linked products. Strengthening digital literacy, financial awareness, and ethical advisory practices will be critical. By leveraging innovation, hybrid distribution, and transparent, personalized engagement, the Indian life insurance industry is poised to transform into a truly inclusive, resilient, and future-ready sector, driving long-term financial security for the nation. TJ

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Building Customer Trust in Retail Insurance: Strategies for Enhancing Customer Loyalty

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Abstract

In the highly competitive retail insurance sector, customer trust has emerged as a critical determinant of long-term success and loyalty. Unlike tangible products, insurance is intangible, and its value is realized only when claims are settled, making trust a central pillar of customer-insurer relationships. This article explores the multi-dimensional nature of trust, including transparency, reliability, responsiveness, ethical practices, competence, and personalized engagement. It highlights the challenges insurers face in building trust, such as complex policies, limited awareness, negative perceptions, and digitalization, and presents strategies to overcome these barriers. The role of technology in enhancing transparency, efficiency, personalization, and responsiveness is examined, alongside methods to measure trust and loyalty, using surveys, customer recommendation indices, renewal rates and behavioural indicators. The study emphasizes that consistent, ethical, and customer-centric practices, integrated with technological tools, are essential to cultivating trust, fostering loyalty, and achieving sustainable growth in retail insurance.

Keywords

Customer Trust, Retail Insurance, Customer Loyalty, Transparency, Technology etc.

Introduction

In today's highly competitive and rapidly evolving insurance sector, customer trust has emerged as a decisive factor influencing the success and sustainability of retail insurance providers. Unlike tangible products, insurance is an intangible financial service whose benefits are often realized only when claims are made, sometimes years after the initial purchase. This inherent uncertainty creates a unique challenge: customers must rely entirely on the credibility, reliability, and integrity of the insurer. As a result, trust becomes the foundation upon which all customer-insurer relationships are built. Insurers that succeed in establishing trust are better positioned to encourage policy purchases, improve renewal rates, and foster long-term loyalty among their clients. The modern retail insurance customer is increasingly informed, discerning, and cautious. Customers evaluate insurers not only based on the range of products and premium rates but also on transparency, ethical practices, responsiveness, and personalized services (Dominique-Ferreira, 2018). Negative experiences, such as delayed claim settlements, unclear policy terms, or perceived unethical behavior, can severely erode trust, resulting in policy cancellations, reduced retention, and diminished brand reputation. Conversely, consistent ethical conduct, clear communication, and proactive customer engagement strengthen confidence and create a sense of security, driving loyalty and advocacy. Digital transformation has further amplified both opportunities and challenges in building trust. Online platforms, mobile applications (Thomas & Sakthivel, 2015), and automated services have made insurance more accessible, convenient, and efficient. However, the reduced human interaction in digital channels can create a perception of impersonality, making it essential for insurers to balance technological efficiency with personalized engagement. By integrating transparent communication, ethical practices, personalized offerings, and effective use of technology, insurers can cultivate a robust trust-based relationship with their customers.

This article aims to provide an in-depth exploration of the critical dimensions of customer trust in retail insurance, examine the challenges faced in fostering trust, and outline strategic approaches that insurers can adopt to enhance trust and promote long-term customer loyalty. By implementing these strategies, insurance providers can not only improve customer satisfaction and retention but also achieve sustainable competitive advantage in a dynamic market environment.

Understanding Customer Trust in Retail Insurance

Customer trust in the retail insurance sector refers to the confidence policyholders place in an insurer's ability to deliver on its promises, act ethically, and safeguard their financial interests. Unlike tangible products, insurance is largely intangible, and its benefits often only materialize when a claim is made, sometimes years after the initial policy purchase. This inherent uncertainty makes trust the foundation of all customer-insurer relationships, influencing not only purchase decisions but also long-term loyalty, policy renewals, and customer advocacy. Trust in retail insurance is multi-dimensional, shaped by several interrelated factors (Saxena & Kumar, 2022):

1. **Transparency:** Clear, accurate, and accessible information about policy terms, coverage, exclusions, and premium structure is vital. Transparency minimizes customer confusion, empowers informed decision-making, and prevents misunderstandings or perceptions of hidden clauses. Insurers who provide comprehensive explanations, FAQs, and illustrative examples build confidence that the company operates with openness and integrity.

2. **Reliability:** Customers assess insurers based on their ability to consistently fulfil commitments. Reliability is demonstrated through timely premium processing, predictable and fair claim settlements, and adherence to contractual obligations. Over time, consistent reliability strengthens the perception that the insurer is dependable, reducing uncertainty and fostering long-term trust.

3. **Responsiveness:** Efficient handling of customer inquiries, complaints, and claims is a critical component of trust. Quick and effective responses signal that the insurer values the customer's time and concerns. Responsiveness also includes proactive communication, such as updates on claim status or reminders for policy renewal, which reassures customers and strengthens their confidence in the insurer.

4. **Ethical Practices:** Ethical behavior encompasses honesty, fairness, and integrity in marketing, selling, and claims management. Insurers who uphold ethical standards are perceived as credible and trustworthy, reducing concerns about fraud or unfair treatment. Ethical practices also foster goodwill, as customers are more likely to trust companies that prioritize fairness and transparency over short-term profits.

5. **Competence:** Customers trust insurers who demonstrate expertise and professionalism. Competence includes understanding customer needs, designing suitable policy solutions, explaining complex insurance products clearly, and guiding clients through processes like claim settlement or policy customization. A competent insurer not only reassures customers but also enhances their perception of value and reliability.
6. **Personalized Engagement:** Building meaningful relationships through personalized communication and services strengthens trust. This involves proactively addressing customer-specific needs, offering tailored advice, and maintaining regular contact. Personalized engagement creates an emotional connection, making customers feel valued and understood, which reinforces loyalty and encourages long-term association.

Significance of Trust in Retail Insurance

Customer trust plays a pivotal role in shaping the relationship between policyholders and insurance providers. Unlike tangible products, insurance is a promise-based service, and its value is often realized only when a claim is made. This inherent uncertainty means that trust is not merely a desirable attribute but a fundamental requirement for the survival and growth of insurance companies. The significance of trust can be understood through the following dimensions:

1. **Influences Purchase Decisions:** Trust reduces perceived risk and uncertainty associated with insurance products. Customers are more likely to select policies from insurers they perceive as reliable, transparent, and ethical. High levels of trust increase the willingness to invest in both standard and complex insurance products, including life insurance, health insurance, and investment-linked policies.
2. **Enhances Customer Retention:** Trust is a key determinant of customer loyalty. Policyholders who trust their insurer are more likely to renew their policies, reducing churn rates and increasing long-term retention. Consistent trust-building practices, such as transparent communication and fair claim settlements, reinforce loyalty over time.
3. **Encourages Positive Word-of-Mouth and Advocacy:** Satisfied customers who trust their insurer are more likely to recommend the company to family, friends, and colleagues. In the age of digital reviews and social media, positive word-of-mouth can significantly enhance brand reputation and attract new customers, while negative experiences can quickly damage credibility.
4. **Facilitates Cross-Selling and Upselling:** A strong trust relationship makes policyholders more receptive to additional offerings from the insurer. For example, a customer with trust in a life insurance provider may be more willing to consider health insurance, pension plans, or investment-linked products from the same company. Trust reduces hesitation and increases confidence in exploring new products.
5. **Builds Emotional Connection:** Trust creates a psychological bond between the customer and the insurer. This emotional connection leads to deeper engagement, higher satisfaction, and resilience against competitive offers. Customers who trust their insurer often exhibit forgiveness in case of minor service lapses, valuing the long-term relationship over individual incidents.
6. **Improves Organizational Reputation:** Trustworthy insurers develop a strong brand image, which enhances credibility in the marketplace. A company known for ethical conduct, transparency, and reliable service attracts more customers, strengthens stakeholder confidence, and gains a competitive advantage.

Challenges in Building Trust in Retail Insurance

Building and maintaining customer trust in retail insurance is a complex task due to the unique characteristics of insurance products, evolving customer expectations, and the competitive nature of the sector. Despite its importance, insurers face several challenges that can hinder the development of trust:

1. **Complexity of Insurance Products:** Insurance policies often contain technical jargon, detailed clauses, and multiple terms and conditions that are difficult for customers to fully understand. This complexity can create confusion and uncertainty, making customers hesitant to purchase or renew policies. Misunderstanding coverage, exclusions, or claim procedures can quickly erode trust.

2. **Negative Perceptions and Past Experiences:** Many customers approach insurance with scepticism due to previous negative experiences, such as delayed claim settlements or perceived unfair treatment. Industry-wide reputational issues, including stories of fraud or mismanagement, also contribute to customer apprehension. Overcoming these negative perceptions requires consistent ethical practices and transparent communication.

3. **Limited Awareness and Financial Literacy:** A significant proportion of retail customers lack adequate awareness of insurance products, benefits, and processes. Limited knowledge makes it difficult for them to evaluate policies effectively, increasing reliance on perceived trustworthiness rather than understanding. Customers who are unaware of the value or functionality of insurance products may doubt their utility and hesitate to engage.

4. **Digitalization and Reduced Personal Interaction:** While digital platforms, mobile apps, and online services have enhanced convenience, they can also reduce direct personal interaction. Customers often associate trust with personal attention and guidance from knowledgeable representatives. Over-reliance on automated or digital channels may lead to a perception of impersonal service, potentially weakening trust.

5. **Inconsistent Service Delivery:** Failure to maintain consistent service standards across channels or touchpoints can undermine trust. Delays in claim processing, errors in documentation, or lack of prompt response to queries may create doubt about the insurer's reliability and competence. Customers expect uniformity in service quality, regardless of whether interactions are in-person or digital.

6. **Ethical Concerns and Misselling:** Instances of aggressive sales tactics, misrepresentation of policy benefits, or hidden charges can significantly damage trust. Customers are quick to lose confidence when they perceive unethical behavior, which may also lead to complaints, negative reviews, and reputational loss for the insurer.

7. **Changing Customer Expectations:** Modern customers expect personalized, seamless, and responsive services. Failure to meet these evolving expectations especially in an age where competitors offer enhanced digital experiences can make insurers appear out-dated or unresponsive, challenging the maintenance of trust.

Strategies for Building Customer Trust in Retail Insurance

Establishing and maintaining customer trust in retail insurance requires a proactive, multi-dimensional approach (Natasha et al., 2021). Trust is built over time through consistent actions, transparent communication, ethical conduct, and customer-centric practices. The following strategies have been widely recognized as effective in enhancing trust and fostering long-term loyalty:

1. **Transparent Communication***:* Transparency is the foundation of trust. Insurers should clearly explain policy terms coverage, exclusions, and premium structures in simple, jargon-free language. Providing detailed brochures, FAQs, online resources, and illustrative examples reduces confusion and reassures customers that the company operates openly and honestly. Transparency in communication also minimizes disputes during claim settlements, reinforcing reliability.

2. **Customer Education and Awareness Programs**: Educating customers about insurance products, benefits, and processes

empowers them to make informed decisions. Insurers can conduct seminars, webinars, workshops, and awareness campaigns to enhance financial literacy. Digital tools, such as instructional videos, policy guides, and online calculators, can further simplify complex concepts. Educated customers are more confident in their decisions, reducing scepticism and enhancing trust.

3. **Efficient and Ethical Claims Management:** The claims process is the ultimate test of trust. A streamlined, prompt, and transparent claim settlement process signals reliability and fairness. Insurers should provide step-by-step guidance, real-time updates, and clear explanations for any claim denials. Ethical handling of claims, coupled with fairness and transparency, strengthens customer confidence and reinforces long-term loyalty.

4. **Personalized Engagement:** Tailoring services to individual customer needs fosters emotional connections and enhances perceived value. Personalized engagement includes recommending policies based on customer profiles, proactive communication for policy renewals or updates, and addressing specific concerns promptly. Customers who feel understood and valued are more likely to trust and remain loyal to the insurer.

5. **Leveraging Technology:** Technological tools can enhance efficiency, transparency, and accessibility. Mobile apps, online dashboards, and AI-driven solutions enable customers to track policies, submit claims, and receive updates in real-time. Chatbots and CRM systems provide instant responses to queries, while data analytics help insurers deliver personalized recommendations. When technology complements human interaction, it reinforces trust rather than replacing personal engagement.

6. **Consistent and Accessible Customer Support:** Reliable customer support is critical for building trust. Insurers should maintain multiple channels for support, including helplines, chat, email, and in-person assistance. Quick resolution of complaints, follow-ups, and empathetic communication convey commitment and reliability, assuring customers that their concerns are valued and addressed.

7. **Ethical Business Practices and Brand Credibility:** Maintaining ethical standards in marketing, sales, and service operations is essential. Insurers should avoid misselling, hidden charges, or unfair practices. Demonstrating ethical conduct and building a strong, credible brand reputation through certifications, awards, and positive customer testimonials enhances trust and attracts new customers.

The Role of Technology in Trust-Building in Retail Insurance

Technology has become a pivotal enabler in building and sustaining customer trust in the retail insurance sector. With the rapid digital transformation of financial services, customers increasingly interact with insurers through online platforms, mobile applications, and automated services. While digitalization offers convenience and efficiency, it also introduces challenges in maintaining personal engagement (Alt et al., 2020). Properly leveraging technology, however, can significantly enhance transparency, responsiveness, and customer confidence, all of which are critical components of trust.

1. **Enhancing Transparency and Accessibility***:* Digital platforms allow customers to access policy details, premium history, claim status, and coverage information in real-time. Online dashboards, mobile apps, and self-service portals ensure that customers are fully informed, reducing uncertainty and reinforcing confidence in the insurer. Transparent digital records also minimize disputes and clarify policy terms, enhancing perceived reliability.

2. **Streamlining Claims Processing:** Technology enables faster, more efficient claim processing through automated verification, digital documentation, and real-time updates. AI-driven systems can assess claim eligibility,

flag inconsistencies, and reduce errors, ensuring quicker settlements. Prompt and reliable claims management strengthens trust, as customers perceive the insurer as dependable and customer-centric.

3. **Personalization Through Data Analytics:** Advanced data analytics and AI allow insurers to understand individual customer behavior, preferences, and risk profiles. This insight helps insurers offer tailored recommendations, customized policies, and targeted communications, creating a personalized experience that fosters emotional engagement and loyalty (Rusli & Dewi Pradina, 2021) Customers feel understood and valued, which enhances trust.

4. **Improving Responsiveness and Customer Support:** Chatbots, virtual assistants, and CRM systems provide instant assistance for queries, complaints, or policy updates. Digital tools enable 24/7 support, ensuring that customers can access help whenever needed. Prompt, reliable responses through technology demonstrate commitment to customer needs, reinforcing confidence and satisfaction.

5. **Security and Data Protection:** Robust cybersecurity measures and secure digital platforms reassure customers that their personal and financial information is protected. Trust in an insurer's ability to safeguard sensitive data is increasingly important in an era of frequent cyber threats. Companies that prioritize data security strengthen their credibility and foster long-term trust.

6. **Integrating Technology with Human Interaction:** While technology improves efficiency, combining it with human touch is essential. Customers value empathetic guidance, personalized advice, and the reassurance of human engagement, especially during complex processes such as claims or policy disputes. The optimal strategy is a hybrid approach where technology streamlines operations but human representatives maintain personalized relationships.

Measuring Customer Trust and Loyalty in Retail Insurance

To effectively manage and enhance customer relationships, insurers must not only build trust but also measure it systematically. Trust, being an abstract construct, cannot be observed directly and therefore needs to be operationalized using suitable quantitative indicators. Measuring trust and loyalty provides insights into customer perceptions, highlights areas for improvement, and enables strategic decision-making. A combination of qualitative and quantitative methods is typically used to assess these key metrics in retail insurance.

1. **Customer Surveys and Feedback:** Structured surveys are one of the most reliable methods for measuring trust in insurance services. Survey instruments typically include liker-scale statements assessing dimensions such as transparency, reliability, ethical conduct, responsiveness, data security, and overall confidence in the insurer. Open-ended questions further help capture emotional and experiential aspects of trust.

2. **Customer Recommendation Index (CRI):** Customer loyalty can be assessed through a recommendation based metric that measures the likelihood of customers recommending their insurer to others. A higher recommendation index reflects strong trust, satisfaction, and advocacy, while lower scores indicate dissatisfaction or weakening confidence. This approach provides actionable insights without regulatory ambiguity.

3. **Customer Satisfaction Index (CSI):** The Customer Satisfaction Index quantifies satisfaction across various touchpoints, such as policy purchase, claims handling, customer support, and digital interaction. CSI provides a comprehensive view of how trust influences overall satisfaction and identifies areas where service improvements are needed.

4. **Policy Renewal and Retention Rates:** Trust has a direct impact on policy renewal and retention. High renewal rates indicate that

customers have confidence in the insurer and are satisfied with the service experience. Tracking retention over time helps insurers understand how trust-building strategies affect long-term loyalty and profitability.

5. **Behavioral Indicators:** Beyond surveys, behavioral data can provide valuable insights. Indicators such as repeat purchases, uptake of additional products, engagement with digital platforms, and active participation in loyalty programs reflect the strength of trust and loyalty. Customers who actively engage with multiple services offered by an insurer demonstrate confidence and commitment.

6. **Social Media and Online Reviews** Customer opinions expressed through social media platforms, review sites, and online forums provide real-time insights into trust perceptions. Positive mentions reflect strong trust and satisfaction, while complaints and negative reviews highlight gaps in service or communication.

Conclusion

Customer trust is the cornerstone of success in the retail insurance sector. Given the intangible and promise-based nature of insurance, trust significantly influences purchase decisions, policy renewals, long-term loyalty, and customer advocacy. Building and sustaining trust requires a strategic, multi-dimensional approach that encompasses transparent communication, ethical practices, efficient claims management, personalized engagement, and effective use of technology (Alt et al., 2020). While challenges such as product complexity, negative perceptions, limited awareness, and digitalization exist, insurers that proactively address these barriers through customer-centric strategies can foster strong, enduring relationships. Trust may be defined as a customer's confidence in an insurer's reliability, integrity, competence, and commitment to act in the customer's best interest. It can be measured through perception based surveys, customer recommendation indices, renewal behaviour and engagement analytics. Insurers that treat trust as a strategic asset gain enhanced customer satisfaction, stronger loyalty, improved reputation, and sustainable competitive advantage in a dynamic retail insurance environment. TJ

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A Study on Claims Handling In Building Customers' Trust in Insurance Companies

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Abstract

Trust is very important for customer loyalty in the insurance industry. This research explores how insurance companies in India can boost trust among retail customers by focusing on two important points: quick and fair claim handling & honest, clear communication. This study used data from the IRDAI report (2020-2024), complaint records, and expert opinions. It clearly provided how insurance companies settled the among on time and explained policies in simple words to understand, making customers feel more confident. A digital method, a fast complaint handling system, and regular updates also help to boost trust. This research examines how insurance companies settle claim amounts, how companies talk to customers, and how insurance has grown. This research helps to improve customer relationships. These ideas are especially important after the COVID-19 pandemic, when people want more clarity and fairness. This study helps insurance companies understand how to treat customers better and build a long-term relationship of trust.

Keywords

Insurance, Trust, Relationship, Claim, and Communications.

Introduction

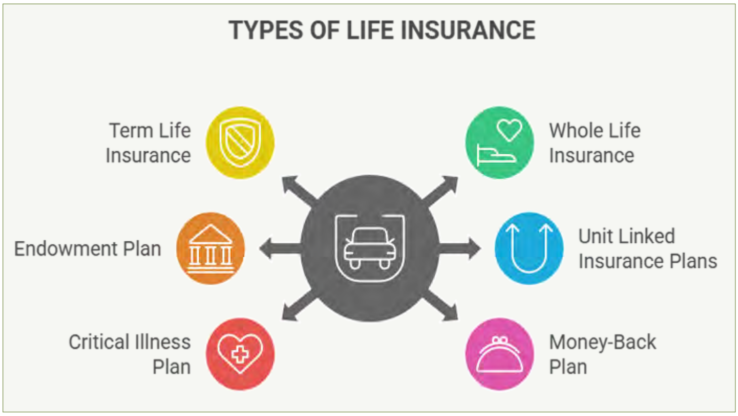
India's insurance companies are growing very rapidly. With a lot of companies, advanced technologies, and brilliant customers, insurance companies now need to do more than just sell policies. They must also provide customers with a good experience that feels fair and honest. Today, trust does not come from the company's name – it comes from how they treat the customers, how clearly they explain things, and how fairly they handle claims. In the last five years, the insurance market has grown rapidly. The total premium collected in 2020 is 6.24 trillion to increase by 10.5 trillion in 2024, as per Table 1. But this growth also means companies provide good behaviour to customers. Still, many people find to understand policy terms, file a claim, or get help when needed. These problems can make customers lose trust. This study provides two important ways to build trust: settling claims quickly and fairly, and giving clear, honest information. By studying data on claims as per Table 2, customer complaints as per Tables 3 and 4, and how companies communicated as per Table 5, the research provides useful strategies for insurance companies. This idea can help them build better relationships with customers and earn their trust in today's competitive market.

History of insurance

In India, insurance has a long history, and insurance was already mentioned in the Manusmriti and Arthasastra, which help in recovering during emergencies. Policy was started in India in 1818 in Kolkata as a name of the Oriental Life Insurance Company. In the 19th century, life insurance was growing with each other Indian and foreign. In 1956 government decided to merge all the 245 insurance companies and make the Life Insurance Corporation (LIC). The history of General Insurance began in 1850 with the Triton Insurance Company, and after 1907 started Indian Mercantile. And finally, in 1973 government decided to nationalize the General Insurance. Then, 107 companies were converted into four major parts, like New India Assurance, United India, Oriental Insurance, and National Insurance, which are all under the General Insurance Corporation (GIC). In the 1990s, starting the reforms, through by the Malhotra Committee in 1993, they are suggested to allowed private and foreign participation. After that 2000 formation of the Insurance Regulatory and Development Authority (IRDAI). Then open the market for everyone and invite the market for innovations and competitions. As of April 2025, there are 26 life insurance companies in India. Only Life Insurance Companies (LIC), which is the only individual public sector life insurer, and 25 private life insurers. And the same time, 33 general Insurance companies are operating in India. Which is 6 public sectors and the remaining 27 private sectors.

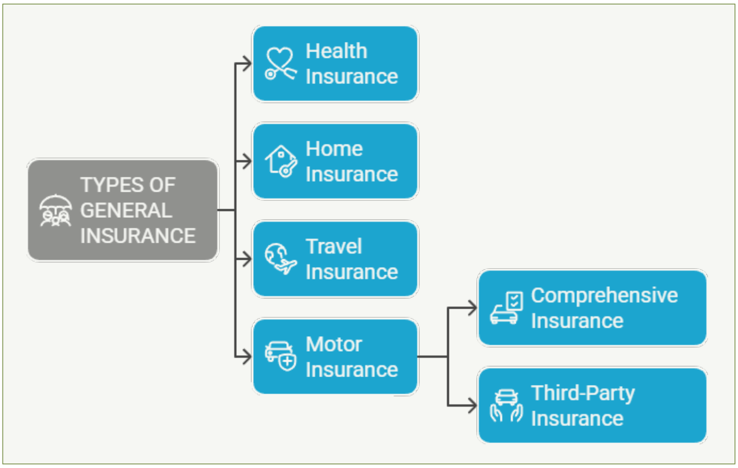
Life Insurance

Life insurance is a systematic plan between the person and the insurance company. If the person died or the policy was completed after some time, the company gives money to their family or nominee. These methods help the family manage the money problems after the person has died. Some life insurance helps, like saving money and giving a return after retirement. The person pays money for a duration of a period called a premium, and the plan can be for a few years or for life. Life insurance is useful for future-oriented saving, protecting the future of the family. It is the method of planning.



General Insurance

General insurance is the protection that people have from financial losses due to things like illness, accidents, or damage to property. It does not cover death. Common kind include their health insurance, car insurance, fire insurance, and travel insurance. If something bad is happening-like a car crash or hospital visit, the insurance company pays the amount to help cover the cost. People pay a fee for a certain period; it's called a premium. This is the protection for future losses. It's helpful to suddenly lose a safe safeguard. It is very important because this helps people recover quickly after a loss.



Life Insurance Claims

Maturity Claims: payment for maturity claims when a life insurance policy reaches maturity. This means a specific amount should be given to the life assured if they live through the entire duration of the policy. But an important matter is life assured must be submit filled with signed discharge applications. In this procedure, maturity claims are exempted from tax under the ITA, 1961. Death claims: In this situation nominee gets the claim amount upon the policyholder's death. its very important to inform insurance companies because the next procedure should start with the insurance authority, and finally provide the claim settlement amount to the nominee. It is also tax-exempt under the ITA 1961 10(10) D.

Growth of Insurance in India

The last five years in India have seen rapid growth in insurance. Better awareness, digital access, a lot of government schemes through lot of people are buying policies. Insurance companies, through collecting premiums year by year has increasing there we have seen a clear increase in demand. In recent years, private companies have also given tough competition to government companies by providing a lot of facilities and quick responses to customers. This growth clearly them in some time insurance is the most common for everyone and saving options for families across the country.

Table 1

Insurance Growth in India: Last Five Years

Financial Year	Gross Premium (₹ Trillion)	YoY Growth Rate
2020	₹6.24	9%
2021	₹6.38	2.2%
2022	₹7.9	23.8%
2023	₹9.2	16.5%
2024	₹10.5 (est.)	14%

Source: IRDAI Annual Report 2020-23 & ICRA General Insurance Report.

Chart 1

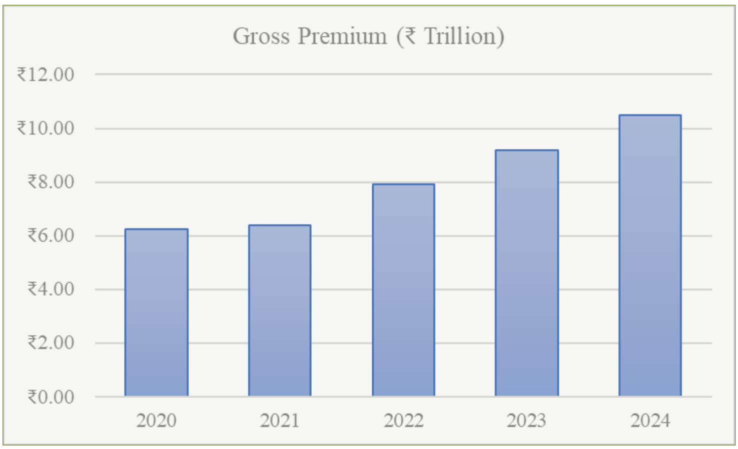


Table 1 and Chart 1 show how insurance growth in India past five years has increased rapidly, as per the financial year 2020, ₹6.24 Trillion, and the year-on-year growth rate is 9% next financial year 2021, ₹6.38 Trillion, resulting increased year-on-year growth of 2.2%. 2022 also ₹7.9 Trillion, at the same time 23.8% year-on-year growth rate, increasing rapidly. This is the milestone of the last five years because, as this table year on year growth is high compared to other years, so we can say that these are the milestone years. And the financial year ₹2023, ₹9.2 Trillion gross premium, and year-on-year growth rate is 16.5% increased, and finally 2024 is ₹10.5 (estimation) because the ICRA general insurance report maintains this amount.

Review of Literature

1. **Kassegne Damtew., & Venkat Pagidimarri. (2013).** In today's competitive business world, insurers need a lot of policyholders to stay in business and grow. If customers trust their providers, they can buy alternative plans from the same providers and renew their agreements before they expire. Insurance companies make promises to their consumers, which is why trust is so important in the insurance industry. "Trust is especially vital in-service industries due to the intangible characteristics of most service offerings" (Coulter and Coulter, 2003). The Ethiopian insurance business is dealing with a problem of a high client attrition rate.

2. **Paramasivan, C., & Kalpana Naidu, C. (2014).** In the evolving global economy, the banking and insurance industries have moved quickly. Banking and insurance make up roughly seven percent of our economy's GDP. Because of liberalisation and privatisation, competition in the market has gotten faster. Life insurers had to be competitive by lowering costs and providing better service to clients. The IRDA came up with the idea of Bancassurance to get into a vast market that hasn't been touched yet. Bancassurance is a new and growing way for life insurance companies to sell their products that practically all of them are using to get more customers and market share.

3. **Kalpana Naidu, C., & Paramasivan, C. (2015).** The banking and insurance sectors have a big impact on India's financial system. They bring in a lot of savings and investments. The insurance industry in India is one of the fastest-growing parts of the economy. The movement of liberalisation and globalisation in India has affected the insurance industry, as well as other parts of marketing and the financial system. In the market, the client is the king. Life insurance businesses sell things that can't be touched. With the entry of private players, the competition is increasingly heated.

4. **Lisnawati, L., Girang Razati., & Henny Mulyani. (2016).** The low of customer trust is discussed on insurance sector. Companies should pay attention to this aspect because trust plays an important role in the engagement of longterm relationship between company and consumers in insurance services. Zurich Gold Lion is one of the insurance company which has a problem with customer trust.

5. **Paramasivan, C., & Rajaram, S. (2016).** Insurance is a new idea that has come up recently and requires a lot of money to be spent on social and economic development. "Micro insurance" was first used to describe a new type of financial service within microfinance. It eventually grew into its own field. This study so examines the general ideas of micro insurance.

6. **Varsha Kumari., Eswari, G., & Murgeswari, G. (2021**). In insurance industry, the insurer-customer relationship is a valuable competitive differentiator throughout the entire customer journey from the initial consultation through support and claims. To put customers front and center every step of the way, insurers need to proactively communication during the information phase, focus on personalizing interactions with customers on diverse channels during the purchase phase and create a blend between personal contact and digital tools to elevate support and claims services.

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consumers, their behaviour towards marketing, shopping and their decisions about to choose products have been changed nowadays. They are going and taking interest in online marketing. Use of online marketing has been spread at worldwide level. Consumers are looking and using online marketing due to its various advantages, it is now demand of market to work with online marketing for the marketers. They have to create work environment to satisfy their customers by using digital marketing also. Single traditional marketing is not for future growth of the organisations.

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Statement of the Problem

In India growing insurance sector struggles to trust the insurance company due to the offensive communication and delayed claim handling methods. Lots of customers find it difficult to understand the policies, and they don't know how to track the claims or how to solve the grievances. This issue is still facing the rural and semi-urban customers. An insurance company understands that if one customer is taking insurance, their work is not done if the customer is facing an issue at that time also help provide once customers reach out to you. That time if you provide all suggestions to the customers automatically, you get goodwill. Customers always need good services, transparency, and good communication. This study clearly provides how quickly and fair claims are building trust in customers, and same time, honest and clear communication also helps to develop goodwill for the company. If agents are getting a positive impression from the customer's side, which means the company also gets a good name, because we learn that first impression is the best impression.

Objective Of The Study

1. To identify the importance of quick and fair claims handling in building trust.
2. To know how honest and clear communication helps customers trust insurance companies.

Research Methodology

This research provides a descriptive research design using secondary data from trusted sources like the IRDAI annual report (2020-2024), ICRA industry reports. It includes tables and charts showing how insurance is handled, how to handled claim, how companies communicate with their customers. This research also uses the knowledge from websites like the GIC Council and Insurance Profinder. The main goal is to find between the clear services and customers' trust. The data provides a way that is easy to understand, and focuses on how regular Indian customers behave.

Study Period

This study covers a five-year duration from financial year 2020 to financial year 2024, focusing on post-pandemic trends and same time changing customer expectations.

Table 2

Status of Claims under the Health Insurance of General and Health Insurers

Claim Details	Number of Claims (Crore)	Amount Paid (₹ Crore)	Percentage (%)
Claims Registered	3.2	-	-
Claims Settled	2.69	83,493	83
Claims Repudiated	-	11,000+ (approx.)	11
Pending Claims	-	-	6
Average Claim Amount Paid	-	₹31,086	-

Source: IRDAI Annual Report 2023-24.

In India, health insurance claims have increased over time. A total of 3.2 crore claims were registered by general insurance and health insurance companies. Out of these,2.69 crore claims were successfully settled, and insurers paid around ₹83,493 crore. About 11% of claims were rejected, and 6% are still pending. On average, every accepted claim received ₹31,086. This shows that health insurance got support for the time of the claim, but still, some claims are not accepted or are still waiting. Health insurance helped families with medical costs during critical time durations.

Chart 2

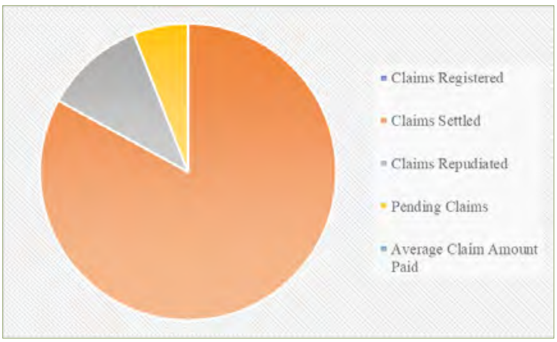

Chart 3

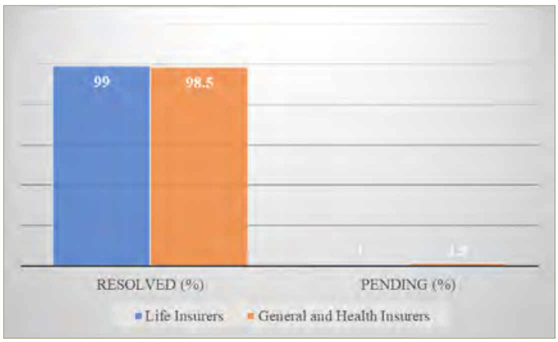

Table 3

Analysis of Grievances Registered during 2023-24

Type of Insurer	No. of Grievances	Grievances as % of Policies Issued	Resolved (%)	Pending (%)
Life Insurers	1,20,000	0.01	99	1
General and Health Insurers	95,000	0.02	98.5	1.5
Total	2,15,000	0.015	99.2	0.8

Source: IRDAI Annual Report 2023-24.

In 2023-2024, a total of 2.15 lakh complaints (grievances) were received by the insurance companies in India. There are 1.2 lakh received from the life insurance customers, and at the same time, 95000 from the health and general insurance customers. As per Table 3, these complaints are very small compared to the total polices issued, only 0.01% for life insurance and 0.02% for general and health insurance. There are lots of complaints that are solved immediately, 99% of the life insurance and 98.5 of the general insurance. Only 1% are still pending. This shows that insurers are better handling customer problems and providing suggestions. It is a good way to get the trust of the customers.

Table 4

Impact of Honest and Clear Communication on Customer Trust in Insurance

Communication Practice	Impact on Customer Trust	Supporting Insight
Simplified Policy Language	Improves understanding and confidence	Complex terms confuse customers; clarity builds trust and encourages engagement
Transparent Claims Process	Reduces anxiety and builds reliability	Clear steps and timelines increase satisfaction and repeat business
Proactive Customer Updates	Enhances perceived honesty and care	Timely communication shows accountability and respect for customer expectations
Accessible Support Channels	Builds emotional connection and loyalty	Easy access to help fosters trust and long-term relationships
Consistent Messaging	Prevents misinformation and confusion	Uniform communication across platforms reinforces brand credibility

Source: GIC Council, Insurance Profinder & Bodybanker.

Honest and Clear Communication plays a crucial role in building customer trust in insurance, when companies use simple language in their policies, thus customers understand better and feel more confident about the awareness of related policies. If the claim procedure is clear and transparent, then customers reduce the stress and increase the respect, and same time, customers feel the company is reliable. And the same time, if they give regular updates from the company, this time also increases goodwill around the customer environments. Having easy-to-reach support channels growth a strong emotional value and makes customers feel good. And finally, consistent messaging across the website, emails, and agents avoids confusion. If the policyholder is illiterate, then the agent plays a crucial role because illiterate people understand very little and have trust issues. Also, the agent provides the understanding, and same time, customers also see how the agent to clear the claim amount in a certain time, automatically creating goodwill agent through the company. And agents also communicate with each other to simply explain the insurance details. It helps to gain knowledge of customers.

Findings of the Study

This study helps to highlight different key findings and the importance of trust building in the insurance sector.

1. As per the IRDAI data table 2 clearly mentions that 83% of health insurance claims were settled, with an average payout of ₹31,086. Immediate and fair settlements directly influence customer satisfaction and trust.
2. In the financial year 2023-2024, over 2.15 lakh grievances were registered, with a resolution rate of 99.2% as per Table 3.

3. As per Table 4, highlight that insurance company that use simple language in their policies, keep their messages consistent, help clients understand and trust them more. These methods less misunderstandings, arrange connections between insurers with policyholders, and develop enduring relationships rooted in transparency.
4. Retail customers increasingly expect digital access, real-time updates, and good service. Insurers that meet these expectations and expand their customer base.

Suggestions

To strengthen trust among retail customers, insurance companies should adopt the following strategies:

1. Use simple language and visual aids to make terms and conditions easily understandable for customers. Simple language always helps to understand the customers. It is the connection between the customers and the company. It is the way to improve the goodwill in the company. Communication is the way of conveying a particular message from one person to another.
2. Provide real-time updates and some duration timelines for claim settlements through mobile apps and portals. It should be compulsory because real-time settlements always help to come back to the customer family in these situations, and other hand, once they get the amount automatically, it grows side by side customers' trust in the companies.
3. Integrate AI-based chatbots and escalation protocols to resolve complaints swiftly and transparently for customers.
4. Ensure all customer interactions, whether through agents, call centres, or websites, reflect clear, consistent messaging. Make support easily available and maintain communication. This strengthens emotional bonds and long-term loyalty among retail insurance customers.

CONCLUSION

Trust is a basic foundation of developed customer relationships in the insurance industry. When insurance companies handle claims quickly and fairly, and honest and clear communication provides a boost for customers. Data from IRDAI and industry reports prove that focusing on transparency, fast services, and ethical behaviour is sustainable for their customers. When people are purchasing the insurance and the premium amount is growing, a little bit of complaints and poor communication are still issues. Addressing this issue using simple policy language, giving timely updates, and settling claims smoothly. Now in this digital world, trust must be built every day. Insurance companies use advanced technologies better, provide trained staff, and create customer-attracting and friendly policies. If customers need changes this time, insurers must show care to customers and always be fair in every interaction. When companies meet the customer's needs, they build loyalty, improve their brand image, and support financial safety across India. TJ

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When Promises Meet Reality: Trust in Retail Insurance

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Abstract

Trust is the cornerstone of the insurance industry, particularly in the retail segment where customers purchase policies to protect their lives, health, and property. Unlike tangible products, insurance represents a promise — a commitment to provide financial security during unforeseen events. This article explores how insurers can earn and sustain the trust of retail customers through transparency, honesty, and customer-centric practices.

It distinguishes between corporate and retail insurance, emphasizing that retail insurance directly serves individuals and families. The article highlights challenges such as mis-selling, force-selling, and lack of awareness, which often erode public confidence. It proposes key measures for rebuilding trust: offering policies suited to customer needs, ensuring smooth claim settlement, maintaining consistent and clear communication, and training competent, empathetic employees.

Additionally, it underscores the importance of educating customers about features like the free-look period, providing efficient grievance redressal mechanisms, and balancing technology with human empathy. Trust, the article concludes, is not achieved through marketing but through consistent integrity and reliability at every stage of service. When insurers honor their promises with transparency and compassion, they not only retain customers but also transform them into loyal advocates for the brand.

Keywords

Insurance, Retail Insurance, Trust, Customer Life Cycle, Miss-Selling, Force Selling, Trust, Free Look Period.

Introduction

Trust is the invisible currency that drives every successful relationship — personal or professional. In the world of insurance, trust becomes the backbone of every transaction. Unlike other products that can be seen, touched, or tested, insurance is a promise — a commitment that will only be realized when misfortune strikes. To the retail customer, this promise must not just exist on paper; it must be experienced in every interaction.

Building and sustaining this trust is a continuous journey. It begins with transparency, is strengthened through service, and matures through consistent, empathetic engagement. Let's explore how insurers can earn — and keep — the trust of their retail customers in a world where scepticism often outweighs faith.

Corporate vs. Retail Insurance: Understanding the Landscape

Insurance serves two broad markets — the corporate sector and the retail sector.

When a company purchases insurance for its business operations, it falls under Corporate Insurance or Business Insurance. These policies are designed to protect enterprises from property damage, legal liabilities, employee-related risks, and other unforeseen events that can disrupt business continuity. For instance, a manufacturing company may insure its factory against fire, theft, or machinery breakdowns, while an IT firm may seek cyber insurance to safeguard sensitive client data.

In contrast, Retail Insurance is intended for individuals. It protects people from personal and household risks. A person may insure his car against accidents, his home against natural calamities, or his health against medical emergencies. Retail insurance products include motor insurance, home building and contents insurance, personal accident insurance, travel insurance, and health insurance. Each serves one purpose — to shield individuals from the financial consequences of unpredictable events.

The term "retail insurance" refers to insurance products meant for individuals, as opposed to "corporate" or "commercial" insurance (which serves businesses).

So under retail insurance, both life and non-life products can be included — depending on the context.

In a broad sense, retail insurance covers all insurance sold to individuals (includes life + general insurance). In a narrow sense, retail insurance covers general insurance products sold to individuals (health, motor, home, etc.), excluding life insurance.

The retail insurance market plays a vital role in promoting financial stability, social security, and economic growth. Unlike corporate insurance, which protects businesses, retail insurance caters to individual policyholders — covering their health, life, property, and personal liabilities. It ensures that people are financially protected against unexpected losses such as accidents, illness, natural disasters, or death.

One of the key benefits of the retail insurance market is its contribution to financial inclusion. By offering affordable products like health, motor, and home insurance, it brings protection to millions of individuals, including those in semi-urban and rural areas who may not have access to formal financial systems. Insurance acts as a financial safety net, reducing the burden on families and the government during emergencies.

The market also supports the national economy by mobilizing long-term savings and investments. Premiums collected by insurers are invested in infrastructure, capital markets, and public projects, thereby contributing to economic development. Moreover, a strong retail insurance sector enhances consumer confidence, as individuals feel secure knowing that their risks are managed.

At its core, insurance is about transferring risk. The insured pays a premium, and in return, the insurer promises to bear the financial burden if a covered event occurs. Whether it's repairing a car damaged in a collision or paying hospital bills after surgery, insurance acts as a financial cushion during difficult times.

But for this system to work, the policyholder must believe — deeply — that the insurer will stand by them when needed. And that belief rests entirely on trust.

The Fragility and Power of Trust

Trust is not built overnight. It is cultivated through honesty, consistency, and fairness. In insurance, trust is particularly fragile because customers interact with insurers only occasionally — often when filing a claim, which usually coincides with a stressful life event such as an accident, illness, or loss.

A single negative experience — a delayed claim, unclear communication, or perceived unfairness — can shatter years of goodwill. Conversely, a fair and compassionate resolution during a crisis can turn a sceptical customer into a lifelong advocate.

The insurance business is fiduciary in nature — it thrives on responsibility and faith. Customers invest not just money, but confidence that the insurer will deliver when needed most. Thus, insurers must treat trust not as a marketing tool, but as a long-term strategic asset — one that determines customer retention, reputation, and brand value.

From Prospect to Advocate: The Customer Lifecycle of Trust

Every insurance relationship begins with curiosity and often a bit of suspicion. A prospective customer wonders: Is this company reliable? Will it pay my claim? Are there hidden conditions?

A potential customer may first become aware of an insurer through advertising, social media, or word-of-mouth. Sometimes, the first purchase is not voluntary but obligatory — such as when a car loan requires mandatory motor insurance. However, this first interaction sets the tone for all future dealings.

If the customer's early experience — buying, renewing, or making inquiries — is positive, he becomes a repeat buyer. A person who bought health insurance may later add car insurance or travel insurance from the same company. With continued satisfaction, he transforms into a loyal customer. Eventually, this loyalty can mature into advocacy — when the customer recommends the insurer to family, friends, or colleagues.

Each stage of this lifecycle depends on trust. Poor service, hidden charges, or claim disputes can quickly send customers back to suspicion or even switch to competitors. Trust, therefore, must be nurtured at every step — from marketing to after-sales support.

Challenges to Trust: Mis-selling and Force-selling

Despite rapid modernization, many retail customers still distrust insurers. The reasons are well known: mis-selling and force-selling.

Mis-selling occurs when policies are sold without fully explaining their features, exclusions, or suitability. A customer may buy a product thinking it covers hospitalization, only to discover later that day-care procedures or pre-existing conditions are excluded. Such experiences leave lasting bitterness.

Force-selling, on the other hand, happens when customers are pressured into buying insurance — often during a loan process or by aggressive sales targets in bancassurance channels. In these cases, the customer feels coerced, not cared for.

Both practices damage not only individual relationships but also the reputation of the entire industry. Regulators like the IRDAI have introduced strict guidelines to curb such practices, but the real change must come from within — from a cultural shift toward ethics and empathy.

Transparency and Honesty: The Cornerstones of Credibility

In a country where financial and digital literacy remain low, clarity is more valuable than complexity. Customers often struggle to understand technical jargon such as "deductibles," "co-payments," or "riders." Agents and employees must, therefore, communicate in plain language.

Explaining what a policy covers — and what it doesn't — is essential. Hiding exclusions or downplaying conditions might help achieve short-term sales, but it will inevitably erode trust. Likewise, all fees, commissions, and charges should be clearly disclosed. There should be no hidden surprises when a claim arises.

Transparency is not just about documentation; it is about intent. When customers see honesty — even in admitting limitations — they feel respected. And respect breeds trust.

A simple principle applies: Underpromise and overdeliver. Every employee and agent should embody this in practice.

Tailored Policies: Aligning with Customer Needs

No two customers are the same. A single man in his 20s will have different priorities than a married man with two children. Similarly, a retired couple's insurance needs differ from those of a young professional buying his first car.

Insurance companies should, therefore, move beyond generic selling and adopt a needs-based approach. Before recommending a product, agents should understand the customer's age, family structure, financial goals, health conditions, and risk appetite.

For example:

- A young professional may value affordable health coverage with OPD (Outpatient Department) benefits.

- A middle-aged parent may prefer term life insurance with child education riders.
- An elderly person may require critical illness coverage with cashless hospitalization facilities.

When products are tailored to individual circumstances, customers feel that the insurer genuinely cares for their welfare — and that emotional connection deepens trust.

Equally important is claim experience. Many policyholders complain that the behaviour of employees and agents changes drastically after the sale. While selling, they are courteous and attentive; during claim settlement, they appear indifferent or defensive. This inconsistency damages credibility. Every stage — from policy issuance to claim resolution — must reflect the same sincerity and integrity

Competent and Compassionate Employees

In India, though digital insurance sales are rising, a majority of retail customers still prefer human interaction. Many find online platforms confusing or impersonal. This makes frontline employees and agents the true ambassadors of the company.

A well-trained, empathetic, and knowledgeable representative can turn even a hesitant customer into a confident policyholder. Conversely, an ill-informed or rude agent can destroy a company's image within minutes.

Insurance companies must therefore invest in continuous training. Agents should not merely memorize product details but understand them conceptually. They should be able to answer customer queries intelligently, explain benefits clearly, and handle objections tactfully.

Soft skills matter as much as technical knowledge. Politeness, patience, and empathy are not optional; they are essential. When an agent listens carefully, explains patiently, and follows up sincerely, the customer feels valued.

Equally important is accountability. If an agent cannot answer a query immediately, they should promise to find the answer and respond quickly. Consistent professionalism builds long-term faith.

In short, competent employees build competent reputations.

Consistent and Proactive Communication

Effective communication is the oxygen of trust. Customers should never feel abandoned once a policy is sold. Regular engagement — renewal reminders, policy updates, and informative newsletters — keeps them connected.

Every customer inquiry, whether through a call, email, or chat, should be acknowledged promptly. Even a short message like "We've received your query and will respond within 24 hours" reassures the customer that the company is attentive.

Changes in terms, premium, or coverage must be communicated transparently. Renewal notices should be sent well before expiry. Digital platforms can make this seamless — but the tone must remain human and reassuring.

Moreover, communication should not occur only when money is involved. Periodic educational messages about risk management, safety tips, or health awareness show that the insurer cares beyond transactions. Such gestures strengthen emotional connection and brand loyalty.

If errors occur — and they sometimes will — the company should admit them honestly and rectify them quickly. Customers forgive mistakes, but not dishonesty.

The Free Look Period: Empowering the Customer

Many retail customers are unaware of the Free Look Period, a vital consumer protection feature. It allows policyholders a certain number of days — usually between 15 and 30 — to review the policy terms after purchase. If they find the terms unsatisfactory, they can cancel the policy and get a refund, after minimal deductions such as stamp duty, medical expenses, and proportionate premium for the active risk period.

This provision applies to most retail policies, whether bought online or offline. Insurance companies should take proactive steps to educate customers about this right. Including a clear explanation in policy documents, onboarding calls, or welcome emails can prevent confusion and build confidence.

A customer who knows their rights feels empowered — and empowerment is a powerful foundation for trust.

The Personal Touch: Humanizing the Relationship

Insurance may be a business contract, but it flourishes best when relationships are personal. A customer is not a policy number; he is a human being with emotions, fears, and aspirations.

Small gestures — a birthday message, a festival greeting, or a check-in call during a natural disaster — make customers feel remembered. Personalized service shows that the insurer values them as individuals, not just revenue sources.

During crises, empathy matters more than efficiency. When a family faces hospitalization or loss, they seek understanding, not bureaucracy. An agent who says, "Don't worry, I'll handle the paperwork for you," can win lifelong loyalty.

Technology can complement this personal touch. Automated reminders, personalized dashboards, and quick online claims enhance convenience. But empathy — the human element — remains irreplaceable.

Grievance Redressal: Turning Complaints into Confidence

Even the best-managed companies occasionally face customer grievances. What separates great insurers from mediocre ones is how they handle complaints.

A transparent and accessible grievance redressal system is vital. Customers should be informed — clearly and upfront — about how to raise concerns, where to send complaints, and what response time to expect.

Companies must provide multiple channels: a dedicated postal address, email ID, helpline, and online portal. The expected turnaround time (TAT) should be prominently displayed — ideally shorter than the regulatory limit of 14 days. Senior citizens and differently-abled customers should have an easier mode of contact, such as priority phone lines or callback facilities.

Moreover, escalation mechanisms must be simple. If a customer feels that the company's response is unsatisfactory, they should be guided to escalate the issue to the Insurance Ombudsman. The contact details of the Ombudsman and the IRDAI grievance portal — https://bimabharosa.irdai.gov.in — should be displayed on company websites and office notice boards.

When customers see that their grievances are heard, addressed fairly, and resolved promptly, trust deepens. In fact, an efficiently handled complaint can turn a critic into a promoter. As service experts often say, "A recovered mistake is more powerful than no mistake at all."

Technology and Trust: The Modern Balancing Act

In recent years, digital transformation has reshaped the insurance industry. Customers can now buy policies, renew them, and file claims online with just a few clicks. While this enhances speed and convenience, it also introduces a new dimension of trust — digital trust.

Customers must feel confident that their personal and financial data are safe. Cybersecurity, data privacy, and transparent digital communication are now as important as face-to-face service.

Insurers should ensure that their apps and websites are secure, user-friendly, and regularly updated. Multi-language options and chatbot assistance can make digital interactions more inclusive, especially for first-time users.

However, automation should never replace empathy. A balanced approach — blending technology with human touch — builds confidence among both tech-savvy and traditional customers.

Beyond Business: The Ethics of Trust

Earning trust goes beyond policies and procedures; it is a reflection of corporate character. Ethical conduct must be embedded in company culture — from leadership to frontline staff.

When a company consistently acts with integrity — honouring commitments, avoiding shortcuts, and prioritizing fairness — trust becomes its most valuable brand asset. In times of uncertainty, customers gravitate toward brands they perceive as honest and dependable.

Insurers that treat trust as a measurable goal — not a marketing slogan — stand apart. They don't just sell policies; they sell peace of mind.

A Logical Sequence for Offering Insurance Products

Insurance planning is most effective when products are offered in a structured and need-based sequence, rather than as isolated sales propositions. A systematic approach ensures adequate protection, builds customer confidence, and leads to long-term financial security.

Term Insurance – The Foundation

Term insurance should always be the first product offered. It provides high life cover at an affordable cost and protects the family against the financial impact of the policyholder's untimely demise. Adequate term cover forms the backbone of any sound insurance plan and must precede all savings or investment-oriented products.

Endowment and Savings-Linked Insurance

Once basic protection is secured, endowment or savings-linked insurance products may be introduced. These policies combine insurance with disciplined savings and help meet medium- to long-term goals such as children's education, marriage, or asset creation. They are suitable for customers seeking stability along with protection.

Protection-Plus and Goal-Based Products

After addressing core needs, other insurance products—such as pension plans, health insurance, riders, and unit-linked plans—can be offered based on life stage, income levels, and risk appetite. These products enhance financial resilience and support specific life goals.

Conclusion: Trust — The Lifelong Policy

Earning the trust of retail customers in insurance is neither a one-time campaign nor a checklist exercise. It is a continuous relationship, built day by day through transparency, empathy, and reliability.

A customer's trust is hard-won and easily lost. Every interaction — whether it's a sales call, policy renewal, or claim settlement — either strengthens or weakens that bond. The choice lies with the insurer.

When customers truly believe that their insurer will stand by them — not just in good times but in moments of crisis — they don't just renew their policies; they renew their faith. And that faith is worth more than any premium.

In the end, trust is the most enduring policy an insurance company can ever issue — one that needs no renewal, only reinforcement. TJ

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Insurance Ombudsman- Ombudsman - IRDAI

Enabling Customer Trust- A strategic Growth Lever in Retail Insurance

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Abstract

Trust is the foundation of life insurance industry with long term commitment to protect customers financially. Rapidly evolving digital world, tightened regulatory scrutiny, and high customer expectations have become a strategic challenge to insurers. This article identifies how key drivers of transparency, security, empathy and technology can enhance trust through personalization, transparency and artificial intelligence. Real life case studies illustrate successful trust building initiatives strengthening customer trust and confidence.

Keywords

1. **Trust**: Customers believing insurers to fulfill the promises
2. **Empathy**: Understanding other people's thoughts, feelings and perspectives
3. **Transparency**: Being open, honest and clear in actions and communication
4. **Fraud**: Intentional act to deceive for financial gain through unfair or unlawful acts
5. **Reliability**: Fulfilling commitments as promised consistently
6. **Integrity**: Being honest, ethical and consistent in actions and decisions

Introduction

In insurance industry, trust is the cornerstone and not just a virtue, it's a necessity in the digital world. Unlike tangible products, insurance is a promise of security, a commitment to support individuals during uncertain and often distressing times. For retail customers, this promise must be backed by transparency, empathy, and consistent service. "In an era of digital transformation and rising customer expectations, earning and maintaining trust has become both a challenge and a strategic imperative for insurers." (Dr GP Nishchal Kumar JETIR). As products becoming more and more complex customer expectations evolve and insurers should go beyond the record keeping and transaction processing to gain customer confidence.

This article explores critical role of trust in life insurance industry, reshaping of customer expectation from the rapidly evolving industry. The multifaceted dimensions of trust-building in insurance, supported by use cases, academic research, and real-world examples.

Why Trust Matters in Insurance?

Insurance is a product based on Trust. Customers pay premiums in anticipation for a benefit which they may receive years later. This deferred value proposition makes trust an essential component in insurance. According to Luigi Guiso in 'Trust and Insurance'

"...trust enters insurance exchanges because the latter is a typical financial exchange that trades spot money against promises of future money. But what makes them peculiar and different from other financial exchanges is that both parties in the trade, the insurance seller and buyer, require trust to carry over the transaction. Needless to say, one could do without trust if parties could write complete insurance contracts and the latter could be perfectly enforced; however, we live in a world where contracts lack completeness and perfect enforceability in courts is a dream. These imperfections mean that trust matters."

Trust is Business Critical

- **Intangible Nature of the Product:** Life insurance doesn't offer immediate gratification. Customers pay premiums for years before seeing any return, making trust essential.
- **Emotional Sensitivity:** Policies are often purchased during life-altering events—marriage, childbirth, illness, or death. Customers need assurance that insurers will stand by them during vulnerable times.
- **Information Asymmetry:** Insurance contracts are complex. Customers rely on insurers to explain terms honestly and act ethically.

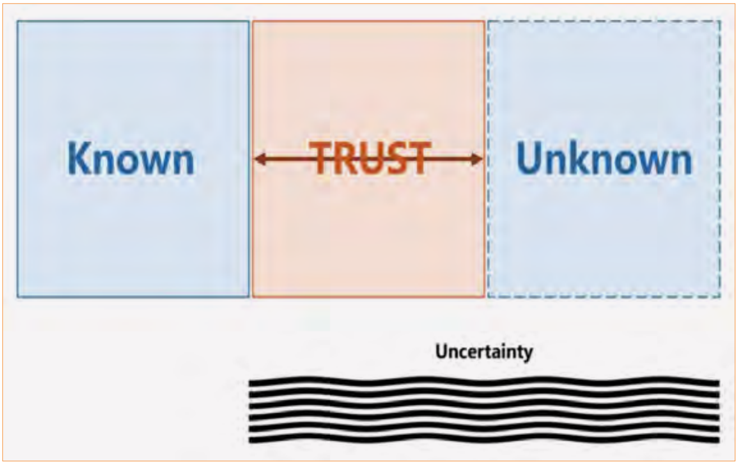

Fig 1

- **Long-Term Relationship:** Policies can span decades. Trust ensures customer retention and loyalty over time.

Benefits of Creating Trust in Life Insurance Business

Building trust isn't just an ethical proposition—it's profitable. Following are some real-world use cases where trust directly benefits insurers:

1. **Higher Policy Renewal Rates**

Customers who trust their insurer are more likely to renew policies. LIC's DIVE (Digital Innovation & Value Enhancement) is aimed at driving digital transformation, enhancing customer experience and agency transformation. LIC is aiming at significant increase in persistency levels with these initiatives.

2. **Increased Cross-Selling Opportunities**

Trust enables insurers to offer additional products. As per *McKinsey report 2023 -Experience-led growth: A new way to create value*-Listening to existing customers, understanding their pain points, resolving them can increase cross-sell rates by 15 to 25 percent, boost companies' share of wallet by 5 to 10 percent, increase cross-sell rates, and improve customer satisfaction and engagement by 20 to 30 percent.

3. **Reduced Complaints and Litigation**

Transparent claims processes reduce disputes. ICICI Prudential Life "Claim for Sure" initiative, which leverages digital public infrastructure, can settle eligible non-investigated death claims within one day of receiving all necessary documents. The company has achieved an average turnaround time of just 1.27 days for settling non-investigated retail death claims in FY2024 by leveraging technology like AI and ML. Their Claim settlement Ratio improved from 97.8% in 2021-22 to 99.6 in first quarter of 2025-26.

4. **Better Customer Understanding**

Trust encourages customers to share personal data, enabling better underwriting. Max Life Insurance's wellness-linked policies like **Secure Earnings & Wellness Advantage Plan (SEWA)** use customer health data to offer dynamic premiums and better maturity returns, made possible by trust in data handling.

5. **Stronger Brand Reputation**

Trust builds brand equity. Tata AIA's consistent top ranking in customer satisfaction surveys has translated into higher market share and agent retention.

This consumer-first approach recently earned Tata AIA's URE initiative a nomination for Best Digital Transformation Strategy at the Bharat Insurance Summit & Awards 2025.

6. **Agent Empowerment**

Agents who represent trustworthy brands are more confident and effective. agent training programs focused on ethics and empathy lead to higher conversion rates and lower attrition.

"Independent insurance agents foster trust through personalized and attentive service, which allows them to build strong, long-lasting relationships with their clients."

7. **Reduced Frauds and Lower Claims**

Building trust with customers reduces fraud and lowers claims by promoting a collaborative, transparent, and mutually beneficial relationship.

When customers trust their insurer to handle legitimate claims efficiently and fairly, they are less likely to pad or exaggerate their claims to guarantee a payout. An unfair or slow claims process can incentivize customers to overstate losses to make the effort seem worthwhile.

8. **Increases Profitability and growth**

In a crowded market, superior service and a reputation for reliability can be a key differentiator. A strong brand image built on trust helps attract new business and withstand competition from non-traditional players like Insurtech's and tech platforms.

Challenges in Building Customer Trust

1. **Insurance is a necessity and not a luxury**

When consumers view insurance as a luxury rather than a necessity, it creates significant challenges for building trust in the industry. The What – if paradox, where people pay premium for something which they hope never to have to use, makes them feel like a wasted expense and then more than trust, they may go for cheap products.

2. **Market Competition**

Market competition makes building trust challenging through **increased pressure to cut costs and prices**, making it harder to invest in quality and customer service. Additionally, competition can lead to a **'race to the bottom'**, where companies may engage in misleading marketing strategies to gain an edge or use tactics like "dark patterns" to exploit consumers, eroding trust across the market.

3. **Evolving Customer expectations**

Ever Evolving customer expectations, there demand for personalized experiences, immediate and seamless support and ethical and transparent operations, though very much in vogue, insurers do struggle to keep up with these expectations. Any gap in these erodes the trust customers have in the insurer.

4. **Lack of Transparency**

Insurance Products are often filled with jargons, exclusions and fine print. Many customers, don't go through these and later when claim is denied, they feel cheated. A 2021 IRDAI survey found that over 60% of policyholders didn't fully understand their policy terms.

5. **Low Claim Settlement Ratio**

The core reason people buy insurance is to have a financial safety net for emergencies. A low settlement ratio indicates that this safety net is untrustworthy, as claims are frequently rejected or delayed.

Claim settlement speed and ratio are one of the top factors influencing customer trust. It is the single most factor signaling that the insurer is more interested in guarding its own financial interest rather than safeguarding the interests of policy holder.

How Can Trust Be Built in the Rapidly Evolving Digital and Regulatory Landscape in Insurance

Building trust is a multi-dimensional effort involving product design, communication, technology, and culture. Also, it is a continuous and dedicated process. Some of the pointers which can help in Trust creation are -

A. **Build long term Relationships with customers**

Trust begins with relationships. Insurers must move beyond transactions to create meaningful, long-term connections. This involves:

a. **Adapting to a customer centric approach.**

More advanced customer-centric insurers stand out due to their shared strategy. They go well beyond the classical insurance product value proposition to build an ecosystem approach where the customer also accesses complementary services (e.g., Vitality in the UK and Helvetia in Switzerland). The value proposition also incentivizes cross-selling (e.g., with personalized prices for cross-sell products or better service commitments). Another trend in value proposition is including prevention services so the insurer is no longer just a claims payer but evolves into a risk management partner.

b. **Personalized Solutions and empathy**

Trust is cultivated when insurers personalize solutions to meet individual needs—understanding that each customer's situation is unique and requires tailored products and support. Personal touches, such as remembering milestones like birthdays or policy anniversaries and engaging with clients outside typical policy conversations, reinforce a sense of belonging.

c. **Transparent and clear communication**

Being upfront and transparent, especially regarding policy terms, pricing, coverage, and potential exclusions—is essential. Avoiding jargon, explaining key details, and following up consistently help clients feel secure and informed. Regular communication, check-ins beyond sales or renewal times, and addressing client concerns promptly reinforce dependability and show ongoing commitment.

d. **Reliability and Follow- Through**

Delivering what is promised, whether about returns, claim processing, or communication, is central to trust. Insurance agents should make themselves accessible for concerns, provide updates, and consistently demonstrate that clients' best interests come first. When a client feels heard, valued, and respected, trust deepens—a key driver of loyalty and repeat business.

e. **Engaging Beyond Transactions**

Building authentic relationships requires insurers to recognize the person, not just the policy. Hosting appreciation events, offering educational opportunities, and providing risk advice tailored to a client's context extend the relationship beyond sales, making interactions meaningful rather than transactional

f. **Avoiding Pitfalls**

Overpromising, lack of clarity, and failing to deliver on commitments are the quickest ways to erode trust. It's crucial to communicate openly, manage expectations realistically, and never sacrifice long-term trust for short-term gains.

In summary, to build relationship-driven trust in insurance:

- Personalize every interaction and solution.
- Maintain transparency at all steps, explaining policies and processes clearly.
- Communicate regularly and with empathy.
- Always deliver on promises.

- Engage beyond transactions by recognizing personal milestones and offering ongoing support. These efforts turn clients into loyal advocates and underpin sustained insurance business success.

B. **Simplified Marketing and Sales**

Insurance documents and pitches are notorious for complex language that confuses customers. Clear, jargon-free communication is essential

a. Use **clear, jargon-free language** in brochures, websites, and agent pitches. Avoid ambiguous language in every customer-facing document, from brochures to website copy.

b. Avoiding over-promising and making exclusions transparent not only prevents disputes but also signals honesty

c. Present side-by-side plan comparisons highlighting critical variables, annual premiums, coverage amounts, and exclusions. It helps customer make informed choice.

C. **Easy-to-Understand Policy Terms**

a. Customers often struggle with intricate policy terms, waiting periods, and exclusions. Use visual aids (infographics, explainer videos) to decode policy features for all demographic groups, including those less financially literate

b. Use visual aids like infographics and videos to explain policy features.

c. Offer multilingual support to cater to diverse customer bases.

d. Display critical terms upfront, such as claim procedures and coverage limits, allowing customers to quickly identify key characteristics.

D. **Data Privacy and Security**

a. Insurance companies handle sensitive customer data, requiring robust protection mechanisms. Clearly communicate data practices—including how information is collected, stored, and shared—while fully complying with national legislation

b. Clearly communicate how customer data is collected, stored, and used.

c. Offer biometric login and two-factor authentication for added security.

d. Use strong encryption and ensure ongoing compliance with the latest security standards

e. Transparently communicate privacy policies and immediate alerts for any data breach event.

E. **Multi-Channel Support**

Modern customers expect seamless service across multiple platforms. Consistency and accessibility are crucial, with support extending from phone to WhatsApp, mobile apps, and face-to-face meetings.

a. Provide support via phone, email, WhatsApp, mobile apps, and in-person.

b. Ensure consistency of information across all channels.

c. Use CRM systems to consolidate client interactions and preferences.

d. Offer digital self-service options for policy management and claims.

F. **Fast and Fair Claim Settlement**

Claims are a crucial moment of truth; transparency and speed are vital. Digital uploads and AI-driven claim processing build confidence that customers' interests come first.

a. Minimize documentation requirements and allow convenient digital submissions.

b. Use AI to fast-track low-risk claims and predict genuine cases.

c. Communicate claim status updates and expected timelines at every stage.

G. **Flexible Products**

Adaptability encourages trust. Insurers must offer product features that evolve as the customer's life stages change

a. Allow customers to adjust coverage, riders, or benefits as life stages change.

b. Offer **bundled products** (e.g., life + health + accident) with option for **unbundling**(modular)

c. Provide **discounts** for long-term loyalty or healthy behavior.

d. Let customers choose **bonus/ dividend payout preferences** (e.g., cash vs. premium offset).

e. Enable **staggered payouts** for maturity or death benefits to suit financial planning.

H. **Engage & Educate Customers**

Information is a powerful trust enabler. Surveys, webinars, and transparent updates help customers feel informed and appreciated.

a. Conduct surveys and feedback loops to understand pain points.

b. Share updates on company performance, claim settlement ratios, and new initiatives.

c. Offer **educational content** on financial planning, wellness, and insurance trends.

d. Host webinars or live Q&A sessions with experts.

I. **Regulatory Compliance and Governance**

- **Adherence to IRDAI norms**: Ensuring fair practices and solvency standards.
- **Data privacy**: Protecting customer information under laws like India's DPDP Act 2023.
- **Audit trails**: Maintaining records of customer interactions and decisions.

J. **Leveraging Technology**

Technology can enhance convenience and personalization, with apps and chatbots aiding both sales and service.

- Develop **user-friendly apps** for policy management, claims, and service requests.
- Ensure compatibility with both mobile and desktop platforms.
- Offer **24/7 chatbot support** for FAQs and basic services.
- Use AI to personalize dashboards and recommend relevant products.

K. **Use of Artificial Intelligence as an enabler for Trust creation**

Artificial Intelligence enhances trust in the insurance industry by creating fairer, more transparent, and efficient processes for customers. It addresses core issues like opaque pricing and slow claims, but it requires careful implementation to avoid potential ethical pitfalls like bias and a loss of the human touch.

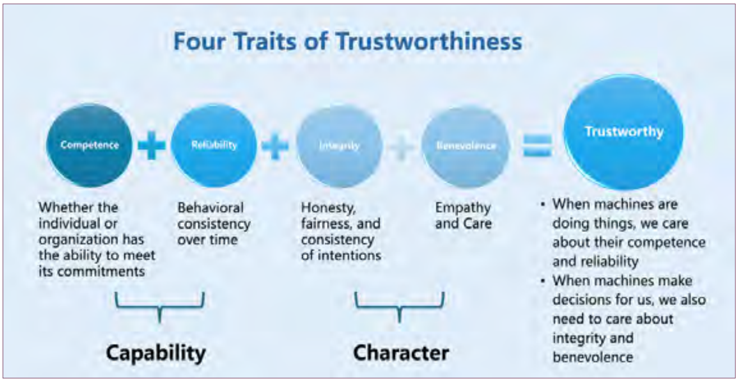

Fig 2

Artificial Intelligence (AI) can play a transformative role in building trust in retail insurance by enhance. ng transparency, convenience, personalization, and integrity throughout the customer journey.

a. **Transparency and Speed in Claims**

AI-driven claim processing systems can accelerate decision-making for low-risk cases, deliver instant status updates, and reduce errors in documentation. Customers benefit from clear timelines and fewer uncertainties, unbiased claim processing enhancing their trust in the insurer's promise to deliver when needed.

b. **Personalized Communication and Service**

AI enables insurers to analyze data across customer profiles and interactions, offering personalized policy recommendations, reminders, and solutions. Chatbots, powered by natural language processing, support 24/7 self-service for FAQs and basic requests, making assistance predictable and accessible.

c. **Fraud Detection and Data security**

Advanced machine-learning models can monitor transactions for unusual patterns, flag potentially fraudulent activities, and secure sensitive customer information proactively. These capabilities reassure customers that their financial and personal data is being vigilantly protected—a central concern in insurance

d. **Consistency and Multichannel support**

AI-integrated CRM systems ensure consistency of information and service across all channels—phone, email, apps, and in-person—reducing conflicts and confusion. AI tracks customer history, preferences, and previous touchpoints, so every agent or digital platform offers accurate, unified support.

e. **Proactive Engagement and Education**

Predictive analytics help insurers anticipate customer needs, sending timely policy reminders, wellness tips, or relevant educational content before customers experience gaps or issues. This proactive approach builds trust by signaling that the insurer is invested in the customer's ongoing well-being.

f. **Research backed Benefits**

Studies have shown that AI-powered insurers achieve faster claim resolutions, higher customer satisfaction scores, and improved transparency compared to traditional models. These outcomes—all trust factors—drive greater retention and customer advocacy.

To summarize, by leveraging AI for speed, personalization, security, and proactive communication, retail insurers can foster deeper, more sustainable trust with their customers. Artificial Intelligence has the potential to transform life insurance from a "transactional" product to a "trusted" partnership. However responsible use of AI is the key. Without explainability and transparency, AI can erode trust.

Case Studies

1. John Hancock Vitality Program

- **What They Did**: Shifted from being a passive claims payer to an active health partner. Introduced **gamification and wellness incentives** to encourage healthy living.
- **Impact**: Customers earned rewards and premium discounts for healthy behaviors, creating a **win-win** for both insurer and policyholder.
- **Trust Factor**: Transparency and proactive engagement build strong emotional trust.

2. McKinsey CX Leaders Study

- **Insight**: Life insurers with superior **customer experience (CX)** outperform peers in revenue growth and retention.
- **Key Drivers**: Personalized advice, omnichannel engagement, and seamless claims processes.
- **Trust Factor**: CX leaders achieved higher loyalty and satisfaction scores, proving that **trust and experience drive growth**.

3. Technology-Driven Trust (AI & Automation)

- **Example**: Insurers adopted **AI-based underwriting** and **digital onboarding** to speed up policy issuance.
- **Impact**: Reduced wait times and improved accuracy, making processes more transparent.
- **Trust Factor**: Customers appreciated quick, fair decisions and secure data handling. opencart

4. Authentic Customer Stories

- **Approach**: Insurers leveraged **real-life testimonials and user-generated content** to showcase positive claims experiences.
- **Impact**: Increased credibility and emotional connection with prospects.
- **Trust Factor**: Demonstrated reliability during critical life events, reducing skepticism.

Conclusion

Trust is not a one-time achievement but a continuous journey. In the insurance industry, where promises span decades and financial security trust is the cornerstone of customer relationship in life Insurance. Building and maintaining trust requires a blend of transparency, empathy, innovation, and consistent service. From personalized recommendations to AI-driven claims processing, insurers must evolve to meet customer expectations. Real-world examples and academic research affirm that trust is not just a moral imperative—it is a strategic asset that drives loyalty, retention, and growth.

This article has explored how trust can be earned by embedding trust in every touchpoint, from prospect identification to end of policy life cycle. Life insurers not only enhance customer satisfaction but also strengthen brand loyalty, reduce churn, and drive sustainable growth.

In the age of digital transformation, **trust is not just a value—it's a competitive advantage**. Insurers who prioritize it will be best positioned to meet the needs of tomorrow's customers with integrity and impact. TJ

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Earning the Trust of the Retail Customer in India's Insurance Sector: Strategies and Insights

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Naman Kumar Agrawal is a multifaceted professional, holding degrees in Electrical and Electronics Engineering, Finance, HR, and a Ph.D. in Management. With a keen focus on technology commercialization and startup ecosystem management, Naman has played a pivotal role in enhancing India's science, technology, and innovation landscape. His scholarly contributions include over 28 academic and research articles published in esteemed journals, books, and popular science magazines.

Abstract

The Indian retail insurance market is undergoing rapid transformation driven by rising incomes, an expanding middle class, digital innovation, and evolving customer expectations. Despite robust industry growth — expected to reach an estimated USD 222 billion by 2026 with a compound annual growth rate of over 7% — trust remains a critical challenge, particularly in the retail segment. This paper explores the multifaceted nature of trust in Indian retail insurance, examining factors such as transparency, personalized service, claims experience, and digital engagement that influence customer confidence and loyalty. The paper further analyzes the trust gap caused by legacy distribution challenges, opaque policy terms, and inconsistencies in customer experience, proposing a framework of customer-centric insurance practices tailored to Indian socio-economic and regulatory landscapes. By integrating empirical evidence, industry innovations, and regulatory reforms such as increased FDI limits and risk-based solvency, this study provides actionable insights for practitioners and academicians aiming to foster trust and drive sustainable growth in India's retail insurance sector.

Keywords

Retail Insurance India, Customer Trust, Insurance Transparency, Digital Insurance India, AI Claims Processing, Insurance Penetration India, Policyholder Loyalty, Insurance Distribution Challenges, Personalized Insurance Service, Indian Insurance Market Growth.

Introduction

The Indian retail insurance sector stands at a pivotal moment in its evolution, driven by a confluence of economic growth, rising consumer awareness, digital innovation, and regulatory reforms. As of 2025, India's insurance market is expected to surpass USD 222 billion, growing at an annual rate exceeding 7 percent, powered by an expanding middle class and deeper penetration into underserved segments (Swiss Re Institute, 2025). Retail insurance, encompassing life, health, motor, and general insurance products targeted at individual consumers, forms the backbone of this growth, yet it faces fundamental challenges around trust and customer confidence that threaten long-term sustainable expansion.

India's retail insurance penetration, while growing, remains modest at around 3.5 percent of gross domestic product (GDP), far below global peers, indicating substantial room for expansion alongside the imperative to strengthen consumer trust (IBEF, 2025). For example, health insurance penetration is climbing fast, driven by government schemes, urbanization, and pandemic awareness, but customer dissatisfaction related to unclear policy terms and delayed claims continues to blunt confidence (Economic Times, 2025). Motor insurance, mandated by law, sees higher penetration yet frequent disputes over claim settlements generate skepticism (Swiss Re Institute, 2025). Life insurance, traditionally dominant, now confronts greater competition, especially from digital-first insurers, challenging all players to demonstrate honesty, clarity, and service excellence.

Technology plays a transformative role in shaping trust dynamics. Artificial intelligence (AI), data analytics, and blockchain offer insurers new tools to simplify underwriting, detect fraud, and speed up claims settlement, enhancing credibility and customer satisfaction (Swiss Re Institute, 2025). For instance, AI-powered chatbots can provide instant policy information and claim updates, minimizing customer uncertainty and frustration. Blockchain applications ensure transparency in claim handling by providing immutable transaction trails accessible to customers. These innovations, alongside mobile-first policy servicing and digital onboarding, are reducing traditional barriers to trust.

Ethical frameworks and customer-centric business models are emerging as vital. Insurers increasingly realize that earning trust is not a one-off event but an ongoing commitment encompassing every stage of the customer journey—from pre-sale education, to policy servicing, through transparent claims management (ET Edge Insights, 2025). Firms adopting transparency in fees, flexible renewal options, and loyalty benefits report higher retention and advocacy rates. Insurance products tailored to Indian socio-cultural contexts and economic realities also resonate better with retail customers.

Indian Retail Insurance Market Overview

India's retail insurance market has witnessed remarkable expansion over the past decade, catalyzed by demographic shifts, economic growth, rising awareness, and policy reforms. As of 2025, the Indian insurance sector is valued at approximately USD 222 billion, and it is expected to maintain a compound annual growth rate (CAGR) of over 7% through 2028 (IBEF, 2025). This growth is largely fueled by the retail segment, which includes individual life, health, motor, and property insurance, reflecting both increased demand and deeper market penetration in previously underserved populations.

Distribution channels in retail insurance remain a mix of traditional and modern routes. As of 2025, around 60% of insurance sales occur through intermediaries such as agents, brokers, and bancassurance partners, reflecting entrenched reliance on personalized advice and trusted relationships (Chopra & Mehta, 2025). However, the rise of digital channels is rapidly reshaping the landscape. Digital sales accounted for 25% of total retail premiums in 2024, up from just 10% three years prior (PwC India, n.d.). Insurers increasingly deploy mobile apps, online portals, aggregators, and telematics to reach tech-savvy customers while reducing costs. This omnichannel shift is critical to addressing convenience and transparency demands, especially for younger urban consumers.

Challenges persist despite progress. Distribution inefficiencies, especially in rural areas, remain a barrier for reaching low-income consumers. Many insurers still struggle with complex underwriting and claims settlement processes that frustrate customers and erode trust (Patel & Joshi, 2024). Additionally, the sector grapples with fraud, mis-selling, and variable service standards, issues that heighten customer wariness. For instance, complaints related to claims rejection and delays constituted approximately 30% of IRDAI's consumer grievance cases in 2024 (IRDAI Annual Report, 2024). These operational challenges underscore the imperative for insurer strategies that prioritize customer-centricity, transparency, and digital facilitation.

Examples of trust-building innovations abound. Bajaj Allianz Life Insurance, for instance, employs an AI-powered chatbot—'Bajaj Assist'—that provides 24/7 policy servicing and claim status updates, enhancing transparency and customer control (PwC India, n.d.). Reliance General Insurance's 'Claim Hero' digital platform leverages blockchain technology to provide immutable, real-time claim transaction records accessible to customers, reducing disputes and increasing confidence (Swiss Re Institute, 2025). Such technology-driven transparency initiatives are becoming industry benchmarks as insurers realize the business value of trust retention.

Understanding Retail Customer Expectations and Trust Factors

In the evolving landscape of India's retail insurance market, understanding the nuanced expectations of insurance customers is critical for building and sustaining trust. The retail customer's perception of insurance is shaped by multiple factors ranging from product clarity and transparency to claims experiences and ongoing service quality. With India's demographic and socioeconomic diversity, insurers face the challenge of meeting heterogeneous customer expectations that vary across urban-rural divides, income levels, and age groups.

Transparency is widely recognized as the cornerstone of trust among retail insurance customers in India. Studies reveal that opaque policy wordings and jargon-heavy documentation are major deterrents to customer confidence, especially for first-time buyers and those in less-educated segments (Verma, 2025). For instance, nearly 35% of surveyed customers in semi-urban India reported confusion over policy clauses in life and health insurance, leading to dissatisfaction during claim filings (Economic Times, 2025). In response, insurers are increasingly investing in simplified, bilingual policy documents, explainer videos, and in-app glossaries to demystify terms and conditions. The Insurance Regulatory and Development Authority of India (IRDAI) mandates concise, plain-language disclosures, thus institutionalizing transparency as a regulatory expectation (IRDAI Annual Report, 2024).

Claims experience remains the ultimate litmus test of insurer trustworthiness. Data from IRDAI reports indicate that claim settlement ratios for life insurance average around 97%, reflecting improved reliability; however, health and motor insurance segments report lower ratios near 85-90%, often due to documentation and procedural delays (IRDAI Annual Report, 2024). Retail customers frequently cite delay in claim approval, lack of claim status updates, and unexpected rejections as top sources of distrust (Patel & Joshi, 2024). Case in point, a report by Swiss Re Institute (2025) highlights that digital claims platforms providing real-time tracking and instant disbursal reduce claim-related complaints by over 30% in leading Indian insurers. Combining technological tools with clear communication protocols is thus critical to elevating customer trust.

Data privacy and security concerns also affect customer trust, particularly in digital insurance models. As insurers gather increasing amounts of personal and health data to customize products and manage claims, customers demand assurances on data confidentiality and ethical use. Surveys in 2025 indicate that 60% of Indian retail insurance customers prefer insurers with clear data privacy policies and certifications like ISO/IEC 27001 (Rajan & Das, 2024). Insurers have responded with robust cybersecurity investments and transparent communication on data handling, integral to trust-building in the digital era.

Role of Technology in Building Trust

Technology has emerged as a transformative force in the Indian retail insurance sector, profoundly altering how insurers engage with customers, underwrite risks, and process claims. With India's burgeoning digital ecosystem—over 900 million internet users as of mid-2025—technology adoption is no longer optional but a strategic imperative for insurers seeking to build and sustain trust among increasingly tech-savvy retail customers (Statista, 2025). This section explores the critical role of technology in enhancing transparency, improving operational efficiency, enabling data-driven personalization, and fostering real-time communication, all of which serve as foundational pillars of trust.

Artificial intelligence (AI) and machine learning technologies are spearheading efforts to streamline underwriting and claims adjudication processes—two historically opaque and complex functions that erode trust if poorly executed. For underwriting, AI algorithms analyze vast datasets including health records, lifestyle data, and telematics to accurately assess risk and offer dynamic pricing, which customers increasingly perceive as fairer and more individualized (Swiss Re Institute, 2025). In claims processing, AI-powered systems enable near-instant fraud detection, automated document verification, and expedited claims settlement. For example, ICICI Lombard's AI-based claims platform reduced claim processing time from an average of 20 days to under 5 days in 2024, significantly improving customer satisfaction scores (Verma & Sehgal, 2025).

Despite these advances, challenges remain. Technology adoption is uneven across India's diverse retail base, with rural and older consumers less comfortable with fully digital modes. Bridging this digital divide requires hybrid engagement strategies that combine accessible technological tools with personalized agent support (Chopra & Mehta, 2025). Furthermore, the ethical use of AI—avoiding algorithmic bias and ensuring transparency in automated decisions—is critical to maintaining trust (Delgado-Ballester, 2019). Regulatory scrutiny and guidelines around AI and data ethics are evolving, with IRDAI expected to formalize frameworks by late 2026 (IRDAI Policy Update, 2025).

Claims Management and Customer Experience

Claims management stands as the most crucial moment of truth between insurers and retail customers in India, significantly shaping trust and long-term loyalty. The quality, transparency, and efficiency of the claims process critically affect customer perceptions, often overriding positive experiences in other policy lifecycle stages. In the Indian retail insurance market of 2025, where digital penetration intersects with legacy operational challenges, claims management has become both a key differentiator and a persistent pain point for industry players striving to earn customer trust.

Retail customers in India frequently identify delays, non-transparency in claim status, cumbersome paperwork, and unexpected rejections as major sources of dissatisfaction (Patel & Joshi, 2024). A 2025 survey by ET Edge Insights indicated that over 30% of health and motor insurance customers experienced difficulties during claims, ranging from lack of timely updates to disagreements over claim eligibility. These negative experiences often result in distrust, reduced renewal rates, and adverse word-of-mouth communication, which can severely hamper insurer reputation in competitive urban and semi-urban markets.

Blockchain technology also contributes to trust-building by creating immutable records of claim transactions accessible to both insurers and customers. This transparency reduces disputes and accelerates resolution, particularly in motor insurance, where fraudulent claims have historically been a persistent problem (Swiss Re Institute, 2025). Reliance General Insurance's blockchain pilot enabled customers to track claim progress in real-time, cutting down grievance escalation by 25% and improving policyholder confidence (PwC India, n.d.).

Regulators in India have recognized the centrality of claims experience in consumer protection and industry trustworthiness. The Insurance Regulatory and Development Authority of India (IRDAI) has mandated strict guidelines on claim settlement timelines, complaint handling protocols, and transparent disclosures to safeguard customers (IRDAI Annual Report, 2024). Non-compliance can attract penalties, motivating insurers to prioritize claims excellence. Furthermore, IRDAI's Integrated Grievance Management System (IGMS) offers customers a unified platform for lodging complaints, improving transparency and accountability across insurers.

Insurance companies increasingly measure claims experience through Net Promoter Scores (NPS) and customer satisfaction indices, integrating feedback loops to continuously improve processes (PwC India, n.d.). Data analytics identify bottlenecks and segment customers by claim behavior, enabling personalized recovery or retention interventions. Such data-driven governance ensures claims management evolves in tandem with customer expectations.

Ethical considerations are paramount in claims management as perceived fairness in claim settlement decisions fundamentally impacts trust. Mis-selling and claim rejection controversies have historically damaged retail insurance credibility in India (Singh & Kaur, 2023). Transparent claim reason disclosures, independent claim audits, and facilitator roles for dispute resolution have become industry best practices to restore fairness perceptions and consumer confidence.

Framework for Building and Sustaining Trust

Building and sustaining trust in the Indian retail insurance sector necessitates a multi-dimensional, integrative framework that addresses the complex interplay of transparency, technology, customer experience, distribution ethics, and regulatory compliance. Rooted in empirical insights and emerging best practices, this framework aims to guide insurers and policymakers in developing cohesive strategies tailored to India's diverse socio-economic contexts, thereby fostering durable trust and catalyzing sector growth.

Transparency functions as a foundational pillar within the trust framework. Clear, jargon-free disclosures of policy features, pricing structures, exclusions, and claim procedures must be standardized and rigorously enforced not only by regulatory mandates but as a core insurer value (IRDAI, 2024). Leveraging digital technologies, such as interactive product guides, explainer videos, and real-time claim tracking dashboards, can demystify insurance products and processes, empowering customers with comprehensive information to make informed decisions and manage expectations (Verma, 2025). Transparency extends to ethical marketing practices, including upfront disclosure of commissions and avoidance of misleading sales tactics, which are critical in mitigating historical mistrust linked to agent-mediated distribution (Chopra & Mehta, 2025).

Distribution ethics represent a crucial dimension, encompassing insurer and intermediary conduct across sales and servicing channels. The framework advocates continuous agent training, certification, and monitoring to ensure adherence to ethical codes, transparency, and customer-centeredness (Insurance Institute of India, 2025). Digital and embedded insurance channels should incorporate robust data privacy protections and transparent communication to build digital-native consumer trust (Rajan & Das, 2024). Hybrid distribution models blending agent relationships with digital facilitation can optimize reach and trust across socio-economic segments.

Regulatory collaboration forms an enabling environment within the framework, emphasizing dynamic, responsive policies that evolve with market and technological changes. Engagement between IRDAI, industry associations, consumer groups, and insurers ensures balanced regulations promoting consumer protection without stifling innovation (Ireland & Reddy, 2023). Transparent monitoring, enforcement mechanisms, and widespread consumer awareness campaigns strengthen market discipline and trust resilience.

Importantly, the framework integrates corporate social responsibility (CSR) and sustainability as trust multipliers. Insurance providers embedding ESG principles in product design, community engagement, and ethical operations demonstrate commitment beyond profit, resonating with evolving consumer values and enhancing brand loyalty (Malhotra & Singh, 2025). Examples include health insurers supporting rural clinics or environmentally focused underwriting policies.

Insurance Density: Small Ticket, Big Implications

Insurance density, measured as per capita premium, captures how much the average Indian actually spends on insurance in a year. In 2024–25, India's overall insurance density inched up to about USD 97, from USD 95 the previous year, continuing the slow but steady upward trend visible since 2016–17. Of this, life insurance accounts for roughly USD 72 per person, while non life insurance remains around USD 25, reflecting a market still heavily skewed toward life products even as health and motor lines expand.

The contrast with global benchmarks is stark and underscores the magnitude of India's protection gap. Globally, total insurance density is close to USD 943, with about USD 388 per capita in life and USD 555 in non life premiums, meaning the average individual worldwide spends nearly ten times more on insurance than an Indian consumer. This gap is not just a statistic: it translates into millions of Indian households remaining one medical emergency, crop failure, or road accident away from financial distress, reinforcing how fragile trust and limited understanding suppress meaningful risk transfer even in a fast growing market.

For insurers, rising density with stagnant penetration tells a nuanced story. Overall penetration has hovered around 3.7 percent of GDP, roughly half the global average of about 7.3 percent, yet per capita premium has crept upward, signaling that existing policyholders are buying larger or more complex covers while vast segments remain either uninsured or severely underinsured. This "deepening without broadening" dynamic is closely tied to trust: middle class and affluent customers willing to pay more for transparent, digitally enabled products contrast sharply with first time or low income buyers who remain wary due to opaque terms, poor servicing, or negative word of mouth around claims.

Persistency: The Loyalty and Trust Barometer

If density shows how much consumers pay, persistency shows how long they stay, making it one of the most powerful behavioral indicators of trust in life insurance. The latest IRDAI data and company level analyses point to a clear, encouraging shift: 13 month persistency for leading private and public players has improved significantly over the last five years, with average policy based 13 month ratios across six major insurers rising from about 71 percent in 2019–20 to nearly 79 percent in 2023–24. Even more telling, 61 month persistency has crossed the psychological 50 percent mark for this group, moving from roughly 44 percent to just over 51 percent in the same period, indicating that more than half of these policies now stay in force beyond five years instead of lapsing early.

At the same time, emerging evidence from market commentary shows a cluster of agile private players reporting 13 month persistency in the 80 to 87 percent range and 61 month ratios above 60 to 65 percent, especially where digital engagement, proactive servicing, and personalized nudges are embedded into the customer journey. These improvements suggest that when customers experience clear communication, frictionless premium payment options, and responsive claim and service support, they increasingly treat life insurance as a long term protection and savings tool, not just a short term tax break or compulsory purchase.

Yet the persistency story also exposes the unfinished agenda in building durable trust. Even with recent gains, the fact that close to half of policies still do not survive beyond five years in aggregate means billions of rupees in lapsed premiums, broken protection promises, and disillusioned customers who may be reluctant to re enter the market. High lapsation often reflects precisely the trust deficits highlighted elsewhere in this paper: aggressive or misleading sales at inception, inadequate onboarding, complex policy structures that disappoint when bonuses or surrender values fall short of expectations, and claims experiences that fail the fairness test.

Making Density and Persistency Work for Trust

The interplay between density and persistency provides insurers and regulators with a powerful diagnostic lens for trust focused reform. Regions or segments where density is rising but persistency remains weak may signal over selling or product misalignment, whereas areas with modest ticket sizes but strong long term retention often indicate genuine fit, clear communication, and positive service experiences. Embedding these metrics into management dashboards, risk based supervision, and incentive structures can nudge the system away from short term premium chasing to long term relationship building where customer lifetime value and policyholder outcomes matter more than first year collections.

Practically, insurers can turn persistency interventions into trust building opportunities across the lifecycle. Examples include personalized renewal reminders that explain benefits in simple language, interactive dashboards that show how protection and savings values accumulate over time, targeted outreach when early warning signals of distress appear in payment patterns, and "salvage" protocols that offer product right sizing or temporary premium holidays rather than letting policies lapse silently. When combined with transparent disclosures, fair claim settlement, and respectful data use, such strategies can convert raw density and persistency statistics into lived experiences of reliability, care, and partnership for Indian retail policyholders.

Conclusion

India's retail insurance sector stands at a transformative juncture in 2025, with high growth potential and rapidly evolving customer expectations but persistent trust challenges hindering sustainable progress. This paper highlights trust as fundamental to deepening penetration, improving retention, and enhancing financial security across India's large, diverse market. It synthesizes insights on market dynamics, customer behavior, technology, claims, distribution, and regulatory ethics to present a comprehensive picture of trust cultivation.

Transparency is foundational. Historically, unclear policy language, poor disclosures, and opaque claims bred mistrust. IRDAI's mandates for product standardization, plain-language documents, and grievance processes have improved the landscape, but insurers must proactively embed transparency through interactive digital tools, clear communication, and ethical sales practices (IRDAI Annual Report, 2024; PwC India, n.d.). Financial literacy programs aligned with product education empower customers, reducing misunderstandings.

Claims management remains the ultimate trust benchmark. Life insurance claims settle at about 97%, but health and motor claims face delays and disputes (IRDAI, 2024). Insurers applying technology and customer-centric communication see better retention and advocacy. Regulatory emphasis on timelines and grievance redressal supports trust, with hybrid models key for India's diverse landscape (Patel & Joshi, 2024; Chopra & Mehta, 2025).

Regulatory frameworks and ethical business conduct underpin trust. IRDAI's initiatives on product clarity, grievances, financial resilience, and data privacy establish a solid foundation (IRDAI Annual Report, 2024; IRDAI Policy Framework, 2025). Industry adherence to marketing ethics, commission transparency, and CSR consolidates genuine trust beyond compliance (Malhotra & Singh, 2025). Ongoing vigilance, enforcement, and consumer education remain crucial, especially amid digital acceleration.

Moving forward, India's retail insurance sector must intensify focus on rural and low-income segments, bridging digital divides and cultural variances with hybrid models. Advanced data analytics and AI promise hyper-personalization and proactive risk management but require ethical oversight. Regulators should refine data privacy and AI governance, with insurers expanding literacy and community outreach to empower customers and build trust. TJ

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Managing Environmental Risks and Social Equity - Rallying under the Insurance Banner

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"There is no reason to believe that bureaucrats and politicians, no matter how well meaning, are better at solving problems than the people on the spot, who have the strongest incentive to get the solution right."
Elinor Ostrom[1]

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Abstract

The environment is changing rapidly and so is the society. In the wake of change, erosion happens to the familiar physical surface of the earth, its environment and the value system that has been conserving the existing social order. It may not be entirely possible to prevent or eliminate the risks that emerge from the changing environmental or social conditions; neither would it be technically or economically feasible to expect preventive measures to be fully successful in short spans of time. Corporates wield considerable power in navigating a country's prospects and also to influence thought. The ability of a corporate to use its financial, manpower and knowledge resources for public good is determined by the forces that manage, guide and control it, making governance a substantial risk. From a different perspective, even the ability of a corporate to use its resources to alleviate environmental and social risks hinges upon its governance.

The ESG conundrum is that despite the global community being seized of the impact of environmental changes to the planet, the impact of social change on people and communities, and the effect of corporate governance on the economy, as well as the devastating proportions

1 Elinor Claire Ostrom (1933 2012) was an American political scientist/economist associated with New Institutional Economics.

of risks that they entail, and diverse attempts for alleviation of risks being taken, the risks are looming larger, stakeholder participation is sub-optimal and in some cases, even the robustness of the ESG concept is held to question. The global community has made significant efforts to integrate siloed actions by different stakeholders under the aegis of the insurance industry, an important ESG stakeholder. This has yielded mixed results in different geographies, whereas serious action in this regard is yet to commence in India and many emerging economies.

While all would agree that managing environmental, social and governance (ESG) risks is imperative for a better tomorrow, picking up the gauntlet and addressing the consequent challenges in an emerging economy context is not easy for anyone, including insurance companies. This paper attempts to analyse this challenge and nudge insurers and multiple stakeholders to collaborate so that ESG risks are addressed better for common good.

This paper presents the multiple linkages between ESG risks and the insurance industry from diverse sources and discusses some solutions distilled from the views of industry experts. The first three of the nine sections of the paper look at ESG from the general, legal and insurance contexts, while the broad concerns related to ESG and those specific to the insurance industry are discussed in the fourth. The next three sections analyse Environmental, Social and Governance risks from their (a) importance and (b) risk management points of view. The eighth section chronicles the global action related to ESG risks, detailing the evolution, major milestones, headwinds faced, etc. and presents a snapshot of the present day reality. Having discussed the picture from multiple viewpoints, the ninth and final section moves on to discuss how the academic (scientific, legal and economic) community can support ESG in collaboration with the insurance industry.

Keywords

Environment, Society, Governance, Regulation, Insurance, Risk Management, Natural calamities, Challenges to Sustainability due to situations of Pandemic and War.

1. ESG Risks - the General Context

Natural calamities impose challenges to the efforts towards conservation of resources and mitigation of pollution, which in turn influence well-being. Social changes can lead to situations like mass migration, civic unrest etc. that affect the equilibrium of the society. Unethical or predatory corporates can damage the environmental and social fabric as well as reduce the reputation of a country by following unscrupulous practices. It may not be practically possible to prevent such change entirely or even eliminate the risks emerging from the changing climatic or social conditions. It may be neither technically nor economically feasible to attempt any such prevention with reasonable expectation of success within a predictable timespan. Hence, it is important to accept the situation, and adopt coping-up strategies for (a) mitigating the impact of change by employing risk management strategies, (b) building resilience by loss mitigation mechanisms, as well as (c) using the opportunity of reducing future losses while repairing or replacing damaged assets, often referred to as ‘building back better’.

Individual owners of assets, corporates and governments are often the parties economically affected by such calamities, in addition to the families that suffer due to deaths, disablements and loss of livelihoods due to such environmental and social risks. Humanitarian agencies often join these affected parties and strive to provide ex-post disaster relief, and achieve rapid recovery after disasters occur. However, all these ex-post activities are cost-intensive and require reallocation of economic resources, often at the cost of planned developmental activity. While various international agencies and governments are seized of the matter, and attempting multiple solutions, there is much more to be done. Possibly, the efforts could be more meaningful if they are synchronised under the banner of one of the major stakeholders.

2. ESG Risks - the Legal Context

As corporate India is becoming increasingly aware of sustainability concerns, the relevance of Environmental, Social, and Governance (ESG) regulations is growing[2]. The new-found awareness that ESG policies matter in ensuring that businesses operate within bounds of justice and fairness is growing, and as stated by the Union Minister of State for Corporate Affairs, the GoI[3] wants *"Indian businesses to lead by example in adopting ethical and sustainable practices, positioning India as a global leader in responsible governance."* It is poignant to note that in India ESG is not regulated by any one law. However, laws like the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI - LODR) have ESG specific provisions. With a view to assess ESG factors, SEBI introduced the Business Responsibility and Sustainability Reporting (BRSR Core) formats, aligned with the National Guidelines for Responsible Business Conduct (9 principles) and the United Nations Sustainable Development Goals (UNSDG). SEBI has mandated the top 1,000 listed companies, by market capitalization, to make disclosures related to their ESG policies and practices[4]. IRDAI in its Corporate Governance Regulations, 2024 has mandated that "Every insurer shall have in place a board approved Environmental, Social and Governance (ESG) framework. The activities of insurer under ESG are to be monitored by the Board. The ESG framework shall be reviewed by the Board on annual basis. The Board shall establish a comprehensive Climate Risk Management framework to facilitate the climate risk management, keeping in view their size, nature and complexity of operations."

More specific regulatory aspects are discussed separately.

3. ESG Risks - the Insurance Context

Insurance is a popular ex-ante mechanism of risk management, whereby the economic risks of an entity get transferred and shared among a large number of similar entities. Insurers accept the risks of multiple insured through structured contracts and charge premiums commensurate to the loss proneness of the risks. The responsibilities of paying an agreed amount to the beneficiary if a contingency arises, or indemnifying the insured if an asset gets lost or damaged, or making good the liabilities that may accrue to the insured, thus get transferred to the insurance mechanism on commercial terms. This creates a situation where the financial costs of a large number of potential losses and damages get accumulated by the insurance mechanism. The insurance system spreads the costs of the individual losses over many insured exposed to similar situations, pooling their risks and the premiums received, based on certain estimates, thus making insurance affordable for the common man. While the individual entity would naturally be concerned about the risks that he/ she faces, in an insured scenario, the insurer, being the carrier of all the accumulated insured 'risks' (the assets and the liabilities that have been transferred), would be greatly concerned about the challenges that can be caused by environmental, social and governance changes.

Hence, multiple global think-tanks opined that if risk management efforts are synchronised under the banner of the insurance industry, it would be more meaningful and beneficial to all concerned. From a different perspective, insurers hold a sphere of influence over insured people and corporates, incentivising them with premium discounts and loadings for good behaviour. It logically follows that insurers need to be highly concerned about ESG risks, and the drastic changes these can make on the insurance ecosystem.[5] Insurers have the ability and resources to make the changes as well.

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2 Unraveling ESG Regulations: A Closer Look at India's Approach -https://www.livelaw.in/lawschool/articles/ unraveling-esg-regulations-a-closer-look-at-indias-approach-250448.

3 Mr. Harsh Malhotra, Union Minister of State for Corporate Affairs at the inaugural function of the National Conference on Responsible Business Conduct - https://pib.gov.in/PressReleasePage.aspx?PRID=2051913 and Justice (Retd.) Shri Dipak Misra, Former Chief Justice of India.

4 Securities and Exchange Board of India - https://www.sebi.gov.in/

5 ESG - A growing sense of urgency, PWC <https://www.pwc.com/us/en/industries/financial-services/ library/next-in-insurance-top-issues/esg-insurance-industry.html>

4. ESG Risks – Specific Concerns of the Insurance Industry

The concerns about ESG related risks are hinged on some of the following reasons[6].

4.1. Risk Management: ESG issues, particularly climate change, pose significant risks to insurers. Extreme weather events and natural disasters can lead to substantial claims, impacting the financial stability of insurance companies.

4.2. Regulatory Compliance: Regulators are increasingly mandating disclosures and practices on ESG. Regulatory compliance helps to avoid legal and financial penalties.

4.3. Reputation and Trust: Adopting ESG principles can enhance the reputation of corporates. Customers, investors, and other stakeholders are increasingly valuing companies that are committed to sustainability and social responsibility. From a different angle, Insurers, being corporates that need the trust of the market for their survival, need to look at their ESG adoption seriously to buttress their own reputation in the market.

4.4. Market Opportunities: ESG considerations can open up new market opportunities. For example, insurers can develop products that support green technologies or provide coverage for emerging risks related to climate change.

4.5. Investment Performance: Integrating ESG criteria into investment strategies can lead to better financial performance over the long-term. Companies with strong ESG practices are often regarded as more resilient and better managed.

4.6. Social Impact: By addressing social issues, insurers can contribute to greater social equity and community resilience. This would align with the broader societal expectations and create more stable and inclusive markets.

5. The Environment Context

Losses that occur due to climatic changes and natural disasters may be concentrated in a flood-prone low area of the city, a sea-shore hit by a tsunami, the landfall point of a cyclone, or a hilly area affected by a landslide or cloud-burst. If an insurer has a high accumulation of risk in such an area, the number of losses and economic value of the losses would be way beyond the estimates numbers and values - a scenario that can potentially shake the core of the insurance company.

In India, the Ministry of Environment, Forest and Climate Change (MoEFCC) plans, promotes, co-ordinates and oversees the implementation of India's environmental policies and programmes. The Ministry works closely with international agencies like United Nations Environment Programme (UNEP), South Asia Co-operative Environment Programme (SACEP), International Centre for Integrated Mountain Development (ICIMOD), United Nations Conference on Environment and Development (UNCED), Commission on Sustainable Development (CSD), Global Environment Facility (GEF), Economic and Social Council for Asia and Pacific (ESCAP) and South Asian Association for Regional Co-operation (SAARC) on matters pertaining to the environment[7].

5.1. The Importance of Managing Environmental Risks: Managing environmental risks[8] is crucial for insurers as they have substantial interests in preventing and mitigating losses that can arise from environmental causes. The concerns are discussed in detail below[9]

5.1.1. Reduction of Losses contributing to Financial Stability: Environmental risks, such as natural disasters and climate change, can lead to significant financial losses due to increased claims. By managing these risks, insurers can reduce

[6] Why ESG is critical to insurers' financial leadership, EY-Global - <https://www.ey.com/en_it/insights/ insurance/ why-esg-is-critical-to-insurers-financial-leadership>

[7] Ministry of Environment, Forest and Climate Change - https://moef.gov.in/

[8] Managing Environmental, Social and Governance Risks in Non-Life Insurance business - <https://www.unepfi.org/psi/wp-content/uploads/2020/06/PSI-ESG-guide-for-non-life-insurance.pdf>

[9] Managing climate change risks– The role of insurance <https://www.herbertsmithfreehills.com/insights/2024-01/managing-climate-change-risks-the-role-of-insurance

the likelihood of large, unexpected pay-outs, thereby maintain financial stability.

5.1.2. Improving Risk Quality by Risk Mitigation Measures: By promoting risk mitigation strategies, such as encouraging clients to adopt sustainable practices, insurers can reduce their overall risk exposures. Integrating environmental risk management into business practices supports the long-term sustainability of the insurance industry. This qualitative improvement can lead to lower claims and better profitability over time.

5.1.3. Enhancing Reputation and Credit Rating: Insurers that proactively manage environmental risks can enhance their reputation and credit rating. This is important as customers, investors, and other stakeholders are increasingly valuing companies that demonstrate a commitment to sustainability and environment sensitivity. Better reputation and better ratings can improve share values, entailing related benefits.

5.1.4. Market Opportunities: Addressing environmental risks can open up new market opportunities. For example, insurers can develop products that support renewable energy projects or provide coverage for climate-related risks or sometimes, make hitherto uninsurable risks insurable.

5.1.5. Regulatory Compliance: World over, insurers are increasingly required to comply with environmental regulations and reporting standards. Effective environmental risk management ensures regulatory compliance and helps avoid legal and financial penalties.

5.2. Managing Environmental risk involves a systematic approach to identifying, assessing, and mitigating potential environmental hazards[10]. However, the steps, strategies and processes involved can be quite challenging, some of which are listed below[11]:

5.2.1. Risk Identification: The first step is to identify potential environmental risks associated with a project, operation, or industry. This includes understanding the sources of pollution, climate change impacts, and resource depletion.

5.2.2. Risk Assessment: Once risks are identified, the potential likelihood (frequency) and potential impact (severity) of losses need to be assessed. Risks need to be ranked based on their potential harm to the environment and human life/ health.

5.2.3. Risk Mitigation: Strategies to reduce or eliminate identified risks need to be framed. This can include adopting cleaner technologies, improving waste management practices, and enhancing energy efficiency.

5.2.4. Continuous Improvement: As environmental conditions keep changing and new information keep emerging, regular monitoring, continuous evaluation and revising strategies for risk improvement are essential ongoing processes.

5.2.5. Compliance and Reporting: Regular reporting on environmental performance helps in maintaining transparency and accountability, as well as for ensuring compliance with environmental regulations and standards.

5.2.6. Stakeholder Engagement: Engaging with stakeholders, including local communities, regulatory bodies, and employees, to ensure that their concerns are addressed and that they are involved in the risk management process.

6. The Social Context

On similar lines, the changing social dynamics can cause corresponding changes in the society, which get transferred to the insurance ecosystem as well. For instance, many assumptions related to life and accident insurances are based on the long-standing social order of male members being the main providers of the family and females and children being the beneficiaries. These dynamics can get disrupted if more males get unemployed and more females get employed and paid higher salaries. Situations like polyandry or polygamy becoming the social norm, or child labour getting legalized and

[10] A Complete Guide to Environmental Risk Management - https://enigma-advisory.com/a-complete-guide-to-environmental-risk-management/

[11] What is Environmental Risk Assessment? - https://safetyculture.com/topics/risk-assessment/environmental-risk-assessment/

children getting highly paid, can be another social disruption. Similarly, multi-fold increases in the number of divorces can disrupt the uptake of life insurance in a society.

The Covid-19 Pandemic changed the social norms affecting peoples' livelihoods, lives and health. The Russia-Ukraine war has increased rises in energy and food prices, which can potentially derail the world's progress towards achieving the SDGs. For instance, in the African context over one third of consumer spending, is on food and fuel, inflation will make vulnerable groups like women and children[12] suffer even more. Geneva Association estimates that war would make further economic inequality inevitable and could possibly render another 40 million much poorer. The war has increased the focus on social considerations within ESG frameworks, due to the severe human rights violations and social disruptions, affecting millions of people. This indicates how violations can have significant social impact and why countries need to address human rights.

While environmental objectives, criteria and results of interventions can be assessed based on science and technology, assessment of social impact would be against the backdrop of international standards such as the International Bill of Human Rights. In India, the Ministry of Social Justice and Empowerment, through the Department of Social Justice & Empowerment and Department of Empowerment of Persons with Disabilities, works in alignment with international agreements like *'The UN Convention on the Rights of Persons with Disabilities (UNCRPD)'* and the *'Proclamation on the Full Participation and Equality of People with Disabilities in the Asian and the Pacific Region'* to ensure social equity. Society related areas like Tribal development, Minority development, Women and Child development, Handicapped development, etc. are allocated to designated ministries/ departments[13]. Systems for supporting Economically Weaker Sections (EWS), and others beyond the social mainstream are also in place.

6.1.The Importance of Social Risk: The **Social** part of ESG risks focuses on how a corporate manages its relationships with many people, including their customers, the community and the society where it operates. Some key components are discussed below[14]:

6.1.1. Human Rights and Equity: It is important that fair treatment and respect for human rights across all operations and supply chains including issues like labor rights, fair wages, and preventing child labor or forced/ bonded labor are addressed.

6.1.2. Diversity, Equity, and Inclusion (DEI): A diverse and inclusive workplace where employees have equal opportunities needs to be fostered. This involves implementing policies and practices that support DEI and prevent discrimination and harassment.

6.1.3. Working Conditions: Maintaining safe and healthy working environments, adhering to occupational health and safety standards is important. Corporates need to ensure that working conditions are not detrimental to the well-being of employees.

6.1.4. Product Responsibility: Products and services have to be safe and should not harm consumers. This pre-supposes responsible marketing, conforming to product safety standards and addressing any potential negative impacts of products on the society. IRDAI Regulations on Protection of Policyholders' interests, 2024 require Insurers to have a Board Approved Policy ensuring inclusivity and accessibility of insurance cover to persons with disabilities.

6.1.5. Supply Chain Management: Everything from the delivery of raw material from the supplier to the manufacturer through to the eventual delivery of products to the end user, should adhere to high social

[12] The Role of Insurance in Promoting Social Sustainability, Geneva Association - https://www.genevaassociation.org/sites/ default/files/2022-11/social_sustainability_report.pdf

[13] Ministry of Social Justice and Empowerment - https://socialjustice.gov.in/

[14] ESG 101: What does social in ESG mean? <https://www.onetrust.com/blog/esg-101-what-does-social-in-esg-mean>

standards, fair labour practices and human rights. This can include conducting due diligence and audits for compliance purposes.

6.1.6. Community/ Societal Engagement: Building positive relationships with local communities is required. This can include community development initiatives, philanthropy, preserving the cultural heritage, etc. One should ensure that procurement, manufacturing, storing, transporting, sales and other business operations do not negatively impact the society or bruise local sensitivities.

6.2. Managing Social Risk is crucial for building trust and maintaining a positive reputation, which can lead to long-term success and sustainability for businesses[15]. However, from an insurer's point of view, managing social risk is crucial for multiple reasons[16]:

6.2.1. Financial Stability: Social risks, such as labor strikes, protests, and community opposition, can disrupt business operations and lead to significant financial losses. By managing these risks, insurers can protect their financial stability and ensure continuous operations.

6.2.2. Regulatory Compliance: Insurers need to comply with several social regulations and standards. Effective management of social risks can help in compliance and avoiding penalties.

6.2.3. Reputation Management: Insurers that proactively address social risks can enhance their reputation. This is important as customers, investors, and other stakeholders increasingly value companies that are committed to social responsibility.

6.2.4. Market Opportunities: Addressing social risks can open up new market opportunities. For example, insurers can develop products that cater to underserved communities or provide coverage for projects of social impact.

6.2.5. Risk Mitigation: By promoting social risk mitigation strategies, such as supporting fair labor practices and community engagement, insurers can reduce the overall risk exposure. This can lead to lower claims and improved profitability.

6.2.6. Long-term Sustainability: Integrating social risk management into business practices supports the long-term sustainability of the insurance industry. It ensures that insurers can continue to operate effectively in a socially dynamic environment.

7. The Governance Context

Corporates have the power to create wealth for the nation by generating employment, procuring and adding value to raw material, creating new products using new technologies, bringing foreign exchange to the country and contributing to the nation by paying taxes. They can influence public thought as well. However, what a corporate does hinges heavily upon the way it is governed, managed and controlled. In this context, Governance would mean a variety of factors that ensure that the company operates ethically, transparently, and in the best interests of its stakeholders. A well constituted board that adheres to laws and regulations, ensures that the company's operations are in compliance with legal and regulatory norms, and that its internal systems and practices are sound enough to earn the nation's trust.

In India, the Ministry of Corporate Affairs (MCA) is responsible for the regulatory and administrative ecosystem for corporates in India. MCA founded the National Foundation for Corporate Governance (NFCG) to promote[17] good Corporate Governance practices in the country by building capacity in emerging areas, by furthering research and education, by fostering good governance, and compliance to facilitate effective participation of different stakeholders as well as by creating a framework of best

[15] Understanding Social Risk Insurance, Dante Disparte, James R. Sisco, December 1, 2015 - https://www.rmmagazine.com/articles/article/2015/12/01/-Understanding-Social-Risk-Insurance-

[16] How Insurers are contributing to Social Sustainability? Role of Insurance in ESG - https://beinsure.com/role-insurance-in-promoting-esg/

[17] National Foundation for Corporate Governance - https://www.nfcg.in/

practices, structures, processes and ethics[18].

7.1. The Importance of Governance Risks: The ability to use the vast financial, manpower and knowledge resources of a corporate is determined by the forces that manage, guide and control it, making corporate governance a substantial risk. Governance relates to the way the activities of a company are guided, managed and controlled[19]. It encompasses a variety of factors to ensure that a corporate operates ethically, transparently, and in the interests of its stakeholders and the public at large. Some of the key factors[20] related to governance are presented below:

7.1.1. Board Composition and Structure: This includes the diversity, and expertise of the board members and their independence as well. A board that has a good composition can provide effective oversight and strategic direction. In the Indian context, the Ministry of Corporate Affairs inter-alia, lays down the rules related to board constitution and governance[21].

7.1.2. Business Ethics and Integrity: Having policies and practices that promote ethical behaviour, such as anti-corruption measures, whistle-blower protections, and codes of conduct is of importance.

7.1.3. Transparency and Accountability: Ensuring accurate disclosure of financial and non-financial information in a timely manner, transparent reporting on ESG practices and performance are all part of good governance.

7.1.4. Risk Management: Governance includes identifying, assessing, and managing risks, including those related to ESG factors. This involves having robust internal controls and audit functions.

7.1.5. Stakeholder Engagement: Corporates need to actively engage with various stakeholders ranging from shareholders to employees, and customers to local communities, in order to understand their concerns and incorporate their views and feedback into decision-making.

7.1.6. Executive Compensation: Aligning executive pay with long-term performance and ESG goals is also considered essential to ensure that management's interests are aligned with those of the stakeholders.

7.1.7. Compliance and Legal Framework: Corporates need to adhere to laws and regulations, and ensure that the company's operations are in compliance with legal requirements and standards.

7.2. Management of governance risk help to build trust and credibility, reduce risks, and enhance the long-term sustainability of the company. Proper governance practices give a lot of comfort to the insurer and other stakeholders for multiple reasons[22]:

7.2.1. Regulatory Compliance: Regulators are shifting to mandatory climate-related disclosures, requiring insurers to be more transparent about their climate risks and mitigation strategies.[23] Greenwashing, exaggerated or misleading sustainability assertions can lead to significant fines and reputational damage.[24] Inability of insurers to align their investment and underwriting portfolios with ESG principles, like divesting from high-carbon industries can result in penalties and loss of

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18 Ministry of Corporate Affairs - https://www.mca.gov.in/

19 Defining the 'G' in ESG Governance Factors at the Heart of Sustainable Business JUNE 2022 – World Economic Forum - https://www3.weforum.org/docs/WEF_Defining_the_G_in_ESG_2022.pdf

20 Sustainability and ESG: The Governance Factor and What It Means for Businesses - https://corpgov.law.harvard.edu/2021/01/31/sustainability-and-esg-the-governance-factor-and-what-it-means-for-businesses/

21 Ministry of Corporate Affairs - https://www.mca.gov.in/content/mca/global/en/home.html

22 Corporate Governance in the Insurance Sector: Regulatory Compliance and Risk Management – Aaron Hall, Attorney - https://aaronhall.com/corporate-governance-in-the-insurance-sector-regulatory-compliance-and-risk-management/

23 U.S. Insurance Commissioners Endorse Internationally Recognized Climate Risk Disclosure Standard for Insurance Companies - https://content.naic.org/article/us-insurance-commissioners-endorse-internationally-recognized-climate-risk-disclosure-standard

24 Navigating the SEC climate-related disclosure requirements - https://viewpoint.pwc.com/dt/us/en/pwc/in_depths/2024/id2024/id202401.html

investor confidence. Infirmities of data and systems to measure and report ESG performances can also lead to penalties for insurers.[25] Non-compliance to some regional regulations like Sustainable Finance Disclosure Regulation (SFDR) can attract hefty fines and cause operational disruptions.[26] In this complex regulatory context, effective governance would ensures that insurers comply with regulatory requirements, which helps in avoiding legal penalties and maintain their operating licenses.

7.2.2. Risk Management: A robust governance framework helps insurers identify, assess, and mitigate various risks, including financial, operational, and reputational risks. This proactive approach can prevent significant losses and enhance overall stability.

7.2.3. Stakeholder Trust: Good governance practices build trust among stakeholders, including customers, investors, and regulators. This trust is a requirement for maintaining a positive and progressive reputation and for ensuring long-term success.

7.2.4. Operational Efficiency: Effective governance can streamline decision-making processes and improve operational efficiency. This includes clear roles and responsibilities, transparent reporting, and accountability mechanisms.

7.2.5. Strategic Decision-Making: Governance frameworks provide a structured approach to strategic decision-making, ensuring that decisions are made in the interests of the company and its stakeholders. This can lead to better business outcomes and sustainable growth.

7.2.6. Crisis Management: In times of crisis, strong governance structures enable insurers to respond quickly and effectively, minimizing the impact of adverse events.

In managing both environmental risks and social equity, the industry and the society would do well to recognize insurers as dominant stakeholders who have substantial skin in the game[27]. This, in turn, makes it imperative that insurers be considered a core part of all ex-ante strategies for managing environmental risks and social equity. Again, activities in the insurance value chain need to be done with responsibility by identifying, assessing, managing and monitoring risks associated with environmental and social issues for reducing risk, developing solutions, and contributing to environmental, social and economic sustainability[28].

8. Concrete Global Action on ESG and Insurance

While looking into the multiple contexts of ESG, one needs to understand how the relationship between ESG and insurance has been evolving globally. During the last few decades, the integral connect between insurers and ESG initiatives has been receiving global attention and some decisive actions have ensued.

8.1. The Evolution of Global Action: Between the 1950s and the 1970s, the concept of Corporate Social Responsibility (CSR) took shape.[29] The celebration of the first Earth Day in 1970 was another milestone. During the 1980s, concepts like Socially Responsible Investing (SRI) gained traction, focusing on aligning investments with ethical values. The 1980s also saw the the United Nations Environment Programme (UNEP) being established to address environmental issues[30]. The term ESG was coined in the 1990s, and the Global Reporting

[25] Legal focus: Greenwashing is a growing risk for insurers https://kennedyslaw.com/en/thought-leadership/article/2023/legal-focus-greenwashing-is-a-growing-risk-for-insurers/

[26] ESG Will Increasingly Influence Insurers' Strategies https://www.fitchratings.com/research/insurance/esg-will-increasingly-influence-insurers-strategies-02-11-2022

[27] Principles for Sustainable Insurance Website: https://www.unepfi.org/insurance/insurance/the-principles

[28] Geneva Association - https://www.genevaassociation.org/sites/default/files/2009_geneva_report_2_the_insurance_industry_and_climate_change_-_contribution_to_the_global_debate_0.pdf

[29] The History of ESG & Timeline Infographic | Origins of ESG - https://thesustainableagency.com/blog/the-history-of-esg/

[30] The History of Environmental Social and Governance (ESG), IBM - https://www.ibm.com/think/topics/ environmental-social-and-governance-history

Initiative (GRI) was founded in 1997 to standardize sustainability reporting. John Elkington introduced the "Triple Bottom Line" concept, emphasizing people, planet, and profit. During the 1990s, ESG started to be regarded as part of mainstream investment strategies. The Millennium Development Goals (MDGs) set by the United Nations in 2000 further emphasized the importance of ESG factors and the term ESG was formally accepted by the United Nations Global Compact. ESG began to be integrated into the insurance industry in the 2010s. Insurers started considering ESG risks in their risk management processes and investment decisions. Owing to the initiatives of many, ESG has become a recognized factor in the insurance industry, with insurers in the developed markets incorporating ESG criteria into their underwriting practices, investment choices, and customer expectations.

8.2. The Role of the Geneva Association[31] (GA) in ESG-related matters is significant. They actively work on climate-related issues, providing insights and recommendations on how insurers can manage climate risks and support climate tech projects as well as discuss global risks and the role of insurance in addressing these risks. GA made a major initiative in 2003 in mustering the support 50 major insurers who signed the Kyoto Statement. This Statement which was reaffirmed in GA's General Assemblies in 2009, 2015 and 2024, focused on the insurance industry's role in mitigating the consequences of climate change and promoting environmental sustainability as well as in framing the groundwork for integrating ESG principles into insurance practices.

8.3. Lloyds of London, a leading insurance market, has been actively integrating ESG principles into its operations[32]. This includes publishing Annual Sustainability Report detailing their intentions to integrate sustainability into all its business activities. It also reports its progress towards their sustainability ambitions and their climate transition plans. Lloyds tries to align with the United Nations Sustainable Development Goals and other ESG frameworks. It has action plans to (i) drive action on climate change within the insurance industry, (ii) reduce the carbon emissions and accelerate the transition to Net Zero, (iii) support green innovation and renewable energy investment, and (iv) a firm commitment to responsible underwriting and investment with a target to derive 2% of its premium income from innovative and sustainable insurance products, to list a few.[33]

8.4. The Principles for Sustainable Insurance (PSI) movement under the United Nations Environment Programme - Finance Initiative (UNEP FI)[34] is one of the most significant initiatives in ESG. This global framework is aimed at integrating ESG principles into the insurance industry. The PSI movement was launched at the 2012 UN Conference on Sustainable Development. It focuses on better understanding, preventing, and reducing ESG risks, and managing opportunities to provide quality and reliable risk protection through its four Principles. UNDP-FI works with the Sustainable Insurance Facility of the Vulnerable Twenty Group of Finance Ministers (V20), which supports climate and disaster risk financing and the Conference of Parties (CoP). As part of the PSI movement, UNDP-FI has developed ESG Guides to help insurers integrate ESG issues into their business practices. The PSI supports the frameworks created by the Task Force on Climate-related Financial Disclosures (TCFD) and the the Task Force on Nature-related Financial Disclosures (TNFD) as well as helps in the implementation of their recommendations related

[31] The Geneva Association | https://www.genevaassociation.org/

[32] Lloyd's takes action to accelerate transition to sustainable economy - https://www.lloyds.com/about-lloyds/media-centre/press-releases/lloyds-takes-action-to-accelerate-transition-to-sustainable-economy

[33] Lloyd's launches climate action plan to accelerate the transition to net zero - https://www.lloyds.com/about-lloyds/media-centre/press-releases/lloyds-launches-climate-action-plan-to-accelerate-the-transition-to-net-zero

[34] Principles for Sustainable Insurance – United Nations Environment – Finance Initiative - https://www.unepfi.org/insurance/insurance/

to net-zero insurance and nature-positive insurance. UNEP-FI-PSI has also convened the UN-backed Net-Zero Insurance Alliance (NZIA) to help the transition to a low-carbon economy. The PSI initiative aims to create a risk-aware world in which the insurance industry would play a vital role in fostering a healthy, safe, resilient, and sustainable society.

With multiple global initiatives, ESG has now become a significant factor for the insurance industry. Today, multi-national insurers and reinsurers are increasingly incorporating ESG criteria into their underwriting practices, investment choices, and customer expectations.[35] In many countries, insurers are now playing a crucial role in promoting ESG principles, thus contributing to a more sustainable and resilient future.

8.5. The Flip-Side: Not to lose sight of the other side of the ESG coin, insurers do actually face a host of difficulties in being steadfast in their commitment to sustainability. Despite them being active supporters of the PSI and the SDGs, and notwithstanding their firm commitment to deliver their sustainability strategies and foster transition to a low-carbon economy, the Lloyd's market, Swiss Re, Munich Re, Zurich Insurance and Hannover Re and a few large insurance companies withdrew themselves from the UN-backed Net-Zero Insurance Alliance[36] in 2023. This was in response to 23 U.S. State Attorney Generals telling NZIA members that the targets and requirements of the group appeared to violate antitrust laws at both federal and state levels. The insurers were also accused of collaborative action *"to advance an activist climate agenda"* which was having *"serious detrimental effects"* on the residents of their states. A State Attorney General alleged that the pressure exerted by NZIA on insurance companies and their customers *"to rapidly reduce their emissions has led not only to increased insurance costs, but also to high gas prices and higher costs for products and services across the board, resulting in record-breaking inflation and financial hardships for the residents of our states."* This indicates that supporting certain ESG initiatives like NZIA can attract significant political opposition and regulatory risks, as well as market concerns that the push to rapidly reduce emissions could lead to increased insurance costs, higher gas prices, and financial hardships for residents, contributing to inflation.

8.6. Reality Check: A PWC Study[37] of 2022, found that insurers were well aware of their ESG responsibilities and high ESG ambitions. However, it was noticed that they had pronounced capability gaps as indicated below.

Stated Intentions	Capability Gap
56% of insurers had ambitions to develop mature or leading **environment-related capabilities**	Only 24% stated that they were having mature or leading capabilities.
57% of insurers had future ambitions to develop mature or leading **social capabilities**	Only 32% confirmed to them having mature or leading capabilities in place.
80% of insurers had future ambitions to develop mature or leading governance capabilities	Only 68% said that they had mature or leading capabilities
85% of global insurers believed that ESG will impact all functions of their business. However, while ranking their priorities,	• 91% identified investments, • 90% found risk & internal audit, and • 88% found underwriting as the largest areas that would be impacted.

[35] Reinsurance and Sustainability: Evidence from International Insurers, Silvia Bressan, Faculty of Economics & Management, Free University of Bozen-Bolzano (2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4440281

[36] Lloyd's of London CEO Neal Calls for Rethink of UN Climate Alliance Rules, Tommy Wilkes, Insurance Journal, May 25, 2023, https://www.insurancejournal.com/news/international/2023/05/25/722179.htm

[37] ESG impact on the insurance industry, PwC (2022), https://www.pwc.com/us/en/industries/financial-services/library/next-in-insurance-top-issues/esg-insurance-industry.html

Despite their firm commitment to the ESG cause, only 35% of the global majors among insurers stated that their organization's strategy is significantly focused on all 3 pillars of ESG.

9. Need for Collaborative Action

The evolution of ESG has been driven by better awareness and a growing recognition of the importance of sustainability and ethical practices in business operations.

9.1. Vital Steps in Collaboration: Collaboration would require concerted action in the following 4 main areas, each of which can be broken down to many sub-activities:

9.1.1. **The first step** in this direction, is to convince multiple stakeholders and policy makers that ESG risks are real and are sure to touch lives actively or passively sooner or later. There is a need to convince all stakeholders that all face the same predicament and need to work closely with better coordination.

9.1.2. **Secondly,** one needs to be clear about the common cause and the rationale of positioning the insurance industry as the frontline warriors in the fight against environmental and societal degradation[38], albeit in the absence of more effective alternatives. This would include mustering the continual commitment of corporates to the ESG cause through corporate governance norms.

9.1.3. **Thirdly,** a distributed value chain (which might possibly, evolve into a decentralized value chain in due course) framework, allowing multiple stakeholders to bringing in tangible deliverables needs to be conceptualized.

9.1.4. **Lastly,** robust frameworks that are flexible enough to integrate the contribution of many stakeholders of a distributed/ decentralized value chain need to be conceptualized. The design would allow the contributions to be seen, reviewed, measured and integrated seamlessly so that the movement is uninterrupted and transparent.

9.2. Expectations from ICLE-2024: Managing Environmental, Social and Governance risks requires concerted action from multiple collaborators and stakeholders. The ICLE forum that brings together the academic fraternity from technology, legal and economic backgrounds, is well-poised to support the ESG cause in multiple ways. The stakeholders can work closely with the insurance sector as the nodal point.

9.3. The academic and scientific community represented in the ICLE forum can support insurers in their ESG commitments through various initiatives and collaborations. While imagination is the only restricting factor for such initiatives, an indicative list is given below to start the dialogue.

9.3.1. Research and Innovation: Research on ESG-related topics, such as climate change, sustainable finance, social impact, governance and public policy can provide valuable insights and innovative solutions for insurers. KPMG points out[39] that ESG and sustainability reporting are becoming increasingly important for competitiveness and regulatory compliance purposes. IITs can help corporates with practical guidance on sustainability reporting and embedding non-financial reporting processes within the operating models to make reporting more comprehensive.

9.3.2. Collaborative Projects: The academic community can collaborate with insurers on projects that focus on ESG goals. These projects can range from developing sustainable insurance products to creating tools for better ESG risk management. PwC emphasizes[40] the need for insurers to meet increasing stakeholder expectations and regulatory requirements.

9.3.3. Talent Development: More expertise need to be built regarding managing ESG risks in emerging

38 United Nations Environment Program – Finance Initiative - https://www.unepfi.org/insurance/insurance/

39 ESG in Insurance: A practical guide to sustainability reporting, KPMG - https://kpmg.com/xx/en/our-insights/esg/esg-in-insurance-a-practical-guide-to-sustainability-reporting.html

40 ESG: A growing sense of urgency (ESG impact on the insurance industry), PwC - https://www.pwc.com/us/en/industries/financial-services/library/next-in-insurance-top-issues/esg-insurance-industry.html

economy contexts. By offering specialized courses and training programs, professionals can be made well-versed in ESG issues. This can drive sustainability within the insurance industry and the corporate buyers of insurance. KPMG mentions the importance of embedding non-financial reporting processes and metrics within operating models.

9.3.4. Technology and Data Analytics: The scientific community can develop advanced technologies and tools that aid insurers in their ESG commitments. This includes data analytics tools for better ESG reporting, AI-driven solutions for risk assessment, and platforms for transparent ESG disclosures. PwC highlights the growing sense of urgency around ESG and the need for insurers to address climate-related risks.

9.3.5. Policy Advocacy: Economists and experts in public policy can engage in policy discussions and advocacy to promote ESG principles within the insurance industry and the corporate customers of insurance. By participating in forums and working groups, they can influence policy-making and regulatory frameworks to support ESG goals. KPMG report discusses the challenges and opportunities in the ESG regulatory and political space[41].

9.3.6. Social Engineering and Behavioural Change: Behavioural scientists and insurers can collaborate to promote social engineering and behavioural change connected to ESG and insurance, ultimately fostering a more sustainable, ethical and resilient industry. As mentioned above, this can be done through educational programs, research and innovation, collaborative projects, policy advocacy, technology and data analytics.[42]

In conclusion, thoughts of Elinor Ostrom about the interactions of human beings with the environment for harvesting the common-pool of resources - forests, fisheries, pastures, etc. - in a sustainable fashion over the long term, are worth pondering over. Forums like ICLE can initiate action to help the Country (and other countries as well) in building long-term strategies for managing environmental risks and social equity. Stakeholders of ICLE may take the lead and consider collaborating for sustainable innovation and growth. Possibly, other stakeholders may like to follow.

JEL Code: K 32, K 30, K 23, J 38.

TJ

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Financial Performance of Indian General Insurance Sector

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Abstract

The article is a quantitative study on India's General insurance with focus on performance metrics of profitability.The data based on which the study has been conducted is secondary data obtained from the insurance regulatory and development authority of India site for the period of 2014-15 to 2023-24.

This sector in India is experiencing robust and consistent growth driven by rising health awareness and increased private sector participation. The premium income of this sector is growing at the rate of 11.94% compound annual growth rate. Although the revenue in the form of earned premium is growing at good rate but its problems lie with the high claims incurred and commission and overhead expenses which is hindering its profitability which is the objective of the study.

Methodology applied in the study is regression analysis to establish relationship between the net premiums earned (independent variable) and after-tax profit (dependent variable).

Findings of the study suggests that there is no significant relationship between the premium earned and the after-tax profit by this sector.

Keywords

General Insurance, After-tax net profit, Premium earned, Quantitative study.

1. Introduction

Meaning of Insurance

Insurance is a contract where the offer is given by the insurer for acceptance by the insured. On formation of contract the insurer agrees to undertake the risk and indemnify the insured in case of happening of the uncertain event in return for premium as consideration. Insurance is spreading of risk on some people over a large number of people facing the similar risk.

Insurance has been identified as an important sector because of its social impact on the general masses. Insurance as part of service sector has huge potential to contribute to the growth of the economy. India's service sector is growing and is one of the dominant factors in the economy. Its contribution to the economy is more than 50% of our Gross Domestic Product (GDP). Insurance sector contributes significantly to the service sector creating financial stability, promoting savings and investment and taking care of social aspects of human beings. Its contribution to the GDP is around 4% out of which 3% is contributed by Life insurance and about 1% is the contribution of General insurance companies.

Meaning of General Insurance

General insurance provides protection against unexpected losses like damage to property, accident to motor vehicle, marine damage and health related losses. It is a contract where the insurance company compensate the policy holders for various risks like Fire, Theft,accident and natural disasters offering financial security against uncertain events. But problems in this sector have multiplied after the opening up of the sector in the year 2000. Due to heavy competition amongst public and private sector insurance companies the bottom line has never been steady. This study will help to understand where the companies in this sector stands at present as far as the profitability of the sector is concerned. This study will help the insurance companies to understand their performance and the quantum of losses that this sector is making for the last ten years.

Products of General Insurance Companies

Motor insurance policy covers mandatory third-party liability and comprehensive policies for vehicles (Cars, Two-wheelers and Commercial Vehicles).

Property insurance safeguards assets and properties against damages from fire and special perils like storms, cyclones, floods, earth quake, riot, strike, explosion etc.

Engineering insurance policyincludes operational and projectpolicies.

Marine policy protects against loss or damage to goods during transit, as well as the vessels.

Liability policy protects business from legal claims arising from negligence, injury or professional misconduct.

Health insurance policy covers medical and hospitalization expenses due to illness or injury.

Travel insurance offers coverage for losses incurred during travel, such as trip cancellation, lost baggage or medical emergencies.

Agriculture or Crop insurance are specialized policies to support farmers against yield losses due to natural disasters or pests.

Miscellaneous policies covers specific risks and not standard covers like money in transit, professional liability, cattle or pet insurance, burglary and housebreaking, travel insurance and householders or shopkeepers package policy.

Background of General Insurance Companies in India

The background of India's general insurance sector is defined by its colonial origins, nationalization in 1973, and subsequent liberalization starting in 1999. The British established first general insurance company in India in the year 1850, but the sector was nationalized in 1973 when all private companies were merged into four state-owned subsidiaries under the general insurance corporation of India (GIC). The public monopoly ended in 1999 with the creation of the Insurance Regulatory Development Authority of India (IRDAI) and the opening of the sector to private and foreign players.

Analysis of Strength, Weakness, Opportunity and Threat of General Insurance Companies (SWOT).

The Indian general insurance sector's strengths, weaknesses, opportunities and threats (SWOT) analysis.

Strengths:

The sector benefits from a large population with a growing middle-income group. There is wide range of products available to cater to the needs of different customer segments. The government allowing foreign investment have helped in the growth of the sector. Strong growth of this sector is due to increasing awareness amongst different segments of people.

Weaknesses:

There is general lack of awareness and accessibility in rural parts of the country. Dominance of few large public and private companies can sometimes stifle innovation and competition. The process of making claims is sometimes lengthy and complex and settlement also takes longer than usual time.

Opportunities:

The growth of economy and rising disposable income will create opportunities for new customers. Leveraging technology and digital platforms can help reach wider audience and improve operational efficiency.

Threats:

The regulatory changes by the government can create uncertainty. India is prone to natural disaster which can lead to high unexpected claims and strain the financial health of the insurers. Fraudulent claims are a significant threat that can erode profitability. Technology and cybersecurity threats are becoming dominant threat due to more and more digitalization of this sector.

Analysis of Political, Economic, Socio Cultural and Technology of General Insurance Companies (PEST).

It is shaped by government regulations, economic growth boosting disposable income, shifting social needs and technology enabling efficiency.

Political Factors

The government policy towards

favourable regulations and increased foreign direct investment in this sector has helped in the growth of this sector.Strict rules by IRDAI governing its operations, capital and consumer protection. Stable government encourage investment and long term planning. The foreign insurer were allowed to enter into joint venture with the Indian companies with 26% holding and which was subsequently increased to 74% in the year 2021.

Economic Factors

Economic expansion boosts disposable income thereby increasing demand for insurance. Interest rates and inflation affect investment returns, capital adequacy and product pricing. As the Insurance companies are having high disposable income which the companies are investing in the stock market and becoming prominent player.

Socio Cultural Factors

Demographic changes like aging population, rising life expectancy and changing family structure are helping attract people to buy insurance policies. Demand of the sector is further boosted by growing awareness of risk, climate change and financial security. Social benefit offered by this sector has driven people to buy insurance policies and transfer risk.

Technological Factors

Digitalization has revolutionised this sector through the application of online platforms, mobile apps and e-commerce driven sales, services and claim settlement. Automation and artificial intelligence application improved fraud detection and cost efficiency.

2. Review of Literature

Insurance sector gained momentum after the sector was open up in the year 1999 and became significant both from social and economic view point and researchers probed on these aspects.

(Ghose,et al,2019) analysed performance of general insurance companies in India. It was revealed that the companies are doing well with respect to future growth prospective. From the companies studied TATA AIG General Insurance companies have better growth prospects compared to other companies. (Krishnamurthy,et al, 2005) have debated on Insurance Industry in India: Structure, Performance and Future Challenges. The debate revealed that with the liberalization and the entry of private sector insurance companies the insurance sector have started showing signs of significant changes. (Sinha,et al, 2015) conducted an analysis of efficiency of general insurance industry in India. The result of the analysis showed that in terms of technical and pure technical efficiency the result of the public sector surpasses that of the private sector. (Nagaraja, 2015) have critically analysed the performance of insurance industry in India. Four indicators premium income, market share, new policies issued and claim settlement ratio have been used to analyse the performance of insurance industry. The insurance industry will have to inquire into these basic indicators of performance measurement and initiate the measures of improving its performance in the future. Although there are studies on the performance of Insurance sector in India and abroad but there is dearth of studies on the financial performance of the General insurance sector in India.

3. Research Gap

Based on the extensive literature review it is found that there have not been enough studies on the financial performance of the General insurance companies in India. Although net earned premium of these companies are growing at a reasonable rate of 11.94% (CAGR) but still the bottom line of these companies is not improving. This is due to high claims ratio and commission and other overhead expenses incurred. As a result, this sector is either incurring losses or making very little profit. There has been very little study on the negative performance of the general insurance sector in India.

4. Objectives

Review performance of the general insurance companies in India and

Study the financial performance of general insurance companies in India (impact of net premium earned on profit after tax) by the use of regression analysis.

5. Methodology

The study of the financial performance of the general insurance companies in India is done from secondary data obtained from Insurance Regulatory Development

Authority (IRDA) and from various other books, journals and websites. The data collected has been classified, tabulated and analysed based on the objective of the study.

The data is collected for the period of 10 years starting from 2014-15 to 2023-24.

Simple linear regression is done to estimate the relationship between two quantitative variables.

$Y = a + bX$

For the purpose of analysis SPSS statistics software package has been used to carry out regression and Microsoft Excell for preparing the various graphs.

The Problem Statement:

It is considered as presumption that when premium income increases then profit after tax will also increase. This means that profit after tax is dependent on the premium income. But for the general insurance sector this presumption is proved wrong. Even though the net earned premium is increasing at good rate but the companies are failing to generate after tax profit in most of the years of our study. The reason for this unusual happening is the subject matter of the study.

Theregression analysis is applied between the premium income and after tax profit as part of the problem statement.As per the test of hypothesis, the alternative hypothesis can be accepted when increase in premium earned leads to the increase in the after tax profit. In other case null hypothesis is accepted when this pattern of dependability is missing.

This means that there is no relationship between earned premium and after tax profit generated by the general insurance sector in India.

Net ProfitAfter Tax = Net Premium Earned – {(Claim Settled + Commission and Overhead Expenses Incurred) + Income from Investment}

Net Profit After Tax is calculated from net general insurance premium earned minus claim settled and commission and overhead expenses incurred plus income generated through investment.

Data Analysis

Table 1

Data Showing Net General Insurance Premium Earned and Profit after Tax

Year	Net General Insurance Premium Earned (Rs. Crs.)	Profit After Tax (Rs. Crs.)
2014-15	67605.55	4639.13
2015-16	75832.9	3238.49
2016-17	88724.89	845.38
2017-18	100453.65	6908.8
2018-19	113333.79	683.21
2019-20	126178.91	-1494.38
2020-21	137621.32	3852.53
2021-22	154424.69	-2856.93
2022-23	179994.96	-2566.7
2023-24	208791.32	10118.72

(Source: Handbook on Indian Insurance Statistics.Website: http://www.irda.gov.in)

The table 1 show that general insurance premium increased from Rs. 67605 crores in 2014-15 to Rs. 208791 crores in 2023-24and it is increasing consistently at good pace at 14.94% CAGR. Profit after tax has been volatile showing profit in some years as well as loss in some other years. Low profitability of this sector is mainly due to high claims incurred together with commission and management expenses.

Premium received is due to the risk covered for which claim is incurred and to obtain new business commission and management expenses are paid. In order for the sector to grow these expenses are important.

Graph 1

Graph on Net General Insurance Premium earned and Profit after Tax

(Source: Author’s compilation.)

Graph 1 above shows the relationship between net general insurance premiums earned and profit after tax made by the insurance companies of the general insurance sector for the period 2014-15 to 2023-24.

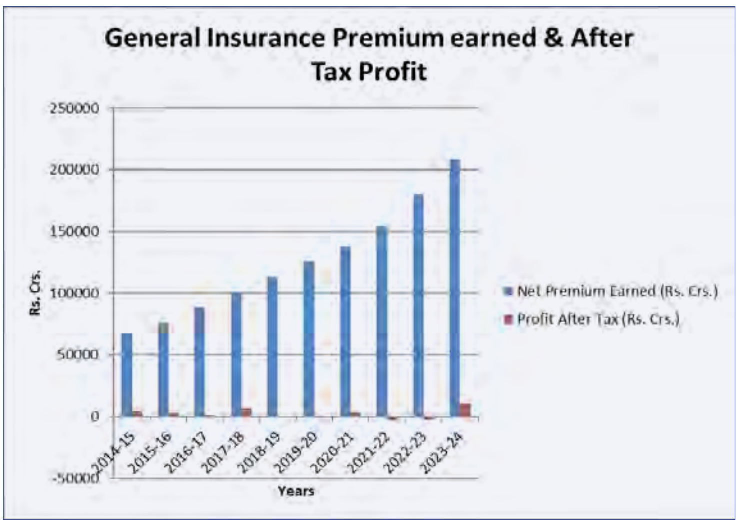
Line chart between net premiums earned and profit after tax generated show that net premium earned is growing consistently at good rate but the profit after tax is volatile either making profit in some years and loss in some other years in the years of the study. In order to earn revenue in the form of premium the companies will have to pay claims and incur commission and management expenses. But management of claims and commission and overhead expenses is required in order this sector to improve on its financial performance.

From the table above it can be seen that general insurance sector is either making marginal profit in some years or incurring losses in some other years. As far as profit after tax is concerned there is no specific trend can be observed? So the bottom line is always under stress. Proper management of claims and commission and overhead expenses is required for this sector to improve upon its performance and underwriting principles needs to be strictly followed.

From graph 2 it can be observed that net premium earned together with investment income is rising steadily over the years but profit after tax is positive for seven years and showing loss in the remaining three years of the study. Here claims and commission and other overhead expenses have also equally increased compared to premium and investment income and in some years it surpassed there by leading to losses in some years. But commission and overhead expenses will stabilise in due course of time enabling this sector to make reasonable profit and

Graph 2

Graph on Performance of General Insurance Sector in India



(Source: Author’s compilation.)

growth. Also proper management of claims incurred and the application of artificial intelligence can see through improvement in the profitability of the industry.

Interpretation of Regression analysis

Regression Model

Y = a + b X

Where Y = Dependent variable

X = Independent variable

a = Intercept of the line

b = Slope of the line

Regression Fit

Regression Coefficients

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	2144.783	4327.219
	Premium Earned	.002	.033

α. Dependent Variable: After Tax Profit or Loss

Here Y is dependent variable (After Tax Profit or Loss) which is to be predicted, X is the known independent variable (General Insurance Premium earned) on which predictions are to be based and a and b are parameters, the value of which are to be determined.

Y= 2144.783+0.002 X

Predictive ability of the Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.017[a]	.000	-.125	4478.89766
a.	Predictors: (Constant), General Insurance Premium Earned			

The value of R^2 = 0.000 which explains 0% relationship between generalinsurance premium earned and profit or loss made by this sector. In other words 100% of the total variation of the relationship has remained unexplained.

Hypothesis

Regression Coefficients

ANOVA

Model		Sum of Squares	Df.	Mean Square	F	Sig.
1	Regression	44251.754	1	44251.754	.002	.964[b]
	Residual	160484194.104	8	20060524.263		
	Total	160528445.858	9			
a. Dependent Variable: After Tax Profit or Loss						
b. Predictors: (Constant), General Insurance Premium Earned						

Null Hypothesis:

$H_0{}^1$: $\beta = 0$ (No influence of General Insurance Premium earned on After Tax Profit or Loss made)

Alternative Hypothesis:

$H_1{}^1$: $\beta \neq 0$ (General Insurance Premium earned influences after tax Profit or Loss made by this sector)

At 95% confidence level the P value computed is 0.964 which is greater than 0.05. This is the confidence with which the alternative hypothesis is rejected and the null hypothesis is accepted. Thus regression analysis shows that there is no influence of general insurance premium earned on after tax profit made by this industry.

Normally increase in premium earnings leads to increase in profit and not losses which is unusual thing to happen in this industry. Thus growth of general insurance premium earnings is not influencing growth of after tax profit.

6. Results

Findings

The compound annual growth rate (CAGR) of net premium earned by the general insurance industry works out to around 14.94%. This rate of growth of the general insurance sector is considered to be good.

Thus growth of claims and commission and overhead expenses incurred has more than compensated high growth rate of general insurance premium earned and income through investment. This resulted into marginal profit after tax or loss that this industry is making.

As a result null hypothesis of no influence of net premium earned on after tax profit for the general insurance industry is established. Revenue collection of this sector is promising but still it is not enough to earn reasonable profit.

Recommendations

General insurance sector often face profitability challenges due to high claims and rising costs. So the upward revision of premium charges may be considered for the improvement of the bottom line.

Application of artificial intelligence in premium underwriting and claim settlement must be introduced to charge premium correctly and curb unfair practice of making claims.

Conclusion

This industry suffers from heavy claims and its profitability is always under pressure. Insurance companies has to take bold step in increasing premium is some segments where the claim ratios are very high.

Spreading the risk and taking advantage of economies of scale this sector has to penetrate more in the rural sector so as to manage its profitability better.

The application of artificial intelligence in underwriting and risk assessment and claims management can help this sector to improve its bottom line which is always under stress.

The use of digital marketing can help this sector further improve on its sale of policies thereby improving on its earned premium.

The study will help the insurance companies to know about their financial performance and take necessary steps to improve their condition and richly contribute to the existing studies. TJ

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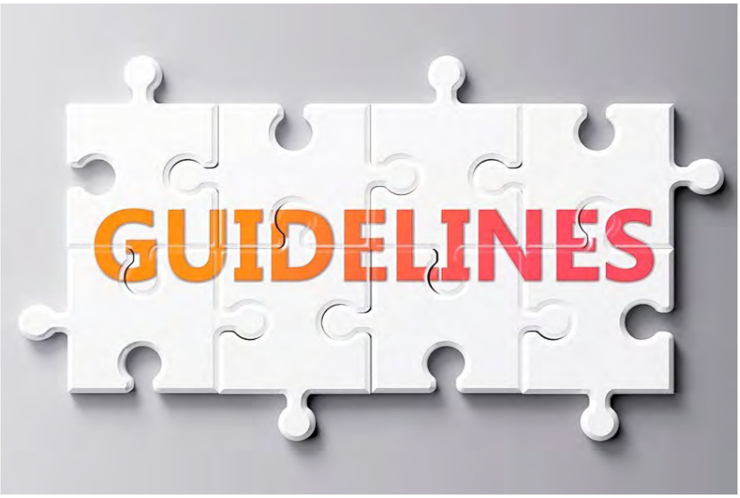

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