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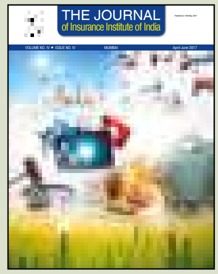

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EDITORIAL

The Financial year 2017-18 has already begun. The challenges facing the insurance industry continue to dominate the minds and thoughts of its practitioners generating higher premium volumes, reducing costs, managing and leveraging distribution channels, increasing profitability…

Indeed, it has often become a numbers game and somewhere along the line one needs to keep asking the crucial question – why are we in the business and what is the value we add to customers and the society at large. If there is indeed a (financial) new year resolution one can make, it would be to begin with purpose and go back to the basics.

For long we have been used to waking up every morning to the question of “Where have we reached?”. Perhaps it is time we began reframing it to “How have I served?”.

The April – June 2017 issue being an open one, we have articles on a variety of themes. We hope the content stimulates interest and further inquiry.

The July – September 2017 issue will be on **“Insurance in the Information Era”**. The last date of submitting the articles/papers will be 31st May, 2017.

We wish all our readers an exciting and eventful 2017-18.

How Successful has the Bancassurance Model been in India?

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Bancassurance (derived from Bank + Insurance) can be traced back to the early fifties of the previous century, when the French Bank, BNP Paribas introduced it as an additional revenue stream for its branches in France. The employees of the Bank were given "Cross Selling" targets and over a period of time, this was built into their KRAs, with encouraging results. BNP Paribas of France does almost all its insurance business through Bancassurance. Incidentally, this is the genesis of the Bancassurance model worldwide, replicated to a large extent, successfully in India as well.

In the early nineties, India saw Bancassurance being introduced at a frenetic pace, with a number of Banks, both Public and Private, tying up with Insurance companies. It was apparently a win-win situation for both the Banks and Insurance companies. The Banks would get an additional revenue stream while the Insurance companies would leverage the huge distribution franchise of the Banks to reach out to more customers.

In the Indian context, in the Banks, an oft quoted example was that of the American Bank—Wells Fargo, where the products sold per customer were supposedly 5 times that of the Indian banks, with Insurance products being just one of the products. It has now emerged that some of the Branch Managers of Wells Fargo enagaged in illicit means to get business or 'show' business.

Wells Fargo has been slapped on the wrist by the US Senate Banking Committee with a fine of US $ 185 million. But the Bank has not given up Cross Selling. It continues to prod customers into taking more products to increase stickiness. The motto "Eight is Great" still holds good and currently, on an average, a Checking Account has 6.27 products. (Page 66 of The Economist, September 17th 2016).

What is in it for the Banks? After all Banks, being Corporate Agents, get commission from the Insurance companies for sale through the Bank's branches. But the commission earned is small, if we take it as a proportion of "Fee Income" or even if we take into account other components of "Commission" earned by the Banks like Loan Processing Charges, Commission on Government Business or LC/BG Commission.

For the Banks, Bancassurance products enhance their Product Bouquet for the customers. If Insurance products are not readily available at the bank's branches then the customer will approach the Insurer directly or through an Agent and purchase the Insurance cover. This implies that the Customer stickiness of the Bank is reduced to that extent and also that the Bank loses some commission. For the Bank staff, Bancassurance is a component of the overall cross-selling by the Bank branch. The Bank staff enhances its knowledge by becoming a Qualified Person to sell Insurance, which also adds to his grades in the overall Performance Matrix. It enhances the Job Satisfaction of the Bank staff.

Prior to Bancassurance in India, the Bank staff, particularly in the Public Sector, were staid and steady, devoid of any visible marketing skills. With the entry of the Insurance companies particularly those with Foreign Tie-ups in the Bancassurance space, the Public Sector Banks woke up to the potential of marketing their products and themselves, as well. Suddenly, the Banks started preening themselves as well if not better, in some instances, as their counterparts in the Private sector, who were already adept at this. The Public Sector Bank staff who opted for Cross Selling started getting trained in soft skills, customer interaction, faster complaint resolution, etc. The Insurance companies also started preparing various customer profiles and presenting it to the Bankers. This was further leveraged by the Banks by bundling Insurance products with Bank products.

Against this backdrop, let us now examine how successful has Bancassurance been for Insurance companies. Firstly, Insurers have got a ready-made distribution Franchise which would otherwise have taken them ages to build. As a vertical, the Bancassurance vertical offers to the Insurance companies a steady Business stream, year on year at considerably lower acquisition costs, as compared to other channels. The Bancassurance vertical, as a P & L centre also compares very favourably with other verticals.

But there are challenges as well for the Insurance companies. Foremost among them is the frequent rotation of Bank staff every 2 or 3 years. The implication being that the Insurer has to re-invest in building a relationship with the Banker every time there is a change. The Top Management of the Bank is trying to bring in a component of cross Selling in the Annual Scorecards of the employees, and has to a extent succeeded in doing so, with the flip side being as to how many more parameters could be incorporated in the staff's score cards? It is a play-off between motivating the employee to score higher and overloading him with so many tasks that s/he performs sub-optimally.

This begets the question that is the Bancassurance model flawed? My response would be that it is not so wholly or in full measure but quite substantially. No distribution model is perfect and there are glitches in all models.

A larger poser is – how can we improve the Bancassurance model? The answer lies somewhere between the two extremes—abandon it totally or adjust to it with a built-in flexibility. Can we not have a Bank employee at the Bank branch essentially doing only Bancassurance? You may like to add to the frontline Bank employees' duties, like the sale of Mutual Funds, sourcing of credit cards, sale of National Pension Scheme products, demating of accounts etc. From the Insurer's side, then this Bank employee becomes a single point of contact for all customer service related activities like claim processing, endorsements, complaints and so on.

Essentially, what is now found wanting is that only the Bank's Branch Manager is responsible for achieving the Bancassurance and other Cross Selling budgets. As it is, the Branch Manager is overloaded with numerous other duties, and s/he pursues only that area where s/he is directed by the Controller, be it NPA recovery, sanction of loans, Internal Housekeeping.

In effect, Bancassurance is not on the top of the mind recall, till such time the Controller steps in. With a Single Point of Contact in the branch, focussed attention can be given to all para-banking activities.

However, what the Insurers overlook is that for Bank employees, the prime job is Banking-accepting deposits for the purpose of Lending and for remitting funds. Other duties outside Banking are secondary, if not tertiary, what with a Compliance overhang for each of the various Banking activities.

Insurers who expect to cash in on the distribution franchise of the Banks and post exponential numbers, both top line and bottom line, year on year, through the Bancassurance line, are advised to hasten slowly as the reality at the Frontline of the Banks is quite hard hitting.

To conclude, the Bancassurance model is successful only if the constraints of the Banks are taken into account, while designing Bancassurance products or designing the Bancassurance Distribution model with ample space for respecting the Compliance needs of the Regulators, both IRDAI and RBI.

Enhancing Profitability in Indian Life Insurance Industry – A Proposition

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Abstract

With more than 35,000+ crore deployed as capital and over 11003 branches becoming operational Life Insurance companies are still grappling to wipe out accumulated losses. Going slow on expansion, Insurance companies are attempting to take an evaluated risk. Commencing operations without grasping the determinants of profitability is bound to be fragmentary and incomplete. Because of the long term nature of Insurance business, there is no predetermined criterion to measure the effectiveness of operating companies. Hence for accounting purpose, insurance companies rely on bookkeeping practices to land at profits for the financial year. This may offer us fractional information but will not provide us with a factual viewpoint. The Concept of embedded value where we examine the future cash flows at present moment is also not widely received as it lacks accepted criterion. During initial years Insurance companies were investing heavily to build distribution but the ROI took an unusually long time. Companies are adopting standard practices thanks to regulatory interventions at frequent intervals which only reiterate a point that cost effective products need to be offered to customers to gain their confidence and market share.

Introduction

At present many insurance companies are suffering loss which is a disturbing trend. This is because of the declining fortunes of the Indian life insurance industry, which until a few years back, was considered to be a sunrise industry, guaranteeing decades of uninterrupted growth and loads of profits for shareholders. And year-on-year there is a decline in new business premium, which is the yardstick to measure the efficiency of capital deployment. Charges of ambiguous sales pitch by agents led to the Insurance Regulatory and Development Authority stepping in with prescribed controls on how a product is to be sold. The field that was unregulated i.e. agent commission which was never regulated, also drew regulatory attention. There was a massive correction in the way insurance is being sold after both the regulators – SEBI and IRDAI indulged in public animosity on who controls the Unit Linked Insurance Plan (ULIP) which was similar to mutual fund units. Commission on unit-linked products has come down to 5% from as high as 18%. Hence, the sales also decreased which made insurance companies incur further losses.

Industry had lost more talent with a massive breakout of agents since 2010. The total number of agents dropped by 5 lakhs from 26.39 lakhs in March 2010 to 20.67 lakhs at the end of March 2015. Economic mishandling over the last few years had its undesirable influence. Inflation also averaged 10% at the consumer-level for much of the past decade and lowering employment coupled with a drop in savings ratio all have compounded to bring the already struggling insurance industry into chaos, which has kept potential buyers away from buying insurance policies. When the industry is struggling not everyone would be willing to commit for a long haul in this scenario especially when growth rate was falling to a decade low of 5% and salaries are forecast to grow only between 10 and 12% against the 20-30% in the past's magnificent years.

While we have many factors which influence the profitability of Life Insurance Companies the most prominent one are mentioned as below.

➢ Treatment of Acquisition Cost and its Impact

Since Indian Life Insurance Companies do not follow IFRS 4 Accounting which allows for deferring the acquisition cost we make as if the business is loss making. IRDAI should standardize the accounting practices and align with global practices wherein the initial acquisition cost is deferred so that companies would make profit from the accounting perspective. Current accounting practice would discourage Insurance Companies to infuse further capital as everything gets reflected in the accounting year.

➢ Develop Digital Distribution Strategy

Digital signifies an incessant form of disruption to current or new business models, products, services or experiences enabled by data and technology. Efficiently leveraging the digital revolution can let life insurance companies to lessen customer service costs while augmenting both customer satisfaction and retention. Currently Insurance Companies are sourcing only term plans through online sales... Since it is only a beginning we cannot compare the quantum of premium source through online sales, since term plans ticket size will be very low. Biggest advantage here would be reduced cost of acquisition which can be passed to customers which in turn enhances topline and bottom line.

Also marketing insurance products through the e-commerce model will profit consumers and companies equally as it would present instantaneous connect and unleash digital touch points to bring in more obviousness.

➢ Focus on Variable Channel

Insurance companies are focusing on the variable channel wherein instead of Sales Managers you would have Chief Agents recruiting agents under them and developing them. These Chief Agents are on variable pay wherein they are paid an ORC on the advisor commission. While the model is not formally approved by the regulator we have 13+ companies practicing this model and generating business through this. This is a big shift from the existing direct channel where the payout is made only once the business is sourced. It is still not a major channel for most of the Insurance Companies since the productivity of Chief Agents is not predictable as most of them are part time. With enhanced productivity from Chief Agents this is surely a game changer.

➢ Implement Data Analytics

Life insurance industry always remained very competitive. And amidst this uncertainty and inflated costs the only tactic to grow both topline and bottom line is by acquiring quality customers and retaining them.

However identifying quality customers and retaining most of them requires a focused approach and this is possible only through analytics viz., understanding customer priorities, behavior and buying patterns. Analytics can be defined as studying the historical data to identify a particular trend and predicting the future. The main aim of analytics is to study the behavior of the customer and manufacturing a product on the basis of his need.

In the life insurance industry, analytics can aid a company craft an all-inclusive roadmap for handling the entire lifecycle of a customer, from acquisition to lapse or maturity. Analytics also supports an insurer gain a holistic view of a customer, draw inferences and ascertain opportunities across all business lines. This is a sure shot way to initiate both cross and upsell opportunities with the existing customers. With so many data available for analytics this is a sure shot way to reduce the cost of acquisition and approach the existing customers for future sales by observing a pattern or trend in consumer behavior. This is called predictive modeling.

➢ Identify Areas for Expense Reduction/Efficiency Build Up

According to calculations a life insurer can enhance its return on equity by 2.5 percent through cost-cutting, and a further 0.6 percent by optimizing commission structures and processes.

It is simply that cost reduction must be seen at the strategic level. Companies of course, typically have a number of cost-reduction programs underway at any one time. But these are very limited in scope. What we are discussing here is perpetual cost containment and that denotes rationalizing and restructuring the operational model. This eventually leads to Efficiency Build up.

Many companies are by now exercising the shared services model to produce genuine advances in process and service fineness in support functions like IT and finance as well as principal insurance functions such as claims and call centers. But to achieve maximum benefits this move to shared services must be combined with the company's digital revolution, generating a more cost-containment operating model that extends to all the business units and offering a customized digital stage through which life insurers interact with both clients and business partners. Major cost containment needs to happen at the employee level since employee cost contributes close to 50-55% of the overall operating expense. With regulatory guidelines in place the average commission came down drastically and the only area which needs to be focused is optimum utilization of existing resources.

➢ Improving Risk and Capital Management Skills

Integrated risk and capital management is emerging as a source of competitive advantage in the insurance industry. The days of seeing risk and capital management as purely defensive business processes are nearing an end. Insurers have come to identify enterprise risk management as central to creating and enhancing shareholder value through improved risk-based decision making and capital allocation. Senior executives are according integrated risk and capital management greater importance and attention than ever before, establishing high-level accountability befitting a legitimate tactical function. Risk management deliberations have begun dominating business decisions in such conventional areas as investment/asset strategy, annual business planning, product pricing and reinsurance purchasing. Reinsurance is the most effective way for managing integrated risk.

Organizations handle Market Risk, Insurance Risk and operational risk. Companies need to have long pronged strategy to handle this risks.

➢ Centralized Repository on Underwriting

In underwriting, contemporary data sources and inventive platforms to stock and store data or simply computerize existing processes can lower the length and tactlessness of risk assessment, refine risk selection and improve policy pricing. Mechanization of underwriting a developing trend will be pressed to new frontiers by improvements in cognitive computing, while Big Data and innovative analytical tools will advance the still-budding stage of predictive modeling in underwriting.

Data sharing platforms for end consumers will reduce the cost of collecting health information and provide cost efficient way to gather information. Having a centralized repository on customer details and sharing the same is surely going to reduce the overall costing of underwriting for all the insurance companies. Policies will fall under Non-Medical do not require any spending on underwriting except authenticating data which can be done accessing centralized repository.

➢ Leverage In-Force Book and Existing Customer Relationships

The Indian life insurance sector has underperformed compared to its Asian counterparts, said a report by McKinsey & Company. The report 'The Life Journey India' said that none of the private insurers in India are generating value as per the market potential.

It further said this is because all insurance companies are serving a tiny segment of customers primarily to meet their narrow investment needs. However the report added that even within this restricted space they could demonstrate significant performance which is driven primarily by voluminous distribution. The report further states that the industry is driven by banc assurance model because of cost efficiency and less capital expenditure.

Growth in Indian Life Insurance Industry can be related more closely to the growth witnessed in equity market than the actual GDP. For more than a decade, the private industry delivered a performance which is far below the cost of capital and way below the returns in other Asian Markets.

For value growth, insurers should develop capabilities in agency and minimize costs, reinvent relationships with customers and distributors by using digital tools and analytics. They should also build risk and capital management skills and leverage the in-force book and existing customer relationships through cross sell and up sell opportunities.

➢ Group Business as the Cost Efficient Channel

The foremost appeal of group insurance is the capability to cover voluminous database in a cost efficient manner. Group insurance is cost effective because it pays comparably lesser commissions and incurs lower acquisition cost; by its nature obstructs the need for individual underwriting; makes use of a master contract with the plan sponsor instead of having to issue individual policies; and effectively gathers premium collection through payroll deductions or as onetime payment from the employer. The insurance cover also has comparatively effortless data requirements. If the risk assessment is prudently done then it will generate enough underwriting surplus. Also, since it follows the pattern called experience rating we would be charging premiums proportionate to the accepted risk. Group Fund Business remains vital since companies make good on FMC charges and also MRTI (Mortgage Reducing Term Insurance) products which allow them to cover customers on their properties. Insurance Companies generate profit through Asset Management and also prudent underwriting.

➢ Corporate Agency Effectual than Tied Agency

Unlike an agent that can only sell insurance, properly trained bank staff can dedicate themselves to serving all their customers' financial needs in one-stop.

Many would prefer to call banc assurance as a channel. Instead it is a business model created to leverage the distribution capability of a bank without incurring any further capital expenditure. Banc assurance can be multi-channel, selling through face-to-face interactions, online, through the mail or telephone—fundamentally it is selling insurance to bank's internal customers through the bank's existing distribution.

➢ Persistency

As the undercurrents of the industry have transformed, companies understood how retaining existing customers is vital to profitability, making 'persistency' the new catchword in the life industry. Since margins are going down the emphasis has shifted from growth to profitability. That is insurance companies started focusing more on profitability and sustainability than growth in new business premium.

In this light, discontinuation of a policy has an adverse impact on all the stakeholders. The policyholder drops his risk cover and fails to meet his long term financial goals; the agent fails to earn renewal commission and sustain the existing relationship; and the insurer is unable to recover the initial acquisition cost or build a justifiable base of polices. Understanding this simple equation has compelled insurers to redefine their strategies and strike a balance between new customer acquisition and retaining existing customers.

Insurers operating the tied agency are experiencing a considerable increase in the number of orphan policies because of more inactive agents or maximum agents leaving the industry thus making renewal collection more vulnerable and in turn affecting the already depleting persistency ratio. Also since new business pays higher payout there is a tendency with insurance agents to ignore renewals for new business.

➢ Positive Investment Experience

The main source of revenue for insurance companies will be premium from underwriting activities and returns on investment income. Life insurance companies invest revenue in order to generate a profit. Insurers invest in diversified assets but however should be careful and not greedy in investing in riskier asset classes as they need to maintain safety and liquidity also. Insurers invest in stocks, bonds, real estate, and a number of other asset classes.

Net investment income is deployed as the numerator because it eliminates the expenses associated with creating the investment income. The denominator of the investment income ratio is earned premiums. We may take written premium as the denominator but it means that the calculation will include premium which is still considered a liability. Earner premium would give us the exam picture.

The investment income ratio is deployed in the assessment of an insurance company's overall operating ratio, which is a measurement of the insurer's overall performance. Operating ratio is equal to sum of loss ratio and expense ratio minus the investment income ratio. An operating ratio below 100 indicates that the insurer is generating profit from its operations.

Life Insurance companies provide guaranteed products in addition to non-guaranteed. They will earn or lose, based on the investment experience of the company. A strong investment team with futuristic approach will surely help the company register Investment surplus in the long run...

Insurers were allowed to deal with Financial Derivatives only to the extent approved and in Accordance with the guidelines issued by the Authority vide Regulation 11 which got included in 2004 in the IRDA (Investment) Regulations, 2000.

Subsequently, the Authority circulated comprehensive Guidelines on Fixed Income Derivatives vide Circular no. INV/GLN/008/2004-05dt.24/08/2004. The said guidelines authorizes Insurers to enter Forward Rate Agreements

(FRAs), Interest Rate Swaps (IRS), Exchange Traded Interest Rate Futures (IRF) with a maximum tenure of 1 year to hedge the Interest Rate risk on Investments and the forecasted transactions.

➢ New Distribution Channels

There is a growing need to develop new and cost effective channels for distribution. Both Agency and Banc assurance channels have their own merits and demerits. We need to have multi-channel distribution for optimum utilization of resources. With the advent of technology innovation there is a scope to reduce the cost of acquisition, for which in turn, tthe benefit can be passed to the customer. IMF (Insurance Marketing Firm) is the new channel for distributing insurance products, who work on a multi-product platform which is initiated by the regulator. Following are the new channels which come in the forefront for distribution...

- Online/internet gateways
- Direct marketing and Telemarketing
- NGOs and affinity groups
- Insurance Marketing Firms
- Web Aggregators
- Worksite Marketing

➢ Product Portfolio with Non-Participating Plans

The Insurance Regulatory and Development Authority (IrDA) is tightening its noose around the expenses of management in life insurance companies.

In a draft circular, it has asked companies to opt for the lower of either the expenses as mentioned in the file and use (F&U) filing with IrDA and the norms under Rule 17D of the Insurance Rules 1939. Feedback has to be sent by next week.

Further, the expenses for two similar-looking products in the participating (par) and non-participating (non-par) segments cannot be different. PAR funding is done from Policy Holder's account whereas Non-PAR is from Shareholder's account. Insurance Companies need to distribute surplus to policy holders on PAR products at 90:10 Ratio wherein 90% gets distributed to policy holders on the basis of the actuarial valuation. However there is no surplus distribution on NON-PAR products and entire profit gets into shareholders account. Hence the need to have more NON-PAR portfolio which eventually allows shareholders nullify most of their accumulated losses through the profit generated from NON-PAR products.

➢ Centralized Repository on Fraudulent Claims

According to the analysis of KPMG India Financial Services, insurance is the most susceptible sector when it pertains to deceitful activities. Recently, the losses triggered off to the insurance sector due to frauds are over 30000 crores annually which is nearly 9% of the total projected size of insurance industry as per a report by India Forensic Centre for Studies.

Under Section 45 of the Insurance Laws (Amendment) Ordinance, no claim can be rejected after three years for any reason. Hence the need to have a multi-pronged strategy to handle fraudulent claims which is denting the profitability of life insurance companies in India. There is a need to have a centralized repository on fraudulent claims which can be built by all Insurance Companies. Prospective customer details applying for a product can be authenticated through centralized repository and give a go ahead with the proposal. This will aid companies with anti-selection.

➢ Open Architecture in both Banking and Tied

Companies which are bank promoted and with banc assurance tie ups are the ones hitting profitability at the earliest. This happens because of leveraging with the existing banking network and Insurance Companies will not be required to infuse capital on branch expansion. However banking tie up is only restricted to select companies till recently... Now the regulator has come with Open Architecture and we can expect some momentum on this front... We are yet to see renewed interest since it is currently offered on voluntary basis and bank promoted companies are not interested in open architecture.

Similarly Tied is dominated by LIC which has got a base of 10lakh+ agents which is close to 50% of the total base. We do not have an even spread of agent deployment across companies. Hence a need to have open architecture even for tied set up where we can leverage with the existing base which eventually can increase the penetration.

➢ Variable Employee Cost

Manpower cost is between 40-50% of the overall operating expense which is an alarming trend in the current scenario. We cannot trim the employee strength as it is very much required for distribution buildup... Hence a need to plan employee cost which is a combination of fixed and variable. We need to incentivize employees more on variable which in turn will help us enhance their productivity. This will also reduce the fixed cost which is costing huge for the organization. We can surely have more employees on variable than fixed. And variable is paid basis the business achievement. This is to say that you will add on cost only with business coming in else you will continue to spend the same amount without adding any additional costing.

➢ Latest Mortality/Morbidity Table

Currently we are using the following Mortality/Morbidity Tables for Life Insurance Industry.

- INDIAN ASSURED LIVES MORTALITY (2006-08) ULT.
- MORTALITY FOR ANNUITANTS - LIC (A) (1996-98) ULTIMATE RATES

We need to have the latest mortality/ morbidity tables which reflect the current scenario. With advancement in Medical technology and innovation our recent experience has been much better and we are witnessing an increase in life expectancy... The same needs to get reflected in the table which can happen only when we follow the latest one... This will not only help reduce the mortality/morbidity charges but will also allow insurance companies to pass on this benefit to our customers which will in turn increase the top line thus contributing to profitability.

Conclusion

Insurance Companies need to ponder upon efficiency and this can happen only if we see growth in both Top Line and Bottom Line on YOY basis. Building efficiency is the only way to tide over and square off accumulated losses which gets clearly reflected in surplus generation on underwriting, investment and expense ratio. IJ

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Fraud Management in Insurance Claims

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Abstract

Claims management is a cost effective, profit generating and highly competitive after sales customer service. However, frauds are on the rise, necessitating a serious strategy to curb the same. In the materialistic society, greed has enhanced over the years. Moreover, hi-tech frauds, newer methods and team associations are recent trends, these result in non-genuine claims, inflated claims and altogether fake claims.

Frauds can be minimised through preventive, investigative and punitive measures. Prevention is always better than cure. The role of information sharing is particularly important.

An attempt has been made to discuss the ‘patterns’ and global trends in Fraud Management. If there is personal gain at the cost of company, the matter must be viewed seriously. Moral hazard of customers must be examined thoroughly. Efforts must be made to uplift employee ethics as also to take legal action against the fraudulent customers. It is not possible to eliminate frauds 100%, but minimisation is possible.

Fraud management can reduce costs, minimise claims and increase profits, apart from improving branding!

Keywords:
Patterns, "lights on" Technologies, Preventive / Punitive Vigilance, Claim hubs, Big Data & Analytics.

Introductory

Insurance business is highly technical in nature and involves very high values. The officers are having discretionary powers and corporate customers are demanding by nature. It is observed over the last few years that there has been rise in the number and types of insurance claim frauds all over the world. Hence it is definitely a priority area to prevent and minimise the frauds. Canny fraudsters always look for new scams. Industry should, therefore, be one step ahead in this direction. The trend of fewer motor claims but more claimants has gone unchecked. The key here is to watch "patterns" and check wherever there are delays and deviations. However, vast majority of people make genuine claims, so you can't treat everybody the same.

> For seamless, co-ordinated claims fraud management, team work of one and all is absolutely necessary. The changing patterns must be studied and used. Innovations must be extended to processes and technologies.

Nature and Types of Frauds

Normally the common features include the following:

1. There is either delay or hurry in settlement
2. Documents are misplaced, lost or tampered
3. It is the teamwork of a team and not work of individual only.
4. Claims are either fake or inflated
5. A racket involves surveyors, claim officers and customers
6. Recoveries are not pursued intentionally
7. Pending audit queries in claims department are not paid attention to.

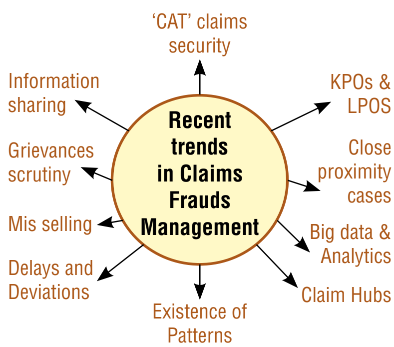
Formation of "Patterns" and Early Warning Signals

A "Pattern" is also an early warning signal. It means a repetitive, non standard, practice or a set of events which create obvious suspicion regarding genuineness of claim. It occurs frequently in many cases. Hence spotting patterns and investigating the same are very relevant and important factors. A detailed table is given below:

Table No. 1 "Spotting of Typical Patterns

1. Typical words / language used creating suspicion
2. Wavering of voice, no eye contact, unusual handwriting
3. Delay, deviation or hurry in settlement
4. Common people handling set of claims in teams
5. A few big claims / number of small claims for the same customer
6. Documents overwriting or too many corrections
7. Staged accidents & bogus passenger claims
8. Garages inflating claims regularly
9. Shifting of stocks before loss
10. Close proximity cases
11. Break in insurance periods
12. Non co-operation from the clients
13. Misuse of the cover notes
14. Irrational and arbitrary empanelment of TPAs, Surveyors, Advocates etc.
15. Recycling of salvage items
16. Non Payment, Short Payment or late payment of insurance premium
17. Discrepancies in mentioning description and cause of accident.

Table No. 2 "Recent Trends in Claims Frauds"



IT Solutions and Collaborative Approach

- The documents must be stored in electronic form
- Sharing of information within the insurance companies regarding frequent shifts in customers business from one company to another
- Collaborative databases must be formed and applied to check opportunistic frauds
- Use of fraud scorecard can be made

- Appoint desktop investigators
- Compilation of fraud work flowcharts
- Share the best internal practices
- "Lights On" and data matching technologies
- Use call centres to register fraud complaints
- Particularly applications related to health claims and motor claims, where frauds are concentrated
- Analyse the patterns if noticed in claims
- The software should give tips regarding the claims involving aspects such as 'pre existing' conditions, cashless statements, causes not known', short circuit cases, tenders irregularities, scrutiny of proposal / claims forms, salvage related queries etc. in particular.

Preventive and Punitive Vigilance Approach

Two approaches can be followed – 'Preventive' is a long term solution whereas 'Punitive' has a short term effect. Both have their own merits. A comparison has been made herein below:

Table No. 3 Comparison between Punitive and Preventive Approaches

Punitive	Preventive
Blacklist black sheep customers	Simplifications of procedures
Selective approach in promotions	Training in business ethics
Publicity of actions taken	Training in investigation skills
Legal action against fraudulent customers	Surprise checks
Expedite domestic enquiries	Periodic claims audit
Punish intermediaries if involved in frauds	Gaps Analysis
	Coordination within the insurance companies

Needless to mention that the support of top management is needed. The brokers can help a lot by giving feedback on moral hazard of customers and in helping companies for investigating frauds. Whenever necessary the help of police department should be taken.

Latest Global Trends

Globally, insurance companies have responded to the need to share information of frauds. Given below is the list of measures to counter the fraudulent claims.

- Establishment of fraud detection team
- Tougher medical validations needed by experts
- List of people and vehicles is kept based on past convictions
- In France, Law on fraud is re-written
- In UK, Insurance fraud register is maintained
- In Finland, Special training is arranged for police force
- Cheat lines, Helplines, Awards for fraud detection are the additional measures taken.

What can Insurance Companies Do?

- Subrogation & Salvage matters to be thoroughly probed
- To check whether discretion was misused?
- To scrutinise cases of probable 'antedating'
- Valuations part of survey report to be checked
- To scrutinise the compromise claims settlement
- To examine the changing behaviours of advocates and surveyors
- To analyse customer empowerment issues
- Sample checking of claim files, both settled and rejected, at 'claim hubs'
- Whether any claims are settled too hurriedly
- If there are any frequent claims provisions revisions upwards
- Verifications of 'KYC' of customers
- Conduct regular awareness programmes.

Concluding Remarks

For seamless, co-ordinated claims fraud management, team work of one and all is absolutely necessary. The changing patterns must be studied and used. Innovations must be extended to processes and technologies. Areas like delays, deviations, and moral hazard cannot be overlooked now. Applications of big data and analytics is the key. Fraud detection technologies are in great demand. We are getting increasingly digitised. Boards of insurance companies must place more resource on fraud detection, than ever before.

IT companies must bring appropriate fraud solutions to help Insurance Companies to get rid of & control frauds to protect image & profitability. It is said that "If you don't listen to whispers, you will have to listen to shrieks!" IJ

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Need Analysis Basis – A Relook

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The Approach

In India, for many decades, life insurance has been used as a common, normal and natural financial planning tool, for all seekers of economic protection against contingencies. All marketing efforts and concepts have been practiced, webbed against this central thematic approach of contingency planning.

Marketers have been studying minutely the market in sectors and segments – niches and micro-niches. They try to position their products sector- or segment-wise – at *macro levels*. But, when it comes to the individual sales, they (the marketing efforts) are generally made at *micro levels* on studying the *'needs'* of the individual customers, suggesting suitable products either as individual products or in packages – popularly called the *need based selling* or selling on a *need analysis basis.*

Therefore, it seems debatable whether the individual *micro level* sellers or buyers are selling or buying the products, in congruence with the *macro level* positioning of these products.

May be, the macro level positioning of products are based on a group needs bases, while the micro level sales are on individual needs basis – even if the said individuals are not part of – or do not conform – to the said groups or segments.

But still – despite this *not-so-easily-recognizable incongruence – need-based selling* continues to be the general norm of today's life insurance selling practices.

This paper does not intend to question this well-settled practice of the method of *need-based selling,* but it only tries to review and give a relook at this word *"need"* and to give a *new perspective* to the word *"need"* and tries to define (or, re-define?) it.

Need – Defined

We, generally, define need as *"something that a person must have: something that is needed in order to live or succeed or be happy"*.

Need is also defined as:

(i) a physiological or psychological requirement for the well-being of an organism, or

(ii) a condition requiring supply or relief

On general terms, these needs may be divided and defined into three categories:

(i) Present Immediate Needs

(ii) Future Short Term Needs, and

(iii) Future Long Term Needs.

Then, again, in the business of life insurance – our present context – these needs are also juxtaposed to the *contingencies* that may arise in a person's life time and, or, his or her "dependents."

The said contingencies in a person's life time or more popularly known as the *human life contingencies* – or, the normally agreed upon *"risks"* – are:

(i) Fortuitous death

(ii) Accident

(iii) Disability and

(iv) Sickness

Many of the marketers of life insurance tend to view these *contingent risks*, the customers' individual needs, as they affect the individuals during their *earning spans of life* and analyze the outcomes of these risks as *economic implications* on the dependents of the individuals or on the individuals themselves.

A few other sales planners view and classify the *contingency needs* as the *individual's financial contingencies*. They calculate the *individual's cash – flow – needs* and plan to cover them accordingly.

(i) Premature Death Funds

(ii) Children Education Funds

(iii) Daughters' Marriage Funds

(iv) Start-up Funds

(v) Intermittent Cash Flow Funds etc.

This method of considering the *fund or financial contingencies* is not uniform for all clients and is usually made on consultative discussions by the salespersons with their individual clients.

Most of these practices were based on various theories and concepts that were in vogue from almost the beginnings of transaction of life insurance on commercial basis.

But these views are changing with time – and now rapidly in these modern times.

The cross cultural reflections across the world over the past decade or so have brought into every part of the world a sea change in views, tastes, standards, and in the lives of people.

And, India is not spared.

One simple instance – though not conclusive – is that the erstwhile Indian way of looking at life insurance with a *"return element"* built in it has slowly given way for acceptance of life insurance more with a *"risk element"*.

Another example could be the very acceptance of buying life insurance without much hesitance or resistance and far from the anathema, it has been during erstwhile years.

Thus, in these modern times - of communication cross currents at a speed never before known; of cross cultural life-styles not known earlier; of ever increasing levels of awareness of facts and trends and the recently exposed to and exponentially expanding internet usage skills, even among Indian rural citizens - many aspects of life styles and living seem to have changed or in the process of changing, especially among the urbanites. These are slowly permeating into rural areas also, and *changing even their priorities of consumption*.

One study by *McKinsey Global Institute – "Tracking the growth of India's Middle Class"* – reports that, *"Over the next 20 years, India will likely grow to become the world's fifth-largest consumer economy.....consumer spending will quadruple, from about 17 million trillion Indian rupees…in 2005 to 70 trillion rupees in 2025. The dramatic growth in India's middle class, from 50 million to 583 million people, will power this surge.*

"Spending patterns will shift dramatically as expenditures grow rapidly on discretionary items ranging from personal products to consumer electronics".

It further says that, *"Higher private incomes and, and to a lesser extent, population growth will encourage this rise in consumption"*.

(From: "Tracking the Growth of India's Middle Class", Eric Beinhocker, Diana Farrel and Adil S.Zainulbhai, The McKinsey Quarterly 2007, No.3).

Demographic Shifts

Indian population is observed – since recent years – shifting its age group patterns and one important feature seems to be the bulging middle class and in the prime earning age groups. The above mentioned Report has also made a reference to this aspect.

And, further, the Indian population patterns have been changing rapidly and indicating certain shifts in many of the demographic parameters that are very relevant to insurance business purposes.

And, this paper opines that these demographic shifts are in a way demanding certain changes in understanding the meaning and definitions of the *economic needs of people,* which is the very basis on which insurance selling mostly depends – or, *should* mostly depend.

We shall now discuss the following four demographic parameters only – which are very relevant for insurance planning and selling – and their shifts and swings and their probable changes in the next few decades,

i. age,

ii. gender,

iii. literacy level and

iv. occupation or vocation.

Age Factor

The probable Indian populations, in selected age groups, over the next few years and up to the year 2030 are tabulated here under.

The years selected are 2016, 2020, 2025 and 2030.

Further the age groups selected are truncated, in quinquennial groups from age 20 to 44 and then from age 60 to the last living age of the population (w) spans and will have to be able to have unearned income for comfortable living. While there are many chattels which will provide such unearned income, many of them are burdened with hazels of maintenance, repairs and upkeeps or renewals.

Age Group	Males (in 000) YEAR: 2016	Females (in 000) YEAR: 2016	Males (in 000) YEAR: 2020	Females (in 000) YEAR: 2020	Males (in 000) YEAR: 2025	Females (in 000) YEAR: 2025	Males (in 000) YEAR: 2030	Females (in 000) YEAR: 2030
20-24	62360	57052	63887	58332	65773	58465	65689	59578
25-29	59706	54399	61110	55554	64311	57003	65689	58051
30-34	54399	50418	58332	54165	59927	55542	62634	56523
35-39	47765	45111	52777	49999	57003	52618	59579	54996
40-44	42458	39804	45832	43054	52618	49695	56523	51940
60-64	22556	22556	24999	24999	27771	27771	30553	30553
65-69	13268	15922	19444	19444	21294	21294	24442	24442
70-74	9288	10614	11111	12500	14616	16078	16804	18332
75-79	6634	6634	6944	8333	8770	10231	10693	12221
80-84	3980	3980	4166	4166	4385	5846	6111	6111
85-89	1327	1327	1389	2778	1462	2923	3055	3055
90-94	–	–	–	1389	–	1462	1528	1528
95-99	–	–	–	–	–	–	–	–

Source: United Nations, Department of Economic and Social Affairs, Population Division. World Population Prospects: The 2015 Revision. (Medium variant)

Populations from age 20 to 44 are the prime ages at which life insurance is mostly sought after.

The ages from 60 plus are the ones where no life covers are neither much needed nor offered, where as what is needed at those ages is *comfortable living* – which indeed is a need and a newly developing and *growing need.*

In other words, the populations in the age range of 20 to 45 do in fact have some earnings to fall upon and may save for the later years, by investing in financial instruments, which may include life policies also. But, the later ages of 60 plus are beyond earning

The only hazel-free income giver is a *life* annuity product – or a pension – purchased during the earning span, which never requires any renewal or maintenance.

This we may call as the present pressing contingent need.

The above Population Table also shows that this bulk of 60 plus populations are growing faster and greater as years pass by. They are steadily growing from today onwards to the future decades. The last year of age to which people are expected to live is also increasing from 89 in the year 2016 to the age of 94, and the number living at those years are also increasing. Though not included in this table, the projections tell us that the last age of living will cross 100 years of age also by 2050 and beyond.

Studies indicate that the life expectancy rates are also increasing and rates of mortality decreasing across all ages.

Another important feature to be noted is that the number living is also steadily increasing to very advanced ages like 95 and more.

Further, it also indicates that female populations are growing in age and size more than males – who are not mostly the wage earners. So, the present day and also the future years' *contingent need* is that wage earners should make provisions for themselves and also to their aging female populations, in the coming years.

It is predicted that after the year 2050 the rise of the age dependency rate will be growing exponentially.

Another Report – *The "Bird of Gold": The Rise of India's Consumer Market – May 2007, McKinsey Global Institute* – also refers to the same feature of age dependency ratio. *"With increasing populations, life expectancy rates and falling mortality rates* (because of literacy and health inputs) *the overall dependency ratio over the next two decades as the proportion of the elderly to working – age Adults will increase from 8 percent to 12 percent."*

Thus, there is certainly an urgent need for Life Insurers to shift their sale analysis towards the *present and future years' contingent need* for provision of post-earning spans of life and should view it as a more pressing need than protection during earning spans. This argument becomes more meaningful when viewed clubbed with *increasing per capita income rates* and also *shrinking household units,* and as such earning people can have their financial needs associated with these risks taken care of during their earning span, through the various other alternate forms of protection.

This does not mean that earning span does not need *"life Insurance"*; it only means that the demographic, economic and cultural shifts that are in store for the future years, would compel the life insurers to review the present *need analysis basis* and to shift their attention to explore the newer vistas of needs contingent to the growing older and financially affordable generations – which are expected to live longer than as of now – and be prepared to look at these *contingencies* that would spring up in the future years and be geared up with suitable plans and products.

Female populations are growing in age and size more than males – who are not mostly the wage earners. So, the present day and also the future years' contingent need is that wage earners should make provisions for themselves and also to their aging female populations, in the coming years.

Let us now look at the aforesaid features of the population shifts – the *shrinking household units* and the *increasing household incomes* or the consequent *disposable income patterns.*

Shrinking Household Units

The *Economic Bureau* of the *Business Standard* said that, *"the average rural household size declined steadily from 6.2 members in the lowest monthly per capita consumer expenditure class. It was 3.8 in the highest consumption class. In urban areas, the decline was from 6.6 to 2.9.The average number of under-15 members per rural household also declined from 3.1 in the lowest MPCE class to 0.8 in the highest class".*

Even *Times of India* reported that, *"median household size drops below 4 in cities".*

Further, an analysis of recently released *Census* data of 2011 reveals that the median household size in urban India is now less than four for the first time in history.

Data on houses and households released by the Census office shows that 56% of households in urban India now have four or less members. This is a marked change from 10 years ago, when the median household size in urban India was between four and five members.

With 49.7% of all Indian households having four or less members, the median Indian household has just a fraction over four members. In rural India, the median household size is between four and five members, but closer to four than it has ever been. As many as 47.1% of rural households now have four or less members, compared to less than 40% of rural households ten years ago.

Apart from the shrinking of the average household, even the average *'family size'* also is shrinking.

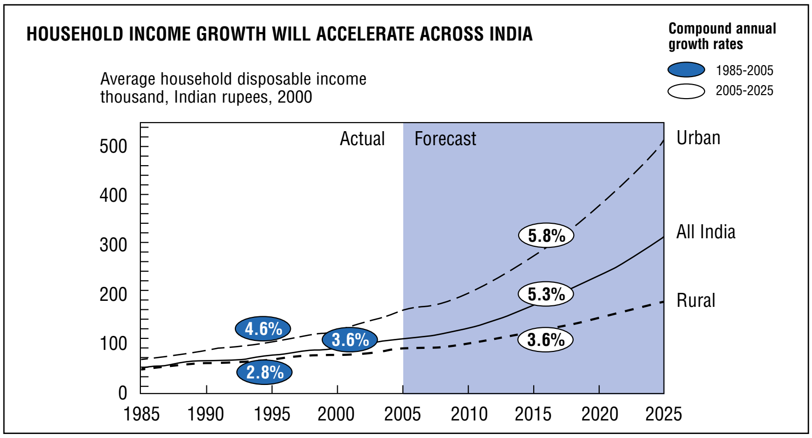
While *'household size'* is the number of people living together in one house and so is not the same as *'family size'*; demographers say that in India the declining household size is being driven by falling family size.

In the words of *Prof. P. Arokiasamy, Demographer and Fertility Expert and Professor in the Department of Development Studies* at the Mumbai-based *International Institute for Population Sciences,* –

"in addition, we are seeing a rise in the number of nuclear families compared with multi-generational families. Nuclear families are the overwhelming norm in India, with 70% of households having just one married couple. Large families however remain a significant but not a dominant component of Indian life."

While the Indian average household is decreasing in size, interestingly, its average income – especially its *disposable income* – is increasing.

The following diagram from one of the McKinsey Reports gives the picture:



Source: McKinsey Report

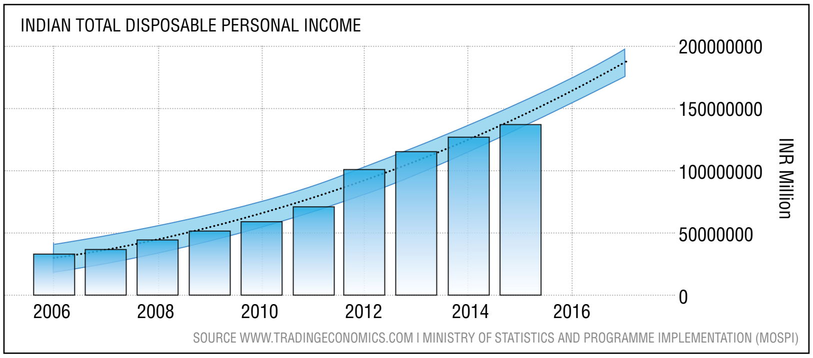
McKinsey study "shows that aggregate consumer spending could more than quadruple in coming years, reaching 70 trillion rupees by 2025. Higher private incomes and, to a lesser extent, population growth will encourage this rise in consumption."

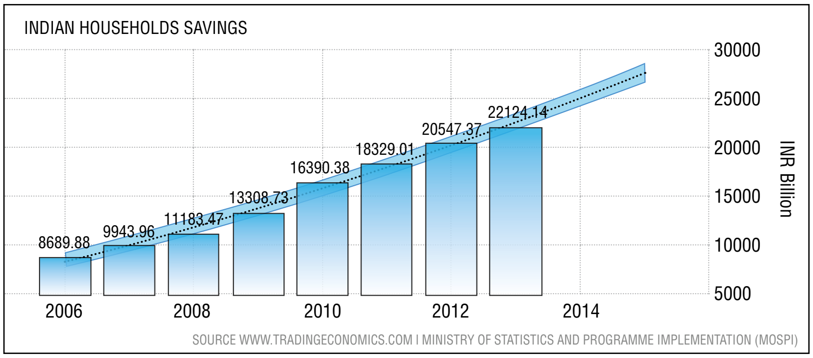
It adds that "Contrary to popular perceptions, rural India has benefited from this growth: extreme rural poverty has declined from 94 percent in 1985 to 61 percent in 2005, and we project that it will drop to 26 percent by 2025."

This means that even rural India would improvise in its income levels.

As mentioned elsewhere the said Report also opines that the Indian Middle Class would influence the Indian economy and its market too.

"Along with the shift from rural to urban consumption, India will witness the rapid growth of its middle class—households with disposable incomes from 200,000 to 1,000,000 rupees a year. That class now comprises about 50 million people, roughly 5 percent of the population. By 2025 a continuing rise in personal incomes will spur a tenfold increase, enlarging the middle class to about 583 million people, or 41 percent of the population…… By then about three-quarters of India's urbanites will be part of the middle class, compared with just more than one-tenth today."





> A rise in the number of nuclear families compared with multi-generational families. Nuclear families are the overwhelming norm in India, with 70% of households having just one married couple. Large families however remain a significant but not a dominant component of Indian life."

The forecast by the *"Trading Economics"* group also gives the same picture of growing household incomes and disposable incomes and also increasing personal disposable incomes.

These features of *growing household incomes, shrinking household units and increasing personal disposable incomes* would certainly have an effect on the educational levels of the people and also on the *increase in the literate populations* – all favorable for life insurance marketing.

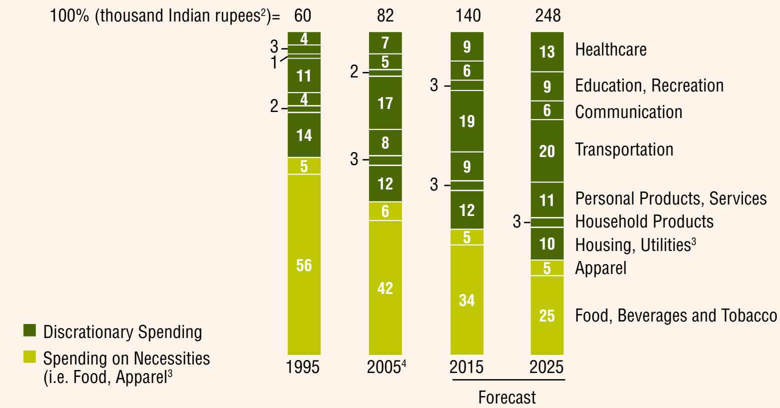
Poverty in India has always been a lag on the literacy levels, especially in the poorer and rural populations. Many studies, however, state, including the *McKinsey Report,* that *"households emerging from poverty will make educating their children a priority, while higher-income urbanites will be spending more on better-quality education, university degrees, and study-abroad programs."*

However, according to *Prof. Venkatanarayana Motkuri of National Institute for Rural Development at Hyderabad, "age specific mortality rate as important factor that affects the literacy rate in general, that is, "if of average household consumption over the next 20 years, that is around 2025".*

See the following diagram.

Beyond Necessities

Share of average annual household consumption, %[1]



[1]Figures may not sum to 100%, because of rounding.
[2]Real 2000 rupees; 45.7 rupees = $[1] in real 2000 dollars or 8.5 rupees - $[1] adjusted for purchasing power parity.
[3]MacKinsey Global Institute cross-country comparisons of necessary consumption exclude housing from the category of necessity because of significant variations in national housing market structures, regulations, and measurement methodologies.
[4]Estimated.
Source : McKinsey Global Institute Analysis.

the mortality rate is higher among the illiterates than that of literates, the rate of growth in literates would be higher than that of illiterates. The literacy rate as a result of such demographic factor increases. The case is the other way round when the mortality rate is higher among the literates than that of illiterates, literacy rate declines."

Further, "…developing economies have shown that rising incomes typically lead to significant changes in spending patterns. How will India compare with other nations?" (McKinsey's Report – The "Bird of Gold": The Rise of India's Consumer Market – May 2007).

India has not lagged behind.

"Discretionary spending has already risen from 35% of average household consumption in 1985 to 52% in 2005. We see this trend continuing, with discretionary spending reaching 70 %

We can see from the above graph the rising expenditures on education and recreation and health care.

The Wrap Up

The focus of this Paper, as expressed at the beginning, has been that we should view or review (?) the way we should look at the contingent risks that a human life faces, especially in these modern years where various developmental shifts are taking place in India affecting the population, well across all the groups and individuals.

The present picture of the Indian population is that of a swelling population at a speed as though eager to reach the second position in the world, with bulging middle class, which has both earning and buying powers at higher rates of growth, with longer longevity and lesser risk of mortality, lesser fertility and growing old age segments.

The insurers should innovate the old- age-specific and suitable product ranges that could be such that to provide a hassle-free and peaceful old age living span – which benefits should include provisions for accommodation, health, food and cloth – as benefits under the policies.

As against this changing picture, we may have to concise all the so called and hitherto considered *risks contingent upon human life* into two *broad* contingent risks, namely,

living too short or
living too long.

It is easily recognizable from almost all the futurological studies on India – some discussed in this paper – that *living too long* is going to be the *real contingent risk* that Indian population is going to face and live with.

With *falling mortality rates, rising living ages, decreasing family sizes and increasing per capita incomes, "living too short"* may become a rare and rarer risk proposition in the coming years.

Whereas, *with the same features,* mentioned above, future populations, with *additional enlarging elderly age groups,* especially of *women, high income middle age groups, improving health concerns, spreading literacy* and *awareness levels – "living too long"* seems to pose as the *real contingent risk* demanding life insurers' attention for due coverage.

And, therefore, Indian life insurers must research afresh the Indian customers' needs and *review their need analysis basis* – especially with the *specific old age needs,* when the old age segment might likely not have any earnings of their own – and to create suitable product ranges and packages and to position them in the earlier earning customers market.

"The earlier earning customers" could mean the present earning sons and, or, daughters to provide for their aging elders' old age needs – purchasing the specific and suitable insurance products – or they could also mean the present earning young customers who could buy the specific and suitable insurance products to provide for their own old age needs.

As an ingenious and new way of thinking, the insurers should innovate the *old- age- specific* and *suitable product ranges that could be such* that to provide a *hassle-free and peaceful old age living span* – which benefits should include provisions for *accommodation, health, food and cloth – as benefits* under the policies.

To achieve this end, life insurers, through their life fund investments in the public welfare and infra-structural portfolios, can help the Central, State and Local Administration Authorities – and other reliable NGO's – in building *old age homes – hospices* – with different standards of *facilities and services,* so as to cater to different categories of policy holders. These *facilities* and *services* should be the *benefits* offered under the various product ranges of the life insurers.

This should be molded by the life insurers into a new venue of market and marketing.

Apart from such innovative and creative marketing strategies, life insurers can aim at developing and enlarging the present available *pension market* – with several types of suitable and related *add on* benefits.

In the circumstances that are closely developing in the future years, it is time to recognize and consider *"old age comforts"* – in the future years – as a *contingent need* – in the present years – and to be provided by life insurers as a marketing proposition.

Or, in other words, we should consider tomorrow's need as today's contingent need and position the need accordingly across all segments. IJ

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Medical Tourism - Role of Insurance as a Catalyst for Growth

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Abstract

Increasing costs of treatment is an ever growing concern for individuals in developing nations who oftentimes have to fund the costs from their own resources. Accessing the best treatment at an affordable cost is what resource starved individuals vie for. Over the years, India with its developed and affordable healthcare infrastructure has emerged as a destination of choice for patients from neighbouring countries and from around the globe. Every year an increasing number of patients from all parts of the world travel to India for treatment. In 2015, around 450,000 foreign patients visited India for treatment. This number is projected to go up to 1,100,000 by 2020.

India is the main location for quality health care facilities in SAARC region, but the cost of treatment in India is also comparatively higher than other SAARC countries. Due to this, sometimes it becomes difficult for the patients to afford quality treatment in India. The aim of this project is to discover the mechanism for a symbiotic relationship between medical tourism and insurance and find out what role insurance can play to enable patients from other countries to receive treatment in India.

Keywords:
Medical Tourism, Medical Tourism Insurance.

Introduction

According to a KPMG Report, 'Medical Value Travel in India' (KPMG – FICCI), India has been ranked the third most suitable destination for medical treatments worldwide. Number of medical tourists to India has increased from 113,689 in 2009 to 420,000 in 2015. The trends reveal that there has been a gradual rise in the number of medical tourists every year.

procedures. Many patients visit for revision surgeries as well, which are performed to rectify a faulty surgery done earlier in home country.

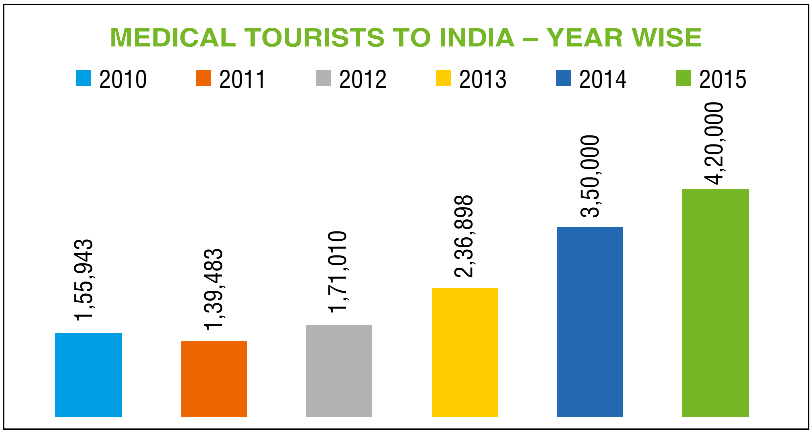
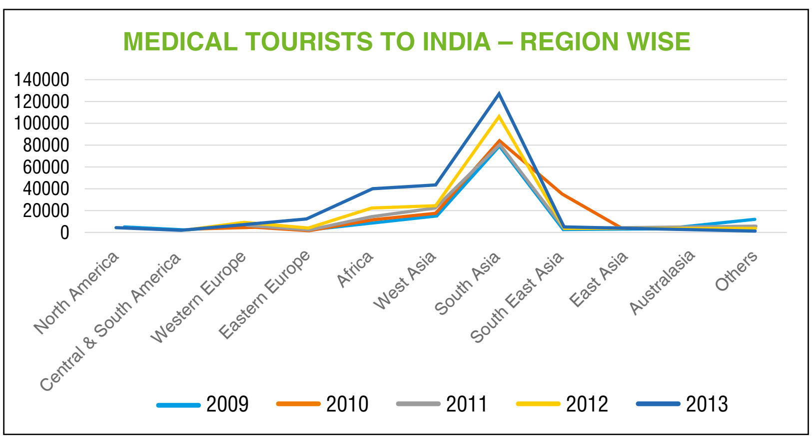


Figure 1: Year - wise numbers of medical tourists to India (Source: Indian Tourism Statistics, Govt. of India).

Patients from all across the globe travel to India but the maximum number of medical tourists come from South Asian countries. Apart from South Asian region, majority of the traffic comes from West Asian Countries, Africa and CIS countries.

In India, the maximum number of medical tourists favour the big cities, viz. Chennai, New Delhi, Mumbai, Bengaluru and Kolkata. The other locations which receive medical tourists are Hyderabad, Pune, Jaipur and Ahmedabad. South Indian states



Region-wise breakup of medical tourists to India, (Source: India Tourism Statistics, Govt. of India).

Medical tourists visit India for various surgical and non-surgical procedures. The major procedures are heart surgeries, organ transplants, bone marrow transplant, bone – joint replacements, cancer and other critical

generally tend to get higher number of medical tourists.

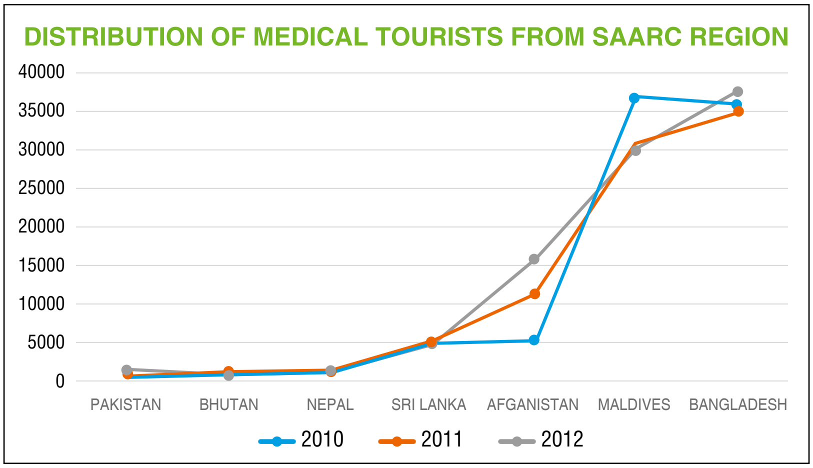
The preferred hospitals include Apollo Hospitals, Fortis Hospitals, Medanta Medicity, Max Hospitals and other Joint Commission International (JCI) accredited hospitals.

Patients from the SAARC region account for more than 30% of total medical tourists to India. Afghanistan, Maldives and Bangladesh are the main countries from where the majority of the medical tourists come from. India leads the medical care facilities in the SAARC Region, as also shares cultural similarities with other SAARC countries.

Literature Review

'Medical Value Travel in India, KPMG – FICCI: 2014' is one of the most comprehensive reports about the present status of medical tourism in India and also its future scope. It projects medical tourism as one of the sunshine industries in India in the coming years. It also compares the Indian standard practices with best practices in the global medical tourism industry. However, it does not recognise insurance as a stakeholder in medical tourism.

Another report, 'Transformative Evolution: Transforming 'Wellness' into 'Medical Wellness', CII – Grant Thornton: October 2015' is another important source of information on medical tourism in India. It gives the current statistics of the medical tourism industry in India and also compares it with other global leaders. It explains the current business models used by Indian hospitals in different parts of the world to attract patients to India. This report provides in-depth data analysis related to medical tourism in India. The main focus of this report is on expanding medical tourism in Kerala. However, this report also does not recognise insurance as a stakeholder in medical tourism.



Medical tourists from different SAARC countries (Source: Indian tourist statistics, Govt. of India).

A report by Ms. Rupa Chandra 'Medical Value Travel in India: Prospects and Challenges, Rupa Chanda (Professor, Economics and Social Sciences Area, IIMB)' highlights the rise of the private sector in health care in India and its role in enhancing the medical tourism in the country. It greatly criticizes the Government of India for lack of pro-activeness and a casual approach towards medical tourism. This report justifies the need for an insurance cover which could work flawlessly across borders and cover for the expenses of treatment. Prof. Madhu Nagla in the report Medical Tourism: Implication on Domestic Population, Madhu Nagla (Prof, Dept. of Sociology, M.D. University Rohtak) shows the positive effects of the rise of the private sector in Indian health care system due to medical tourism and then the opportunities being created thereof. It also mentions the impact on the tourism industry in India due to medical tourism.

Apart from the above-mentioned reports, there are numerous reports on the medical tourism industry in India which talk about medical infrastructure and government policies affecting medical tourism. There is no exclusive report that discusses insurance as one of the factors affecting medical tourism and the thrust it can provide in its growth.

Problem Definition

Patients come to India from SAARC and other countries for various types of surgical and non-surgical procedures. While some patients visit India primarily for major treatments, others combine leisure trips with treatments and rejuvenation. It has been observed in various reports that many patients fund their treatment costs from their own sources. For the lower income strata, the cost of treatment may exhaust their entire savings or may even force them to take a loan.

It is thought by various experts that Insurance can act as an enabler for patients across geographies to travel to India for treatment by covering all their treatment expenses. Hence, the aim of this project is to find out how insurance can be incorporated into medical tourism to enable patients from other countries to receive treatment in India.

Approach to the Problem

The problem was approached by reviewing the reports and journals published by various consultancy companies, institutes and researchers on medical tourism. These reports discussed the characteristics and requirements of the patients coming to India. Then to proceed further, the following approach was used:

- Preparation of a questionnaire to obtain the required information.
- Survey of foreign patients and their attendants to obtain the required information.
- In-depth interviews with various stakeholder like heads of international marketing departments of famous hospitals, language translators, tour operators, patients (whenever it was possible) and their attendants to understand a medical travel from their view.
- Analysis of collected data to create a consumer profile.
- Telephonic interviews with the top executives including Managing Directors and Vice- Presidents of insurance companies in Bangladesh, Nepal and Oman to seek their view on the state of health insurance in their respective countries.
- Formulation of recommendations to the reinsurance companies.

Research Methodology

Research Design:

This project required getting information from medical tourists about their requirements during medical travel. So, the research design followed in this case is Descriptive Research. As also mentioned earlier, the research is conducted on patients, their attendants, hospital employees, language translators and tour operators.

Data Collection from Secondary Sources:

Various reports and articles have been studied to gather information and data regarding medical tourism. The sources include reports from consulting companies, research institutes, research scholars, journals, and magazine & newspaper articles. Data collected from secondary sources is regarding:

- Medical tourism industry in India: Its current status, future growth projection
- Comparative analysis: Comparison between medical tourism practices in India and abroad
- Government and corporate initiatives in India
- Growth potential of insurance in SAARC countries, especially Nepal and Bhutan

Data Collection from Primary Sources:

Data collection from primary sources focuses on gathering information that would be helpful to ascertain characteristics of medical tourists, their requirements and feasibility of an insurance solution.

Designing Questionnaire:

A very short and straightforward questionnaire was developed keeping in mind the state of mind of patients and their attendants. The questionnaire contained only 8 questions. Every question had relevance to the insurance solution either for coverage or for add-on covers and distribution.

Data Collection and Sample Size:

Primary data was collected in two ways. Through a survey and the in – depth interviews with various stakeholders.

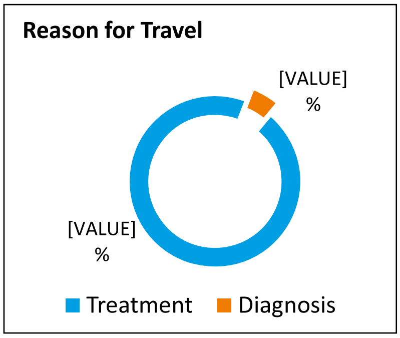
Survey:

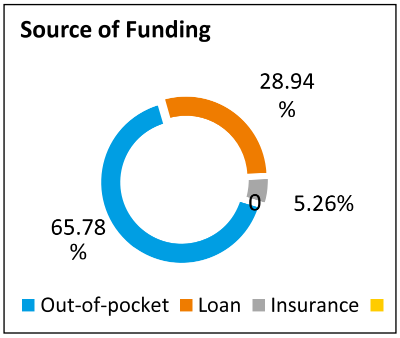
The primary data was collected from 38 patients or their attendants from the famous hospitals in Delhi NCR region.

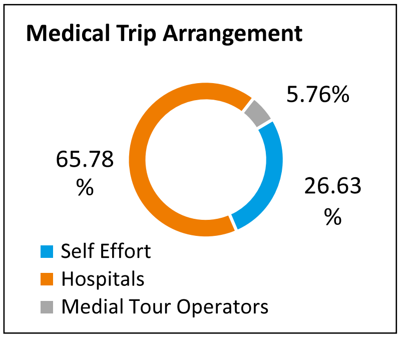
Findings

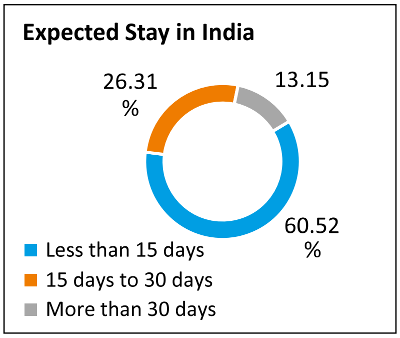
The data collected from survey gives important information about various aspects related to medical tourism and the requirements of medical tourists.

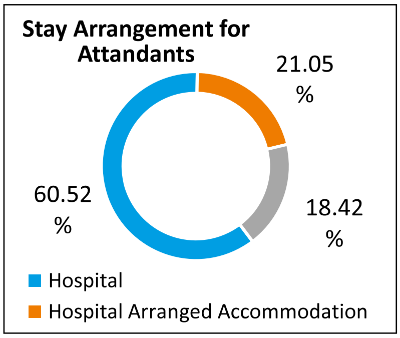
The results of the survey are presented in the following eight diagrams:

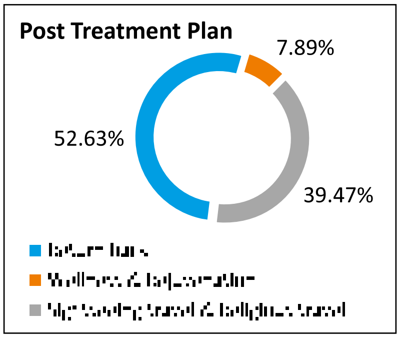


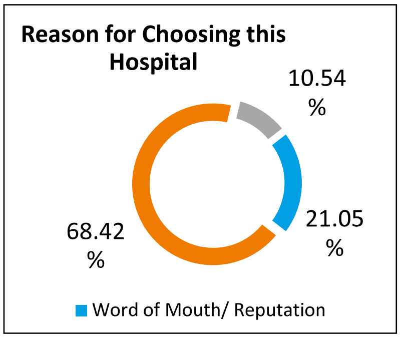


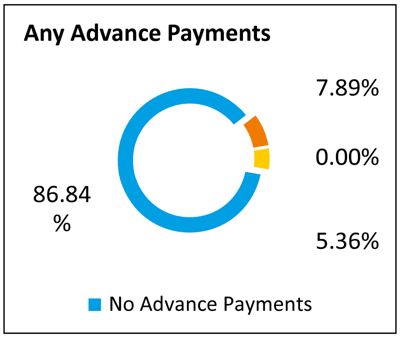












Data Analysis

Purpose of visit	It is evident that almost 95% of the respondents visited India for treatment of critical illness and only up to 5% of th e respondents came here for diagnosis. This means that before coming to India most of the patients undergo diagnosis in their home country and are aware of their illness and then choose India as their destination for treatment. In very few case when disease can't be diagnosed in their country, they choose to come here for diagnosis.
Funding of visit	It is evident from the survey that majority of patients fund their treatment through out-of-pocket expenses. A significant number of patients take a loan to fund their treatment. A very small fraction has insurance. The patients who were funded by insurance were through employer's group insurance.
Arrangement of trip	It was seen in the survey that the medical trip for a large number of patients is arranged by the hospitals. Hospitals file visa invitation, arrange for accommodation to the attendants. If prolonged stay is required then hospital arrange alternate accommodations for patients and their attendants. Hospitals also take care of other immediate need of patients and their attendants. A significant number of patients arrange their trip themselves. They make all the arrangement by themselves. This also includes the group of patients who have their friends or relatives in India. These days' medical tour operators are also arranging the medical tours for patients. However, the number of patients availing medical tour operators was found to be low in the survey.
Duration of Stay	It was observed in the survey that more than 60% of the patients return to their home country within 15 days of their treatment. These are the patients who are here for surgeries and other treatments which happen within few days and patient is free to return home within 15 days. These patients generally don't require alternate accommodation and hospital accommodation is enough. Around 26% of the patients require a stay more than 15 days up and up to one month. These are patients who require multiple surgeries or suffer from diseases like cancer and bone - joint related issues. Very few patients stay in for more than one month. These are generally cancer and bone – joint patients who take multiple surgeries and supervised rehabilitation after their treatments. These patients require alternate accommodation and other stay related services.
Stay arrangement for attendants	It was observed that generally a patient is accompanied by one or two attendants. Most hospitals allow the stay of only one attendant in hospital premises. In this case, the additional attendant has to stay out and it becomes a matter of concern. The stay of the patient and his attendant is also guided by the duration of treatment. For long duration treatments, patient and his attendant have to shift to a place outside of the hospital. Since the duration of treatment is low for most patients, about 60% of the attendants tend to stay in the hospitals. Hospitals also arrange alternate accommodation for their patients and their attendants. Around 21% of the attendants avail hospital arranged accommodation. 18.42% of the attendants stay in hotels of their convenience.
Reason for choosing a particular hospital	It was observed that the most important factor in the selection of a hospital for treatment in India is the recommendation of a doctor in the home country. In this kind of scenario, tie-ups and marketing strategies of Indian hospitals also plays an important role. Some Indian hospitals have a good reputation internationally. The referral and suggestion of the patients already treated in any Indian hospital are very important to the prospective travellers. Many prospective medical travellers have their friends and relatives in India. Their views also play an important role in the selection of a particular hospital.
Any advance payments	The Survey shows that generally there is no requirement for any advance payments for treatments or stay related expenses. All the bills are generally settled at the end of treatment. This information was required to understand the payment procedures involved in medical tourism.
Plans after the treatment	Another interesting finding from the survey is that only about 53% of the medical tourists return to their countries soon after the treatment. About 47% stay in India after their treatment for some more time. About 8% of the patients go for wellness, rejuvenation and rehabilitation therapies. Around 39% of the patients choose to go for sightseeing in India. This generally includes tourist destinations near the hospitals. A large number of medical tourists visits religious shrines after their successful treatment.

Insurance as a Stakeholder in Medical Tourism

As stated in various reports and also confirmed by the survey conducted in the project, the majority of patients fund their treatments from out of pocket expenses. For the poor strata, the cost of treatment may exhaust their entire savings or may even force them to take a loan.

Insurance can act as an enabler for patients across geographies to travel to India for treatment by covering all their treatment expenses. Other benefits of insurance could be:

- Help in making quick decision for treatment
- Allow the patient to avail the best healthcare services, the best doctors, and the best treatment procedures
- Reduce out of pocket expenditures
- Cover for post operation expenses
- Cover for follow up treatments

Thus, Insurance can act as a catalyst to further boost the medical tourism industry in India and both can work symbiotically.

It is observed that in countries like Bangladesh, Nepal, and Oman which cater to a large percentage of the incoming medical tourists, there exist some insurance products. However, the scope of creating a bespoke structure targeting at promoting or facilitating medical tourism in India is immense. The major challenge that these countries face is the low awareness of health insurance. Health insurance there is a relatively new concept and hence health products so far have been availed mostly by the insurance aware sections of society.

The healthcare facilities in these countries are not very well developed. There is a demand for critical treatments but there is no infrastructure. India being the nearest and most affordable location for quality treatment, a large number of patients to travel to India for treatments of critical illnesses.

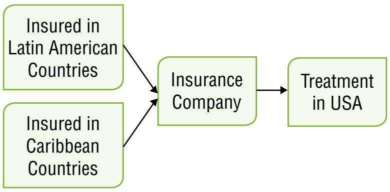
Hence, an insurance product which covers the expenses of treatments in India has immense potential in these countries. The presence of such insurance products already indicates that there is a market and demand for these products. Hence, a right insurance product combined with a right distribution network can easily tap this market.

- In many of these countries, insurance companies are small and lack capacity and know-how for health insurance. This makes the need of reinsurance all the more pronounced. These are basically reinsurance driven products, where reinsurer structures the product and it's pricing, promotes capacity and also manages the network.
- In the absence of a global reinsurer playing a role, Indian insurance companies have started acting as reinsurers to provide reinsurance support to the domestic insurers in these markets. For example, in Nepal ICICI Lombard is providing reinsurance support to Shikhar Insurance for the products that facilitate treatment in India. ICICI Lombard also manages the treatments in India using it's in-house TPA and network hospitals.
- A global reinsurer with underwriting expertise and reinsurance capacity can leverage this segment by using its industry relations.

Existing Models of Medical Tourism around the Globe

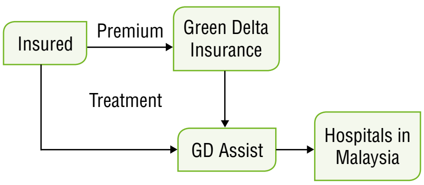
There are a few models active in different parts of world, which enable the treatments in any other country. One of the most established such insurance model is working between the United States and Latin American and Caribbean countries.

In one of the products from an insurance company working under this model, 19 countries from Latin America and Caribbean region are included. Health insurance purchased from the insurer in these countries makes patients eligible for medical treatment in USA.



Medical Tourism Insurance Structure between USA and Latin America & Caribean Region.

Another important international model is working between Green Delta Insurance, Bangladesh and Malaysia Healthcare Travel Council (MHTC), an agency of the Malaysian health ministry, to enable Bangladeshi patients to get treatment in Malaysia. This structure works through a subsidiary of Green Delta Insurance, GD Assist.



Medical Tourism Insurance Structure between Bangladesh and Malaysia.

GD Assist, a subsidiary of Green Delta Insurance manages the treatments of the insured in Malaysia.

Recommendations

Medical tourism in India is growing every year and patients from the SAARC region form a major part of the total tourists. With the higher costs of treatment here in comparison with other SAARC countries, people from the SAARC region need an enabler to receive treatment in India. Hence, it is worthwhile for a reinsurance company to explore medical tourism insurance sector in India.

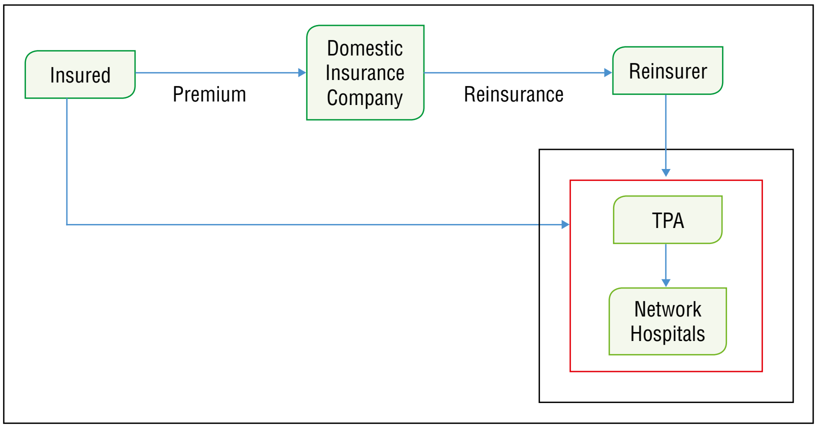
Countries like Bangladesh and Nepal, from where a large number of medical tourists to India every year, can be the markets to begin with.

Proposed Insurance Product Structure

The insurance companies in these countries are small. Hence they lack capacity and technical know-how for health insurance. This makes the need of reinsurance all the more pronounced.

- For these domestic markets, a reinsurer can come up with a health insurance product which would cover the treatment expenses in India.
- It is to be sold in these countries by a domestic insurance company using its distribution channels like bancassurance, agents, direct selling and others.
- Treatments in India are to be facilitated using a TPA and its network hospitals.

The structure could work as:



Proposed Product Structure

The proposed structure can work in the following manner:

- The reinsurer could develop an insurance product defining the coverage and exclusions of the product as per the profile of consumers in this region. Pricing of the product is a very important factor for this region.
- The product is to be marketed by a domestic insurance company. It is to be distributed through all its distribution channels like agents, bancassurance, direct selling etc.
- The reinsurer would provide reinsurance support as well as underwriting support to the domestic insurance company for the said product.
- When the insured falls ill and wants treatment in India, he has to approach the insurance company and get approval for the hospital of his choice in India. He has to establish evidence of his illness to the satisfaction of the insurance company.
- The domestic insurance will approve insured's request to the choice of his network hospital in India and will communicate his request to the TPA in India.
- The TPA in India will facilitate the treatment of patients in the selected network hospital in India.
- The working of TPA and network hospital in can be monitored by the reinsurer himself or through its subsidiary situated in India.
- After treatment, patient can go back to his country or can visit places in India after he gets fit.

This product can be topped up with additional benefits as per the requirements and other variable features.

- Travel Insurance:
- Travel Expenses
- Stay Expenses
- Complication Cover: An add-on cover can be offered, when which would cover the expenses for repeating tour for future complications etc. IJ

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The Growing Indian Insurance Industry

Unless you're immortal, you need life insurance!

The Indian Economy is one of the most attractive destinations in emerging markets for insurance investments given that its sheer size and low level of penetration offer huge growth potential. The insurance industry is currently the fifteenth largest world market, with a total premium of US$22.09 billion in 2016. Though it has been growing at 15-18% over the last several years, insurance penetration has remained stagnant at 0.7% of GDP from 0.6% in 2000. The industry critically stands at a critical juncture of its evolution. Transformation reforms are being led by a stable government which is indicative of a revival of growth momentum. Government has passed the Insurance (Amendment) Bill, 2015 which allowed an increase in Foreign Direct Investments (FDI) limits to 49%, being one of the landmark developments in industry that is fostering market sentiments. This is expected to play a pivotal role in improving penetration levels while also enabling insurers to invest in their managerial capabilities, technical knowledge, distribution network, administration and innovation in products and processes. The government's decision to list five state-owned general insurance companies is also kindling hopes of a growing market. The article seems to enlist the driving factors for the growth of Indian Insurance Industry ahead.

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I. Introduction

In the 17 years since the private sector general insurance companies were permitted to write polices, hardly anything changed for nearly a decade. Almost every company was reporting losses because of controlled pricing and the way claims were settled. But that may change for the better. New companies that are coming in will have very little to destabilize market dynamics when the industry is at ₹ 1.25 lakh crore. Industry was giving discounts to grab market share and that is going to change now.

Lloyd's of London (the most revered name in global insurance), a UK-based reinsurer although doesn't like controls like any dyed in the wool financial services giant from the capitalist world, but when it comes to India, it is willing to take what's on offer from the government and do business even if it means kicking and screaming. It plans to open a branch for reinsurance in Indian markets early 2017 after receiving the approval from Insurance Regulatory and Development Authority of India (IRDAI) to operate in India throughout its market model wherein a set of members collectively come together to underwrite and provide reinsurance.

Also, for someone who thought of riding the general insurance wave on the back of strength of an Indian financial giant, Prem Watsa, the Warren Buffet of Canada, is open to take a gamble on his own with a partner other than ICICI. Currently Watsa has 35% stake in ICICI Lombard, a unit of ICICI bank. He is pitching for a license from IRDA to open a shop that would compete with State-owned giants like New India Assurance and Oriental Insurance and private players like HDFC Ergo.

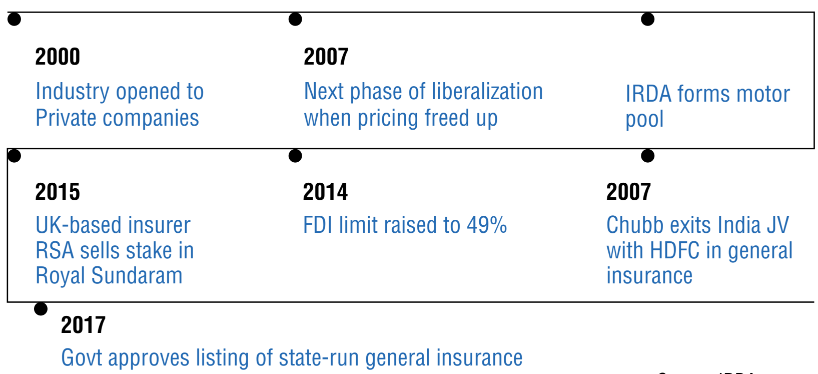
Other than Lloyd's which is opening a branch for reinsurers, Edelweiss, the DHFL Conglomerate are also vying to compete with Watsa's firm. Global reinsurers like Swiss Re and Munich Re have applied and seek to challenge the monopoly of GIC Re in India.

The Indian general insurance industry which deals with writing policies from motorcycles, cars, trucks to health insurance (provides for hospitalization expenses), comprises 29 companies and generates an annual premium of ₹ 1.25 lakh crore. It is still dominated by the public sector companies, but the likes of ICICI Lombard, Bajaj Allianz General Insurance and HDFC Ergo have made strides with advancing market share. It is ranked 18th among 88 nations.

the regulator retains price control. It has raised third party premium rate by 100%. In the last five years. Now, companies are responsible for assessing risk and protecting their profits. For cars below 100cc (like Alto, Nano and Kwid) the premium has gone up by 40% to ₹ 2,055, for compacts or B segment cars (1000cc and 1500cc) the increase has been 40% to ₹ 2,237, while for sedans, the regulator has increased it by 25% as of April 2016.

Motor and health, which constitutes 65-70% of the industry, has always been the Achilles heels for the general insurance industry. It is beset with losses in the third party motor segment, which is 35% of the industry losses. The good news is that the third party loss ratios have come down over the last few years. It is hoped that over the next few years, this segment would start providing reasonable economic profit.

Figure 1: Regulatory Changes in Indian Insurance Industry



Source: IRDA

Industry Stars are aligning for the business to get more profitable now than in the past-be it technology or the changes in regulations, including the provisions of Motor Vehicles Act and the improving data availability with the information bureau helping to eliminate frauds.

It all changed in 2007 when the insurance regulator bought in the detarification policy, except for third party motor insurance where

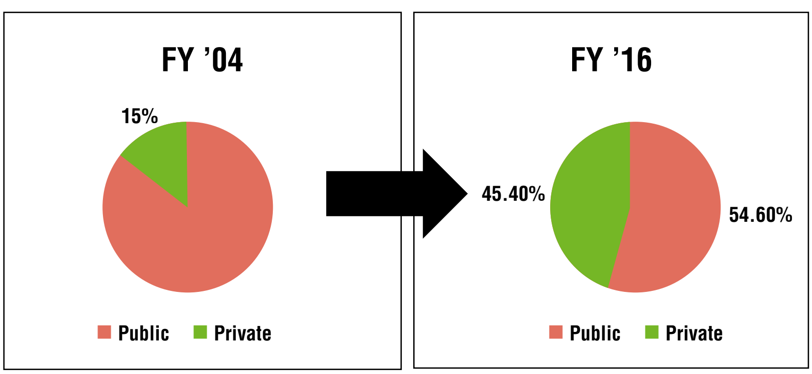
The Motor Vehicles Bill 2016 proposed hefty penalties for violating road safety rules and this is expected to boost car insurance growth. About half of the vehicles and majority of two wheelers have no insurance despite the fact that third party insurance is mandatory under the law. One of the major provisions in the Bill includes rise in compensation for hit-and-run cases to ₹ 2 lakh from ₹ 25,000. It also provides for compensation upto ₹ 10 lakh for road accident fatalities.

Even after permitting private players, the attitude of regulator was more socialistic as it controlled prices and paid the claims out of a pool of resources created from the premiums collected by all the companies based on a defined proportion. The worst among them was the claims from third parties in the case of an accident involving an automobile. Third party motor claims of ₹ 15,000 crore so far has been a drag on profitability of general insurance companies.

II. Growth of Private Sector Insurance Companies

Over the years, share of private sector in general insurance segment has grown from around 15% in FY04 to 45.4% in FY16. There has been a significant increase in share of private sector in total premium in non-life insurance segment witnessing growth at a CAGR of 20.28% during FY02-16. The number of companies increased from 15 in FY04 to 29 in FY16; six of these companies are in the public sector.

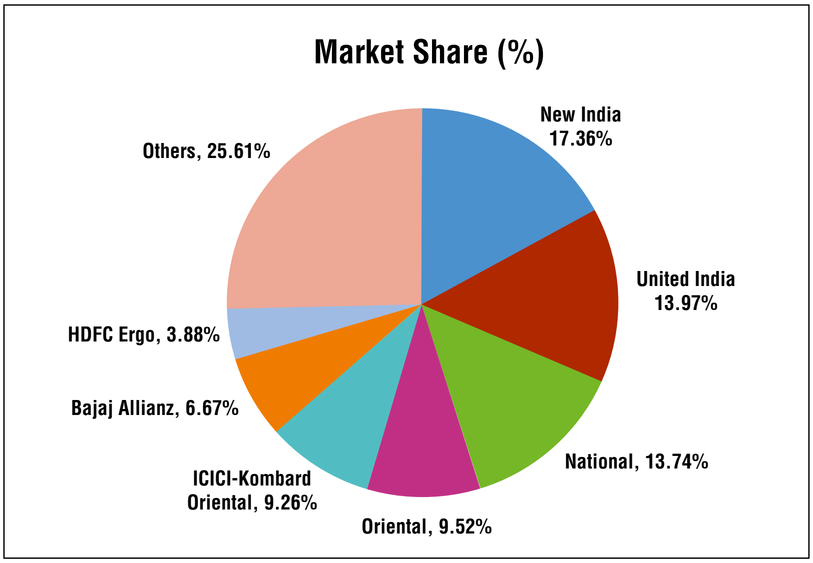
Figure 2: Share of Private Sector in Life Insurance Segment



Source: IRDA

The public sector companies accounted for a cumulative share of about 54.6% of the total Gross Direct Premium in the non-life insurance segment in March 2016 where New India Assurance leads the market with 13% share. Private players are not far behind and compete better in the non-life insurance segment.

Figure 3: Market Share of Major Companies in Premium Collected



Source: IRDA Business Report

In terms of growth numbers, private companies have seen healthy growth but not on a consistent basis; further growth in individual premiums was a cause of concern. Life insurers collected premium of ₹ 1.38 lakh crore in 2015-16 up from ₹ 1.13 lakh crore in 2014-15 where LIC posted 25% growth whereas private insurers clocked only 18% growth.

Insurers with banks as promoters or partners performed much better including HDFC Life, ICICI Prudential Life and ICICI Lombard, SBI Life Insurance and HDFC Ergo General Insurance.

The business model of Indian Insurance industry could be better termed as a 'bankruptcy model' expense overshooting the income which in turn needs regular capital infusion. Life Insurance is a business of distribution and those who master them at lower cost would succeed. There is a big mismatch between the acquisition costs and the margins. The cost of distribution is very high to reach to a customer while bank-promoted life insurers are reaping the benefits of wide distribution network, it is those who don't have bancassurance partners or those non-bank promoted life insurers but having bancassurance partners are suffering from high distribution costs. Non-bank promoted life insurers have to shell out huge signup bonus to a bank to act as their corporate agent which even over a long period does not work out economical.

Private life insurers depending on individual agents for business are suffering from low productivity and higher fixed costs. The more the variable costs the better for the company but it is not so in the Indian life insurance space. Earlier insurers were enjoying handsome surrender profits amounts forfeited by insurers when a policyholder surrenders his policy but now with changed regulations, the surrender profits have largely vanished whereas the policy persistency ratio has come down. For life insurers to make profit continued renewal of policies by policyholders is a must as the cost of acquisition is mostly met upfront.

III. Factors Contributing Growth to Industry and Private Players

Private Sector life insurance has been passing through a tough phase since the 2008 financial meltdown. The downturn in the economy depressed stock markets, which in turn severely impacted the unit-linked insurance plans (ULIPs) that invested heavily in equities.

While the relaxation of FDI from 26 to 49 per cent came as a big shot in the arm, the sector itself is still facing growth challenges. In the past three years, DLF and ING exited the insurance business in India, while a couple of more are in the process of selling their stakes.

1. Merger of HDFC Life-Max Financial Services: This merger is the first big merger in 16-year old private sector life insurance sector which has been passing through a tough phase since the 2008 financial meltdown. As per the proposed merger of Max Life Insurance/Max Financial Services with HDFC Standard Life Insurance, first Max Financial Services was to be merged with Max Life, followed by a demerger of life insurance business, which would then be merged with HDFC Life Insurance Company, creating the most valuable private sector life insurance company at around ₹ 70,000 crore based on agreed commercials and share-swap agreements. The emerging entity will become a listed entity.

Normally, a strong company will acquire a smaller one whereas here two big players are coming together. It seems the two company have followed the principle- 'united we stand, divided we fall'. Another General Insurance company HDFC Ergo General Insurance's board also approved the acquisition of L&T General Insurance Company for ₹ 551 crore.

For more than 10 years, companies individually have not been able to gain significant market share. Private companies are unable to shake the strong position of government-owned LIC. This big merger may pave the way for more such deals in the future due to the current business model of Indian life insurers. It is expected to benefit the industry in following ways:

i. **Valuation Discovery:** Private sector life insurance hasn't seen a price discovery or valuation unlocking in the market of this order where two big players are merging together. HDFC Life and Max Life deal would give some indication of price and valuation for the industry.

ii. **Consolidation:** The industry, with over two dozen players, needs companies of scale where LIC is the undisputed leader. While there is no challenge to LIC from the current merger, the private sector players will see some consolidation to achieve scale in the industry. Product portfolio and geographic reach are two big parameters that will drive consolidation in the industry. In fact, this happened in the private sector banking space where HDFC Bank and ICICI Bank bought out other private banks to increase their geographic reach and bring new products and product expertise.

iii. **Better IPO Candidate:** It is also good news for retail investors who want to participate in the growth story of private sector insurance companies. The HDFC Life-Max Life merger would bring a much larger and stronger entity into the market. Both are profitable. In fact, the life insurance business took almost 10-12 years to be profitable in India. The time now is right to access the market for raising funds and also create a listed entity for more transparency and disclosures.

iv. **Technology and Digitization:** The life insurance industry has been witnessing new challenges every five or six years. Initially, it was the high growth phase with scarcity of capital. They managed that phase well by pumping in capital year after year to capture growth. Then came the slowdown, which exposed their fault lines as everyone was focusing on a single product called Unit-Linked Insurance Plans (ULIPs) which invested in equities. For the last six-seven years, players have been diversifying into traditional products, which was the forte of LIC for decades. Today, the private players have a balanced portfolio. But they are now facing newer challenges in the area of digitisation. Many of them are selling online policies. In fact, the entire onboarding is online. Many smaller players are not able to cope up with the challenges. In fact, these changes are threatening their business model. Surely, many smaller players would like to join hands with bigger players to better face the market and the completion.

v. **Systemic Risk:** No business is without risk. The regulators, especially Insurance Regulatory Authority of India (IRDA), have to be on their toes to monitor large insurance companies by increasing the oversight. A big player has the potential to impact the industry as well as other group entities.

2. Listing of State-owned General Insurance Companies: The Cabinet Committee on Economic Affairs (CCEA) on 18th January'2017 approved the listing of five public sector general insurance companies on the stock markets with a plan to divest 25% of stake in each of them reducing the government's stake to 75% from 100%. New India Assurance, Oriental Insurance, National Insurance, United India Insurance, National Reinsurer GIC are the ones to be listed on Stock Exchange by way of issue of fresh shares or an offer for sale (OFS). Finance Minister in his budget speech 2016-17, said that public shareholding in government-owned firms was a means of ensuring higher levels of transparency and accountability.

Listing is a very positive development and the prospects of industry will go up. It will give the insurers access to more funds from the capital market to expand their businesses instead of being dependent on the Government for capital infusion. It will also improve corporate governance and risk management practices at these companies. The Oriental Insurance, New India, National Insurance and United India Insurance together command over half the market share in general insurance. Although all the four were profitable in 2015-16, two made losses in the first quarter of 2016-17. Oriental Insurance and United India Insurance reported a loss of ₹ 152.7 crore and ₹ 428 crore, respectively in first quarter of 2016-17 that ended in June, while National Insurance and New India Assurance reported a profit of ₹ 107.8 crore and ₹ 218 crore, respectively (Table 1).

Underwriting losses remain an area of concern for these insurers especially in segments such as health and motor third-party insurers. Once they get closer to listing, the focus would be to reduce these losses significantly.

Insurance companies in the private sector and public sector have been in the business for a while now and it is time that not only the incumbent shareholders get the opportunity to liquidate a portion of their shareholding at a profit and make up for the loss of dividends in its initial years of existence but also give the opportunity to the companies by infusing more capital into it so that they continue to maintain their capital adequacies and also have more funds available at a very low cost to meet their future expansion plans.

Listing of public sector general insurance companies will help the market in discovering the value of general insurance business in India since there are no listed players currently. It is also expected to pave the way for listing of private-sector general insurance companies in next couple of years; could also increase investor appetite for private sector insurer IPOs. The IRDA has already issued listing norms. It suggested that all general insurance companies with operations for 8 years or more and life insurance companies with 10 years in service should take steps to get their shares listed. Currently, amongst the private insurers Prudential and ICICI are listed in Indian equity market. Already, mergers and acquisitions of private insurer firms are in progress, once that happens they will also get listed.

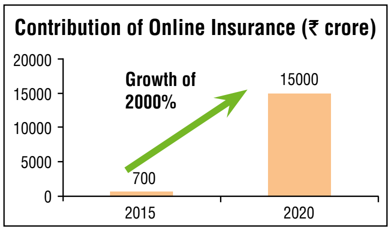
Listing will promote more governance and increase accountability, compelling greater responsibility on part of shareholders and management. This rising transparency and informal sector coming into formal, is expected to create opportunities for general insurers.

Currently, the underwriting losses for industry are around ₹ 14,400 crore up 52% from 2014-15 showing that insurers are too preoccupied with the pricing game. The listing will force the industry to bring in underwriting discipline and risk-based pricing. It will allow companies to raise capital for faster growth and in effect allow more transparent and open processes that would be advantageous for customers. To offer products at affordable premiums and maintain positive claims ratio, insurers need a data-driven approach to underwriting and claims process and big data analytics to accord them sharper decisions.

3. Technology Trends: The Budget 2017-18 has attempted to hasten the implementation of 'Digital India' initiative.

As people in rural areas become more tech savvy, they will use digital channels of insurers to buy policies. Customers will get prompt, transparent and cost-effective services. Players in industry are trying to come up with innovative low-cost products to achieve cost competitiveness. They are investing in Information Technology without affecting service delivery. It is estimated that digitization will reduce 15-20% of total cost for life insurance and 20-30% for non-life insurance.

Figure 4: Growth of Online Insurance Industry



Source: BCG

Today motor, health and travel insurance policies are sold online but online sales are merely 3% in India compared to 30% in US & UK. From October'16, IRDAI has mandated having an E-insurance account to purchase insurance policies. Founders of Coverfox, for instance, have applied for a general insurance license to sell policies primarily through online channels, on the lines of Warrant Buffet's Geico in US.

Online mode is not just limited to educational and banking needs, people started relying on internet to research about the kinds of investment products including insurance. India is going digital in a massive way and insurance industry will not be an exception. Online insurance industry in India started witnessing a phenomenal growth for past few years. As per the report of management consulting firm, BCG, It is estimated that by 2020 three in every four insurance policies would be influenced by online channel; and insurance sales through online channel will grow 20 times from now by 2020.

Rapid advances in technology due to the demonetization drive announced by PM Modi on November 8'2016 are raising customer expectations for seamless cross-channel digital service where insurer will increase the use of digital technology to reach new clients, upsell insurance services to existing ones, and enhance digital interfaces between sales agents and customers. They will also take further steps to enhance the online customer expectations and use technology to deliver simpler, faster and more affordable insurance processes including new business models and micro-insurance solutions for the large underserved population.

Some innovative technology trends for digital insurance are briefed below:

i. **Artificial Intelligence:** Artificial Intelligence (AI) is helping insurance companies develop systems that are able to perform tasks that previously required human intelligence and manual processing. With the advent of AI in the insurance industry, insurance agents can now count on sophisticated systems for precision, efficiency, and flawless automation of existing customer-facing, underwriting and claims processes. In coming days, Artificial Intelligence will be more disruptive and will be used to identify and assess emerging risks. With use of AI and behavioural economics, P2P insurance carrier 'Lemonade' launched in 2016, has transformed the way how traditional insurance carriers interact with their customers. From quote and buy to making a claim, customer's journey is simple and automated. Besides this, the insurance sector is also focusing on Blockchain technology to empower the future of Insurance which can simplify paper work and improve auditability, besides helping the insurance industry to cut expenses significantly.

ii. **Customer Experience:** The modern customer, especially the Millennials, prefer advanced services from insurance companies. Thus, in order to make the processes simpler and faster for them, many insurers are going mobile to offer on-the-go insurance services. Since mobile apps enable customers to locate insurance agents, calculate their retirement income, or request for a policy quote easily, insurance companies cannot afford to ignore the role of mobile technology.

iii. **Heavy Reliance on IoT and Big Data:** The insurance sector is a data-driven industry that generates countless data, both structured and unstructured. Thus, insurance companies are counting on Internet of Things to accumulate more and more data pertaining to the behaviour of their customers. Big data analytics help insurers take crucial decisions based on the analysis of accumulated data. For example, data accumulated from wearable health devices enable insurers to monitor the activity of customers so as to offer discounts for customers' healthy activities.

4. Budget 2017-18 Proposals to Boost Insurance Sector: The Budget 2017-18 will help the insurance industry to grow at a rapid pace benefitting both the life and non-life sectors.

i. There is a strong focus on tax compliance. By providing tax relief to citizens earning upto ₹ 5 lakh, the government will be able to increase the number of tax payers and the life insurers will be able to sell them insurance products, to further increase their tax burden in future. As many of these people were understating their incomes, they were not able to get adequate insurance cover. Now, it will be easier to compete their human life value and sell the amount of insurance that they actually require.

ii. Budget has lowered the holding period required to get capital gains tax exemption from real estate to two years. This will enable people to shift their investable surplus from physical assets to financial assets. Post demonetization, people would prefer to keep their money in formal investment products rather than real estate and gold a part of it would go into insurance.

iii. The sector can grow only if we can bring a greater number of people under the ambit of insurance. There are a lot of Indians who need insurance cover but can't afford the conventional life insurance products. What they need is micro-insurance policies with a lot of flexibility in premium payment options. The insurance regulator is in favour of selling POS policies to them. Such policies will have easy to understand features and the policy contract will be the same for all.

iv. Budget has made provisions for paying huge subsidies in premiums of Pradhan Mantri Fasal Bima Yojana (PMFBY) and the number of beneficiaries will increase to 50% in next two years from the present level of 20%. The insurance cover is on the total estimated value of agricultural products. Therefore, in case of poor harvest, the insured farmers are always assured of earning their income. As more people are covered under the scheme, there will be more stability and prosperity in rural areas. The consumption pattern of rural India will not be disturbed. This arrangement will not only benefit non-life sector but also the life sector. Growth of some insurers, including LIC of India, depends a lot on rural business.

If Rural India has a stable income, Life insurance business is bound to be good for insurers with reasonable presence in rural India. Normally, rural people shy away from taking good insurance cover because they don't know whether they would be able to pay premiums for a long period. Their policies lapse when they are unable to pay premiums due to low farm incomes caused by natural disasters. PMFBY will ensure that persistency of policies taken by rural people remains high in all circumstances.

5. Hybrid Distribution Channels: In life insurance industry, the prominent distribution was agency and around 90% of business is coming from them. High cost and low persistency in policy has thought of going to other channels like bancassurance, online distribution and NBFCs which have widened the reach and reduced costs. Most of existing players are tying up with banks to expand their distribution network, others tied up with local NGOs to target lucrative rural markets.

To introduce technology-based sales interventions, bank-led insurers are looking at bancassurance partners including PNB Met-Life India which had launched a pilot for bancassurance channel with ipads.

Tata AIA Life has introduced five applications Protection Gap calculator, Retirement Gap calculator, Child Need Planner calculator, Child Ulip plus Term Plan Combo calculator and Ulip Plus Term Plan Combo calculator free for Android and iPhone users. These users can calculate their insurance needs free by downloading applications and entering the information. After the process is completed, user is given an option to visit the Tata AIA website and choose appropriate product to match his/her needs. The elife-enabled tablets will allow our customers to engage with company with ease, by making the entire buying experience of life insurance simpler and enjoyable and also using this application, agents can manage customers' needs and provide them suitable solutions.

There is a huge untapped market in India which can be catered to through innovative online plans and considering the view, AEGON Religare Life Insurance launched three online plans iSpouse, iCancer and iIncome. iSpouse is a joint life term assurance plan aimed at working couples and iCancer is an insurance product covering all stages of cancer. iIncome is a non-linked, non-participating term assurance plan designed to protect the household's income stream for a fixed term in the event of unfortunate demise of breadwinner who would be the insured.

Tactical levers such as improving the online presence, upgrading information material, increasing service levels at the call centres and introducing quoting features on website are generally "quick wins" that can be implemented immediately to tap the hybrid customer segment. Strategic levers can also be used by insurers to investigate the long-term implications of hybrid customer behavior in relation to their distribution strategy and business model. Such an effort entails answering questions about customer ownership, organizational structures by product line, and necessary access points for customers.

6. Differentiation/Innovation in Products: The trends around mobile and online channels have been phenomenal, mandating the need for adoption by insurers, along with segment focused channel setups and other sourcing models emanating from alliances and other sector tie-ups.

Companies are trying to differentiate themselves by providing wide range of products with unique features. For instance, New India Assurance launched Farmer's Package Insurance to covering farmer's house, assets, cattle, etc; United India launched Workmen Medicare Policy to cover hospitalization expenses arising out of accidents during and in the course of employment whereas SBI is concentrating on individual regular premium products i.e., focus on providing one kind of service to create differentiation.

Life insurance sector has witnessed the launch of innovative products such as ULIPs as well as traditional products have also been customized to meet specific needs of Indian consumers. At AEGON Religare Life Insurance, the product mix of ULIPS and traditional products has been 40:60. They design products and solutions which address specific consumer needs, whether it is an ULIP or a traditional plan, train their distribution channels to offer solutions only after understanding consumer needs and doing a thorough risk assessment of customer profiles. Sale of ULIPs also depends upon the customers' sentiments about stock market. It is usually seen that when the stock market rises, sale of ULIPs also goes up and vice versa. Insurance being a long-term financial tool, customers should be educated about the need to stay invested in a product like ULIP for a longer period of time to get the best returns.

7. Curbing Cyber Attacks: As insurers become more digital and use more open IT-architecture, the cyber risks grow exponentially. While firms rush ahead to innovate, they will also need to keep pace with mechanism to protect against cyber attacks within their systems and their partner systems. For the past couple of years, insurance companies have been sharing data to detect frauds in the systems. They have tied up with LexisNexis and Experian to collate database on frauds. Accordingly, they are training claims assessors to document claims decisions and have proper evidence on record to repudiate such frauds. Insurers have blacklisted around 70 locations to prevent fraudulent claims.

Conclusion

Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian insurance industry. The future looks promising for the sector with several changes in regulatory framework which will lead to further change in the way industry conducts its business and engages with its customers. It is expected to rise and reach US$ 280 billion in 2020 with insurable population to touch 750 million within next three years. IJ

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An Analysis of Opinion of Agents about Perception of their Policyholders

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Abstract

The needs of the policyholders can be known only from the insurance agents. Hence, it is important to study the opinion of agents about their policyholders to fulfill the needs of the policyholders. The objective of the present study is to evaluate the opinion of agents about the perception of policyholders of life insurance companies in Virudhunagar District. It is found that policyholders approach both male and female for getting policies. It is also found that assistance at the time of getting loan on policies is expected by the policyholders. The growth of the internet in the insurance industry is gradually altering the relationship between the agent and the policyholder. In the past, agents devoted much of their time to marketing of products to new clients, a practice that is now changing. Developing a satisfied clientele that will recommend an agent's services to other potential customers, is a key to success in this field.

Introduction

Numerous changes are captivating consumers in the financial market, banks, mutual funds and financial institutions that are increasing their presence in new areas. Financial planners and consultants are emerging to offer a variety of services in a number of places. Insurance industry itself is subjected to closer scrutiny at a public level. The growth of insurance business to a large extent will be dependent on the skills and the ability of the well trained agents to attract the public to its fold. It is the responsibility of the industry to strengthen the hands of the agents to handle the problems linked with increasing complexity of the insurance products, rapid changes in the market place scenario, sophistication and so on.

The duties of the agents clearly reveal their importance in the insurance business. While performing their duties, they render valuable services to the insurance company, policy holders, Government and the society. The needs of the policyholders can be known only from the insurance agents. Hence, it is important to study the opinion of agents about the policyholders to fulfill the needs of the policyholders.

This paper makes an attempt to study the opinion of the agents about the policyholders. The first section of this paper deals with the socio-economic background of the agents and other one analyses the opinion of the agents about the perception of policyholders.

Objectives of the Study

The objective of the present study is to evaluate the opinion of agents about the perception of policyholders of life insurance companies in Virudhunagar District.

Research Design and Methodology

The study is descriptive based on both the primary and secondary data. The research problem, the null hypotheses and interview schedule all have been formulated and framed accordingly.

Secondary Data

The secondary data were collected from standard text books related to topic, leading journals, published reports and booklets, documents and records of the Government departments and the internet.

Primary Data

First hand data were collected from the field through interview schedule. Data relating to the opinion of the agents about the perception of policyholders were collected through the interview schedule. A number of discussions were held with knowledgeable persons such as academicians, development officials and various officers of life insurance companies for designing the interview schedule.

Area of the Study

Virudhunagar district of Tamil Nadu state is taken as the study area for this research.

Sampling Design

There are totally 4,942 insurance agents in Virudhunagar district as on 31.3.2011. It was not feasible to collect the data from the entire population. Therefore, it was decided to use sampling technique. In order to ensure that the sample group represents the population, Proportionate Stratified Ramdom Sampling technique has been used to select sample agents. The number of agents in LIC of India (public insurance company) as on 31.3.2011 was 3,600. In Virudhunagar district, LIC of India has six branches in areas covering Aruppukottai, Sivakasi, Rajapalayam, Virudhunagar, Srivilliputhur and Sattur. Hence, the population was divided into six strata according to branches of LIC of India. Then the samples were selected proportionately from each strata. The sample of 180 agents (5% of 3,600) are selected.

In Virudhunagar district, there are nine private insurance companies. They are SBI Life insurance, HDFC life insurance, Birla Sun life insurance, Reliance life insurance, Bajaj Life insurance, ICICI Prudential life insurance, Sriram life insurance, ING Vysya life insurance and Bharati Axa life insurance. Hence, the population was divided into nine strata according to the private insurance companies present in Virudhunagar district. Then the samples were selected proportionately from each private insurance company. There were about 1,352 agents in Virudhunagar district as on 31.3.2011 in total. A total of 68 (5% on 1,352) is selected as sample.

Therefore totally 248 (180+68) agents were taken as samples for the study.

Tools for Analysis

The data are analysed by using appropriate statistical techniques such as, percentage analysis and Garrett ranking technique.

The percentage technique has been used throughout the report to express the opinion of the respondents. In order to analyse the ranking data, Garrett Ranking technique is used. The order of merit assigned by the respondents is converted in to scores by using the following formula.

$$\text{Per cent position} = \frac{100\,(R_{ij} - 0.5)}{N_j}$$

Where,

Rij = Rank given by j^{th} individual for the i^{th} factor,

Nj = Number of factors ranked by the jth individual.

The per cent position of each rank is obtained which is converted into scores using Garrett Ranking table. After that, the scores of individual respondent for each factor were added and then divided by total number of respondents. The mean score is ranked in descending order.

Socio-Economic Background of the Agents

This section furnishes a detailed report on the analysis of the socio-economic background of the agents in Virudhunagar district. It includes the factors like, sex, age, marital status, number of children, educational qualification, occupation, annual income, nature of the family, family size and the like.

Sex wise Distribution

Sex is one of the important profile variables of the agents. It had its own impact on the expectation and opinion of agents. Hence, the present study included sex as one of the important socio-economic variables. Sex-wise classification of the agents is shown in Table 1.

TABLE 1

Sex Wise Distribution of the Agents

Sl. No.	Sex	Number of Agents	Percent-age to total
1.	Male	166	66.94
2.	Female	82	33.06
	Total	248	100.00

Source: Primary data.

It is revealed from Table 1 that out of 248 agents, 166 agents, accounting for 66.94 per cent, are male agents, whereas the remaining 82 agents (33.06%) are female agents. It can be concluded that men (66.94%) are interested in working as agents in the study area.

Age wise Classification

Since the age of the agent is one of important segments in life insurance, it is included in the present study. The age-wise classification of the agents is presented in Table 2.

TABLE 2

Age-Wise Classification of the Agents

Sl. No.	Age (in years)	Number of Agents	Percent-age to total
1.	18 – 25	26	10.5
2.	26 – 35	83	33.5
3.	36 – 45	83	33.5
4.	46 – 55	11	4.4
5.	Above 55	45	18.1
	Total	248	100.0

Source: Primary data.

The important age groups of the agents are 26 to 35 years and 36 to 45 years. They constitute 33.5 per cent to the total. The agents who are above 55 years of age constitute 18.1 per cent. The age group of 18 to 25 and 46 to 55 years constitute 10.5 per cent and 4.4 per cent respectively.

From the analysis, it is concluded that a majority of the agents (67%) fall in to the age group of 26 to 35 and 36 to 45 years.

Educational Status

The level of education represents the level of formal education completed by the agents at the time of collecting data. The level of education may increase the level of expectation and also determines the level of perception towards the policyholders. Table 3 presents the details about the educational status of the agents.

TABLE 3

Educational Status of the Agents

Sl. No.	Educational Qualification	Num-ber of Agents	Percent-age to total
1.	School level	30	12.1
2.	Graduate	119	48.0
3.	Technical/ Professional	99	39.9
	Total	248	100.0

Source: Primary Data.

Table 3 illustrates that out of 248 sample agents, 119 agents, accounting for 48 per cent are graduates, 99 agents (39.9%) are professionals and the remaining 30 agents (12.1%) have completed their school level education.

The analysis reveals that 48 per cent of the agents in Virudhunagar district are graduation.

Status of Agents

The researcher analyses the status of agents into two heads, namely, direct agent and indirect agent. Table 4 furnishes the details about the status of the agents.

TABLE 4

Status of the Agents

Sl. No.	Status	Number of Agents	Percent-age to total
1.	Direct agent	79	31.9
2.	Not direct agent	169	68.1
	Total	248	100.00

Source: Primary data.

It can be understood from Table 4 that 169 agents, constituting 68.1 per cent are not direct agents and the remaining 79 agents (31.9%) are appointed as direct agents in the study area.

From the analysis, it is concluded that a majority of the agents (68.1%) are appointed as indirect agents, i.e., under the control of development officer.

Classification of Agents on the Basis of Types of Companies

Table 5 shows the information regarding whether the agents belong to public or private life insurance companies.

TABLE 5

Distribution of Agents on the Basis of Types of Companies

Sl. No.	Type of Company	Number of Agents	Percent-age to total
1.	Public	180	72.58
2.	Private	68	27.42
	Total	248	100.00

Source: Primary data

Table 5 reveals that out of 248 sample agents, 180 agents, accounting for 72.58 per cent belong to public life insurance company and the remaining 68 agents (27.42%) belong to private life insurance companies in Virudhunagar district.

Opinion of Agents about Perception of Policyholders Towards Life Insurances

In this section a detailed analysis is made to know the opinion of agents about the perception of the policyholders towards the insurance company and the policies taken by them.

Gender Approached for Life Insurance Policy

An analysis is undertaken to know which gender of people approach more by the agents for getting policies. Table 6 shows the details of such phenomenon.

TABLE 6

Gender Approached More

Sl. No.	Gender	Number of Agents	Percent-age to total
1.	Male	87	35.08
2.	Female	38	15.32
3.	Both	123	49.60
	Total	248	100.00

Source: Primary data.

It is understood from Table 6 that out of 248 agents studied, 123 agents, accounting for 49.60 per cent approach both male and female for getting policies, 87 agents (35.08%) approach male and the remaining 38 agents (15.32%) approach female for getting policies.

It is clear from the above analysis that the policyholders approach both male and female for getting policies.

Gender Taking More Policies

It is quite interesting to know which gender of people take more number of policies. Table 7 pinpoints this phenomenon.

TABLE 7

Gender Taking More Policies

Sl. No.	Gender	Number of Agents	Percent-age to total
1.	Male	218	87.90
2.	Female	30	12.10
	Total	248	100.00

Source: Primary data.

The surveyed data exhibits that out of 248 agents, 218 agents, representing 89.44 per cent opined that males are taking more number of policies and the remaining 30 agents (10.56%) said that females are taking more policies.

Factors Considered for Selecting the Policies by Policyholders

The survey is undertaken to analyse the factors considered by the policyholders for selecting the policies from the point of view of agents. The factors consider for selecting the policies are identified as high return, low risk, safety, loan facility, surrender value, low premium and tax benefits. Table 8 displays the ranks given by the sample agents for selecting the product by the policyholders.

TABLE 8

Opinion of Agents about Factors Considered for Selecting the Product

Sl. No.	Factors	Ranks given by the Agents							Total	Garrett's Mean Score	Rank
		I	II	III	IV	V	VI	VII			
1.	High Return	64	60	21	23	40	12	28	248	57.02	II
2.	Low risk	44	81	44	16	28	28	7	248	58.52	I
3.	Safety	44	44	60	28	21	7	44	248	53.94	III
4.	Loan facility	26	25	26	30	6	82	53	248	44.38	VI
5.	Low Premium	7	12	23	51	41	98	16	248	43.44	VII
6.	High surrender value	35	21	22	12	91	13	54	248	46.71	V
7.	Tax benefits	28	5	52	88	21	8	46	248	49.00	IV

Source: Primary data.

From the Garrett mean score as shown in table 8, it is clear that the major factor considered by the policyholders as per the opinion of the agents is low risk as it secures the first rank with 58.52 points. It is followed by high return (57.02), safety (53.94), tax benefits (49%), high surrender value (46.71), loan facility (44.38) and low premium (43.44) as they secure II, III, IV, V, VI and VII rank respectively.

The analysis brings to limelight that the major factors considered by the policyholders for taking policies as per the opinion of the agents is low risk (58.52), high return (57.02) and safety (53.94).

Preferences of Types of Policies

During the enquiry, an attempt is made to find out the most preferred policy by the policyholders from the point of view of the agents. The survey is undertaken to know the opinion of the agents about the preference of policies by the policyholders. In order to analyse the most preferred policy by the policyholders from the point of view of agents, the Garrett Ranking Technique is applied.

Table 9 displays the ranks given by the sample agents for identifying the most preferred product by the policyholders.

TABLE 9

Opinion of Agents about the Policyholders' Most Preferred Product

Sl. No.	Types of Policies	Ranks given by the agents							Total	Garrett's Mean score	Rank
		I	II	III	IV	V	VI	VII			
1.	Whole life	36	16	25	120	4	6	41	248	52.87	III
2.	Endowment	8	41	29	42	5	41	82	248	56.14	II
3.	Limited whole life	41	21	12	19	114	30	11	248	43.93	VII
4.	Money back	87	21	41	8	50	18	23	248	67.65	I
5.	Pension plan	26	26	108	8	16	21	43	248	49.52	V
6.	Unit linked	12	38	24	47	39	50	38	248	46.61	VI
7.	Whole life + endowment	38	85	9	4	20	82	10	248	49.59	IV

Source: Primary data.

From the Garrett mean score as shown in table 9, it is clear that the first major policy prefer by the policyholders as per the opinion of agents is money back policy with 67.65 points. The second preference is endowment policy (56.14) and it is followed by whole life (52.87), whole life + endowment (49.59), pension plans (49.52), unit linked (46.61) and limited whole life policy (43.93) on the basis of garrett's mean score.

The analysis makes it clear that the major policies preferred by the policyholders as per the opinion of the agents is money back policy (67.65) and endowment policy (56.14).

Preference of Getting Policies

During the survey, an attempt is made to analyse the order of preference for getting policies by the agents. The order of preferences of getting policies by the agents is presented in Table 10.

TABLE 10

Order of Preferences for Getting the Policies

Sl. No.	Prospects	Ranks given by the agents						Total	Garrett's mean score	Rank
		I	II	III	IV	V	VI			
1.	Businessmen	44	15	72	23	12	82	248	47.16	V
2.	Professional	25	88	25	72	22	16	248	54.14	II
3.	Govt., employee	88	7	83	44	11	15	248	58.72	I
4.	Private employee	16	72	28	10	112	10	248	49.25	III
5.	Labourer	47	4	12	90	16	79	248	44.69	VI
6.	Housewives	28	62	28	9	75	46	248	48.02	IV

Source: Primary data.

From the Garrett mean score as shown in table 10, it is clear that the first major prospects preferred by the agents are government employees with 58.72 points. The second major prospect is professionals (54.14) and it is followed by private employee (49.25), housewives (48.02), businessmen (47.16) and labourer (44.69) on the basis of garrett's mean score.

The analysis unveils that the major prospects preferred by the agents for getting policies are government employees (58.72) and professionals (54.14).

Services Expected by the Policyholders

Various services are expected by the policyholders from the agents before and after taking policies from them. The services expected by the policyholders are premium collection, change of address and nomination, getting loan, surrender, maturity, death claim, loan-cum revival, revival of policy and so on. The details about the services expected by the policyholders from their agents are presented in Table 11.

TABLE 11

Services Expected by the Policyholders

Sl. No.	Expected Services	Number of Agents	Percent-age to total
1.	Premium collection	46	18.55
2.	Change of address and nomination	38	15.32
3.	Assistance in loan	85	34.27
4.	Surrender of policies	38	15.32
5.	Claim settlement	41	16.53
	Total	248	100.00

Source: Primary data.

> The analysis brings to limelight that the major factors considered by the policyholders for taking policies as per the opinion of the agents is low risk (58.52), high return (57.02) and safety (53.94).

The analysis of the data collected reveals that out of 248 agents surveyed, 85 agents, representing 34.27 per cent opined that their policyholders need their help in getting loan on policies, 46 agents (18.55%) stated that their policyholders expect collection of premium, 41 agents (16.53%) opined that their policyholders need their assistance in claim settlement and 38 agents (15.32%) opined that their policyholders expect their service in surrender of policies and change of address and nomination.

It is concluded from the analysis that assistance at the time of getting loan on policies (34.27%) is expected by the policyholders.

People Lapsed More Policies

An enquiry is made to know who lapsed more policies. Table 12 portrays about such details.

TABLE 12

People Lapsed More Policies

Sl. No.	People Lapsed More	Number of Agents	Percent-age to total
1.	Businessmen	49	19.76
2.	Private employees	49	19.76
3.	Labourer	100	40.32
4.	Housewives	50	20.16
	Total	248	100.00

Source: Primary data.

The survey reveals that out of 248 agents studied, 100 agents, constituting 40.32 per cent said that laborers are lapsing more policies. It is followed by businessmen, housewives and private employees who constitute 22.78 per cent, 20.00 per cent and 17.22 per cent respectively.

It is evident that laborers (40.32%) are lapsing more number of policies than other categories of people.

Kinds of Policies Lapsed More

It is important for an insurance company to know which kind of policies are lapsed more by their policyholders. Hence, an attempt is made to know the opinion of the agents about the kind of policies lapsed more by their policyholders. Table 13 shows such details.

TABLE 13

Kinds of Policies Lapsed More

Sl. No.	Kinds of policies lapsed	Number of Agents	Percent-age to total
1.	Money back policy	100	40.32
2.	Endowment policy	99	39.92
3.	Limited whole life policy	49	19.76
	Total	248	100.00

Source: Primary data.

It is lucid from Table 13 that out of 248 agents studied, 100 agents, representing 40.32 per cent said that money back are lapsed more, 99 agents (39.92%) said that endowment policies are lapsed more and the remaining 49 agents (19.76%) told that limited whole life policies are lapsed more by their policyholders. It is evident that money back (40.32%) and endowment policies (39.92%) are lapsed more in insurance companies.

A further analysis is conducted to know the agent's opinion about the reasons for lapsing the policies by the policyholders. It is found that 40.32 per cent agents said that it is due to the inability of the policyholders to pay the premium and it is followed by poor customer service and no intimation about lapsing which constitute 39.52 per cent and 9.12 per cent respectively.

People Surrendered More Policies

It is quite interesting to know who have surrendered more policies before the date of maturity. The opinion of the agents about the people who have surrendered more number of policies is presented in table 14.

TABLE 14

People Surrendered More Policies

Sl. No.	People lapsed more	Number of Agents	Percent-age to total
1.	Businessmen	115	46.37
2.	Private employees	64	25.81
3.	Laborer	42	16.94
4.	Housewives	27	10.89
	Total	248	100.00

Source: Primary data.

It is inferred from Table 14 that out of 248 agents, 115 agents, representing 46.37 per cent said that the businessmen surrender more number of policies. It is followed by private employees, laborer and housewives who constitute 25.81 per cent, 16.94 per cent and 10.89 per cent respectively. It brings to limelight that businessmen (46.37%) are surrendering more number of policies from the view point of the agents.

The investigation stoops out to trace the reasons for surrendering the policies by the policyholders as per the opinion of the agents. The agents said that the only reason for surrendering the policies by the policyholders is financial requirements.

> The growth of the internet in the insurance industry is gradually altering the relationship between agent and the policyholder. Clients are obtaining insurance quotes from a company's website and then contacting the company directly to purchase policies. This interaction gives the client a more active role in selection of policy at the best price.

People Raise Loan on Policies

An attempt is made to analyse the opinion of the agents about people who take more loan on policies.

TABLE 15

People Raise More Loan on Policies

Sl. No.	People Raise Loan	Number of Agents	Percent-age to total
1.	Businessmen	198	79.84
2.	Professional	50	20.16
	Total	248	100.00

Source: Primary data.

Table 15 reveals that 198 agents, constituting 79.84 per cent opined that more loans are raised by businessmen and the remaining 50 agents (20.16%) opined that professionals raise more loans on policies.

It can be judged from the above analysis that other categories of people like labourers, employees and housewives do not involve in this issue due to fear of regulations and no awareness.

Satisfaction with Period of Claim Settlement

The analysis is made to know whether the agents help their policyholders for settling the claims. It is found that all the agents surveyed help their policyholders in settling their claims. A further attempt is made to know whether the policyholders are satisfied with the period of claim settlement as per the agent's opinion. Table 16 is an indicator of this phenomenon.

TABLE 16

Satisfaction with Period of Claim Settlement

Sl. No.	Period of claim settlement	Number of Agents	Percent-age to total
1.	Satisfied	164	66.13
2.	Not satisfied	84	33.87
	Total	248	100.00

Source: Primary data.

It is revealed that 164 agents, accounting for 66.13 per cent opined that their policyholders are satisfied with the period of claim settlement and the remaining 84 agents (33.87%) said that their policyholders are not satisfied with the period of claim settlement.

It can be concluded from the above analysis that the policyholders are satisfied with period of claim settlement from the agents' view point.

Compliments Expected by the Policyholders

The analysis is made to know whether any compliments from agents are expected by the policyholders to take the policy or not. Table 17 explains about this phenomenon.

TABLE 17

Compliments Expected by the Policyholders

Sl. No.	Compliments	Number of Agents	Percent-age to total
1.	Expected	155	62.50
2.	Not expected	93	37.50
	Total	248	100.00

Source: Primary data.

The analysis of the surveyed data discloses that out of 248 agents, 155 agents, accounting for 62.5 per cent opined that their policyholders expect compliments from them for taking policies and the remaining 93 agents (37.50%) stated that their policyholders do not expect compliments from them.

Relationship with Agents

An attempt is made to analyse the relationship of agents with their policyholders. It is found that all the agents opined that they have cordial relationship with their policyholders.

Conclusion

The growth of the internet in the insurance industry is gradually altering the relationship between agent and the policyholder. In the past, agents devoted much of their time to marketing of products to new clients, a practice that is now changing. Increasingly, clients are obtaining insurance quotes from a company's website and then contacting the company directly to purchase

policies. This interaction gives the client a more active role in selection of policy at the best price, while reducing the amount of time agents spend actively seeking to meet clients. Insurance sales agents also obtain many new accounts through referrals. It is important that they maintain regular contact with their clients to ensure that the clients' financial needs are being met. Developing a satisfied clientele that will recommend an agent's services to other potential customers, is a key to success in this field. TJ

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Evaluating Effectiveness of Crop Insurance Schemes in Puducherry Region

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Abstract

This paper presents the research work entitled "Farm production risks and evaluating the effectiveness of Crop Insurance Scheme in Puducherry Region". In the Indian economy, agriculture is classified as a primary sector and is assigned a significant role for providing employment, income and fulfillment of hunger needs. The Government of India has developed credit and insurance mechanisms to finance agricultural operations and protect them from a variety of risks they are exposed to in agriculture. Researchers and policy makers are interested in evaluating how well the agricultural insurance schemes are designed and delivered and how well they have helped farmers in coping with risks.

Hence this paper focuses on finding about the awareness, perception, benefits and satisfaction of farmers, the constraints in adoption of crop insurance and factors affecting crop insurance purchase in Puducherry district. The Probit and logit regression analysis were used to find the factors which influences the crop insurance purchase and the results showed that education, social participation, gross cropped area, credit availed, risks in farming, satisfaction and affordability of premium have influences the purchase of insurance in the study area. The area of crop insurance needs more empirical study to design a win-win approach by studying farmers' perspective as well the service providers' perspective.

Keywords:
Crop Insurance, Purchase Determinants, Awareness, Satisfaction.

Introduction

The Indian economy is large and diverse with a number of major sectors that include the manufacturing industry, agriculture, textiles, handicrafts, and services (Chaugule, 2012). In India, the agriculture sector, is classified as a primary sector and assigned a significant role for providing employment, income and fulfillment of hunger needs. The contribution of Agriculture and Allied Sector in the Gross Domestic Product (GDP) of the country has been steadily declining over the years and has reached about 17.4 percent in 2014-15. The Indian agricultural industry is dominated by small holdings. About 83% of all cultivators are either marginal or small (which means that they hold less than 2.5 hectares, or 5 acres, of land). The Average operated size of holding which was 1.23 ha in 2005-06, has declined to 1.16 ha in 2010-11 at all India level (A.C.I, 2011-12).

The nature of small holding operations leads to increase in the cultivation cost of the farmer and consider insurance premium as an extra burden. The major crops in India are Paddy, wheat, jowar, bajra, maize, Gram (chana), red gram, green gram, black gram, Groundnut, mustard, soya been, sunflower Cotton, sugarcane, tobacco etc K.N.Rao (2010). The climate, Geological, Biological, Market and Man-made are major risks which affects the agricultural production José Luis (2002).

Crop Insurance and its Important

Crop insurance is a financial protection or cover purchased by agricultural producers, and others in agricultural value chain, to protect themselves against either loss of their crops due to natural disasters such as hail, drought, and floods or loss of revenue due to declines in the prices of agricultural commodities (Livata, 2009).

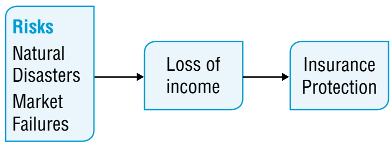

Figure 1-1 : Insurance – An ex-ante Risk Protector

The need for crop insurance in India can be understood from the low incomes due to poor monsoon, fake seeds, and damages to corps leading to a number of suicides of farmers. India is more vulnerable in varying degrees, to a large number of disasters. More than 58.6 percent of landmass is prone to earthquakes of moderate to very high intensity; over 40 million hectares (12%) of its land is prone to floods and river erosion: close to 5,700 kms, out of 7,516 kms long coastline is prone to cyclones and tsunamis; 68% of its cultivable area is vulnerable to droughts; and it's hilly areas are at risk from landslides and avalanches.

Table 1.1 Damages to Crops in Various Periods

Sr. No.	Disasters and year	Crop damages area Ha
1	Tsunami, 2004	39,035
2	'Laila' Cyclone, 2010	1603.22
3	Thane Cyclone, 2011	2023.428
4	Uttarakhand Flood, 2013	3,700

Even though farmers struggle lot, their income from farming is still unstable and low. The unstable income further reduces their contribution on future farming i.e. without or less returns they are lack in confidence and faith, financial support and inability to buy inputs for further cultivation. All the above three factors lead the farmers' poverty, agriculture discontinue or sometimes to suicide of farmers. In view of this, the government has laid focus on its development through the different five year plans beginning in 1951.

Crop Insurance Schemes in India

For close to 100 years crop insurance has been discussed in India in many a forum as an important tool of risk management in crop production. The present public crop insurance schemes active are discussed below:

a. National Agricultural Insurance Scheme (NAIS)

Based on the experience from the CCIS, the National Agricultural Insurance Scheme (NAIS) was introduced on 22nd June 1999 to provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & diseases. In so doing it aimed at the following:

(i) To restore their credit worthiness for ensuing season,

(ii) To encourage the farmers to adopt progressive farming practices, high value in-puts and higher technology in Agriculture and

(iii) To help stabilize farm incomes, particularly in disaster years.

b. Pilot Modified National Agricultural Insurance Scheme (MNAIS):
To improve the NAIS further and to make the scheme more farmer friendly, a Joint Group was constituted by the Government to study the existing crop insurance schemes. Based on the recommendations of the Joint Group and views/ comments of various stakeholders, MNAIS has been approved for implementation on pilot basis in 50 districts during the remaining period of 11th Plan. The pilot has also been extended to 2012-13. It is proposed that NAIS would be withdrawn for those area(s)/crop(s) of the districts in which MNAIS is proposed to be implemented. The salient improvements made in MNAIS are as under:

(i) ***Players -*** Participation of private sector insurers for creation of competitive environment for crop insurance.

(ii) ***Target Group -*** The scheme is compulsory for loanee farmers and voluntary for non-loanee farmers.

(iii) ***Premium Subsidy -*** Actuarial premium with subsidy in premium ranging 40% to 75% to all farmers. Only upfront premium subsidy is shared by the Central and State Governments on 50:50 basis and all claims liability would be on the insurance Company.

(iv) ***Claim Related Measures -***

- Unit area of insurance reduced to village/ village Panchayat level for major crops.
- More proficient basis for calculation of threshold yield; and minimum indemnity level increased to 70% instead of earlier 60%.
- Indemnity for prevented sowing/ planting risk and for post-harvest losses due to cyclone.
- On account payment up to 25% of likely claims as immediate relief to farmers.
- Uniform seasonality discipline for loanee and non-loanee farmers.
- It has also been proposed to set up a catastrophic fund at the national level contributed by the central and the state government on 50:50 basis to provide protection to the insurance companies in the event of premium to claim ratio exceeds 1:5 at national level and failure to procure appropriate reinsurance cover at competitive rates.

(v) ***Delivery and Claims Process***

The insurance is open for both the loanee and non-loanee farmers. Figure 1-2 provides a view of the process of purchasing insurance and making claims.

Stage-1 Farmer takes insurance

Loanee farmer avails of crop –loan for a notified crop from a branch of bank or Primary Agricultural Credit Society. He has to fill in details to avail of compulsorily insurance. He can seek extended coverage by filling up a proposal form.

Stage-2 Bank consolidates policies

Bank prepares list of insurance holders with the respective cut off dates.

Stage-3 Nodal banks consolidates declarations

The nodal bank will prepare a consolidated list of loanee declarations and sends to Insurance Company. In case of non-loanee farmers, the premiums paid by farmers are remitted to insurance company.

Stage-4 In case of crop failure, the claims are made by furnishing yield data after notification is issued by government. Claims are paid to Nodal Bank, from where reach account of farmer through bank branch / PACS.

Review of Literature

The focus of the study is on knowing farm production risks and evaluation of effectiveness of crop insurance schemes in coping with them. In this section, as such, a review of the literature on farm production risks and effectiveness of the crop insurance schemes was made and presented.

Natural calamities like cyclone, storm, variations in rainfall, crop diseases and non-availability of agricultural inputs are the reasons for crop production losses (Liu, et al., 2010; Ravi kumar, 2013).

Traditional and informal risk managing mechanisms like borrowings from friends, neighbors and relatives, jewel loan and formal instruments like bank loan are the methods used by farmers to cope with production risks (Ravi kumar, 2013). Uvaneswaran and Mohanapriya, 2014, pointed out that self-supporting relief measures like sale of assets, hypothecation of assets and jewels and borrowing from friends and relatives as short term loans are highly preferred risk relief measures by farmers.

The studies related to benefits of crop insurance indicate that few farmers agree that crop insurance bear the 0-50% of risks (Ravi kumar, 2013). Crop insured famers had used high value inputs like seed, fertilizers and plant protection chemicals when compared to noninsured farmers for farming (Varadan and Kumar, 2012). Farmers with crop insurance are less likely to reduce their area under cultivation because of climate risks and use all the land they have for cultivation (Ravi kumar, 2013).

The reasons for unwillingness to buy crop insurance were lack of confidence in the scheme and high premium rates (Manojkumar and Ajitkumar, 2003). Most of the respondents felt that crop insurance was made only for large farm size farmers or high income farmers (Ravikumar, 2013). Risk averse households are found to be less likely to purchase insurance (Gine, Townsend and Vickery, 2008). The major constraints in adoption of crop insurance included: 'insurance scheme does not compensate farmers even if they suffer loss from adverse natural event (Kakumanu, et al., 2012).

> Awareness of insurance is limited among farmers. The preference to purchase insurance more in case of large farmers and small farmers are dependent upon informal methods of risk management. Crop insurance is purchased more due to compulsory obligation rather than voluntary interest.

***Determinants of Purchase** - Factors influencing purchase of crop insurance are many.*

- ***Demographic Factors:***

  Age - Farmer's age, (Kakumanu, et al., 2012).

  Income - Annual income (Kakumanu, et al., 2012, Ravi kumar, 2013).

  Education - Financially literate farmers were more willing to purchase insurance than non-educated farmers (Gaurav, 2011; Varadan and Kumar, 2012, Ravi Kumar, 2013).

  Family size - number of workers in the farm family, (Suresh Kumar, et al., 2011).

- ***Social Factors***

  Social participation and Education level enhance awareness about innovative products in crop insurance (Gine, Townsend and Vickery, 2008; Suresh Kumar and others, 2011; Varadan and Kumar, 2012).

- ***Agricultural Factors***

  Farm size, (Kakumanu, et al., 2012), Gross cropped area, (Suresh Kumar and others, 2011), presence of risk in the farming, (Suresh Kumar and others, 2011).

  Income - Income other than agricultural sources, (Suresh Kumar and others, 2011).

  Farming experience (Kakumanu, et al., 2012), Varadan and Kumar (2012).

  Institutional credit accesses (Kakumanu, et al., 2012).

  Familiarity with the insurance vendor (Gine, Townsend and Vickery, 2008).

- ***Insurance Product Related Factor***

  Premium rate, (Ravi kumar, 2013), satisfaction with the premium rate and affordability (Suresh Kumar and others, 2011).

Research Gap

The studies have reported that awareness of insurance is limited among farmers. The preference to purchase insurance more in case of large farmers and small farmers are dependent upon informal methods of risk management. Crop insurance is purchased more due to compulsory obligation rather than voluntary interest (Sishirendu Das and Ray, 2012, Varadan and Kumar, 2012; Ravi kumar , 2013 and Uvaneswaran and Mohanapriya, 2014).

Farmer's age, Annual income, Financially literacy, family size, number of workers in the farm family (Gaurav, 2011; Suresh Kumar and others, 2011; Varadan and Kumar, 2012; Ravi kumar, 2013), Social participation (Gine, Townsend and Vickery, 2008; Suresh Kumar and others, 2011; Varadan and Kumar, 2012). Farm size, presence of risk in the farming, (Sishirendu Das and Ray, 2012; Varadan and Kumar, 2012) are the determinants of purchase of crop insurance.

Different constraints like inadequate compensation, delay in the settlement of compensation, lack of supervision by the bank officials after disbursement of loan for the follow up programme are found in different regions (Tsikirayi et al., 2010; Saaty and Ansari, 2011; Narayanan and Saravanan, 2011; Fred Nimoh and others, 2011; Suresh Kumar and others, 2011 and Mahdeei et al., 2012, Sishirendu Das and Ray, 2012).

In view of this, the following observations can be made:

- The level of awareness, willingness to buy and benefits perceived and obtained varied from region to region.
- There is a need to promote crop insurance as it is good for farmers in coping with risk.
- In view of this there is a need for regional studies on crop insurance to study the local constraints and enhance its reach among farmers.

Objectives of the Study

The specific objectives of the study are:

1. To find the awareness of farmers (both insured and non-insured) about crop insurance.
2. To identify the facilitating and constraining factors influencing the purchase of insurance policies by farmers.
3. To offer suggestions for promoting crop insurance in the study area.

Hypotheses

H-1: Awareness of crop insurance among farmers is influenced by age, farming experience, education and social participation of farmers.

H-2: Crop insurance purchase decision is influenced by personal factors like age, family size, education, farming experience, income other than agricultural sources and level of social participation.

H-3: Crop insurance purchase decision is influenced by farm factors like gross cropped area, presence of risk in the farming, and number of workers in the farm.

> The lack of awareness, feeling that it is of no use and less desirable features like delays in claim payment, complex documentation and delays by officers are major reasons for not buying of crop insurance and majority of the insured farmers are not satisfied with insurance is obtained in the present study.

H-4: Crop insurance purchase decision is influenced by satisfaction with the premium rate and affordability of the insurance premium amount.

Research Methodology

The research design of the research work is descriptive in nature. The research work was based on primary and secondary data. Secondary data were collected from the websites of Agricultural Insurance Company of India, Government of Puducherry, journals, IRDA reports and other online sources. Primary data relating to demographic variables, insurance awareness, perception, purchase determinants, perceived benefits and satisfaction have been collected from the insured and noninsured farmers. The data collection instrument used for this research was a well-structured questionnaire.

The questionnaire is divided into personal details – age, income sources, family size, farming experience, social participation, farming details – Size of land holding, type of crop, and risks associated with farming, insurance purchase – awareness and attitudes relating to crop insurance, and factors influencing purchase of crop insurance and insurance benefits and satisfaction. The sample for this study consists of insured and noninsured famers of Mannadipet and Kunchampet, Puducherry district. The puducherry district is chosen because of get affected periodically due to cyclones (Department of Disaster Management) and gradual reduction in farmers number (Department of Argiculture, Govt. of Puducherry). The villages Mannadipet and Kunchampet villages are chosen because of dominated by paddy cultivation and affected by Thane cyclone. The sample size 360 has been determined using online survey sample determination software.

The variables needed for the questionnaire was generated through the literature review, and pre-pilot study was conducted to test the content validity of the questionnaire by administering it to subject experts and necessary suggestions were incorporated. The Pilot study was conducted on 140 farmers in the Mannadipet and Kunichampet villages of Puducherry district and the initial reliability of the questionnaire was tested using Cronbach's- Alpha value, which revealed a good reliability result.

The statistical tools used in this research work are Descriptive Statistics, Probit regression and Logit regression. In order to analysis the collected primary data SPSS 20.0 (Statistical product and Services Solution) was used. The categorized data was tabulated in terms of percentages and averages. The probit regression analysis and the Logit regression analysis are used to examine the influence of select demographics on awareness, purchase decision and benefits and satisfaction.

Results and Discussion

The average age of the farmers from both villages is 52 years. Most of the respondents are educated. Thus 59.4 per cent of farmers have the 6th -12th std education. About 14.4 per cent of the farmers have primary education and 6.6 per cent of farmers have graduated. The remaining 19.4 per cent of farmers are illiterate. The average size of the respondents' family is 5.3 members. The average farming experience of the respondents is 29. The majority of the respondents don't belong to any social organization. Only 33.8 per cent of respondents are the members in social organization.

The majority (55 per cent) of the respondents have off farm occupation and remaining 45 per cent of respondents only involved in farming. 36.7 of the respondents have 0-2.5 acres of land for cultivation, 36.1 of respondents have 2.5-5 acres of land and remaining 27.2 per cent of farmers have more than 5 acres of land. Among the 360 farmers 78.3% (282) of farmers are availed crop loan from formal institutions and remaining 21.7 % (78) of farmers were not availed formal crop loan. Majority (94.7 per cent) of the respondents had risks and the remaining 5.3 per cent of farmers don't have. 56.4% of the respondents stated that they did not find any benefits from insurance. Among the non-insured, only 53.8% of the respondent farmers are aware of crop insurance details. Three sources of awareness figured in their response – Primary Agricultural Credit societies (PACs), Commercial banks and Regional Rural Banks (RRBs) in that order.

The lack of awareness, feeling that it is of no use and less desirable features like delays in claim payment, complex documentation and delays by officers are major reasons for not buying of crop insurance and majority of the insured farmers are not satisfied with insurance is obtained in the present study.

Hypotheses Testing

H-1: Awareness of crop insurance among farmers is influenced by age farming experience, education and social participation.

The Probit model was employed to study the relationships.

Y = a0 + β1 AGE + β2 EDN+ β3 EXP+ β4 SOCIAL +Ui…. Equation-1, Where,

Y = Awareness about crop insurance (1 for aware, 0 otherwise)

AGE= Age of the farmers (years)

EDN = Education level of farmer

EXP = Farming experience of farmers (years)

SOCIAL = Social participation of farmer (1 for participation in social organization, 0 otherwise)

FSIZE= Size of farm land holdings of farmers

Ui = Error-term

The estimates of the Probit model have been presented in Table-1. Age, farming experience, Education and size of land holdings of the farmers were found to significantly and positively influence the farmers' awareness about crop insurance. Social participation has no influence on the awareness of insurance.

Table-1 : Estimates of Probit Regression Model

Dependent variable: Awareness (N=360)

Variables	Coefficients	'P" value
Constant	0.301	0.97
Age	0.63***	0.00
Farming experience	0.69***	0.00
Education	0.63***	0.00
Social Participation	0.39	0.14
Size of land holding	0.67***	0.00
Log likelihood function -389.11 Note: *** denote significance at 1 per cent.		

H-2: Crop insurance purchase decision is influenced by farmers personal factors like age, family size, education, farming experience, income other than agricultural sources, size of land farm holdings of farmers and level of social participation .

Table-2 shows the estimates of the logit model. According to it, age, family size, farming experience, education, and size of land farm land holdings of farmers significantly and positively influence the adoption crop insurance.

Income other than agricultural sources and Social participation of sampled farmers was found no influence on the purchase of crop insurance.

The logit regression model was specified as per equation

Y = a0 + β1 AGE+ β2 FAMSIZE + β3 EXP+ β4 EDN+ β5 OINCOME + β6 SOCIAL+ Ui …….equation-2, Where,

AGE= Age of the farmers (years), FAMSIZE= Size of the family.

EXP = Farming experience of farmers (years), EDN = Education level of farmer, OINCOME = Annual income from other than agriculture (Rs).

SOCIAL = Social participation of farmer (1 for participation in social organization, 0 otherwise), FSIZE= size of farmland holdings, Ui = Error-term.

Table 2 : Estimates of Logit Regression Model

Dependent variable: Purchase decision (N=360)

Variables	Coefficients	'P'
Constant	2229,40	
Age	0.76	0.00***
Family size	0.72	0.00***
Farming experience	0.52	0.03**
Education	0.70	0.00***
Income from other than agricultural sources	0.33	0.13
Social Participation	0.31	0.13
Size of farm land holdings	0.49	0.04**
Log likelihood function -681.23		

Notes: **and *** denote significance, 5 percent and 1 per cent levels, respectively

H-3: Crop insurance purchase decision is influenced by farm factors like gross cropped area, presence of risk in the farming, number of family workers in the own farm and credit availed.

The logit regression model was specified as per equation

Y = a0 + β1 GCA + β2RISK + β3 WORKMEM+ β4 CREDIT + Ui ….. equation-3

Where,

GCA = Gross cropped area (Paddy in acres), RISK = Occurrence of risk (1 for occurrence, 0 for non-occurrence), WORKMEM= Number of Family Workers in own farm (No.), CREDIT = Credit availed (1 for credit availed, 0, otherwise), Ui = Error-term

The estimates of the logit model presented in Table-3 shows that the farm characteristics like GCA, Risk, and credit availed significantly and positively influence the purchase of crop insurance among insured farmers.

Number of Family workers in the own farm has no influence on the purchase of crop insurance among insured farmers.

> Crop insurance purchase decision is influenced by farm factors like gross cropped area, presence of risk in the farming, number of family workers in the own farm and credit availed.

Table 3 : Estimates of Logit Regression Model

Dependent variable: Purchase decision

Variables	Coefficients	'P" value
Constant	2436	0.00
Gross Cropped area (Paddy)	0.34	0.0**
Risk	0.49	0.00***
Number of Family Workers in own farm	0.17	0.26
Credit availed	0.69	0.00***
Log likelihood function -774.101 Notes: **and *** denote significance, 5 per cent and 1 per cent levels, respectively		

H-4: Crop insurance purchase decision is influenced by insurance related factors like satisfaction with the premium rate and affordability of the insurance premium amount.

The logit regression model was specified as per equation

Y = a0 + β1 SATISFATION + β2 AFFORD + Ui…. Equation-4

Where,

SATISFACTION = Satisfaction with the premium rate (1 if satisfied; 0, otherwise).

AFFORD = Affordability of farmers to premium rate (1 for yes, 0, otherwise).

Ui = Error-term

The estimates of the logit model presented in Table 4 shows that Satisfaction with the premium rate and Affordability of farmers to premium rate has no influence on the purchase of crop insurance among insured farmers.

Table 4 : Estimates of Logit Regression Model

Dependent variable: Purchase decision

Variables	Coefficients	'P" value
Constant	1329	0.00
Satisfaction	0.12	0.21
Affordability	0.15	0.23
Log likelihood function -273.101		

Conclusions

This research has analyzed the awareness level, perception, benefits and factors influencing the farmers crop insurance purchase decisions. The results of the study also bring out the farmers perceived benefits and satisfaction towards crop insurance. The results designates that education, social participation, gross cropped area, credit availed, risks in farming, satisfaction and affordability of premium have influences the purchase of insurance in the study area. The area of crop insurance needs more empirical study to design a win-win approach among farmers and service providers. The future research can focus on the following gaps.

1. Constraints in implementation of insurance by banks and implementing agency.
2. Administrative Public private partnership model in delivering crop insurance.
3. The design of product in local conditions. IJ

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An Evolution of Distribution Channels in Indian Life Insurance Industry

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The dynamics of insurance business has changed the economy in good measure. A key driver for the growth of the insurance industry is the critical functioning of its intermediary channels. Existing literature does not indicate significant research on the intermediation network. Hence, the rationale behind the paper is to measure the growth and performance of the distribution channels of the life insurance industry in India. The study figured out the business performance by gauging various parameters like the number of policies issued and amount of premium collected over the period of nine years viz. 2006-07 to 2014-15. To assess the growth and trend of distribution channels of private and public insurers, the percentage share of each channel in total business, the growth rate and the compound annual growth rate has been determined through log linear regression models.

Though these are considered an important part of the industry, as per the findings, the impact of alternative channels (corporate agents, brokers and direct selling) in the life insurance

market is near impossible to define as they are yet to procure sizable business. However, these are important channels, because they are demonstrating growth and providing access to those policyholders who cannot accomplish nor have relationship with service provider. However, the relatively small amount of life insurance sold by these channels, indicates that they have not yet made a large impact on life insurance business as compared to the established individual agent channel, which is procuring the lion's share of market. But the challenge lies in how they will perform for their insurers and clients on the larger canvas.

Keywords:
Distribution Channels, Performance Appraisal, Life Insurers, Insurance Industry, India.

Introduction

The insurance industry is one of the colossal sectors of the economy having a journeyed nearly 200 years. The process of reinstating of life insurance sector began in the early 1990s and has been augmented substantially in the last decade. The industry has evolved to a really competitive market in 2001, due to the entry of private and foreign players. The new entrants have contributed to the sector's development significantly by enhancing product awareness, promoting consumer education and creating more organized distribution channels (Parida, 2014). The strengthening of distribution network and implementing distribution strategies are considered critical factors for the success of insurance industry (Krishnamurthy et al., 2005). Initially, in Insurance Act (1938) 'agents' (called as principal agent, chief or special agents) were the only distribution channels (Jain, 2011). Since the nationalization of Life Insurance sector and opening up of the market by IRDA (Kutty, 2010), again there were only 'individual agents' working as distribution channel with the industry (Vishwanathan, 2006; Banerjee 2004). In the period after the liberalisation of the Insurance Sector in the year 2000 and the formation of the Authority, the industry included quite a few distribution channels: 'individual agents', 'bancassurance', 'corporate agents', 'brokers' and 'direct selling' (Jain, 2011, Murali, 2014) which have been increasingly consolidating their strengths in the Indian domain (Narayan, 2008). This shift in the insurance distribution channels and the resultant increased business owes their success to innovative products that have been brought in to meet the multifarious needs of the consumers.

Distribution Channels: The Conceptual Framework

Distribution channels or intermediaries are the middlemen which formulate connection between 'consumers' who are in search to procure insurance policies or products and 'insurance companies' who are looking for to sell those policies or products (Desk, 2013). They are considered as creator and backbone of the market, who have skills and competencies (Rao, 2003) to harmonize needs of prospective customer and recommend suitable policy that satisfies their needs (Cummins and Doherty, 2006; Parekh, 2011). It entails that intermediaries should be well-versed in all matters relating to their job and have a distinct role to play in the entire circle, from the point of sale through policy servicing up to settlement of claims. The succeeding section will highlight the brief concepts relating to various channels which are procuring business to the industry.

Individual Agent

According to IRDA, an individual agent is a certified individual, who sells insurance products or policies on behalf of one insurance company (Cummins and Doherty, 2006). He receives or agrees to receive payment by way of commission on all the policies sold or other remuneration in consideration of his soliciting or procuring insurance business (Rajeswari and Christy, 2012; Babu and Rao, 2013). As far as the marketing of Life insurance in the Indian domain is concerned, the agent has been instrumental in spreading the message with respect to market growth and insurance penetration (Regan and Tennyson, 1998). Historically it is the individual agent who has been responsible for not just acquiring business but also in disseminating whatever services were there at his disposal (Narayan, 2008). The agent's responsibilities towards policyholders do not end with the closing of sale of policies (Venugopal, 2012), rather it is followed by after-sale services with the policyholders (Gopalakrishna, 2012).

Corporate Agent

A corporate agent is an intermediary other than an individual, representing an insurance company (Baradhwaj, 2013). According to IRDA, similar to the independent individual agent, a corporate agent sells insurance products for one insurance company (Sud, 2012). They generally do not have public offices, relying instead on telemarketing and online sales efforts funded by the insurer. Corporate agents are regarded as employees of the insurance companies and draw salary for their efforts (Desk, 2013). They can represent one life insurer, one non-life insurer and one standalone health insurer (Parida, 2014). Undeniably, corporate agents have contributed in insurance business but in India, it has not gained popularity among life insurers and customers in contrast to the individual agents.

Bancassurance

After obtaining authorization from Reserve Bank of India (RBI), IRDA passed a notification in 2002 regulations wherein banks are allowed to enter in insurance business (Bala and Verma, 2012; Parida, 2014). It's a synergy of banks and insurance company whereby insurance products are sold by banking networks (Reddy et al., 2004; Aggarwal, 2004). Thus, Bancassurance an alternate distribution channel has contributed to the growth of insurance business by leveraging tremendous benefits to customers, bankers and insurers (Brahmam et al., 2004; Chevalier et al., 2005; Anand and Murugaiah, 2006; Majumdar, 2010; Singaraju, 2012; Pani and Swain, 2013). It is considered the important developments that has taken place in financial sector (Cummins and Turchetti, 1996) and proved more lucrative and forthcoming among alternative channels (Soni and Singh, 2003) in terms of its growth and productivity. It is one of the low cost distribution channels which have emerged as a viable, most preferred and relied distribution channels in the market (Bhattacharya, 2004; Boon and Bane, 2008).

Broker

The opening of the market for private participation has brought strong competition in the industry and thus a need was felt for having specialized distribution channels (Reddy, 2014) that could support the clientele in the assessment of their total risk exposure and put forward suitable insurance products to cover such risks. The insurance brokers, thus emerged as professional entities with required technical expertise to assess a range of risks (Reddy, 2014), to offer customized insurance solutions (Ramakrishna, 2014), to discover true price in a competitive market and to deliver efficient after sales service which is the need of hour. While an Agent represents only one insurance company (one general, one life or both), a Broker may deal with more than one life insurer or general insurer or both. In words of IRDA, an insurance broker is an independent sales person who works for the customer and normally has relationship with multiple insurers (James, 2014) whereby matches the customer's insurance needs with the most appropriate insurance carrier (Ramachandran, 2014). They received brokerage on each sale, paid to them by the insurance company. The broker is deemed to represent the customer but his remuneration is being paid by the insurer. The brokerage is determined as a percentage of the premium which is fixed by the IRDA. Insurance broking enjoys a prominent place and is regarded as cornerstone for insurance market (Sethi, 2008; Mehta, 2014).

Direct Selling

Direct sellers are the insurance companies who sell their products and services directly to consumers. They do not employ any intermediary to sell their policies (Kotler and Keller, 2006) rather, staff of companies put up sale of insurance products directly to the clients. With growing awareness of Life Insurance, many customers prefer to transact either online or through phone or email. For such customers, there is rise of this particular channel (Dumm and Hoyt, 2002). Actually the role played by traditional channels has replaced somewhat by advancement in technology (Babu and Rao, 2013). Insurance being opened up with innovative technology in its conduct is now employed by majority of new players and has proved effective in customer creation and retention. It has become one of the flourished channels of distribution which provided various opportunities and benefits to its customers and important factor for most insurers also (Murali 2014).

Role and Importance of Distribution Channels

The escalation of any organization is directly related to the economic development of a nation. But the marketing of services is an intricate apprehension and has become challenging phenomenon in every domain. In similar instance, the growth of Indian Insurance industry lies in marketing of its services which depends on remarkable performance of its intermediaries. It lies to the veracity that, if intermediaries are performing better, the success ultimately lies with the business. In today's cut-throat scenario, the proficient working of transitional channels and maintaining its strong network is an important constituent, though it has become biggest confront (Krishnamurthy et al., 2005). Therefore the working of intermediate network posses effective and heedful task. The figure I demonstrates that life insurance industry executes its task through its distribution channels to reach its customers. The working of intermediary channels, form an integral part in the success and survival of an organization (Rao, 2006). So in the light of severe hostility, insurers require mammoth distribution strength to reach out its huge customer base keeping in mind the preferred combination of product, pricing, service and channel.

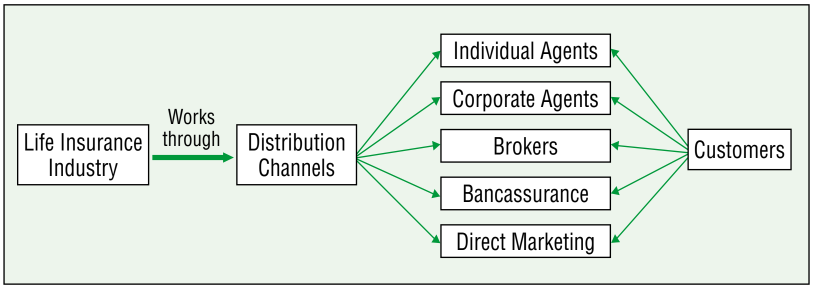

Figure I: The Role of Distribution Channels

In a nutshell, the best distribution channel is one who learns to study the customer's needs first and the policies next; and the customers, who follow this sequence through whichever distribution channel, always buy the best product (Jain, 2011). On the other hand, the more effective client connection approach, the more effective would be performance of channel (Kumar, 2014). The Indian life insurance market has attained a lot in about 12 years of the introduction of intermediaries what other markets have taken decades to achieve. So the heart of saying is that there should not be any flabbiness at any stage in emancipation of duties by any distribution personnel. Hence, it will ensure contentment to policyholders which will ultimately bring more business to the company. It is rightly said 'a satisfied policyholder is the greatest asset and center of all business (Behera, 2012; Gopalakrishna, 2012). Thus, for the successful running of life insurance business at an enviable pace, the combined efforts of distribution channels, company, regulators and policyholder are necessary and this will auxiliary the interests of each one of them (Murali, 2014).

Literature Review

Rao (2004) focused on multiplicity of distribution channels which helped insurance companies in making products and services available to its consumers. The companies were establishing innovative distribution channels for better understanding, to target right customer, to emphasize personal interaction. Working with multiple channels induced the company to gather vast potentials of market and thereby enhancing the chances of success. Each distribution channel has its unique importance (Sethi, 2008) but even then insurers rely basically on agency channel in order to reach the market (Lakshmikutty and Baskar, 2006; Viswanathan, 2006; Jain, 2011). The issues did not lie on how many channels the company has been working with, but how these channels interact with customers and perform actually in a cost effective manner was important. Viswanathan (2006) observed that distribution channel was playing a vital role in significant growth of an insurance industry. Prior opening of insurance industry to private sector, it was linked with only tied agency channel. But now the emphasis revolved around creating alternative channels like brokers, bancassurance, direct marketing, tele-marketing, net marketing, worksite marketing. In the situation of rapid changes in Indian insurance industry, the customers have enjoyed diversity in products and services with multiplicity of distribution channels. The result of the study disclosed that in the tempo of exigent situation, the customer's perception lies at the centre and the ultimate rationale of success was matching the right segment of customer with right products at right time with right distribution channel. Rao (2006) asserted that it was only the distribution channel which discovered the risk exposure needs of policyholders and served them the best product according to their necessities. But in present scenario, intermediaries emerged as professional consultants with greater expertise, knowledge, excellent negotiating and communicating skills. Insurers were required to build professionalism, show their technical and underwriting expertise, to justify their structures scientifically. Govardhan (2008) examined the relevance of various distribution channels in emerging insurance markets. The study asserted that each distribution channel was performing at its best in one way or another. The effective growth of insurance business ultimately depends on the performance of various distribution channels.

The studies mainly relating to the individual agent channel: Kim et al. (1996) summarized that independent agents work efficiently in the situation where claim settlement become complicated and losses were higher. They have power to intervene in the matters of company to deal in fair manner and switch the policyholder to other insurer if latter behave in obstinate mode. Likewise Grossman and Oliver (1986) outlined that independent agents has become the preferred channel in the circumstances where there occurred a need to deal with complex markets, requisite to acquire and retain wider customer access and design coverage program (Cummins and Turchetti, 1996). Sud (2012) highlighted the role and functions performed by agents in insurance market. Among the various distribution channels, agency channel was considered the most preferred source of customers for buying life insurance policy. The study also highlighted the significant role played by regulator for the functioning of agency channel. For the benefit of customers, companies and agents itself, it was desirable that agents should be properly trained and execute their work to the best. Baradhwaj (2012) opined that an agent played a crucial role in deciding claims and hence he must equipped with all material information and knowledge to explain to customers and better understood them. Aggarwal (2012) conceptualized that distribution channel has been the most vital constituent of the insurance industry. It has been found that public insurer has been getting roughly 97% individual new business through individual agent channel in last five years. While other 23 Private insurers were using innovative channels up to large extent, as they were attaining around 40% or more new individual business.

The studies particularly relating to brokers: Radhakrishna (2006) examined various issues related to emerging role of brokers in Indian insurance industry. The statistics showed that market of broking industry in India was stabilized to some extent and but stringent guidelines of IRDA has effected its growth and development. It was suggested that broker as an intermediary was facing a lot of challenges and responsibilities besides playing versatile role in the efficient functioning of industry. Sethi (2008) discussed the role of intermediaries in insurance market. There has been a significant increase in the number and type of insurance intermediaries with opening up of insurance sector in 2001 and with significant role played by IRDA which has resulted in enhanced number of products, insurance penetration and premium income. Among other channels, brokers enjoyed the prominent place in Indian insurance market which has come out with entire set of insurance solutions. Sithapathy (2008) highlighted that what has been and what would be the role of insurance broker in emerging insurance markets. The broker owed his loyalty towards the insured (policyholders), but ultimately paid by insurer for services rendered to insured. But he was alleged that broker couldn't maintain trust and confidence with insured as if he was actually paid by insurer. The study suggested that the brokers delivered far more in term of services than what they has delivered in the past. The true role of broker would be judged by those who has actually availed their services. Bondia (2012) asserted that by establishing the strong network of the broker's channel has proved beneficial to consumers in terms of offering wide range of products, showing expertise in managing risk, educating customers, understanding their needs (Barua, 2012). Kedia (2014) insisted that though broker has been unrecognizable channel in masses but it has bought lot of value addition in terms of business generation to Indian Insurance Industry. Its share in life insurance market was around 0.5 per cent in 2009-10 which grew to 23 per cent in 2013. No doubt the market share was very less but it ought to leave tremendous scope for its growth in years to come. The broker needs to make efforts, to raise professional standards and articulate its work done to acquire fairly large share in the market. Similarly, Mehta (2014) observed that in spite of accessibility of epic potentials in Indian insurance domain, the broker's channel failed to prove itself and grow optimistically. The new business premium collection through broker was less than 10 per cent inclusive of both of life and non life insurance. The study concluded that broker's market formed the cornerstone of insurance domain and precise steps would capitulate the enduring benefits to industry. Reddy (2014) asserted that broker as a distribution channel has become important segment of Insurance industry. Due to its specialist skills and representative of the customer, it has benefitted both insurers and customers. Unlike the other channels, brokers can able to manage risk, settle down claims more easily, can reduce complexities in procedure. James (2014) regarded insurance brokers as catalyst for economic growth and emphasized that it was vital for the growth of insurance industry as well.

The studies specifically relating to bancassurance channel: Shah (2003) observed that bancassurance was not the practice of simply selling insurance products by the banking channel but it was essential to identify the tactics to make it a successful venture. It has become a viable distribution channel in terms of tailoring the needs of market, higher sales productivity and managing vast customer records as compared to other channels. The study showed that since both the bankers and insurance companies has their own way of performing tasks, but the success merely depends on promptness and effectiveness of managing each other services and strategies. Krishnamurthy (2003) scrutinized the success of bancassurance in European countries and highlighted the factors that provide momentum to develop bancassurance model in Indian markets. It laid down that the removal of regulatory barriers, amendment in the regulations and existence of remarkable infrastructure in India would prove advantageous for the banks to undertake bancassurance. The study concluded that viewing the potential and reach of banking networks in India showed that bancassurance would grow by leaps and bounds in the coming years. Aggarwal (2004) appraised the detailed framework and concepts related to bancassurance. The Indian and worldwide experiences of bancassurance channel was evaluated and how far the partnership between banks and insurance companies has provided benefits to insurers, banks and its customers. The developments in distribution system and emergence of alternative distribution channels have changed the shape of Indian insurance industry. The study highlighted that efficient working, technological infrastructure, integrated environment were the basic success factors for maintaining successful bancassurance partnerships. Krishnamurthy et al. (2005) indicated that bancassurance has supposed to be the most cost effective channel to make insurance products available to masses through widespread bank branches network. Subramaniam (2005) examined that average collection of premium by insurers would rise by 50% in 5 years from now, if they choose to do business with bancassurance channel. Although bancassurance was picking up pace at slow rate, but it has finally taken off as a successful distribution channel of the industry. The channel with its huge network of branches and possessing extensive range of customers brought a great revolution in the Indian insurance industry. Viewing the future prospects and upcoming challenges, bancassurance channel would be the significant distributor of insurance products and services. Karunagaran (2006) opined that in comparison to worldwide insurance market, the position of India was pathetic in regard to size and penetration of insurance market. Also Sridharan and Allimuthu (2009) outlined that bancassurance which has been the emerging channel for insurers have put the larger impact on the business performance of Indian life insurance industry. Bala and Verma (2012) concluded that Indian economy endowed venerable opportunities to both regulatory agencies: RBI and IRDA in regard to the success of bancassurance. In this scenario bancassurance proved cost effective and viable channel in insurance sector if both the regulators adhere together in meeting upcoming challenges. Kumaraswamy (2012) concluded that among various distribution channels, bancassurance has facilitated the growth of insurance companies in terms of extensive network, vast customer base, lower acquisition cost etc. Chatley (2012) made an attempt to study the contribution of bancassurance in the growth of life insurance business during the period of five years from 2006-07 to 2010-11. The study focused that there were numerous other intermediaries like corporate agents, brokers, direct business and bancassurance emerging in the insurance industry, but sole domain channel working with life insurance industry was agents since year 2000 (Jampala, 2005; Singhvi and Bhatt, 2008). However, due to stringent regulations of IRDA and with an increase in the number of tie ups with banks resulted in declined growth of agents.

The reviews of above studies are mostly conceptual in nature inkling in the course of functions performed by various distribution channels. But there is a dearth in the empirical evidence of literature in the concerned phenomena. In order to add some new insight in era of insurance industry, the present study made an attempt to analyze the contribution of distribution channels in Indian life Insurance domain. The end result of study would help to know that momentous growth of insurance sector is due to notable performance of its distribution network.

Research Methodology

The empirical study has attempted to examine the performance of distribution channels namely individual agents, corporate agents, banks (bancassurance), brokers and direct selling in the Indian Life Insurance Industry. The study is secondary in nature and the data have been collected from the Annual Reports and Handbooks of the Insurance Regulatory and Development Authority (IRDA) which has been analyzed over a period of nine years i.e. from 2006- 07 to 2014-15. The business performance has been assessed in terms of number of policies issued and amount of premium underwritten by public insurer i.e. LIC as well as private life insurers through distribution channels. The percentage share of each channel in total business underwritten has been calculated in terms of number of policies issued and collection of premium amount. Also, comparative analysis of business procured by each channel is made. To assess the growth and trend of distribution channels performing with private and public insurers, growth rate and compound annual growth rate through log linear regression model has been calculated.

Empirical Analysis

The succeeding section exhibits the percentage contribution of each channel in total business procured by life insurers over the last nine years.

Table I : Share of Individual Agents in Total Individual New Business Underwritten by Life Insurers

Years / Insurers	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
No. of Policies issued									
PRIVATE	63.99	59.73	56.16	48.42	47.65	48.12	44.53	45.94	40.98
LIC	97.45	97.99	97.60	98.06	98.06	98.10	98.15	98.24	95.87
INDUSTRY	91.71	88.01	85.38	84.66	86.44	88.55	89.17	90.1	83.71
Amount of Premium Collected									
PRIVATE	65.80	59.81	54.94	50.67	46.89	44.05	39.68	40.09	35.73
LIC	97.28	98.36	97.34	97.75	97.45	96.56	95.86	95.99	95.97
INDUSTRY	88.62	83.75	79.57	79.61	78.95	78.69	77.53	78.4	71.42

Table I outlines the individual businesses underwritten by life insurers through the individual agent channel. Firstly in regard to the number of policies issued, it has been showing a declining trend in case of private insurers, where agents have contributed to the tune of 40.98 per cent in 2014-15 as against 63.99 per cent in 2006-07. In case of LIC, agents contributed 97.45 percent of total business in the year 2006-07, and after remaining constant to around 98 per cent till 2013-14, it declined to 95.87 per cent in 2014-15.

Thereafter, viewing the collection in amount of premium by the agents with private insurers, the figure has fallen to 35.73 per cent in 2014-15 as compared to 65.80 per cent in 2006-07. LIC procured around 95 to 97 per cent of its total premium through individual agent from 2006-07 to 2014-15. Viewing the scenario of industry, the agents procured 88.62 per cent of business in 2006-07 which has fallen to 83.75 per cent in 2007-08. Around 77 to 79 per cent of total business have been done in years from 2008-09 to 2013-14. The year 2014-15 has witnessed downfall to 71.42 per cent in 2014-15.

It has been observed from Table II that life insurance industry has issued 3.09 per cent of total individual policies through bancassurance channel in year 2006-07. The figure has increased but at decreasing rate till 2013-14, and in year 2014-15, the figure stood at 9.33 per cent. The private players involved in issuance of policies to the tune of 12.02 per cent in 2006-07 through banks which decreased to 8.77 per cent in 2008-09. After this period, there has been rising trend and business sharply enhanced to 36.65 per cent in 2014-15. LIC has done only 1.24 per cent of their total individual business through bancassurance in 2006-07 and after following fluctuating trend, the figure stood at 1.56 per cent in 2014-15 resulting in very negligible increase.

Table II : Share of Banks in Total Individual New Business Underwritten by Life Insurers

Years / Insurers	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
No. of Policies Issued									
PRIVATE	12.02	9.21	8.77	11.28	14.46	20.45	26.40	29.91	36.65
LIC	1.24	1.26	1.62	1.20	0.90	1.27	1.36	1.24	1.56
INDUSTRY	3.09	3.33	3.73	3.92	4.03	4.94	5.55	5.7	9.33
Amount of Premium Collected									
PRIVATE	16.58	18.89	20.78	24.88	33.21	39.01	43.08	43.62	47.37
LIC	1.24	1.30	1.70	1.64	1.81	2.57	3.16	2.77	2.60
INDUSTRY	5.46	7.97	9.69	10.60	13.30	14.96	16.18	15.62	20.84

The premium collected by life insurance industry through bancassurance channel is 5.46 per cent in 2006-07 and after following an upward trend, the figure has increased four times i.e. 20.84 per cent in 2014-15. The business done by public insurer through channel is 1.24 per cent in 2006-07 which has augmented to 3.16 per cent in 2012-13. But the year 2014-15 witnessed a downfall to 2.60 per cent. The channel remained successful among private players as compared to public player. The percentage share of business performed by private players through banks is 16.58 per cent in 2006-07 and it has increased at increasing rate over the period of time and reached to 47.37 per cent in 2014-15.

> Due to its specialist skills and representative of the customer, it has benefitted both insurers and customers. Unlike the other channels, brokers can able to manage risk, settle down claims more easily, can reduce complexities in procedure.

Table III : Share of Corporate Agents in Total Individual New Business Underwritten by Life Insurers

Years / Insurers	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
No. of Policies Issued									
PRIVATE	12.50	17.76	16.96	24.68	23.73	17.27	13.78	10.13	6.18
LIC	0.77	0.65	0.70	0.71	0.96	0.37	0.20	0.17	0.19
INDUSTRY	2.79	5.11	5.50	7.18	6.21	3.60	2.48	1.72	1.52
Amount of Premium Collected									
PRIVATE	8.41	11.03	10.92	10.28	8.70	7.52	6.04	4.01	3.35
LIC	0.90	0.29	0.49	0.52	0.59	0.22	0.15	0.1	0.12
INDUSTRY	2.96	4.36	4.86	4.28	3.56	2.70	2.07	1.33	1.44

The figures in Table III represent the share of business procured by corporate agent channel. The private players have been doing around 12 per cent of business in context of issuance of policies with the said channel in 2006-07 which augmented to 24.68 per cent in 2009-10 and reached to 6.18 in 2014-15 resulting in severe downward movement. It has been performing miserably with LIC where it contributed only 0.19 per cent in 2014-15 as against 0.96 in 2010-11. The insurers need to evaluate their distribution strategies of corporate agents in order to improve their performance as compared to established channels. The channel has procured 2.79 per cent in 2006-07 which improved to 7.18 per cent in 2009-10. After this period there has been great downfall in the business performed by industry whereby, contribution of said channel is 1.52 per cent in 2014-15.

In context of premium received, the percentage share has ascended from 2.96 per cent in 2006-07 to 4.86 per cent in 2008-09 and thereby witnessing downfall to 1.44 in 2014-15. The private players reveal the similar scenario where it has incurred 3.35 per cent in 2014-15 as against 11.03 per cent in 2007-08. The business performed has actually decreased over the period of time. The public insurer has done minimal of its business with said channel resulting in negative growth.

Table IV represents the percentage share of business done by brokers in the total business of the industry. Viewing its contribution to private players, the business has ascended to 5.74 per cent in 2012-13 as against 0.99 per cent in 2006-07. The public insurer, LIC initiated with a very scanty amount of business that is to say 0.47 per cent in 2006-07 and the figure kept on reducing with time.

For collection in premium amount, private life insurers have done around 5 per cent of its business through brokers from 2011-12 to 2012-13 in comparison to 1.05 per cent in 2006-07. Its share with LIC is very less to describe which has been showing tremendous downfall. The industry undertook minimal amount of business with broker. It has accounted for only 1.84 per cent in 2014-15 as against 0.54 per cent in 2006-07.

Table IV : Share of Brokers in Total Individual New Business Underwritten by Life Insurers

Years / Insurers	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
No. of Policies Issued									
PRIVATE	0.99	1.43	1.84	2.98	4.54	5.57	5.74	4.94	4.47
LIC	0.47	0.10	0.08	0.03	0.02	0.02	0.01	0.01	-
INDUSTRY	0.56	0.45	0.60	0.83	1.06	1.08	0.97	0.77	0.99
Amount of Premium Collected									
PRIVATE	1.05	1.50	2.00	3.44	4.77	5.07	5.05	4.91	4.49
LIC	0.34	0.05	0.47	0.09	0.04	0.04	0.02	0.02	0.02
INDUSTRY	0.54	0.60	1.11	1.38	1.77	1.75	1.66	1.56	1.84

Table V : Share of Direct Selling in Total Individual New Business Underwritten by Life Insurers

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
No. of Policies Issued									
PRIVATE	1.76	11.87	16.27	12.64	9.61	8.59	9.55	9.07	10.26
LIC	-	-	-	-	0.06	0.25	0.28	0.35	0.39
INDUSTRY	0.30	3.10	4.80	3.41	2.26	1.84	1.83	1.71	2.58
Amount of Premium Collected									
PRIVATE	1.39	8.78	11.37	10.73	6.42	4.35	6.14	7.38	9.06
LIC	-	-	-	-	0.12	0.62	0.82	1.12	1.24
INDUSTRY	0.38	3.33	4.76	4.13	2.42	1.89	2.55	3.09	4.42

Table V exhibits percentage share of business performed by direct selling channel in total business of industry. As compared to public insurer, very well performance has been recognized by private insurers with regard to issuance of policies through particular channel. The share with private players in 2006-07 is 1.76 per cent which inclined to 16.27 per cent in 2008-09 and reached 10.26 per cent in 2014-15. The share with industry is though less in 2006-07 but it has increased to 4.80 per cent in 2008-09. After this period till 2013-14, there has been downfall in the business. The figure came out to be 2.58 per cent in 2014-15. However, LIC did not procure any business in initial years through this channel. The years from 2011-12 to 2014-15 has shown minimal amount of business incurred which is lying in range of 0.25 to 0.39 per cent. So the public insurer has yet to make in-roads through this channel of distribution.

It has been observed that, total premium incurred by private insurers has reduced to 6.14 per cent in 2012-13 as against 11.37 per cent in 2008-09. The year 2014-15 exhibits that 9.06 per cent of business has done. But during the period from 2006-07 to 2009-10, public insurer has not acquired any business through direct selling channel. Thereafter the channel has procured business, but at very slow pace which reached to 1.24 per cent in 2014-15. Now examining the position of said channel with industry, where it has exhibited 4.42 per cent in 2012-13 as against 0.38 per cent in 2006-07.

Table VI exhibits the business generated by all distribution channels working in life insurance industry in regard to issuance of policies. Along with, the overall growth in respective time period and growth from previous years has been displayed. The scenario reveals that, the industry has been performing maximum to say 83 to 93 per cent of its total business through individual agent channel in the period from 2006-07 to 2014-15. In other words, individual agents account for the lion's share in the distribution.

Analyzing the performance of banks, gives an idea that percentage share in total business has been increasing at slow pace with passage of time. It has acquired 3.14 per cent in 2006-07 which augmented to 9.33 per cent in 2014-15, resulting in significant growth of 6.18 per cent over the period of nine years. The corporate agent has contributed 2.83 per cent in total business in 2006-07 which has increased to 7.18 per cent in year 2009-10. The year 2011-12 has been showing huge decline in the business of corporate agent by reporting -46.84 per cent growth from previous year. Then its share has drastically decreased to 1.52 per cent in 2014-15 revealing -43.93 per cent growth from previous year and -17.30 per cent overall growth of time period.

Table VI : Total Individual New Business Underwritten (Number of Policies Issued) by the Channels: A Comparative Analysis

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	CAGR
Individual Agent Percentage Share Growth rate	42301907 (93.15)	44752611 (88.01) 5.79	43460589 (85.37) -2.89	45036904 (84.66) 3.63	41581811 (86.44) -7.67	39103141 (88.55) -5.96	39370820 (89.17) 0.68	36792083 (90.10) -6.55	21654232 (83.71) -41.14	-5.823**
Banks Percentage Share Growth rate	1426919 (3.14)	1693610 (3.33) 18.69	1896457 (3.73) 11.98	2084543 (3.92) 9.92	1936562 (4.02) -7.10	2180018 (4.94) 12.57	2452767 (5.55) 12.51	2327836 (5.70) -5.09	2414000 (9.33) 3.70	6.183***
Corporate Agent Percentage Share Growth rate	1284785 (2.83)	2599723 (5.11) 102.35	2798776 (5.49) 7.66	3819790 (7.18) 36.48	2988481 (6.21) -21.76	1588650 (3.60) -46.84	1093960 (2.48) -31.14	701276 (1.71) -35.90	393200 (1.52) -43.93	-17.304**
Broker Percentage Share Growth rate	259177 (0.57)	227403 (0.44) -12.26	306277 (0.60) 34.68	439396 (0.83) 43.46	511388 (1.06) 16.38	476054 (1.08) -6.91	427151 (0.97) -10.27	315769 (0.77) -26.08	256740 (0.99) -18.69	2.839
Direct Selling Percentage Share Growth rate	139077 (0.31)	1573849 (3.10) 1031.64	2442772 (4.80) 55.21	1814558 (3.41) -25.72	1088426 (2.26) -40.02	812478 (1.84) -25.35	809926 (1.83) -0.31	698100 (1.71) -13.81	666858 (2.58) -4.48	1.409
Total	**45411865**	**50847196**	**50904871**	**53195191**	**48106668**	**44160341**	**44154624**	**40835064**	**25869356**	

Figures in parenthesis represent the percentage share in total business.

** represents the value is significant at 5 per cent level of significance.

The business brought in the industry by brokers has shown its negligible situation, where its share is just 0.57 per cent in 2006-07 which has inclined to 1.08 in 2011-12. Then again, it has decreased to 0.99 in 2014-15, posting 18.69 per cent fall from previous year (26.08 per cent decline in previous year). The channel has presented overall growth of 2.83 per cent which is significant and highest as compared to other channels. Thereafter, direct selling channel has acquired just 0.31per cent in 2006-07 which has increased to 4.80 in 2008-09. After that period, it has reported a declining trend which reached to 1.71 per cent in 2013-14 (13.81 per cent decline in previous year), resulting in 1.40 per cent CAGR over the period of time.

Table VII depicts the percentage share of total business performed by all channels in the life insurance industry in regard to collection in premium amount. The individual agent channel has been the leading channel among others. Its percentage share in total business is 90.46 per cent in the year 2006-07 which has descended to 79.57 per cent in 2008-09. After this period, there has been steady position in its business contribution. But the current year 2014-15 has again reported downfall to 71.42 per cent, resulting in negative growth of 4.59 per cent in the respective time period.

The percentage share of banks in total business is 5.57 per cent in 2006-07 which has incredibly mounted with passage of time and reached to 20.84 per cent in 2014-15 (21.26 per cent growth from previous year), which results in significant growth of 12.52 per cent over the period of nine years. The business brought by corporate agent is 3.02 per cent in 2006-07 which has improved to 4.86 per cent in the year 2008-09 and then it again trimmed down to 1.44 per cent in 2014-15, impending negative compound annual growth of 15.80 per cent.

The industry has been undertaking very less business through brokers as compared to other channels. But the overall growth is highest to the tune of 12.63 per cent, the reason being that percentage share is very less in initial years but it has slowly increased to 1.84 per cent in 2014-15 as against 0.55 per cent in 2006-07. The position of direct selling channel has been demonstrating fluctuating trend where has initiated with very less amount of business that is to say 0.39 per cent in 2006-07. But it share raised to 4.76 per cent 2008-09. The year 2014-15 has witnessed its contribution to the tune of 4.42 per cent in 2014-15 (30.11 per cent growth from previous year) as against 1.89 per cent in 2011-12. But it has showed overall insignificant growth of 10.29 per cent.

Table VII : Total Individual New Business Underwritten (Premium Collection) by the Channels: A Comparative Analysis

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	CAGR
Individual Agent Percentage Share Growth rate	54605.3 (90.46)	66515.43 (83.75) 21.81	55327.54 (79.57) -16.82	65289.25 (79.61) 18.00	65665.52 (78.95) 0.58	50972.32 (78.69) -22.38	48257.36 (77.53) -5.33	47789.83 (78.40) -0.97	39568.04 (71.42) -17.20	-4.591**
Banks Percentage Share Growth rate	3363.17 (5.57)	6329.22 (7.97) 88.19	6737.38 (9.69) 6.45	8688.68 (10.60) 28.96	11062.63 (13.30) 27.32	9692.9 (14.96) -12.38	10072.96 (16.18) 3.92	9523.00 (15.62) -5.46	11547.45 (20.84) 21.26	12.524**
Corporate Agent Percentage Share Growth rate	1825.89 (3.02)	3461.89 (4.36) 89.60	3380.54 (4.86) -2.35	3510.76 (4.28) 3.85	2957.75 (3.56) -15.75	1749.78 (2.70) -40.84	1288.68 (2.07) -26.35	811.93 (1.33) -37.00	795.50 (1.44) -2.02	-15.802**
Broker Percentage Share Growth rate	331.63 (0.55)	473.73 (0.60) 42.85	773.62 (1.11) 63.30	1128.5 (1.38) 45.87	1471.8 (1.77) 30.42	1134.64 (1.75) -22.91	1033.15 (1.66) -8.94	948.53 (1.55) -8.19	1019.93 (1.84) 7.53	12.636**
Direct Selling Percentage Share Growth rate	235.33 (0.39)	2642.71 (3.33) 1022.98	3310.33 (4.76) 25.26	3389.85 (4.13) 2.40	2016.32 (2.42) -40.52	1222.61 (1.89) -39.36	1588.71 (2.55) 29.94	1883.57 (3.09) 18.56	2450.70 (4.42) 30.11	10.296
Total	**60361**	**79423**	**69529.41**	**82007.05**	**83174.03**	**64772.24**	**62240.88**	**60956.86**	**55368.95**	

Premium in crores

Figures in parenthesis represent the percentage share in total business
** represents the value is significant at 5 per cent level of significance

Summary and Conclusion

This study has been conducted to examine the performance of distribution channels in Indian Life Insurance Industry viz. individual agents, corporate agents, bancassurance, brokers and direct selling. The performance has been measured by taking parameters, namely business premium collected and number of policies issued by various channels. Data has been analyzed over the period of nine years i.e. from 2006-07 to 2014-15. The percentage share of each channel in total business underwritten by all life insurers has been calculated. The escalation and trend in performance parameters has been assessed through growth rate and compound annual growth rate through log linear regression model in its exponential form.

> Indian insurance industry is poised for a quantum leap in performance with unprecedented growth opportunities. It has progressed significantly over the last decade, which is amply evident from their strong growth in insurance premiums, strengthened outreach, number of players, product innovation and its enhanced regulatory framework.

The results unfold that the maximum business performed by life insurers has been through individual agent channel only as compared to other channels prevailing in industry. Each channel has been playing a valuable role in serving life insurance markets to function competently but individual agent has been the leading one, in terms of generating business both in context of premium income collection and issuance of policies. The results are consistent with the studies proposed by (Rao, 2004; Kutty, 2010; Aggarwal, 2012; Sud, 2012; Chatley, 2012). Also, the insurers prefer to do business with traditional distribution network (individual agent), which remains the dominant channel for the distribution of both life and non-life insurance products (Viswanathan, 2006; Pejawar, 2008). They are troubled that working with other alternative channels will result in waves of laying-off from the market.

Bancassurance is the second performing channel of industry in regard to collection of premium income and number of policies issued, but stands far away from the business brought in by individual agent. The growth and development of bancassurance in India has been slowed down by certain regulatory barriers, and stringent guidelines of IRDA and RBI (Karunagara, 2006; Chatley, 2012). In addition, regulatory changes have forced insurers to achieve certain targets which have trimmed down their sales capacity and capability (Chevalier et al., 2005). There has increased chances of misleading sales practices in the bancassurance channel which in turn flawed the industry's image and way forward for insurers has been challenging and tricky (Krishnamurthy et al., 2005). According to Chang et al. (2003) there has been inefficiency on the part of insurers, who lack the power of executing the business with banks. At the same time, the bancassurance model prevailing in India is fiddly and troublesome because of the massive targets (Machiraju, 2003), high commissions charged by insurance companies from banks to sell their products, and their difficulties in offering attractive products in the challenging environment (Krishnamurthy, 2003). As a result, insurers' dealing in bancassurance has been declining. Since, it is one of the low cost distribution channels which have emerged as a viable, preferred and relied distribution channels in the market, it has put a large impact on Indian insurance industry as the emerging distribution channel for the insurers (Bala and Verma, 2012). Also instead of traditional methods (individual agents) of distributing insurance services, it has been offering customized products and services. So, in order to achieve the echelon of victory, banks and insurance company will need to work very closely with strong partnership to restructure the prominent place in the market. As long as regulatory constraints are concerned it will remain critical part in lieu of banks to establish their insurance business. Banks must develop successful association to evaluate the opportunity of having insurance business. Also it depends how they comprehend each other's businesses and seize the opportunities by weeding out differences that are likely to crop up between them.

The results also avowed that business brought in by other channels is very scanty wherein broker's share is almost negligible. In the current market, broker adds very limited value to the insurance company other than retaining or bringing new business (Ramakrishna, 2014). But since these

are emerging channels of industry, the trend of growth shows that these channels will become successful in coming years. The studies designed by (Kedia, 2014; Ramakrishna, 2014) gave an evidence that in India, the market share is no doubt less (Radhakrishna 2006; Dhansekaran, 2008) but which leaves tremendous scope for growth of brokers' market share in the years to come. According to IRDA, corporate agencies have contributed over three-fourths of the business mobilized by the new channels. While the agency channel has been working well in the domain, but the emergence of brokers, corporate agents including banks and other alternate channels of distribution of insurance have affected the insurance industry in India.

The study highlights that in the life insurance industry, practically the entire business has been pursued through individual agents as compared to other distribution channels operating in industry. The performance of other channels is showing growth but not as much as demonstrated by individual agents with respect to business generated. The findings of the study suggested that if emerging channels need to remain dynamic in the market structure and become more efficient in light of their performance, they need to redesign their distribution strategies. Although the agency model has been and will remain a major distribution channel, insurers should combine multiple channels in order to meet the needs of a socio-economically and religiously diverse region. Also, for distribution channels to be successful, IRDA needs to relax some of the specified guidelines. In order to expedite further growth, insurers need to reorient their strategies and shift from a single channel sales approach towards a multiple channel distribution strategy. Insurance companies need to modify their distribution strategies and propose innovative and alternative channels to capture the untapped markets. Innovative and customized products can be offered to customers through multiple channels. Also, the insurance markets can try for better penetration and accessibility through diversified channels.

Distribution plays a crucial role in widening the insurance market. Thus, there is scope for developing alternative distribution channels, which are often more efficient; and which can offer lower costs and better benefits for policyholders. To summarize, the Indian insurance industry is poised for a quantum leap in performance with unprecedented growth opportunities. It has progressed significantly over the last decade, which is amply evident from their strong growth in insurance premiums, strengthened outreach, number of players, product innovation and its enhanced regulatory framework. A combination of these factors, along with strong economic growth in the last few years, has positioned India as a regional insurance hub and a rapidly developing financial centre. TJ

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Use of Humour in Insurance Advertising

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Abstract

Insurance companies have been effectively using a wide range of appeals in advertising to inform and persuade people to utilize their services and products. The appeals fall into three categories- rational, emotional and moral. Beginning with as a matter of fact, fear appeals to sell an after death useful product, insurance companies have shifted in course of time to use guilt appeals to promote insurance. Development of new products, maturation of consumers and expansion of market increased their confidence and they began making use of positive appeals such as trust, ego, wisdom and moral appeals. Some of the advertisers even shed their seriousness and employed humour ads, which have become successful. The use of humor appeal requires some caution. Tips to humour advertising include - being focused, and being consistent, relevant, sensitive and informative.

Keywords:
Advertising, Humour, Insurance, Appeals.

Introduction

The Insurance industry in India has undergone transformational changes in recent years by innovating products and advertising creatively to connect with and expand its customer base. Insurance was an unsought product in its evolutionary stages; today it has become an indispensable component of savings and investment portfolio of common man. For this, the credit goes to the advertising and personal selling efforts of Life Insurance Corporation of India (LIC) and other insurance companies. An examination of the advertisements released by the insurance companies reveals a remarkable trend in employing advertising appeals. This paper has made an attempt to identify the types of appeals made use by insurance companies and examine the current trend of using humour.

Types of Appeals

What kinds of appeals are available to insurance companies? How well they have made use of them? Advertising experts have classified appeals into three categories – rational, emotional and moral.

Rational appeals focus on product and emphasize on utility of having a product (costs and benefits involved in making a purchase) and wisdom of making purchase decision. The messages cover the following.

- Product features and benefits - savings, returns, protection.
- Cost aspect like premiums, payment periods, payment mode and costs, renewal, revival etc.
- Purchase decision benefits – Competitive advantage, possession advantage, etc.

Emotional appeals focus on people and arouse negative feelings like fear, anxiety and failure and positive feelings like love, affection and happiness. The people involved can be parents, siblings, wife and children or others who are cared for.

Moral appeals focus on societal values which are important to people and draw attention to rights and duties (responsibility to family, environment and country).

All the above appeals can be broadly classified into positive and negative ones. Negative ones focus on losses, failures, fear, guilt, default, etc., and positive ones emphasize trust, values, responsibility, ego, wisdom and happiness.

Insurance Appeals – Negative to Positive

Insurance companies have matured over the years in making appeals to consumers who have changed their stance from 'reluctant' to 'responsive'. Appeals also changed from the negative fear or guilt to positive messages based on trust, wisdom, ego or pride, values and happiness.

Fear Appeal

In the early stages, insurance products were seen as 'after-death' utility products. People were more conservative and superstitious. Individuals had joint family protection. The logic of providing support to family in case of unexpected death was despised and the 'fear' generated by such argument was ruled out as something uncalled for. This is a land of "karma" and what happens to one is predestined and no one could change that.

As such, talking about a product that was linked to death was viewed more or less a crime and insurance agents were treated with contempt. Advertising agencies, found a way out. Advertising started selling hope rather than fear, highlighted the solution rather than the problem and created amazement in place of shock. However, we find even today fear appeals in some ads. In a SBI (State Bank of India) life insurance advertisement, Zindagi haske bitayenge (Live life happily) son asks his dad if he should quit his studies and take up a job, in case father dies unexpectedly. The father hugs the son and removes his fears. The voiceover says: "What if your son asks you this question? Be prepared.[1]"

Guilt Appeal

As insurance made progress as a tool of future security, fear turned into guilt among rational and progressive people. Guilt is an emotional state produced by thoughts, that we have not lived up to our ideal self and could have done otherwise. Guilt marketing aroused in place of "What after death", a differently termed question, "Do you let down your dependents?"

Tyler Cowen, an economist at George Mason University, USA described how the guilt had begun developing[2].

"If I do not buy insurance when I could have, I will have the narrative of a man who did not care enough and let something go wrong. Often, buying insurance is about investing in a story about who we are and what we care about."

Insurance marketers recognized this fact and built their pitches around the 'guarantee and peace of mind'. For example, an advertisement of an insurance company presents an interesting conversation between a reluctant husband and his wife[3].

Husband asks "Mere bina jee paogi tum?" (You will be able to live without me?) His wife took aback replies "Nahin" (Not). Husband: asks "What will you do with all the money, you will get from the life insurance, in case I die." The wife explains him by signing the papers he would guarantee their daughter's education, his retirement and their overall future. "Sab guarantee matlab no tension aur tension ke bina aadmi zyaada jeeta hai na? (All guarantees means no tension, the man without tension won many?) Toh apni lambi umar ke liye … sign kardo", (for your longevity, Sign) she tells him. The husband signs the insurance papers: "Yaani ki lambi umar tak jhe Ina padega tumhe (I will have tolerated you until very long time)."

In this case, the marketer intelligently used the emotion of security to overcome the feeling of guilt. The message like «don›t get caught with too little insurance" is another kind of guilt appeal. The ad of Aegon Religare Life Insurance portraying Irfan Khan warns a random working professional about the dangers of "kam insurance lene ki bimari" (Habituated to take minimal insurance). It focuses on under-insurance and on how Aegon Religare can help[4].

Trust Appeal

Trust is important to attract and retain customers. As such, companies seek to create trust in the mind of customers by making promises. For example, Larsen & Toubro (L&T) insurance shows people making tall claims in daily life. For example, a mother tells her son that he can top his class if he eats the greens on his plate. The boy retorts, "Likh ke doge kya? (Will you write and give me as a confirmation)" With this background, the advertisement highlights L&T's willingness to give written promise to respond cashless claims within six hours[5].

Trust - focused appeals thus communicate that there is no need to worry, because the insurance company is an established, competent, and caring partner and that customer is not alone when in trouble or in need of help and assistance. This epitomized by the slogans of an American general insurer: "Like a good neighbor, State Farm is there" and Austrian insurance company Grazer Wechselseitige "Graz Mutual (insurance) on your side[6]."

To say, strongly that we stand on your side in times of need, Bharti AXA advertisement distinguished themselves from other insurance companies in terms of claims process. The ad suggests that while other insurers hassle the customer during his time of need, the Bharti AXA agent esteems the customer and works hard to simplify claim settlement[7].

Moral Appeal

Moral appeals have replaced fear with pleasantness and values. Moral appeals are used to promote company as well as insurance.

Moral appeals enhance image of the company as a fair and right entity. They help promote trust and loyalty among employees and customers. For example, the popular Max Life's "Aapke Sachche Advisor" (Your true advisor) campaign features a representative of the Max Life who receives wrong advices from a devil-like character. Despite the devil's best efforts, the agent remains ethical. He is "a sachche advisor[8]" (A true advisor).

Moral appeals are inspiring and refreshing. They help build personalities. A Tata AIG Life advertisement shows a father teaching his son the importance of saying "Thank you" to the household help. The advertisement for the Gyan Kosh insurance plan promises to protect the child's future while the parents focus on the more important things like teaching him the right values[9].

Ego or Pride Appeal

Some insurance ads appealed to the male ego and underscored the responsibility for taking insurance. In a 2006 Life Insurance Corporation of India (LIC) advertisement, a woman thanks LIC and her husband who took insurance and enabled her fulfill responsibilities such as running household, education of children and marriage of daughter[10].

Wisdom Appeal

Insurance advertising is made part of consumer education carried by insurance industry associations and consumer protection agencies. Such advertisements suggested customers to make wise choices. Punjab National Bank (PNB) and MetLife teamed up and they sought to advise customers that they are more reliable than others, by the synergy of their combination and the customer can be doubly sure of the life insurance he is buying. The advertisement highlights this aspect by showing a regular person double-checking the cash he receives from the teller[11].

Humour - A Double Positive Appeal

According to the Insurance Marketing and Communications Association, there is a trend internationally in insurance advertising towards more positive advertisements which "empower" the consumer with information and engage him with humour`[12].

Humour appeals involve a low-risk way of triggering consumer attention and interest. They can create a pleasant feeling that is linked to the advertiser and the product. They aid consumer at a primitive level which psychologists call "peripheral processing" which requires little mental effort on the part of the consumer. With humour, issues become lighter, outlook brighter and decisions quicker. The ad campaign of Aegon Religare illustrates this point of view.

Aegon Religare released a satirical digital campaign called 'Nothing Will Happen', on the company's social media platforms to promote an online term plan that ensures continuity of lifestyle and protection of assets for the family, in case something happens to the insured. Executed by Infectious Advertising, the campaign consists of four films. In one film, Actor Khatri fixes an electrical fuse without using any protective gear; in the second film, he leaves the cooking gas burner open while trying to light up a match, while in the third one he is seen fixing a vehicle while children are playing football around and the last film has him climbing a pipe without any safety measure.

Nisha Singhania, Co-founder and Director, Infectious, explained the logic behind the advertisement as follows: "The aim was to 'jolt' consumers from their slumber and shatter their belief that 'bad events happen to others'. We decided to take the humorous route so that people do not switch off the communication, as death is a serious subject[13]."

Bharti AXA General Insurance campaign is another one which added a dash of humour to carry forward the insight of "more illness cover". It shows the policy holder, telling the doctor to make lung disease a stroke or kidney failure as the policy he holds does not permit it. Sham Ramachandran and Vishnu Srivatsav, Executive Creative Directors, Grey said "The consumer has become numb to the various inclusions, exclusions, terms and conditions" The advertisement humorously points out this. Hari Krishnan, Vice president – South, Grey said, "Most brands are constantly trying to inject fear into the consumer." Jyothsna Pai, Vice President – Marketing, Bharti AXA General Insurance observed: "We adopted creative route rather than the more commonly used insurance imagery of morose pictures of suffering. We believe this will increase engagement with consumers and drive the point clearly[14]."

IDBI Federal Life Insurance launched 'Lifesurance Whole Life' plan with a campaign, 'Befikar, Umar Bhar' to highlight that it covers the needs at various life stages until the age of 100. The ad shows an IDBI Federal representative conversing with Mukesh of three phases - the young, middle aged and old person. The representative answers their queries. The film ends with the old Mukesh snatching a 'laddu' from young Mukesh, to safe guard his health.

Explaining the challenge involved in making the campaign, Amitabh Agnihotri, Group Creative Director, Ogilvy & Mather Mumbai, said the commercial would stand out in the clutter of financial services advertising, by its simplistic approach of communicating multiple benefits of the product through an interesting and easy conversation with a touch of humour[15].

An earlier TV commercial of IDBI Federal Life Insurance took a humorous dig on the miscalculation of parents in choosing the right child insurance plan. They positioned their plan as "the child plan that does not fail" with the tagline 'Plan jo Fail na ho'. The two commercials through a humorous storyline showcased persons who could not become 'Doctor' and 'Engineer' due to lack of funds.

Kawal Shoor, Head of Planning, Ogilvy & Mather, observed that the campaign had met three challenges – (i) to stand out in a world of goody-goody child plan advertising, (ii) to drive home in a gentle way the uncomfortable truth that parents miscalculated their investments and (iii) to land the key message of a plan that never fails; powerfully[16].

Tips to Use Humour

Abhijeet Avasthi, National Creative Director of Ogilvy & Mather maintained that different companies pursue different routes." Some insurance players work in the warm, emotional area, there are some who play in the realistic, borrowed from life insight area, and some who play more on doing stuff which brings a smile and breaks clutter. So different players have different objectives"[17]. There is a clear preference to use humour in insurance ads in the future as the target audience will be young and impatient. They value precision and entertainment. If insurance companies have to continue the humour trend, they have to take into cognizance the limitations posed by humour ads and take initiatives to overcome them.

Funny commercials were often seen by respondents as more appealing and more memorable than their unfunny counterparts. However, research suggests advertising based on humor may be somewhat limited in what it can communicate[18]. On the positive side, this possibly may increase the consumer's willingness actually to think about the information in the advertisement. On the flip side, there is a risk that jokes are enjoyed at the expense of advertiser. They may represent noise and do little to increase consumer knowledge and purchase intention.

AFLAC (American Family Life Assurance Company) featured a duck in its ads. He has a screeching voice, he shows up in unusual situations, and he says one thing — AFLAC. The humorous ads helped the company build brand awareness but failed to promote its products. Realizing this, the company had launched another campaign 'Get the Aflacts' to inform consumers about their offerings[19].

In the light of this, there is a need to create separate sources of information about insurance and products and observe certain precautions in making humourous advertisements.

1. ***Be focused –*** People watch an ad with interest, laugh at the joke and move away. They may fail to recall the message if it was not interwoven with the story. Bharti AXA General Insurance campaign for more critical illness cover will be remembered for the fun as well as the message that one need to have proper critical illness cover.

2. ***Be consistent –*** Companies can develop a favorable image by consistently using humour in their ads. Every campaign of IDBI Federal Life Insurance has had humour and ingenuity at the heart of it. In

a lighter vein, they promoted wealth insurance, whole life and childsurance plans.

3. ***Be relevant –*** Creating something that's funny to everyone is a difficult. It's important to tailor an ad's humor to a specific demographic who tend to have similar senses of humor. Allstate insurance company in USA is successful in creating campaigns that are simultaneously amusing and relevant. In the ads, the chaos of life, which causes people to need insurance, is personified by a character named "Mayhem." Allstate has made a case for the insurance plan by making everyone relate to the type of scenarios Mayhem represents (a faulty GPS, a screaming baby in the back seat, roof collapse from heavy snow, etc.)[20].

4. ***Be sensitive –*** Don't crack a joke at the expense of others or portray people or events in a way that hurt the sentiments or egos of related persons or groups. Two ads intended to encourage youth enrollment in health plans through Washington Health Benefit Exchange came under scanner of some Exchange board members. They felt that the ads were promoting racial stereotyping. The ads featured two fictitious rappers, one a White and the other an African American. The White wears an absurdly thick gold chain, a coat with a white furry hood and white baseball cap. The other wears a green satin jacket and shades. They interview real residents about their success enrolling in health plans through the state's exchange[21]. In India, insurance ads are criticized for portraying man as the benefactor and woman as the beneficiary. "These ads are talking to the men in the house," said Vishwajeet Rana, Senior Vice President at advertising firm Ogilvy & Mather. Of late, a change is witnessed. As some private players have started focusing on women, LIC has modified its advertisement campaigns and communication in order to appeal all groups especially the working woman[22].

5. ***Be informative –*** If possible make a direct mention of the product and explain it in brief. Otherwise bring the product into focus in a subtle way and use other media tools to provide more information. The other media tools include websites, blogs, social media, out of home campaigns, and others. The ad campaigns of Geico (Government Employees Insurance Company) an American auto insurance company are known for using surreal humor and satire. They deliver a consistent, albeit short, message in every one of its ads. No matter what comical situation the Gecko is in, the ad always mentions the fact 15 minutes could save people 15% or more on their car insurance[23]. IJ

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Underwriting Losses....Concern for Public Sector Undertakings

Abstract

The liberalization of the insurance sector in India and formation of IRDAI for regulation of the Insurance sector in India brought a lot of changes in the insurance industry in India. The existing Public sector players in the market have faced the changes and brought themselves to a position from where they can successfully compete with the new players in the market. Due to the changed scenario, certain positive changes such as Increased penetration, competitive rating, abolition of monopolies in insurance sector, Innovation of products, protection of consumer rights, regulation of the industry, have been visible. However, even after 17 years of liberalization, the existing public sector Companies are facing certain challenges to maintain the solvency margin and to maintain the Combined ratio below 100%.

Keywords:
Combined Ratio, Solvency Margin, Incurred Claim Ratio (ICR).

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Indian Insurance Market Senario – Past and Present

Before detariffing of various lines of insurance business, the Tariff advisory committee was to be referred to for various risk ratings and the underwriting was almost controlled by the Tariff Advisory Committee. Detariffing opened the doors for insurance companies to rate their products launched after assessment and evaluation of risk. Opening up of the insurance sector for private players turned the insurance market to being price and discount driven rather than being risk driven. Scientific and technically justifiable pricing of products has become a theoretical concept of insurance and the various insurance products are being compared with the price offered and the comparison of coverages.

With increased penetration of the insurance market in India and with the steady expansion of the market with more insurance companies, increased product range, new channels of selling insurance products such as online selling, aggregators, along with traditional channels such as direct selling, agents and brokers, penetration of insurance has definitely increased.

Despite such positive signs, the Public Sector Undertaking companies i.e. The New India Assurance Company, United India Insurance Company Limited, Oriental Insurance Company Limited and National Insurance Company Limited though reflecting an increase in premium figures in their quarterly and annual reports, are reporting "Underwriting Losses".

Two out of the four Public Sector Undertakings companies are even not able to maintain the required solvency Margin (As per IRDAI regulation). **TABLE – I** (Figures till September 30,2016).

	National Insurance Company Ltd.	Oriental Insurance Company Ltd.	United India Insurance Company Ltd.	The New India Assurance Company Ltd.
Combined Ratio	121.46	131.34	124.68	119.80
Net Profit / Loss ₹ in Cr.	128.46	-384.49	-428.64 (before Tax)	478.39
Solvency	1.26	1.14	1.56	2.04

Source : Business Standard 15/02/2017

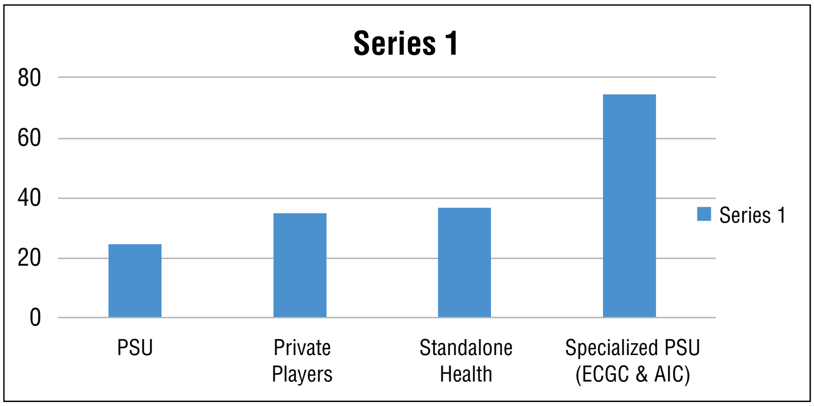
Position one public sector company, The New India Assurance Company Limited has also reported underwriting losses in Fire and Miscellaneous portfolio for the third quarter of financial year 2016-17

TABLE – II (Figures in '000')

	For quartered ended 31/12/2016	Upto quartered ended 31/12/2016
Fire	(1375033)	(2966950)
Marine	361624	880689
Miscellaneous	(2608560)	(3818832)

Source : Profit and Loss Account for the quartered ended 31/12/2016 Form NL – 2 – B - PL - The New India Assurance Company Ltd. (www.newindia.co.in).

As per IRDAI report dated 13/02/2017- monthly business figures – Non-Life -the growth % of various insurance market players are as under :



Figures April 2017 to January 2017 compare with corresponding period of previous year.

From the above graph it is being observed that as far as the premium growth is concerned, all players in the Indian Insurance market are showing growth including Public Sector undertakings. The concern for Public Sector Undertakings companies should be "Premium growth with Profit ". The major share of premium for Public Sector Companies comes from two segments –

- Motor segment
- Health segment

These two segments have the highest claim ratio in the industry i.e. Health with 98.43% and motor with 81.18% as per IRDAI figures. Hence we can conclude that the major outgo for Public Sector Undertakings are on account of Motor, Group Mediclaim and Property claims due to natural calamities. Reserves set aside for this nature of claims may not prove sufficient. The other reasons for underwriting losses can be :

- Rating of risks
- Cut throat competition with other players in the market
- Long tail liabilities
- Discount driven market

The above four factors are interconnected with each other. Due to cut throat competition with increased numbers of competitors in the market while rating/underwriting of risk (proposal), due consideration is not being given to understand the risk, collect the data of the claims (in case of renewal), evaluate the risk and then to rate for the same. More importance is given to the rate and discount offered by the competitors which results into increased liabilities/ increase in incurred claim ratio.

Figures given in table – I for combined ratio for all four Public Sector Companies are greater than 100%. Combined ratio measures underwriting performance of the insurance companies by dividing the claims expenses and acquisition cost by the earned premium net of Reinsurance. Combined ratio of more than 110% generally shows poor underwriting or catastrophic losses.

Recent news reports mention that there is planning for merging of three Public Sector Undertakings i.e. Oriental Insurance Co. Ltd., National Insurance Co. Ltd. and United India Insurance Co. Ltd. who, together, have 34% of the total market share and are underwriting a total direct premium of over ₹ 33,0000 crores, possibly to create a stronger entity to fetch better valuation at the time of listing.

According to the IRDAI annual Report 2015-16,the market share of Oriental declined to 8.63 from 8.75 (2014-15) while that of National Insurance fell to 12.43% from 13.27% (2014-15). United India had notched up net losses of Rs. 429 Crore in the first half of the last financial year. (Economic Times 23/02/2017).

The Public Sector Undertakings are facing the challenges such as increased competition, natural catastrophe losses due to climate changes as a result of global warming, man made catastrophe losses– cyber risk and terrorism, changes arising from the adopting of new technologies, etc.

Catastrophe losses such as Chennai Floods, Cyclone Hud Hud (2014) Andhra Pradesh and Odisha, Floods (2014) J & K, Uttarakhand Floods (2013) have severely affected the profitability and solvency of the insurers.

Technology has a significant impact on insurance industry. There are technological trends in catastrophe management also, such as use of Location Intelligence (L I), satellite imagery and drones for catastrophe management. L I (location Intelligence) is based on a combination of technologies such as geo-coding, digital mapping, data analytics and visual dashboard. It can help the insurers to understand risk related to natural catastrophe such as earthquake floods and windstorms at an exact location. There are possibilities of use of cloud technology in the insurance field in future. PSUs have to upgrade further with such technologies and use these in their daily operations leading to prudent underwriting, improved TAT for claim settlement and an increased in range of products.

Another area is Data Mangement. Insurance is a highly data intensive industry. Data needs to be used for operation efficiency as well as to acquire and retain the customers (cross selling). Data analysis can have impact on nearly all insurance processes such underwriting, claims, innovation of products, sell of existing products, product development, fraud detection and customer service.

Insurance companies should opt for higher technologies for data management for the long run. Revision

> Planning for merging of three Public Sector Undertakings i.e. Oriental Insurance Co. Ltd., National Insurance Co. Ltd. and United India Insurance Co. Ltd. who, together, have 34% of the total market share and are underwriting a total direct premium of over ` 33,0000 crores, possibly to create a stronger entity to fetch better valuation at the time of listing.

in the existing products, if at all to be done, is not possible unless the company has a wide range of data regarding policies sold, reported claims, settlement of claims, major areas of distribution of products and so on and for that the company needs to have a strong centralized data system.

Focus on Retail Business

Next to catastrophe losses, the major areas of concern for all PSUs are the health portfolio losses followed by motor insurance losses. Motor insurance is the largest non life segment. In health insurance public sector companies have nearly 64% of the market share. This segment has the highest claim ratio in the industry - 98.43%, followed by the motor segment at 81.18% according to IRDAI. (Source – Business Standard 15/02/2017).

Big premium figures of Group Mediclaim policies attracted the PSUs and this has led to cut throat competition among them. Misrepresentation of claims outgo data, demography, data of number of employees, TPAs and Hospital tie-ups, brokerage included, scope of coverage offered through tailor-made Group Mediclaim Policies (inclusion of almost all standard exclusions through additional premium loading) leads to a huge outgo on account of the health segment.

Failure of an effective fraud detection mechanism for Motor Own Damage claims, huge out go on account of MACT long tail claims, increased claim outgo for dealers portals leads to increased Incurred Claim Ratio for the motor portfolio.

Other than the health and motor segments, all four PSUs might be having more than 100 product through the miscellaneous segment. Ever PSU launches 2 to 3 new miscellaneous products periodically. These products are mostly form part of the retail segment. The retail segment is proven to be profitable area for all PSUs with minimum outgo on account of claims. Very few of these products are marketed in the true sense, as it requires a thorough training of the agency force, human resource training for direct marketing and a proper approach to the rural as well as urban segment market.

According to Mr. Sanjay Datta, Chief underwriting and claims, ICICI Lombard General Insurance company – "when liberalization happened, the retail market was one area where the PSU was not strong and the private sector companies captured this space. "(Business standard -15/02/2017).

PSUs may focus on marketing these products in the retail market with adoption of new technologies and product training to distribution channels which may help in the growth of the PSU with Profit.

Change in Marketing Strategies

"The secret of changes is to focus all of your energy, not on fighting the old, but on building the new" -Socrates.

PSUs need to build on their marketing strategies to make their way in the retail segment on a large scale. They have to come out with innovation in their marketing strategies and train the marketing force to implement such innovations. Nowadays customers are more demanding, aware about their rights and would like to have bespoke products rather than traditionally marketed products. To quote Seth Godin.

"Don't find a customer for your product, Find a product for your customer."

Management by Objectives

To monitor the strategic business plans of the business the management has a number of control models and the Management by Objectives is one of them. An important element in the achievement of the organizational goal is the contribution that employees and managers make. PSUs should set a common goal of "Growth with profit" and should ensure the setting of all efforts by managers and employees towards this common goal.

As insurance industry has always been driven by competition, consumer behavior, technical progress and innovation, growth with profit is required through implementation of all these, for the profit oriented growth of Insurance Sector.

CALL FOR PAPERS

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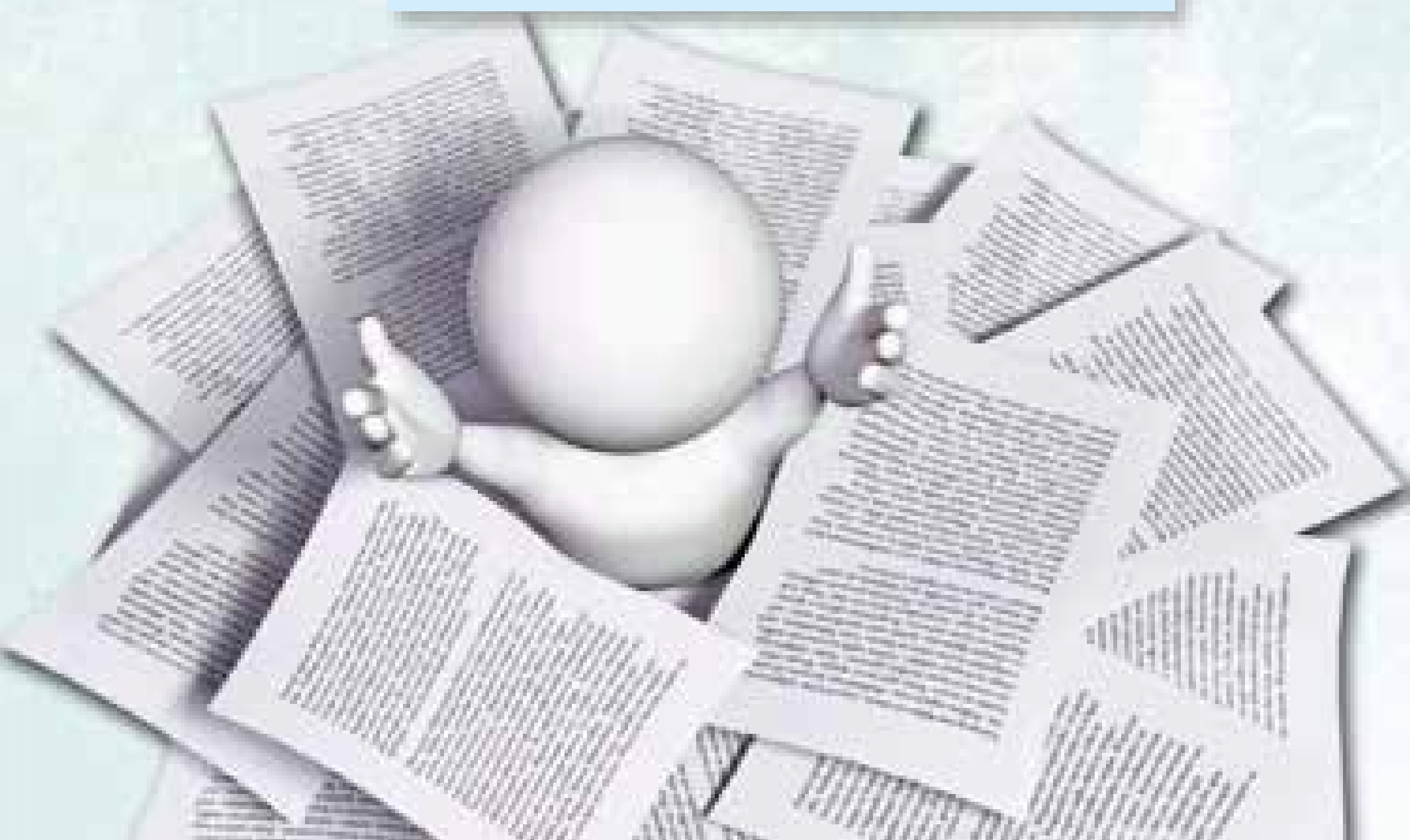

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"The Journal" is quarterly publication of Insurance Institute of India, Mumbai. It is published in the month of Jan/April/July/Oct every year. "The Journal" covers wide range of issues related to insurance and allied areas. The Journal welcomes original contributions from both academicians and practitioners in the form of articles, research papers, case studies, special commentary and book reviews. Authors whose papers are published will be given honorarium and two copies of the Journal.

Guidelines to the Contributors:

1. Manuscript submitted to the Editor must be typed in MS-Word. The Length of the articles and case studies should not exceed 5000 words. Research papers length can be upto 10,000 words. For book reviews and commentaries the word limit may be upto 1500-2000 words.

2. General rules for formatting text:
   i. Page size : A4 (8.27" X 11.69")
   ii. Font: Times New Roman – Normal, black
   iii. Line spacing: Double
   iv. Font size: Title-14, Sub-titles–12, Body- 11 Normal, Diagrams/Tables/Charts– 11 or 10.

3. The first page of the Manuscript should contain the following information: (i) Title of the paper; (ii) The name(s) and institutional affiliation(s) of the Author(s); (iii) email address for correspondence. Other details for correspondence such as full postal address, telephone and fax number of the corresponding author must be clearly indicated. The category of submission should be specified either as a research paper, article, review, case study etc.

   Point no. 4, 5, 6 and 7 are applicable only for articles, case studies and research papers.

4. **Abstract:** A concise abstract of maximum 150 words is required. The abstract should adequately highlight the key aspects or state the objectives, methodology and the results/major conclusions of analysis. The abstract should include only text.

5. **Keywords:** Immediately after the abstract, provide around 3-6 keywords or phrases.

6. **Tables and Figures:** Diagrams, Tables and Charts cited in the text must be serially numbered and source of the same should be mentioned clearly wherever necessary. All such tables and figures should be titled accurately and all titles should be placed on the top after the number. Example: Table 1: Growth Rate of Insurance Premium in India (1997-2010).

7. **References:** all the referred material (including those from authors own publication) in the text must be appropriately cited. All references must be listed in alphabetical order and sorted chronologically and must be placed at the end of the manuscript. The authors are advised to follow American Psychological Association (APA) style in referencing.

   Reference to a Book: Author. (Year). *Title of book*. Location: Publisher.

   Example: Rogers, C. R. (1961). *On becoming a person*. Boston: Houghton Mifflin.

   Reference to a Journal Publication: Author(s). (Year). Title of the article/paper. *Journal name*, volume (issue), page number(s).

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   Reference to a Web Source: Author. (Date published if available; n.d.--no date-- if not). Title of article. *Title of web site*. Retrieved date. From URL.

   Example: Landsberger, J. (n.d.). Citing Websites. In *Study Guides and Strategies*. Retrieved May 13, 2005, from http://www.studygs.net/citation.htm.

8. Usage of abbreviations in the text should be avoided as far as possible and if used should be appropriately expanded.

9. The papers and articles submitted must be original work and it should not have been published or submitted for publication elsewhere. The author(s) are required to submit a declaration to this extent in the format specified in Appendix 1, while submitting their articles.

10. All the submissions would be first evaluated by the editor and then by the editorial Committee. Editorial committee may require the author to revise the manuscript as per the guidelines and policy of the Journal. The final draft is subject to editorial changes to suit the journals requirements. Editorial Committee also reserves its right to refer the article for review/ delete objectionable content/ edit without changing the main idea/ make language corrections/ not to publish/ publish with caveats as per its discretion. The Author would be duly communicated with such decisions.

11. Contribution(s) should reach the designated email address at III on or before 30th November (January issue), 28th February (April issue), 31st May (July issue) and 31st August (October issue).

12. Please send your manuscripts to

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13. In case the author has submitted only the hard copy, an electronic version of the manuscript would be required once the paper is accepted for publication.

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Specific Guidelines for Book Reviews:

1. The book review should be of a book published in recent years (current year or previous year).

2. The review should not be more than 2000 words; word limit can be more/less depending on the scope of the book.

3. The reviewer should clearly mention the details of the book reviewed such as Title, Author(s) name, publishers detail, year of publication, place of publication, number of pages and listed price as mentioned on the cover page of the book. If the ISBN number is provided, it should be specified. Beside the above, the components of the book review should be brief summary of the intended objective/ purpose, description of the approach, logical and objective evaluation.

4. The references should be kept to the minimum or completely avoided in a book review.

5. Avoid replicating tables and figures from the book, or directly quoting from the book.

6. The review should not be just a summary of the book, but it should bring out the essence of the book and focus on the objective, theme, scope of coverage, etc. The book review should put forward an objective and fair opinion about the significance, strengths and weaknesses. The review should be about the books contribution to the subject rather than what the reviewer feels about the book.

7. The reviewer should try to make the review insightful and informative.

Specific Guidelines for Case Studies:

1. Cases usually describe complex issues and readers are forced to take optimum decisions/action in a dilemmatic situation. Cases are meant to create challenges of decision making in the mind of readers regarding conflicting situations, insufficient information, dynamic environment and the like.

2. The authors of the case studies can take organization specific or industry specific issues and present the facts of the case in a logical way.

3. The case study should be well documented and well researched and must be realistic in its context and relevance.

4. Sufficient data (primary or secondary) should be incorporated within a case study for discussion and generating alternative solutions and identifying the best possible alternative. Prior approval for disclosure of information (company specific) must be taken by the author wherever applicable.

5. The issues that are raised in the case should be focused and must be effectively presented without any ambiguity or contradictions.

6. All the referenced material should be adequately and accurately cited at the end of the case.

7. Discussion questions can be provided at the end of case (optional).

Appendix I

Declaration by the Authors

I/We (Full Name of the Author(s)).. ...., hereby declare that I/We are the author(s) of the paper titled "..." (Title of the paper), which is our original work and not the intellectual property of any one else. I/we further declare that this paper has been submitted only to the Journal of the Insurance Institute of India and that it has not been previously published nor submitted for publication elsewhere. I/we have duly acknowledged and referenced all the sources used for this paper. I/we further authorize the editors to make necessary changes in this paper to make it suitable for publication.

I/we undertake to accept full responsibility for any misstatement regarding ownership of this article.

....	**................................**
(Signature Author I)	**(Signature Author II)**
Name:	**Name:**

Date:

Place:

PROGRAM CALENDAR FOR THE PERIOD 2017-2018

TRAINING PROGRAMMES

SR. NO.	CODE	SUB CODE	PROGRAM	DATE FROM-TO	FEES FOR RESIDENTS	FEES FOR NON-RESIDENTS	DESIGNED FOR
April 2017							
01	CP	CG1	Compliance Governance and Risk Management in Insurance	10-12 Apr 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Associate / Fellow members of the Insurance Institute of India and the Institute of Company Secretaries of India
02	CP	TP1	Training Program for CEOs / CAOs of TPAs	17-19 Apr 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Mandatory program for CEOs / CAOs of TPA Companies as per IRDAI Circular dated 04.01.2017
May 2017							
03	CP	MI1	Motor Insurance Fraud	2-3 May 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Insurance officials working in Motor, Audit, Oversight and Fraud control departments with a fair awareness of motor insurance.
04	CP	BA1	Bancassurance	15-16 May 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Managers / Executives dealing with Bancassurance both in insurance companies and banks.
05	CP	OM1	Onward to MDRT - Building Sales Champions	15-16 May 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	High Performing agents of Life Insurance Companies being groomed for membership to the MDRT
June 2017							
06	IP	IR1	International Program -Reinsurance Management	5-10 Jun 2017	US$600	–	International Participants- Executives working in General Insurance Companies and looking after Re-insurance, Underwriting and claims
07	CP	AI1	Aviation Insurance	5-7 Jun 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Executives working in the Aviation department of General Insurance Companies
08	CP	LW1	Lending Wings - A Programme for Business Development Managers	5-6 Jun 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Business Development Managers of Life insurance Companies.
09	CP	MC1	Marine Cargo Insurance	12 -15 Jun 2017	₹ 17200 + S.T.	₹ 12400 + S.T.	Junior and middle level Executives dealing with Marine Cargo from Insurance Companies, Brokers and Surveyors.
July 2017							
10	CP	LI1	Specialised Program on Liability Insurance	3-4 Jul 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Junior and Middle Level Executives dealing with Liability Insurance
11	CP	BA2	Bancassurance for Bankers	3-4 Jul 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Managers / Executives dealing with Bancassurance in Banks

SR. NO.	CODE	SUB CODE	PROGRAM	DATE FROM-TO	FEES FOR RESIDENTS	FEES FOR NON-RESIDENTS	DESIGNED FOR
12	CP	MH1	Marine Hull Insurance	10-13 Jul 2017	₹ 17200 + S.T.	₹ 12400 + S.T.	Middle Level Executives working in the marine hull departments of Insurance companies
13	CP	HI1	Health Medical Management including Fraud Control	10-12 Jul 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Executives woking in the claims departments of health insurance, TPAs and also Associates / Fellows and others having a fair awareness about health insurance.
14	CP	CL1	Claims Management of Property Insurance	17-18 Jul 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Middle Level Executives of General Insurance Companies
15	CP	LI2	Liability Insurance Focus - Cyber Crime	17-18 Jul 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Practitioners in Insurance Companies, Information Technology and related areas.
16	CP	MI2	Motor Insurance Liability Workshop	24-25 Jul 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Junior and Middle Executives working for Insurance companies, Broking firms and Surveyors.
August 2017							
17	CP	RU1	Rural and Micro Insurance	7-9 Aug 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Insurance Executives looking after Rural and Micro Insurance in Insurance Companies, Brokers, communities, reinsurers and banks.
18	CP	LI3	Liability Insurance Focus - Financial Lines	7-8 Aug 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Executives upto Middle Level, of all Insurance Companies who are interested in Financial Lines
19	CP	MS1	Marketing Strategies – for Branch and other Marketing Unit Heads	21-22 Aug 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Branch Managers / Marketing Unit heads with ideally a year or two of experience in the position
20	CP	MR1	Mega Risk Insurance (Non-Project)	21-23 Aug 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Middle Level Executives in General Insurance Companies dealing with this line of business and also surveryors and loss adjustors.
21	CP	HI2	Health Insurance	21-23 Aug 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Middle Level Executives to Third Party Administrators, professionals from insurance companies, broking firms and hospitals.
September 2017							
22	CP	MC2	Handling of Marine Cargo Claims	7-8 Sep 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Junior & Middle Level Executives from the Insurance Companies, Brokers, Surveyors and Customers purchasing Marine Cargo policies.
23	CP	OE1	Advanced Workshop on Oil and Energy	11-13 Sep 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Insurance buyers, Risk Managers, Agents, Brokers, Underwriters, Adjusters, Attorneys, and professionals from the oil and gas sectore, drilling contractors/companies and others who must need to understand, mitigate, or insure the complex exposures in the oil and gas business.
24	CP	AI2	Agriculture Insurance	11-12 Sep 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Professionals in insurance companies and Broking / Surveying areas having 2 years exposure to agriculture or rural insurance
25	IP	IL1	International Program on Life Insurance	11-16 Sep 2017	US$600	–	Middle Level officials of Life Insurance Companies and Broking firms.
26	CP	PI1	Management of Property Insurance - Fire (Underwriting)	18-19 Sep 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Middle Level Executives from the underwriting department of Insurance Companies

SR. NO.	CODE	SUB CODE	PROGRAM	DATE FROM-TO	FEES FOR RESIDENTS	FEES FOR NON-RESIDENTS	DESIGNED FOR
October 2017							
27	CP	RI1	Risk Management and PML - Significance	3-5 Oct 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Managers working for General Insurance Companies and Brokers.
28	CP	AS1	Actuarial Science for Non-Life Insurance	3-5 Oct 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Middle Level Executives General Insurance Companies, Professionals from Broking firms, Consultants, III Fellows and those who are pursuing actuarial studies.
29	CP	RT1	Reinsurance Treaty issues and Challenges (Focus - Reinsurance treaty designing)	9-11 Oct 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Participants are expected to have exposure to Reinsurance related areas in the Insurance domain.
30	CP	BA3	Bancassurance for Life Insurers	9-10 Oct 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Managers/ Executives dealing with Bancassurance in Life insurance companies and banks
November 2017							
31	CP	CG2	Compliance Governance and Risk Management in Insurance	30-1 Nov 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Associate / Fellow members of the Insurance Institute of India and the Institute of Company Secretaries of India
32	CP	EG1	Engineering Project Claims	6-7 Nov 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Officials working in property Lines, audit, oversight and fraud control departments, with a basic awareness about Project Insurance.
33	CP	MI3	Motor Insurance (Own Damage) Workshop	6-9 Nov 2017	₹ 17200 + S.T.	₹ 12400 + S.T.	All Levels of Executives from Insurance Companies, Broking firms and Surveyors.
34	CP	YL1	Advanced Program for Young Leaders	13-17 Nov 2017	₹ 21500 + S.T.	₹ 15500 + S.T.	Young Managers / Executives drawn from Life Insurance Companies, who are at the junior management levels
35	CP	PI2	Management of Property Insurance - Engineering Project (Underwriting)	20-22 Nov 2017	₹ 12900 + S.T.	₹ 9300 + S.T.	Middle Level Executives from the underwriting department of Insurance Companies
December 2017							
36	CP	EG2	Engineering Claims (Non-Project)	4-5 Dec 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Officials working in property Lines, audit, oversight and fraud control departments, with a basic awareness about Engineering Insurance.
37	IP	IG1	International General Insurance Program	4-16 Dec 2016	US$1200	–	Middle level officials of General Insurance Companies or those working for Broking firms.
38	CP	UM1	Underwriting Management	11-12 Dec 2017	₹ 8600 + S.T.	₹ 6200 + S.T.	Underwriting Managers and Executives in Life Insurance Companies
January 2018							
39	CP	MC3	Marine Cargo Insurance	01 -04 Jan 2018	₹ 17200 + S.T.	₹ 12400 + S.T.	Junior and Middle Level Executives dealing with Marine Cargo from Insurance Companies, Brokers and Surveyors.
40	CP	MI4	Motor Insurance Fraud	08 -09 Jan 2018	₹ 8600 + S.T.	₹ 6200 + S.T.	Insurance officials working in Motor, Audit, Oversight and Fraud control departments with a fair awareness of motor insurance.
41	CP	MR2	Mega Risk Insurance (Project)	15 -16 Jan 2018	₹ 8600 + S.T.	₹ 6200 + S.T.	Middle Level Executives in General Insurance Companies dealing in this line of business and also Surveryors and Loss Adjustors.
42	CP	CL2	Claims Management of Property Insurance	15 -16 Jan 2018	₹ 8600 + S.T.	₹ 6200 + S.T.	Middle Level Executives of General Insurance Companies

NB :- Fees quoted are exclusive of mandatory Service Taxes and Cesses, which will be payble over and above Tuition Fees mentioned in each Program.

Form IV (Rule 8)

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I, P. Venugopal, hereby declare that the particulars given above are true to the best of my knowledge and belief.

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Sd/-

P. VENUGOPAL

Signature of Publisher

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