Insurance Penetration in Indian Life Insurance

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Abstract: Insurance is a panacea for many social evils. It has social, ethical, moral and scriptural support as well. In spite of this Indian Insurance penetration has been at ebb level, has not made adequate progress. Insurance is a social security tool to be adopted by human society. Most striking factor is, this important economic stimulator has not been studied in detail or results not available in public domain for perusal and policy making. This article looks into available information, makes findings and provides opportunities for further studies on the critical findings.

Key Words: Life Insurance Penetration GDP distribution channels IRDA

Introduction:

Insurance is not of recent origin in Indian history. Our ancient ethos mainly stands firmly on interdependence and co-operation. These are brought out well in the sacred scriptures in the form of statements like "वसुधैव कुटुंबकम्' (One World Family) and "योगक्षेमं वहाम्यहम्" (Your Welfare is My Responsibility), "तेन त्यक्तेन भुञ्जीथा ('Consume keeping in mind others'-Socially responsible consumption) etc.. In modern economic context any nation's strength is determined by its economic strength, which means the total value of goods and services produced and exchanged in the country. This is in other words known as Gross Domestic Product, shortly known as GDP. Contribution of every industry to GDP decides its importance. So is the Insurance Industry. There is a particular term to measure the insurance industry's contribution to the GDP is known as Penetration.

Insurance Penetration

There are two measures of development in Insurance industry in India, as recognised by the regulator. They are "Penetration" and "Density". The IRDAI definition of Insurance Penetration is "While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population (per capita premium)."[i]

Literature Review

Previous research studies on Insurance penetration in India[ii]

* 1-May-2019 A study of life insurance sector in selected districts of Punjab Tagra, Pooja Dhiman, P K and Batra, G S

* 14-Aug-2017 A Comparative Study of Rural Insurance in Kota And Udaipur Districts of Rajasthan Payal Pokharna Dr. Prabhat Kumar Singh

* Feb 2019 A STUDY ON LIFE INSURANCE PENETRATION IN INDIA, Vol. 9, Issue 1, Feb 2019, 119-124 RAMESH KUMAR SATULURI R. RADHIKA

*16/06/2014 Analysis of the factors affecting the penetration of life insurance in India. Aakriti Shah Mr. Sumanta Bhattacharya

Research gap: From the above it is evident that there have been no specific and comprehensive studies on Insurance Penetration in Indian Life Insurance Industry.

Statement of Problem: With Economy growing consistently, penetration doesn't seem to be growing proportionately. There is a need to know the causes for the low penetration rates.

Objectives of the Study:

•To understand the penetration levels

•Study the trend of penetration

•Study the factors supporting to prove the hypothesis- corelation

•Find reasons for dispersion

•To identify specific aspects for further research in this area

Hypothesis:

There is corelation between the GDP growth and Life Insurance Penetration levels

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[iii] is the main source.

•Statistical tools used in the study

*Measures of central tendency like Mean, Median and Mode

* Ratio analysis

* Linear trend analysis

*Co-relation & Dispersion

*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 Ins Cos)

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 industry experience of the author.

•Scope of Study

The scope of the study is to assess factors causing GDP & Penetration levels in Life Insurance in India

•Limitation of study

Study scope is limited to only Life Insurance industry in India

•Data Analytics, interpretation:

*Introduction & History: Study on the insurance penetration levels since liberalisation in 1999. Before we venture upon looking at the growth of Insurance penetration, it is necessary to know a little about the origin and development of insurance industry in India.

*"1818 saw the advent of life insurance business in India with the establishment of the Oriental Life Insurance Company in Calcutta. This Company however failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era, however, was dominated by foreign insurance offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance and the Indian offices were up for hard competition from the foreign companies.

*In 1914, the Government of India started publishing returns of Insurance Companies in India. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers." [iv]

*Insurance industry made considerable progress. When the country became independent, the architects of modern India needed huge financial resources for building necessary infrastructure for the growth of the nation. In view of high cost of borrowed capital and highly profitable insurance industry, the life insurance segment of the industry was nationalised in 1956 by forming state owned Life Insurance Corporation of India (LIC).

*Nationalised Life Insurance segment went on feeding the resource needs of economic planners. Lack of competition brought along with-it operational inefficiencies also. It was felt that to reach the remote strata of the society, the government felt the need for liberalising the industry by permitting private participation, thus paving way for a healthy competition, introduction of new foreign technology and also private capital through Foreign Direct Investment (FDI). Consequently, Insurance Regulator IRDA was formed under a statute. Monitoring of the industry, in a transparent manner started happening from this point onwards.

*Development of Insurance Industry in India: Penetration of insurance industry is being studied closely now. In the words of regulator "During the first decade of insurance sector liberalization, the sector has reported increase in insurance penetration from 2.71 per cent in 2001 to 5.20 per cent in 2009. Since then the level of penetration was declining and reached 3.30 per cent in 2014. However, the insurance penetration started again increasing from 2015 and in 2019, penetration was 3.76 per cent. The level of insurance density has reported consistent increase from USD 11.5 in 2001 to USD 64.4 in the year 2010. Since then the level of density was declining up to 2016. But it started increasing from 2017 and in the year 2019, the insurance density was USD 78. The insurance density of life insurance sector had gone up from USD 9.1 in 2001 to reach the peak at USD 55.7 in 2010. Since then it has exhibited a declining trend up to the year 2013 and it started increasing continuously from 2016. During the year 2019, the level of life insurance density was USD 58. The life insurance penetration had gone up from 2.15 per cent in 2001 to 4.60 per cent in 2009. Since then, it has exhibited a declining trend up to the year 2014. Then from 2015 to 2017, it was increasing. After a small decline in 2018 to 2.74, it increased to 2.82 per cent in 2019.The penetration of non-life insurance sector in the country has gone up from 0.56 per cent in 2001 to 0.94 per cent in 2019. Non-life insurance density has gone up from USD 2.4 in 2001 to USD 19 in 2019." [v]

*Analysis of some of the observations from previous studies:

1.(a) A STUDY ON LIFE INSURANCE PENETRATION IN INDIA-R. RADHIKA & RAMESH KUMAR SATULURI[vi]: Says quoting Insurance Times Magazine (2012) an Insurance magazine in its article "Life insurance penetration in India higher than global average" stated that life insurance penetration in India was higher than the world average in 2010. It further stated that the combined average is higher than Brazil and Russia and most of the other countries of Asia, including Bangladesh, Pakistan, China and Sri Lanka.

Analysis: Article mentions the Penetration levels in 2010, as high quoting the statistics, but does not go in to the details as to what caused this spike.

(b) Same study quotes Insurance Times Magazine (2013)4 the Insurance magazine in its article "State-wise life insurance penetration and density of individual new business in India" opined that Insurance penetration is correlated with the country's GDP. With every point of increase in GDP there is a proportionate increase in insurance penetration.

Analysis: This statistical measure of existence of correlation is true. It turns out that till 2019 there is a positive correlation and subsequently there is a negative correlation. The statement that "with every point of increase in GDP there is a proportionate increase in insurance penetration" is disproved in the further analysis below, where post 2009, there is decline in penetration despite there being an increasing GDP.

(C) Same study quotes another reference Insurance Times Magazine (2018)5 an Insurance magazine in its article "India's insurance gap widens despite deeper penetration, says study" compared Insurance penetration across globe and opined that one of the key reasons for this low level of insurance is that as the number of natural catastrophes such as flooding increase, so do insurance prices. As a result, businesses, governments and households less at risk are deterred from taking out insurance.

Analysis: the very purpose of taking insurance is to cover from catastrophes. Generally natural catastrophes are not covered in insurance due to their sheer volumes and as they are in the nature of Act of God. This in itself should not be a reason for not going for insurance. On the contrary, this should be the exact reason why more people should buy the insurance.
An interesting fact observed is the escalating cost. By the very fundamentals of insurance, cost can be reduced if the risk is spread among more people. If penetration can be increased, then premium rates are certainly will go down.

2. Some interesting points have been brought about in a student research project[vii] on qualitative factors affecting penetrations in Life Insurance, analysed below:

•Lack of knowledge about insurance benefits
Analysis: True. But the situation has not changed over a century. It is still seller's market. Business needs to rethink on the positioning strategy.

•Lack of trust in Private Insurance Companies
Analysis: Not absolutely, but relatively true. ULIP bubble burst was a disaster shattering the confidence, no concrete step has been taken to assuage this.

•Target oriented business environment
Analysis: Yes, this has contributed to the problem substantially in the form of huge attrition of direct agents, mis-selling to survive etc.

•Competition from alternate channels of investment
Analysis: True. Fundamental flaw in business strategy is , positioning insurance as an investment centric tool instead of protection centric.

•Ineffective distribution channels
Analysis: Possibly yes. It is well known that three important 'R's in Insurance selling is Relationship, Relationship and Relationship. Lack of focus in building a loyal direct agency and depending on tech oriented alternative channels have diverted the focus and confined to only metros, when 85% of population resides in its villages.

•Lack of skilled agents
Analysis: True, Insurance selling is not a much sought-after career in India, due to lack of emphasis from all: Government, Society and Business. There is an urgent need to develop a brand of Field Underwriters in India.

•Inadequate pay structures for agents
Analysis: Not really, except there is a flaw. Commission rates vary on products. So agents sell more those products getting them higher commission. There should be rationalisation of commission rates and remove product-based structure.

•Trade barriers
Aalysis: Partially resolved. the study cites FDI limit as a constraint. But recently this has been enhanced to 74% from 49%. But the initial capital of 100 crores is a stumbling block an requires a rationalisation based on the business written and risk retained.

Another alternative is to look for first dollar quota share reinsurance arrangement till reserves are built. There is another aspect explored that is, encouraging insurance cooperatives or mutual entities to come in to encourage penetration and they can share the risk on coinsurance basis.

•Negligence of rural areas

Analysis: Yes. Focus needs to be brought back to rural markets by introducing low-cost endowments and stop selling term cover in rural areas in life sector. Make the micro insurance more popular in rural areas. There is a policy lapse here. If we see, almost all the insurance companies are centralised in Financial capital , Mumbai, while prior to nationalisation in 1956, even minor district head quarters had an office. Eg: Table [viii] below with a few random examples:

No	Name of the company	Place of RO
1	Adarsha Bima Co Ltd 1935	Allahabad
2	Andhra Insurance Co Ltd 1925	Musalipatnam
3	Aundh Mutual Life Assurance Society Ltd 1941	Poona
4.	Bhaskar Insurance Company Ltd 1936	Guwahati
5	Canara Mutual Assurance Company Ltd 1935	Udipi

•Obsolete product development capabilities

Analysis: Yes When we look back in Indian insurance history, there was innovative product development capabilities till 1999, the tenor and volume did not get carried forward, though there is to some extent. Need based products should be the focus than the current on the shelf ones.

•Lack of uniformity in policies and procedures

Analysis: This is true as industry is liberalised and regulator or government does not micro-manage. But there is basic lack of a policy statement from the administration, basic regulatory structure from regulator have caused this situation.

•Low financial literacy

Analysis: This is mainly because current educational system (both basic and University) do only provide theoretical and conceptual education and not practical and problem solving oriented. So, when they move into society, cannot comprehend the intricacies and even today, are dependent on inadequately-equipped financial consultants.

•Underutilisation of alternate channels

Analysis: Yes, Majority of alternate channels have not focussed on selling insurance in untapped areas. Instead there seems an attempt to grab each other's market. Also there seems shift in loyalty from one company to another who can give them better returns, thus eroding the base and confidence of people.

Also, it is observed that there is a dangerous trend of cutting the throat of other instead of healthy competition. This has been grossly ignored by the regulator. Some statements say that prices are reduced as no agency commission is payable. Insurance aggregators are also agents and they work for commission. Hence the statements become not factual and misleading and not in industry's interest.

Few examples:

1.Policy Bazar Ad.[ix]

2.Coverfox Ad[x] - which openly says: "Since there are no agents involved, there is no need for additional commission"

3.Reliance General Ad[xi] which says:" By buying/ renewing car insurance online, you eliminate the need for an insurance agent, and thus, save yourself some money that would have otherwise gone towards paying commission."

4.ACKO Ad:[xii]- "we don't have to pay any commissions to agents"

• Lack of customisation to regional, local needs including language of communication

Analysis: There is a peculiar situation in India. There are 22 odd official languages in the country. Insurance information is normally in English or in Hindi, which has not helped in percolation to the regional market.

• Seasonal income:

Analysis: Yes, since agrarian economy is dependent on seasonal income, there should be a unique payment option, so avoid terminations. There needs to be PWB (premium Waiver Benefit) if there is loss of income due to natural catastrophes.

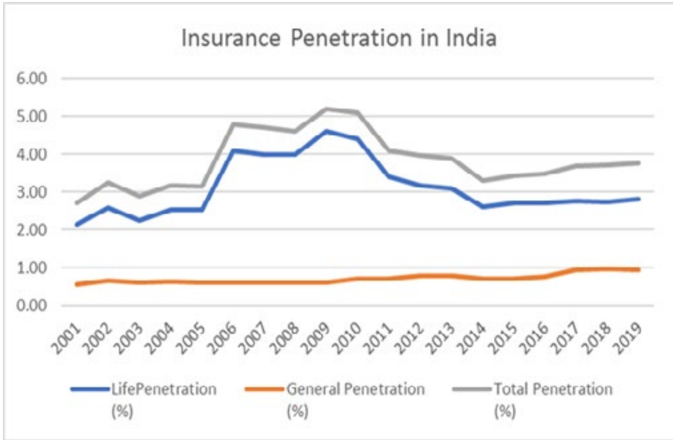
• Lack of infrastructure:

Analysis: Yes, there was a disturbing trend in liberalised insurance market. Some policy decisions *disrupted the development strategy of insurers. This is reflected in the number of offices, while one hand number of offices of private insurers has come down, offices of LIC have gone up, with total number offices showing a declining trend. This requires a special study in itself.*

•Low customer response

Analysis: private insurers have proved inaccessible to customers as against public insurers, where service standards are lower but accessibility exists. There is a disturbing trend of increasing complaints and grievances in the industry which requires a separate study.

*Insurance Penetration Statistics of India: can be represented in the form of the following table.[xiii]



This graph indicates the surges in the penetration levels due to policies of the government.

ANNUAL REPORT 2019-20

Table I.7: Insurance Penetration and Density in India

Year	Life		Non-Life		Industry	
	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)
2001	9.10	2.15	2.40	0.56	11.50	2.71
2002	11.70	2.59	3.00	0.67	14.70	3.26
2003	12.90	2.26	3.50	0.62	16.40	2.88
2004	15.70	2.53	4.00	0.64	19.70	3.17
2005	18.30	2.53	4.40	0.61	22.70	3.14
2006	33.20	4.10	5.20	0.60	38.40	4.80
2007	40.40	4.00	6.20	0.60	46.60	4.70
2008	41.20	4.00	6.20	0.60	47.40	4.60
2009	47.70	4.60	6.70	0.60	54.30	5.20
2010	55.70	4.40	8.70	0.71	64.40	5.10
2011	49.00	3.40	10.00	0.70	59.00	4.10
2012	42.70	3.17	10.50	0.78	53.20	3.96
2013	41.00	3.10	11.00	0.80	52.00	3.90
2014	44.00	2.60	11.00	0.70	55.00	3.30
2015	43.20	2.72	11.50	0.72	54.70	3.44
2016	46.50	2.72	13.20	0.77	59.70	3.49
2017	55.00	2.76	18.00	0.93	73.00	3.69
2018	55.00	2.74	19.00	0.97	74.00	3.70
2019	58.00	2.82	19.00	0.94	78.00*	3.76

Source: Swiss Re, Sigma, Various Issues.

Note: 1. Insurance density is measured as ratio of premium to total population.

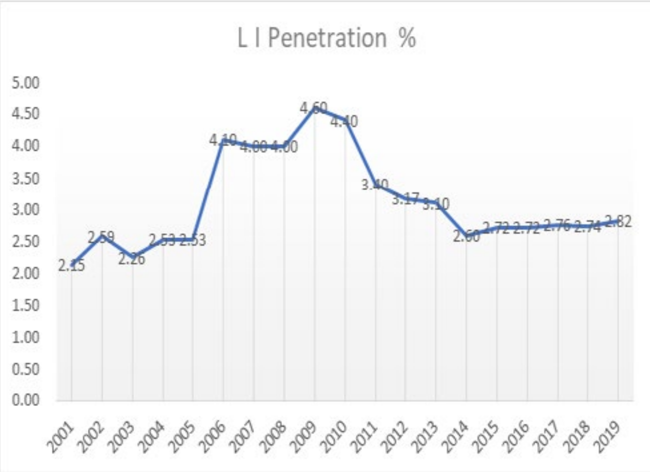
2. Insurance penetration is measured as ratio of premium to GDP.

3. *Rounding off difference.

The same information can be represented in the form of following graphs:

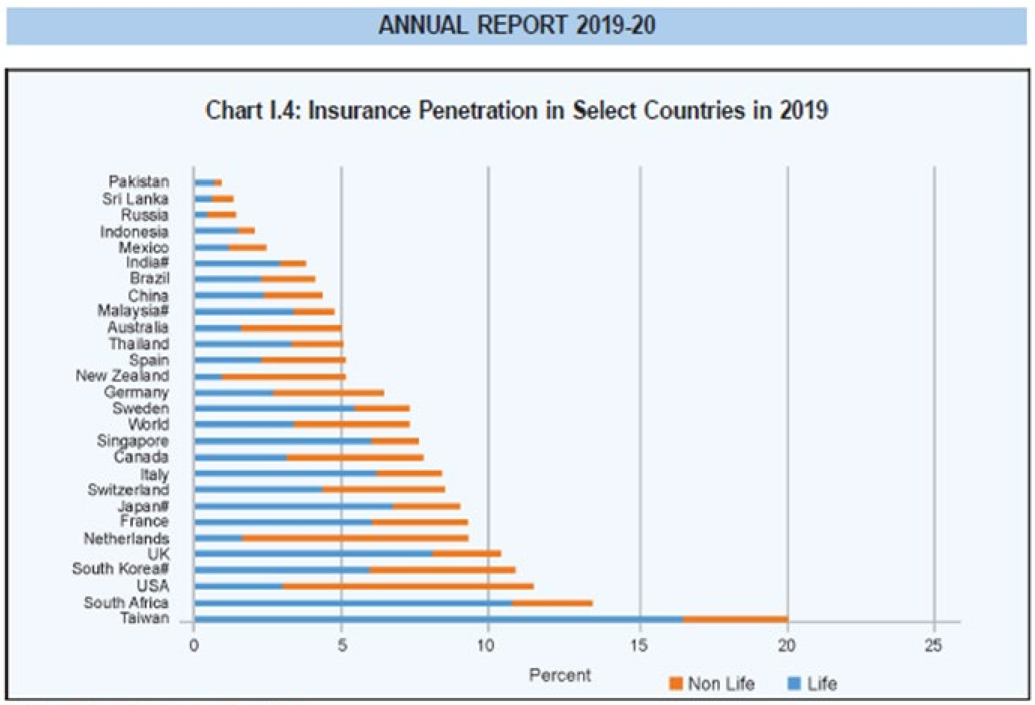
o Average of the Life Insurance Penetration % between 2001 and 2019 is 3.11%

oHighest (Modal value) of Life Insurance penetration between 2001 to 2019 is 4.6% during 2008-09



o Insurance penetration and density in select countries is reproduced from Swiss Re Institute report in Chart I.4 below [xiv]

India is in 5th place from bottom, above Mexico (4th) and Brazil (6th). It can be seen how Smaller countries like South-Africa and Taiwan are at the



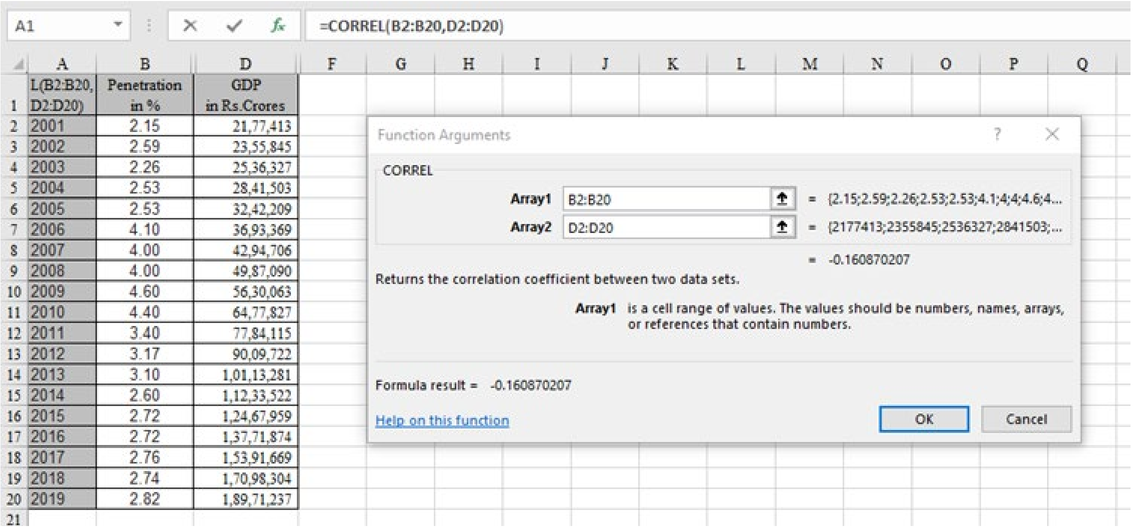
Source: Swiss Re, Sigma No. 4/2020.
Note: 1. Insurance Penetration is measured as percentage of insurance premium to GDP
2. # Data relates to financial year

top of the list with highest insurance industry contributions to GDP

o It is also useful to test the correlation between the Penetration & GDP numbers

Penetration numbers have been taken from IRDAI and GDP numbers have been Taken from Two Sources. Niti Ayog [xv] and RBI [xvi]

Year	Penetration in %	GDP in Rs.Crores
2001	2.15	21,77,413
2002	2.59	23,55,845
2003	2.26	25,36,327
2004	2.53	28,41,503
2005	2.53	32,42,209
2006	4.10	36,93,369
2007	4.00	42,94,706
2008	4.00	49,87,090
2009	4.60	56,30,063
2010	4.40	64,77,827
2011	3.40	77,84,115
2012	3.17	90,09,722
2013	3.10	1,01,13,281
2014	2.60	1,12,33,522
2015	2.72	1,24,67,959
2016	2.72	1,37,71,874
2017	2.76	1,53,91,669
2018	2.74	1,70,98,304
2019	2.82	1,89,71,237



L(B2:B20, D2:D20)	Penetration in %	GDP in Rs.Crores
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Negative correlation with coefficient value= -0.160870207 between GDP and Insurance Penetration.

o Measures taken by IRDAI to improve Insurance penetration in India: As regulator IRDAI has taken measures to improve penetration in Indian insurance industry, details (from the IRDA Annual Report for 2019-20) are below.

Cash Acceptance Threshold: I.5.10.3 The insurance sector is very similar to the banking sector in that both are vehicles and instrumentalities for encouraging savings amongst the people in the country. The insurance laws in the country also mandate that a certain proportion of every company's business must emanate from the rural sector. Given the vast number of villages in India, compared to which the spread of banks is limited, to remove the hindrances posed by the restrictions on acceptance of cash, the IRDAI had aligned the stipulation with that prevalent in the banking sector. This was also aimed at encouraging insurance companies to tap rural business effectively, consequently improving on insurance penetration and density.

II.1.6.7 Under IRDAI (Regulatory Sandbox) Regulations, 2019 Permission may be granted if the technology a) promotes innovation beneficial to insurance; b)is in interest of policyholders; c) conducive for orderly growth; d) promotes insurance penetration; e) meets the requirements specified in the regulations. The validity of approval will be for the period of 6 months.

II.2.4 Micro Insurance Agents:

II.2.4.1 In order to facilitate penetration of insurance to the lower income segments of population, IRDAI had notified the Micro Insurance Regulations in 2005. They provided a platform to distribute insurance products, which are affordable to the rural and urban poor and to enable micro insurance to play its role in financial inclusion.

II.2.4.2 The main thrust of micro insurance regulations is protection of low income people with affordable insurance products to help cope with and recover from common risks with standardized popular insurance products adhering to certain levels of cover, premium and benefit standards. These regulations allow Non-Government Organizations (NGOs) and Self Help Groups (SHGs) to act as agents to insurance companies in marketing the micro insurance products and also allow both life and non-life insurers to promote combi-micro insurance products (combination of different lines of business).

II.2.4.3 The Authority undertook the review of the Micro Insurance Regulations, 2005 comprehensively. In this connection, the Authority has notified the Amended Regulations on March 13, 2015 wherein it has permitted several more entities like District Co-operative Banks, Regional

Rural Banks including Business Correspondents of Scheduled Commercial Banks to be appointed as Micro Insurance agents facilitating better penetration of Micro Insurance business and included additional policyholder protection measures.

II.2.4.4 Thirty two (32) micro insurance products of 16 life insurers were available in the market for sale as at March 31, 2020. Of these 32 products, 11 are Individual products and the remaining 21 are Group products (Annexure 5).

II.2.7 Web Aggregators: II.2.7.1 The Authority has promoted an insurance distribution channel called the Insurance Web Aggregator, for comparing and distribution of Insurance Policies online. The objective of an Insurance Web Aggregator is to maintain a website for providing interface to the insurance prospects for price comparison and information of products of different insurers and other related matters. This initiative was taken to increase the insurance penetration through e-commerce and contribute to the Government of India's Digital India initiative.

II.2.8 Point of Sales Person (POSP) POS-Life Insurers II.2.8.1 In order to give an added fillip in providing easy access to Life Insurance products to people at large and to enhance insurance penetration and density as part of Regulator's development mandate, the Authority has issued necessary Guidelines to Life Insurers.

POS - General and Health Insurers: II.2.8.4 The Authority has observed that there are number of persons who are involved in undertaking simple and routine activities pertaining to solicitation and marketing of insurance policies. For e.g. bulk of products in motor insurance, travel insurance, personal accident insurance, etc. require very little underwriting. These happen to be largely pre-underwritten products wherein based on the information provided by the prospect, the insurance policy is automatically generated by the system. The intervention required for such a product is minimal and the training and examination for such persons could be of a lesser degree.

II.2.8.5 In order to facilitate the growth of insurance business in the country and to enhance insurance penetration and insurance density, the Authority as part of its developmental agenda issued guidelines on "Point of Sales Persons" on October 26, 2015.
Payment of commission or remuneration or reward to insurance agents and insurance intermediaries) Regulations, 2016 on December 14, 2016 which was made effective from April 01, 2017.

The salient features of the regulations are us under:

i. Commission, Remuneration and Reward defined under the regulations
ii. Every insurer shall have a Board approved policy for payment of commission or remuneration to insurance agents and insurance intermediary.
iii. The objective of the Policy shall include the utilization of insurance agents and insurance intermediaries in that manner that:
a) increase insurance penetration and density in the country;
b) is in the interest of policyholders;
c) is commensurate with the business strategy;
d) brings cost efficiencies;
e) gives an indication on the relative degree of importance placed on each of them.

III.4 Group life insurance products administration

Group insurance facilitates enhancing the access to life insurance to both formal and informal sectors of the society and thereby increase insurance penetration. It's an important tool to offer beneficial coverage at moderate cost. The Authority has initially issued Group Insurance Guidelines on July 14, 2005. Consequent to issue of Linked and Non-Linked Life Insurance Product Regulations, 2019 there arose a need to review Group Insurance Guidelines and thus the Circular dated September 26, 2019 was issued applicable to all Life Insurers.

The following are the key features of the Circular on Group Life Insurance Products and other operational matters:

1. Claim Payments under the Lender Borrower

schemes where Life Insurer can make claim payment in favour of Master Policy Holders in case of select Regulated entities defined.

2. For better awareness, in case of employer-employee schemes, the master policy shall be made available for guidance to all the insured members of the group.

3. The Insurer may utilize the services of the master policyholder in facilitating the intimation and settlement of a claim except in case of lender-borrower group insurance schemes, where a specified procedure is laid down.

Insurance e-commerce
III.5.16 In order to increase the insurance penetration through the medium of e-commerce, the Authority has issued guidelines on Insurance e-commerce on March 09, 2017 to promote ecommerce in insurance space which is expected to lower the cost of transacting insurance business and bring higher efficiencies and greater reach. In this regard, a new platform namely Insurance Self-Network Platform (ISNP) is introduced.

Strengthening of Internal Information and Cyber Security Posture: Steps have been taken to conduct regular Information and Cyber Security Audit for IT infrastructure in IRDAI through a CERT-In empanelled auditor for a period of three years.

The scope of audit includes testing of all applications for cyber security related issues, review of Information Security Policy and Procedures, conduct of Gap Assessment in IT security and operating procedures, assessment of network security and information security, documentation and review of IT manuals containing Standard Operating Procedures (SOP), conduct of Vulnerability Assessment and Penetration Testing (VAPT), review of data centres including physical visits, compliance with IRDAI Information and Cyber Security Guidelines and submission of reports." [xvii]

Summary of findings

India is a bee-hive for insurance potential, but the providers seem not recognising this fact as evidenced by 2.82% of contribution of life insurance premium to GDP for an estimated population base of 138 crores for 2020.

o Correlation test does provide negative coefficient, which is a clue for policy formulators. Penetration and GDP do not seem to be directly corelated, There seems to be the influence of qualitative factors, which needs to be further analysed and studied in detail.

o There is a need to identify causes/reasons of the disconnect between increasing GDP, but falling penetration rates. There is a striking factor here. Even when real-estate market was high contributing to GDP, why it did not provide necessary impetus to homeowner/business-owner insurance, needs to be analysed.

Apparent Short comings

- Lack of priority to insurance industry in policy making
- Lack of awareness about Life Insurance, products, benefits among citizens
- Inadequate/incompatible product portfolio
- Lack of incentives to prospects, with dwindling tax benefits
- Declining role of qualified insurance marketers/ Advisors in the market
- Inadequate access/reach to tech enabled access in rural areas.

Recommendations:

Some of the studies in developed markets[xviii] provide solutions to Indian environment like:
*Revisiting product strategies to provide comprehensive, holistic solutions. Currently products isolated solutions like mortality protection or high returns etc. A survey-based study would provide details.
*Emphasis to qualified Field underwriters. There is an urgent need to develop a brand for Financial Planners and Field underwriters, which can provide a good source of employment as well. Regulator should identify this need.
*Outdated financial planning methods in practice requires innovation.

*Shrinking distribution force, in Indian context needs to be studied to fix the trend

*Challenges in maintaining captive sales force, a separate study to identify
*Third-party distribution is not a solution, to identify and check rampant mis-selling.
*Non-Business friendly regulatory environment, needs a separate study to analyse bottlenecks in regulatory framework
*A separate study of lapsation-Reinstatements in Indian industry needs to be undertaken to fix attrition.

In addition to the above, there are a few things to be looked from Indian perspective:

- Increase insurance awareness among public through proper promotion, by insurers
- Build public confidence through transparency, prompt grievance redressal, mitigating unfair-business practices
- Encourage students & youth into industry through flexible career options
- Focus, insurance as protection tool and not investment option
- Encourage tied agency models for long term survival and success
- Provide opportunities for upskilling to agents
- Rationalise commission structure
- Create policies removing trade barriers
- Focus on non-metro and rural markets
- Build innovative products
- Rationalise policies with uniformity
- Enhance insurance education to build financial literacy
- Curtail unfair competition
- Introduce customisation to market needs
- Build options for seasonal incomes
- Increase number of offices to facilitate access

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