



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Insurance Awareness In India: Reforms And Challenges

Presented By

Kumuda D.R

Assistant Professor,

Vidyavardhaka First Grade College, Mysore

ABSTRACT:

Insurance is a protection against financial thrashing arising on the happening of an unexpected event. Insurance policy helps in not only modifying risks but also provides a financial influence against adverse financial loads suffered. Insurance is a contract between two parties, the insurer or the insurance company, and the insured, the person in search of the protection. Within this contract, the insurer agrees to pay the insurer for financial losses arising out of any unexpected events or risk in return for a regular payment of premium. Therefore, these insurance plans are also called as a Risk Cover Plans, which refers to financially reimburse for losses that occur uncertainly through accident, illness, theft, natural disaster. Inadequately protected families often put burden on public resources for their welfare. The essentials of demand for risk security are 'Age', 'Income', 'Affordability', 'Wealth' and finally 'the aspiration to protect income from Inflation'. Though aggregate demand is driven by these factors, various researches have shown that there is little connection between a specific family's need for security and its actual purchase of insurance.

Keywords: Beneficiary: Life Insurance, Industry, Insurer, Awareness, Assurance

INTRODUCTION:

Insurance is a topic listed in the concurrent list in the Seventh Schedule to the Constitution of India where both center and states can legislate. The insurance sector has gone through a number of stages and changes. Insurance plays an important role in the complex modern world since risk, which can be insured, has increased enormously in every walk of life. This has led to growth in the insurance business and development of various types of insurance covers. The insurance sector acts as a mobilize of savings and a financial intermediate and is also a promoter of investment activities. It can play an important role in the economic development of a country, while economic development itself can assist the growth of the insurance sector.

Concept of Insurance:

Insurance is a form of risk management which is used mainly to evade against the risk of a contingent, uncertain loss. Insurance is defined as the reasonable transfer of the risk of loss, from one entity to another, in exchange for payment. Insurance is basically an arrangement where the losses qualified by a few are extended among many who are exposed to similar risks. It is a protection against financial loss that may occur due to an unpredicted event. The transaction involves the insured assuming a definite and known, comparatively small, loss in the form of payment to the insurer in exchange for the insurer's promise to reimburse or indemnify the insured in the case of a large, possibly overwhelming, loss. The insured receives a contract called an insurance policy which details the conditions and situations under which the insured will be compensated.

Insurance can be broadly classified broadly into:

(a) Life insurance

(b) Non-life or General insurance.

(a) Life Insurance or life assurance is a contract between the policy owner and the insurer, where the insurer agrees to pay the nominated beneficiary a sum of money upon the occurrence of the insured individual's death or other events like terminal or critical illness. In return, the policy owner agrees to pay a specified amount at regular intervals or in lump sums. Life-based contracts are classified into two major categories:

- **Protection Policies:** Designed to provide a benefit in case of a specified event, normally against lump sum payment. A common form of this policy is term insurance.

- **Investment Policies:** The main objective is to enable the growth of capital by single or regular premiums. The common forms in this policy include whole life, universal life and variable life policies.

(b) Non-life insurance or General insurance policies, including automobile and property holder policies, provide payments depending on the loss from a particular financial event. General insurance naturally comprises any insurance cover that is not deemed to be life insurance. Some categories of general insurance policies are: vehicle, health, property, home, accident, sickness and unemployment, casualty, liability, and credit. The term insurance generally depend on the company providing the cover.

Objective of the study:

- 1) To study the improvement in Indian insurance business.
- 2) To understand why awareness of insurance is important.

RESEARCH METHODOLOGY:

Basically this paper depends upon secondary data .Data has been collected from respective websites .For the theoretical background and basic knowledge of insurance even information gathered from reputed journals, magazines, newspapers and surfing net.

IMPORTANCE OF INSURANCE:

Life insurance is usually considered a mean of protecting one's family against the unexpected circumstance of the death of an earning member. However, there are a number of other benefits that are not obvious. Some benefits accrue to the individuals and their families, while others contribute to economic development. For example, an insurance company takes the risk of large and uncertain losses in exchange for small premiums. This gives a sense of assurance and security to the insured individual through the protection of insurance in the event of an unfortunate incident. In large sized industrial and commercial organizations, it facilitates operations as many of the risks are transferred to the insurer. Insurance, particularly life insurance, is one of the ways of providing for the future. A life insurance policy which gives an annuity is an arrangement of protection and investment. It increases the creditworthiness of the assured person because it can provide funds for settlement in the event of death. It also reduces losses owed to theft, robbery, fire accidents, etc. In addition, it acts as a solution to social problems. For example, while compensation is available to victims of industrial damages and road accidents, financial difficulties on account of old age, disability or death is minimized. Investment of accumulated resources by the insurer facilitates the overall development of the country. Capital is typically risk averse, but if insurers provide protection against risks, then several investors would come forward to invest their funds. In many advanced countries, citizens are to a certain extent protected by social security schemes provided by the government. These systems offer financial aid to citizens who are eligible on grounds of unemployment, old age, sickness, disability, etc.

Insurance Awareness Policy of Life Insurance Companies:

AEGON Religare Life Insurance Co.Ltd- Insurance Awareness Policy -

AEGON Religare Life Insurance (ARLI) since beginning has been focusing on educating the public on the significance of having adequate insurance cover. The company has since been the creator in developing online insurance portal which has gone a long way in developing a new segment of 'aware' customers. Its objective is to frequently educate prospective and existing customers to:

- a) Purchase adequate insurance cover to safeguard themselves from dying too soon, falling ill and living long; and
- b) Purchase investment/savings-linked-insurance products that support with their needs after understanding the products well.

As per IRDA letter the company is now accepting a formal 'Insurance Awareness Policy'

This policy is being said in order to help the vision of developing a 'financially aware and empowered India'

Components of Insurance Awareness:

The policy aims to educate its customers and public at large in making the true choices by being aware of: -

- Financial planning
- Need for adequate insurance
- Rights and responsibilities
- Grievance redressal mechanism
- How to evaluate their insurance requirement
- Decide on a particular product

Such Awareness creation will be done through:

- Direct Campaigns
- Assisting the Regulatory body (IRDA) and Life Insurance Council

Direct Campaigns:

The direct campaigns will be made through the several means such as:

1. Direct Campaigns :

This will be direct message to consumers in areas mentioned above and also on aids of having adequate insurance and pension cover. The media (print, television, billboards, radio, internet etc) used will be based on our assessment of value-for-money and also our brand positioning.

2. Campaigns through Branches :

Various campaigns will be run through the branches to accomplish the desired result in this regard.

(a) Customer Engagement Day:

Customer Engagement is an essential part of company's strategy to promote awareness. The company has designated the second Saturday of November as the 'Customer Engagement Day' at branches. On this day all customers are invited to branches and provided them with services like medical test and advice on investment requirements, financial planning, etc.

(b) Engagement of family members of the policyholder:

The children and the family members of the policyholders are planned to be involved by drawing them to various activities like 'Cooking Competition', 'Art and Craft Competition', 'Quiz Contests' etc wherein basic awareness about insurance will be formed among the family members. This is expected to help in increasing insurance penetration and persistency.

(c) Training for agents to help the agents in developing their capability for financial planning and advising the potential customer.

(d) Continuous engagement with customers through home visits and periodic customer meets where the customer is provided with information on financial markets, economy etc.

3. Campaigns through Financial Literacy Centers (FLCs) and Common Service Centers (CSC)

ARLI has now indicated to the Life Insurance Council that it will work in five Financial Literacy Centers (FLCs) in Punjab whenever the plan for the same is finalised.

The company is also in the process of tying up with CSC E Governance Ltd for selling insurance policies through the Common Service Centers (CSCs). This will help in creating product and financial planning related awareness to massive expanse of rural population.

Assisting IRDA & Life Insurance Council:

ARLI will assist IRDA and Life Insurance Council in providing basic and sector specific awareness programmes as per policies drawn up by these bodies from time to time.

This policy will be revised once a year. Submitted for approval of the Board of Directors.

Challenges for Insurance Business in India:

The evolution of the insurance industry from a public monopoly to a competitive environment now presents very interesting challenges, both to the new players and to the customer. The benchmark of success of organization is not only determined by the rate of return but also by the excellence of corporate governance.

So, good corporate governance practices should be followed by the companies as well as by the regulator. Though LIC has done admirable work, there is still a great deal of scope for bringing in innovative products and distribution channels to tap insurance market. Currently the product-market relationship is conquered by personalized selling rendered by tied agents. So the agents should be able to understand the difficulty to assess the requirement of the populace and then only advice on the appropriate policy, which suits, to the needs of the population. Also, companies will have to transform customer relationship management to the value-based client relationship.

The CRM challenge will have the pyramid of 3 sub-challenges i.e. product development, pricing mechanism, and technology management. Insurance business is based on averages and spreading of risks. So, a flexible pricing structure for satisfying customer confidence and interest will be a challenging task before Indian issuers.

The majority of insurance companies today are under tariff, which means insurance companies cannot price the product to suit the customer of customer group. The way to service customer is to divide the market and offer the correct product at the correct price to that market segment. There is a huge untapped potential in India, which needs to be targeted. The distribution channel is a medium to reach the masses in urban, semi-urban and rural areas. So, the insurance company should focus on pricing, risk management, distribution and investment decision-making.

IMPROVING INDIA'S INSURANCE BUSINESS:

It is well known that India is under-insured and in terms of life insurance, women, rural occupiers and the self-employed have been left even further behind. A report by Swiss Re places the protection gap in India as the second highest in Asia. The protection gap is defined as the gap between how much life insurance cover a person buys and how much they actually need.

In spite of rapid sales growth and recent improvements in terms of insurance penetration, savings and insurance in India still only meet less than 10% of the population's mortality protection needs.

Only just over one-third (36%) of life insurance customers said they had lead a 'great amount' of research before purchasing a policy. Worryingly, 14% of the people surveyed had done little research or none at all before purchasing life insurance. This figure was as high as 26% for people living in Tier one cities. Some 50% of people overall said they had done a 'fair amount' of research prior to purchase.

On the positive side, consumers purchasing life insurance direct from the insurer tend to do more research before purchase, with 58% of them doing a 'fair amount' of research.

Consumers currently rely on agents, friends and family

Over 3 quarters of consumers purchasing life insurance (76%) rely on a broker or agent as their main information source, whereas much fewer numbers rely on information directly from an insurance company (39%), word of mouth (38%), direct mail (34%) or information directly from a bank reseller (32%).

Insurance products must be made simple

Some 25% of the uninsured group in our study said they don't know anything about insurance, and another 29% said they find insurance policies are complex to understand.

The industry efforts so far at making insurance easy to understand have been on shortening the language used to describe product features. The right attempt would be to simplify the products and customize them with information about the individual's needs and their profile that's already known. It could have a big impact in the market if the products themselves are simplified and made instinctive, rather than just the explanations.

Make insurance selling transparent

A large percentage of respondents to LexisNexis study said they refrained from buying any type of insurance because of a lack of trust. 19% said they do not believe the insurance company or the bank distributing the insurance product, while another 18% lacked trust in agents.

Technology can be the means for insurers to mechanize and ensure information is provided in a transparent and comprehensive way, curbing any potential for miss-selling or bad practice by intermediaries.

Effects of the insurance awareness gap

- Decisions by consumers tend to yield less than preferred benefits, leaving them unaware of suitable products
- Consumers maintain the status quo in coverage, ignoring the need for advanced coverage as their lives change
- Better coverage choices get overlooked as they become available
- Consumers unconscious of risks throughout their life-stages
- Consumers unconscious of consequences of not paying premiums regularly, to prevent a policy from lapsing
- Uncertainty in the claims process and the conditions in which a claim is admissible or non-admissible
- Pre-conceived notions about insurance are not corrected
- Advice is required from family or friends who themselves may have low levels of knowledge.

Insurance education initiatives and more transparency in the sales process could help to remove these biases and lead to an improvement in the quality of choices.

Why Awareness on Insurance is Important:

The importance of insurance is undeniable in modern economies as it serves a broad public interest and is vital to individuals' security. Advocacy of insurance and risk issues is a significant tool that complements the insurance regulatory and supervisory framework.

This is particularly so given:

1. Households' growing risk exposures and obligation for covering them;
2. Increasing diversity and difficulty of insurance products; and
3. Heterogeneity of insurance providers and channels of distribution. Advocacy can typically:
 - (i) Heighten individuals' awareness and obligation towards potential risks;
 - (ii) Improve understanding of insurance mechanisms that can cover these risks; and
 - (iii) Enable the growth of consumers' knowledge and capacity in order to make informed decisions as regards insurance.

CONCLUSION:

Even among uninsured households, 60% have heard of life insurance. However, for health insurance, the level of awareness is much lesser since people tend to associate insurance with death. Although, many might have heard about life or health insurance, there is a lack of knowledge about the various aspects of insurance even among policy holders. For example, all the policy holders may not know that their policies could be cancelled because of non-payment of premium. Though most of them may know when they can claim their policy amounts, and to some extent the procedure involved in claim settlement, they have no idea about the time taken for a claim settlement or the amount they would receive if the policy is surrendered before maturity. A large percentage of households know that a nomination facility is available. However, more people know about their duties, than their rights as policy holders. The most significant duty mentioned by households is the 'duty to pay the premium' and the most important right is the 'right to pay the premium'.

REFERENCES

1. http://www.mckinneyinsuranceservices.com/2013/06/24/insurance_awareness_whys_insurance_important/
2. <https://m.economictimes.com/industry/banking/finance/insure/indias-insurance-industry-is-improving-efficiency-through-the-use-of-new-age-technology/articleshow/70902516.cms>
3. <https://www.paisabazaar.com/blog/challenges-indian-life-insurance-industry/>
4. <https://www.lifeinscouncil.org/industry%20information/insurance-awareness-policy.pdf>

