

## Sustainable Employment Opportunities in Indian Insurance Industry

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**Abstract:** Insurance Industry is a prominent part of economy of any country. Its significance is known & always measured by its contribution to country's GDP. India has the world's second largest population base in the world, with thriving economy and hub of all economic growth, creator of newer technologies is still grappling with the vagaries of unemployment. This paper looks into various opportunities available in the industry, current utilisation and potential that can be tapped.

**Key Words:** Employment Self-employment Consulting India Skill Risk Underwriting Actuarial Claims Finance

**Introduction:** India as a nation emerged on 15th Aug 1947, after amalgamating the then existing 584 princely states. Its population was then about 34 crores and GDP was 2.7 lakh crores and literacy rate of 12%. Country made tremendous progress through various economic plans & strategies. India has now in 2020 an estimated population of 138 crores, GDP target of \$5 trillion economy in 2024 and current literacy levels are 74.04% in 2021. Even with all technological advancements and globalisation initiatives, unemployment rates reached unusual levels of 23.75% in April 2020 due to covid but currently at over 6%.

Insurance Industry is considered to be the economic barometer. It generates the much-required investments required for national development through the small savings from the citizens, unlike other investments, insurance monies are available for long term, provides economic security to the policy holders etc. However, there is a very important aspect about insurance industry, which has not got adequate attention in India in policy

making, that is generation of employment, self-employment and consulting opportunities for qualified, efficient professionals. This study is a precursor, to many other aspects of this industry, which needs to be thoroughly researched, analysed, published, discussed which in turn should help in policy formulation. Information for this assignment is obtained from the authentic source of regulator's statistics about the industry (Annual Report for 2019-20).

IMF Country Report No. 13/265 of August 2013, titled "India: Financial Sector Assessment Program—Detailed Assessments Report on IAIS Insurance Core Principles" made a startling revelation as follows: "12. The insurance sector employed 139,000 people in the life sector and 61,000 in the nonlife sector at the end of FY10/11. A little over half held some form of relevant vocational or academic qualification. Slightly less than 10 percent had formal insurance related credentials. At the time of the assessment, there were 415 individuals with actuarial qualifications (including 82 IAA accredited Fellows) and approximately 5,700 accountants active in the insurance industry. More than 10,000 surveyors and loss adjusters are also employed in the sector. There is a need to increase the number of insurance professionals significantly due to rapid local growth. India is also a major supplier of skilled personnel to the emerging Middle Eastern markets."

In view of the above there is immense opportunities in Insurance industry, which has not been properly tapped. It is hence, imperative to study the real potential of insurance industry in India and start tapping the same immediately.

### Literature Review:

There seems to be no serious research initiative into this area and following are a few studies in related area of Insurance in India (Source: shodganga).

•4-Jul-2019 Insurance as an investment option in privatization era Rizvi, Saima Javed Akhtar

•22-Aug-2019 Insurance Development and Macroeconomic Growth Analysis of Selected Asian Countries Mir, Javaid Ahmad Mishra, Pabitra Kumar

•23-Dec-2015 Insurance law under common legal system vis\_a\_vis islamic legal system  
Anonymous, Gaurav Khan, Iqbal Ali

•16-Mar-2018 Insurance marketing a study with reference to the oriental insurance company limited  
Lakshmanan, RM Chidambaram, RM

•1-Oct-2015 Insurance regulation in India :  
Ashok Kumar, M. Tulasimala, B. K.

•25-Jan-2017 Insurance sector reforms in India a study of life insurance business during post-liberalization period  
Babu, P Raja Rao, B K Surya Prakasha

•26-Apr-2013 Insurance sector reforms in India: a study of life insurance business during post-liberalization period  
Raja Babu, P S u r y a Prakasha Rao, B K

•30-Apr-2019 Insurance Sector Reforms in Post Liberalization Period A Study With Special Reference to Life Insurance in India  
Nainoor Srinivas .R B.Vijaya

•1-Jun-2018 Insurance sector regulation a study of the insurance regulatory and development authority of india  
Singh, Rangit Ghuman, B S

•10-Jan-2017 Insurance services in Theni district a study on the utilization pattern of policy holders  
Jeba selvi anitha, D Maria john, S

**Research gap:** there is no published data available on studies related to employment opportunities available in Indian insurance industry, what type of opportunities exist and what are the skill-sets required. Hence no specific gap can be established and entire subject is open for complete research. Current effort looks at the over all theme only. There are options to study in detail each line of business in the industry.

**Statement of Problem:** this study ascertains whether Insurance Industry can provide adequate number of employment/Self-employment & Consulting career opportunities in India.

**Objectives:** The objective(s) of this study are:

- To understand the composition of Indian Insurance Industry
- To explore employment opportunities available in the Indian Insurance Industry
- To explore self-employment opportunities created by insurance industry
- To explore consulting opportunities emerging from the Indian insurance industry

### **Hypothesis:**

“Insurance Industry in India has the potential to provide immense career opportunities for youth with right skills.”

### **Research Methodology:**

•Data Collection:

Data for this study is sourced from Published statistical information about Indian insurance industry as available in the annual reports, published by the Industry regulator IRDAI. The latest IRDA Annual Report 2018-19 is the main source.

### **Statistical tools used in the study**

- Measures of central tendency like Mean, Median and Mode
- Ratio analysis
- Linear trend analysis
- Statistical Extrapolation as may be required
- Linear and pictorial graphs and histograms
- Research design:

### **Data Source**

IRDAI (Insurance Regulator’s) Publications

### **Area of Study**

Indian Insurance Industry (covering all 24 life and 25 General insurance companies)

## Respondents Characteristics

None, as the study is related to the industry based on published statistics

## Sample Size

None

## Data Collection and Process Tools

From the tables and charts related to insurance industry as published in the Annual Report of the regulator.

## Mode of Contact

Electronic contact: Emails & Telephone (due to covid situations of travel restrictions)

Assumptions & Presumptions:

These are based on personal experience of the author of the industry.

## •Scope of Study

The scope of the study is to assess the extent of employment generation in Indian Insurance industry at industry level

## •Limitation of study

Study scope is limited to industry level and does not go into deeper study at various lines of businesses in the industry.

## •Data Analytics, interpretation:

\*Introduction: To understand the job positions, it is necessary to understand

1.Type of the Organisation: Following are the organisation types in the Insurance industry in India.

•Insurance Company (Life/General/Health/Pensions): The organisation which deals in Insurance business from policy holders, otherwise known as direct writing.

•Reinsurance Company: The organisation which buys the risk portfolio from the direct writers.

•Corporate Insurance Intermediaries: Insurance intermediaries in the form of corporate bodies as below:

- Corporate Agents: Banks, Others
- Brokers
- Insurance Marketing Firm (IMF)
- Common Service Centres

- Web Aggregators

2. The organisation structure of an Insurance company. Following are the organisational structures prevalent in Insurance Companies in India

•Divisional Type: Organisation is categorised/segmented in divisions based on geographic or regional levels such as: HO/RO/DO/BO etc for eg: Majority of the private insurers in India

•Functional Type: Organisation categorised on functional basis as below: general segmentation of an Insurance organisation.

•Matrix/Hybrid Type: A combo of each of divisional and functional type Eg: Life Insurance Corporation of India (LIC)

3.General Organisational hierarchy:

•Functional Head: CAO/CFO/CMO/CTO/CLO etc

\*Functions in an Insurance Company: An Insurance organisation is a huge body, having many technical functions, which requires expert professionals to manage the tasks. Following are the functional Areas in an Insurance Company. Functional areas may generally remain same, but segmented on lines of business-like Life, General: Fire, Marine, Motor, Liability & Miscellaneous

\*Functions in a Life Insurance company:

1.Marketing & Sales: For managing Sales of Insurance products, promoting insurance business in newer markets.

2.New Business & Underwriting: Processing of proposals for insurance cover, using scientific method of risk evaluation. The process of assessing the risk and pricing it appropriately is known as underwriting.

3.Contract Issuance: Issuing policy documents to policy holders, ensuring the document contains appropriately worded Terms and conditions & policy contract appropriately stamped as per the provisions of Indian stamp Act,1899

4.Policy Servicing: Life Insurance Contracts being

long term contracts require servicing in many of the following changes.

- General servicing: include correcting typos, updating contact details like address, phone numbers emails etc.
- Alterations: those involving alterations to the contract specifics. Eg. Changing the premium payment mode from yearly to quarterly.
- Revivals/Reinstatements: Those dealing with reinstating the cover post lapsation, arising out of non-payment of premiums in time.
- Assignments: those involving transfer of right, title, ownership in the policy like to a lender, arising under sec 38, Insurance Act 1938
- Nominations: those involving changes in nominations, arising under Sec.39 Insurance Act 1938
- Policy Loans: those involving requests for partial withdrawal of the surrender values against policies, for their financial exigencies.

#### 5.Claims:

- Death Claims: Settling obligations arising under claims by death.
- Maturity Claims & Survival Benefits: Settling obligations arising under anticipated endowment plans
- Surrenders & foreclosures: Settling obligations under requests received for withdrawal of surrender values under policies and foreclosing amounts due due to unpaid loans and interests accrued thereon.

6.Finance & Accounts: Managing complete cash, Banking, Accounting and Reporting of financial transactions and statements.

7.Investments: Managing investments of surpluses in a professional and efficient manner.

8.General Administration/Buildings & Estates/ Stationery: function connected with the general administration and office upkeep and maintenance of utilities

9.Legal: All activities connected with legal aspects in operations including, but not limited only to

Statutory compliance, drafting contracts, clauses, managing of asset portfolios, investigation of early and fraudulent claims etc

#### 10. Actuarial: Technical function involved in

- Pricing: of products, filing with regulators for approvals
- Valuation: of portfolios and liabilities and policy values
- CMI : Continuous Mortality Investigations

11. Systems & IT: Insurance Industry is intrinsically a transactional & volume oriented one, which invariably requires automation to support efficient administration. Here both systems and personnel manning these systems to be kept in mind.

12. Grievance Redressal & PR : Insurance is completely based on relationship and trust. Hence insurance companies need to keep up the expectation and redress any grievance in an effective way. GR and PR is a very important function in this industry requiring professional approach.

13. Human Resources : As can be seen from the above insurance is highly technical and professional industry requiring highest levels of professionalism and Same highest levels of skills are required to manage the industry and hence HRM in Insurance is an important function.

14. Reinsurance : To share the excess of portfolio beyond retention

\*Functions in a General Insurance Company: Similar functional expertise would be required in all aspects of General Insurance industry.

#### 1.Fire: To manage the Fire Insurance Portfolio

- Sales: Managing Business Sales
- Underwriting: Risk evaluation and pricing of fire portfolio
- Claims: settling genuine fire claims

#### 2.Marine: To manage the Marine Insurance Portfolio

- Sales: Managing Business Sales
- Underwriting: Risk evaluation and pricing of Marine portfolio covering Hull, Cargo & Freight
- Claims: settling genuine Marine claims

### 3.Motor: To manage the Motor Insurance Portfolio

- Sales: Managing Business Sales
- Underwriting: Risk evaluation and pricing of Motor portfolio
- Claims: settling genuine Motor claims
- Surveyors & Loss Assessors: specialised risk managers

### 4.Finance & Accounts: Managing regular finance function

### 5.Legal

### 6.Actuarial:

### 7.Systems & IT

### 8.General Administration

### 9.Reinsurance: To share the excess of portfolio beyond retention

### 10. Human Resources

**Analysis:** It can be seen from the foregoing comments that Insurance industry is the only industry, where increase in the number personnel, primarily marketers, facilitate more sales, revenue and profit, hence there is more room for additional opportunities.

- The very nature of the business encourages specific skill requirement and hence increase in headcount in respective functional areas.

•Complex organisational hierarchy increases headcount numbers. Basic organisation structure in an insurance will have at least 25 sections in Life and around 20 departments in General Insurance industry

•From a divisional perspective an average employee distribution in a fully functional office is estimated as follows

Designation	Nos at HO	Nos at RO	Nos at Do	Nos at BO
Head of Office	1	1	1	1
Functional	12	12	12	12
Supervisory	2	2	2	25
Operating	4	4	4	75
<b>Total</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>113</b>

- Actual Number of offices of insurers in India (excluding reinsurance and intermediaries)

ANNUAL REPORT 2019-20						
Table I.19: Offices of Life Insurers (As on March 31)						
Location	2019			2020		
	LIC	Private sector	Total	LIC	Private sector	Total
Tier I	1,829	4,881	6,710	1,840	4,910	6,750
Tier II	556	801	1,357	558	784	1,342
Tier III	1,350	500	1,850	1,351	495	1,846
Tier IV	1,026	107	1,133	1,031	108	1,139
Tier V	117	29	146	121	29	150
Tier VI	54	29	83	54	29	83
<b>Total</b>	<b>4,932</b>	<b>6,347</b>	<b>11,279</b>	<b>4,955</b>	<b>6,355</b>	<b>11,310</b>

Note: Tier I - Population 1,00,000 & Above  
Tier II - Population of 50,000 to 99,999  
Tier III - Population of 20,000 to 49,999  
Tier IV - Population of 10,000 to 19,999  
Tier V - Population of 5,000 to 9,999  
Tier VI - Population less than 5,000

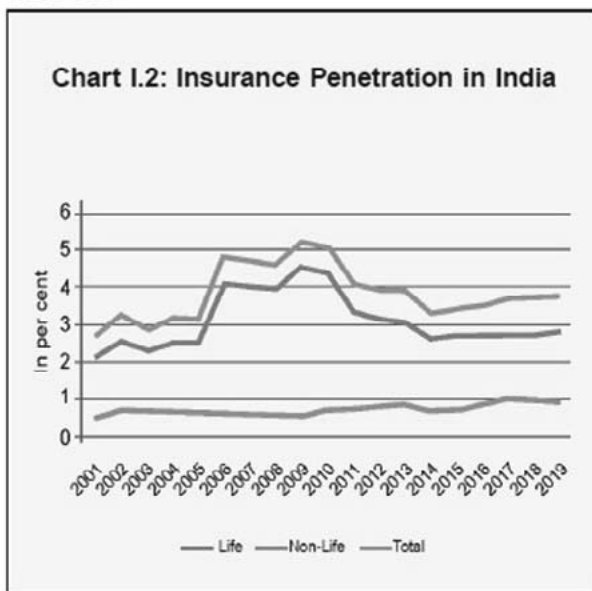
ANNUAL REPORT 2019-20										
Table I.33: Offices of General and Health Insurers (As on March 31)										
Location	2019					2020				
	Public Sector	Private Sector	Stand-alone Health	Specialized	Total	Public Sector	Private Sector	Stand-alone Health	Specialized	Total
Tier I	4,247	2,301	793	86	7,427	4,283	2,465	962	86	7,796
Tier II	967	118	39	-	1,124	874	144	77	-	1,095
Tier III	1007	28	45	-	1,080	1,247	32	60	-	1,339
Tier IV	968	9	6	-	983	786	9	8	-	803
Tier V	292	3	-	-	295	249	5	-	-	254
Tier VI	99	-	-	-	99	107	-	-	-	107
<b>Total</b>	<b>8,190</b>	<b>2,459</b>	<b>883</b>	<b>86</b>	<b>11,578</b>	<b>7,546</b>	<b>2,655</b>	<b>1,107</b>	<b>86</b>	<b>11,394</b>

Note: Tier I - Population 1,00,000 & Above  
Tier II - Population of 50,000 to 99,999  
Tier III - Population of 20,000 to 49,999  
Tier IV - Population of 10,000 to 19,999  
Tier V - Population of 5,000 to 9,999  
Tier VI - Population less than 5,000

- Computations: In all there are 11,310 and 11,394 ie total 22,704 offices in India.

•Assuming the above numbers of 113 per branch office there is a potential of 25,65,552 (113\*22704) Resources opportunities.

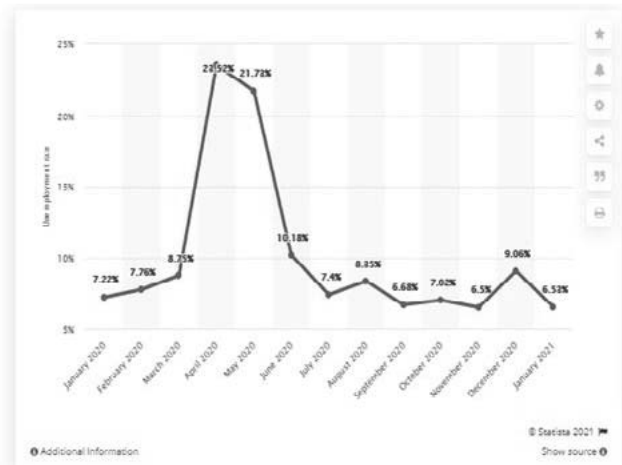
•Insurance penetration was at peak in 2010 when IMF report was prepared



Source: Swiss Re, Sigma, Various Issues.

•Unemployment in pandemic situation

Impact on unemployment rate due to the coronavirus (COVID-19) lockdown in India from January 2020 to January 2021



In April 2020 the unemployment was highest, when the whole of economic activities got affected. Insurance marketing will have better opportunities in such circumstances, as has been observed, Sale of covid policies increased considerably in these times.

**Summary of findings**

o Current 2 trillion economy level and at 3.76% penetration.

oNo of offices of insurers only is 22704  
oEven at this current level excluding intermediaries and reinsurers, around 26 lakhs jobs can be created in insurance industry.  
oThen at the enhanced 5 trillion economy, there is a possibility that 2.5 times option can be enhanced in insurance industry which automatically comes to 65 lakh jobs  
oIn 2010, with Peak in Insurance penetration, if the number of employees in insurance industry in India as per IMF report was 1,39,000 personnel which is chronic shortage as compared with opportunities of 26 lakhs

**Apparent Short comings**

oLack of awareness about insurance and benefits to economy, nation & individual  
oLack of focus on employment creation and lack of policy initiatives by the government  
oRegulator has made considerable improvements in reporting methods, MIS etc, still there are shortcomings eg: IRDA annual report does not talk about number of personnel employed in the industry, company & designation wise and also on Region/geographical spread.  
oMajor impact factor seems to be nature of skilled resources required, and the absence of which leading to rampant automation. Apparently, the following aspects have taken over the job opportunities:

1. Operational Platforms
2. Underwriting engines
3. Policy issuance Process
4. Actuarial: Pricing & Valuation
5. Claims: management & Risk Control

oThis automation is fundamentally contradictory to Indian situation, where huge human capital exists, and the same could have been educated, trained and absorbed.

**Recommendations:**

o Policy: Identify the importance of Insurance industry at top most policy level of the government, as it an generate the much-required National Savings for the National Development.  
o Technology: Encourage only selected functions to be automated as Complete Automation

is profit centric and will not generate more jobs & not in India's interest.

o Employment: Since India is grossly under insured, enhancing job opportunities will provide work for all unemployed.

o Finance & Investment: Basic advantage of increasing work force in insurance particularly in marketing, will not add a cost but will get adequate and commensurate sales with it.

o Social security: Generating employment opportunities in Insurance helps during natural catastrophic and pandemic situations in many ways.

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“Schools must move from being educational centers to becoming knowledge and skill centers.”

-Dr.A P J Abdul Kalam