# Emerging Trends and Issues in Insurance Sector in India

**Puneet Gangar**
*M.Com, UGC-NET*

## ABSTRACT

*Insurance is a contract by which one party for a consideration called premium assumes a particular risk of the other party and promises to pay him or his nominee a certain or ascertainable sum of amount on a specified contingency. It can be categorised into life insurance and General Insurance. Life insurance or life assurance, is a contract between an insurance policy holder and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money (the benefit) in exchange for a premium, upon the death of an insured person i.e. the policy holder. While the General insurance which includes – marine, fire,motor, burglary,personalaccident,and cropetc to protect people from various uncertainties in life. IRDA Act has been established in India to regulate and check the working of these companies in order to protect the interest of common people But some problems are faced by insurance companies also for example maintaining funds in hard economic times,solvency, reducing costs, maintain goodwill,providing satisfaction to customers, weakness of insurance sector, poor quality of services, need for automation, less availability of insurance products, inadequate penetration into businessThe insured does not have any say in establishing the terms and condition of policy and has to adhere to policy terms as drawn by the insurer. Simplification and usage of local language to explain the insurance covers with policy literature can bring comfort to the policy holders. It will help buyers accept the terms and conditions with clear understanding of the benefits and the exclusions Instead of being a source of comfort in a crisis situation, the claim settlement process should not become an additional source of trouble to an already bothersome situation*

***Keywords:*** *Insurance Sector in India,Issues and Challenges of Insurance. Types Of Insurance, Products of Insurance Sector,*

## I.INTRODUCTION

### Meaning

Insurance is a contract by which one party for a consideration called premium assumes a particular risk of the other party and promises to pay him or his nominee a certain or ascertainable sum of amount on a specified contingency.

Types of insurance

1) Life Insurance-

***Life insurance*** *(or* ***life assurance***, especially in the Commonwealth of Nations) is a contract between an insurance policy holder and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money (the benefit) in exchange for a premium, upon the death of an insured person (often the policy holder).

2) General Insurance –

***General insurance*** is typically defined as any insurance that is not determined to be life insurance. General insurance helps us protect ourselves and the things we value, such as our homes, our cars and our valuables, from the financial impact of risks, big and small – from fire, flood, storm and earthquake, to theft, car accidents, and travel mishaps – and even from the costs of legal action against us.

General insurance includes-

MarineInsurance, FireInsurance, MotorInsurance, BurglaryInsurance, Personal AccidentInsurance, CropInsurance.

HISTORY OF INSURANCE IN INDIA

In 1870, Bombay Mutual Life Assurance Society became the first **Indian** insurer. ... The Government of **India** issued an Ordinance on 19 January 1956 nationalising the Life **Insurance** sector and Life **Insurance** Corporation came into existence in the same year. The oldest existing insurance company in India is the National Insurance Company, which was founded in 1906, and is still in business. In 1972 with the General Insurance Business (Nationalisation) Act was passed by the Indian Parliament, and consequently, General Insurance business was nationalized with effect from 1 January 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commence business on 1 January 1973.The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector. Before that, the industry consisted of only two state insurers: Life Insurers (Life Insurance Corporation of India, LIC) and General Insurers (General Insurance Corporation of India, GIC). GIC had four subsidiary companies. With effect from December 2000, these subsidiaries have been de-linked from the parent company and were set up as independent insurance companies: Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company.

## II.LITERATURE REVIEW

**BarikBhagabat and PatraRakesh (2014) in their paper titled as EMERGING TRENDS IN INSURANCE – A STUDY IN INDIAN LIFE INSURANCE INDUSTRY studied that** Life insurance business in India needs a special care as compared to other business. Both theory and practice to be integrated to provide the best services to the policy holders. This industry is going to face more challenges due to change in economy and employment. More no of players around the world have planned to enter into India looking to the potential available here. Probably understanding the customer expectation and attitude for this product is the important. There is time to re-engineer the business model.

**Nagaraja TB. (2015) in his paper titled as Performance of Insurance Industry in India: A Critical Analysis and** found the aspects of insurance industry and a comparative analysis of both private and public sectors of life and non-life insurance industry. Four indicators-Premium incomes, Market Share, New Policies Issued and Claims Settlement Ratio-- have been used to analyze the performance of Insurance industry. Besides, an overview of share of Indian insurance industry in the global insurance industry and inter-state variations in insurance penetration and density in India has been presented to assess the current status of insurance industry in India. As observed by the World Insurance Report -2014, the insurance industry has to inquire into these basic indicators of performance measurement and initiate the measures for improving its performance in the coming years.

**Jindal Mona (2017) in his paper titled as Factors Affecting the Growth of Private Life Insurance Business in India studied that** insurance **sector** plays an important role in the economic development of a country. The technology should be laid out in such a manner that it includes the requirement from the launching policy till the final stage when it reaches in the hand of customer, means the service provided to the policy holders or the end users. Digital system should allow insurers to relook at the new market segments and strategize accordingly to have a culture of innovation and learning. Similarly products that could be sold and serviced through digital would resonate with the digital citizens and create a long term value for all. The new entrants in the insurance business sector should take pains and understand peoples demand and needs and transform their policies as per their choices. They should be designed to provide the facilities to customers as to give the customers full reliance and satisfaction. In meeting the challenges and making the best of the opportunities lies the future of the Indian insurance companies.

## RESEARCH METHODOLOGY

The required data has been collected through secondary source like Text books, Journals, internet and other publication and supported by primary data collected through observation technique

## OBJECTIVES

1. To study the current insurance sector scenario and its growth in India

2. To find out the present emerging trends in insurance sector

3. To give feasible measures for improvement in the sector.

## III.DISCUSSION

### GROWTH OF INSURANCE SECTOR IN INDIA

Post liberalisation, the insurance industry in India has recorded significant growth. The Indian insurance industry is expected to grow to US$ 280 billion by FY2020, owing to the solid economic growth and higher personal disposable incomes in the country. Premium income of the life insurance segment had increased 14.04 per cent in FY17 to Rs 4.18 trillion (US$ 64.92 billion). The total insurance market expanded from US$ 23 billion in FY05 to US$ 84.72 billion in FY17.

There are 24 life insurance and 33 non-life insurance companies in the Indian market who compete on price and services to attract customers. There are two reinsurance companies. The industry has been spurred by product innovation, vipant distribution channels, coupled with targeted publicity and promotional campaigns by the insurers. Private sector companies hold 48.01 per cent market share in the general insurance segment and 28.93 per cent market share in the life insurance segment.

Government has approved the ordinance to increase Foreign Direct Investment (FDI) limit in Insurance sector from 26 per cent to 49 per cent which would further help attract investments in the sector.

The Insurance Regulatory and Development Authority (IRDA) recently allowed life insurance companies that have completed 10 years of operations to raise capital through Initial Public Offerings (IPOs). Insurance products are also covered under the Exempt-Exempt-Exempt (EEE) method of taxation, which translates to an effective tax benefit of approximately 30 per cent on select investments. In 2015, Government introduced PradhanMantriSurakshaBimaYojna (PMSBY) and PradhanMantriJeevanJyotiBimaYojana (PMJBY) to ping more people under the insurance cover. The scheme covered 50.9 million farmers in India in 2016-17. National Health Protection Scheme was announced under Budget 2018-19 as a part of Ayushman Bharat. The scheme will provide insurance cover of up to Rs 500,000 (US$ 7,723) to more than 100 million vulnerable families in India.

Going forward, increasing life expectancy, favourable savings and greater employment in the private sector is expected to fuel demand for pension plans. Likewise, strong growth in the automotive industry over the next decade would be a key driver for the motor insurance market.

### Development in Indian Insurance Market

Major Developments and investments in the Indian insurance market are as follows:

1. The Insurance Regulatory and Development Authority of India designed public offering guidelines for insurance providers in India, which regulated the divest equity through the IPO route.2. HDFC ERGO Car Insurance and Max Life Insurance Co. Ltd. are merged and expected to establish India's largest private sector insurance company.

2. 3. The best development in the Indian insurance market is Lloyd's – a UK-based insurance company entering the Indian market by early 2017, after the approval of Insurance Regulatory and Development Authority of India (IRDAI).4. Bennett Coleman and Co. Ltd., a renowned name in the media industry with multiple publications in different languages across the country, has decided to buy Religare Enterprises Ltd. 5. It has been announced by the State Bank of India that Paribas Cardiff is planning to revise its stake in SBI Life Insurance from 26% to 36%. Once the stake increases by foreign joint venture, SBI'S stake in SBI Life will get merged with 64%.

**CONTRIBUTION OF INSURANCE SECTOR IN INDIAN ECONOMY**

**Government Initiative**

There are a number of initiatives taken by the government to boost the insurance sector in India. Check out some of them below:

1. The Union Budget has made a provision, which states that the foreign investment will only be allowed up to 49% through the automatic route.

2. Service tax on particular premium annuity policies has been decreased from 3.5% to 1.4% of the premium paid in some cases.

3. Service tax on the business of life insurance, offered by means of the annuity, based on National Pension Scheme, which is managed by Pension Fund and Regulatory Development of India, managed being exempted, with effect from April 2016.

4. The Indian Regulatory and Development Authority of India (IRDAI) has created two committees to explore and suggest ideas to promote e-commerce in the insurance sector in order to raise the insurance penetration and get the financial inclusion.

5. IRDA has formulated a regulation, which imposes obligations on insurance providers towards offering insurance coverage to the rural and financially weaker sections of the societies in India. 6. IRDAI recently announced that public sector insurance companies can offer up to 10% discount on the premium of general insurance policies and 8% discount for premiums of new life policies offered by LIC. Please note that this discount is available only if the insurance policy bought online through customer portals.

7. The government of India has also designed two insurance schemes in the year 2015-16.

- PradhanMantriSurakshaBimaYojana, which is a Personal Accident Insurance plan

- PradhanMantriJeevanJyotiBimaYojana, which is the government's Life Insurance plan.

Both the plans offer basic coverage at nominal premium rates and can be easily brought through various government and private insurance firms.

Hope this write-up has served you to understand the current trends in the Indian insurance industry. Apart from the above, it is important to know that India's population is expected to touch 1.35 billion by 2020, with the life expectancy 74 years. The life insurance sector is expected to comprise 35% of the total savings from 26% in the year 2009-10 by the end of this decade.It is quite evident that the future of the life insurance industry looks promising with various changes in its way of working. This will also bring further changes in the way it conducts its business and deals with its customers.

**MAJOR INVESTMENTS**

The following are some of the major investments and developments in the Indian insurance sector.

- PradhanMantriFasalBimaYojana (PMFBY) covered 50.9 million farmers in India in 2016-17.
- India's leading bourse Bombay Stock Exchange (BSE) will set up a joint venture with EbixInc to build a robust insurance distribution network in the country through a new distribution exchange platform.
- Revenues of the healthcare sector are projected to grow by 15 per cent between FY18-20 on the back of rise in health insurance coverage through government-sponsored

**EMERGING TRENDS**

1. **Increased insurance literacy**: Through initiatives like The Insurance Consumer Bill of Rights and increased resources, consumers and agents are both able to know their rights when it comes to insurance and can better manage their insurance portfolios.

2. **Interest rates:** The federal funds target rate increase that was announced recently will have a yet-to-be determined impact on long-term interest rates. According to Fitch Ratings, further rate increases' impact on credit fundamentals and the longer end of the yield curve has yet to be determined. Insurance companies are hoping for higher long-term rates as investment strategies are liability-driven. (Read more on the Fitch Ratings website here). Here is what this means: There will not necessarily be a positive impact for insurance policy-holders (at least in the near future). Insurance companies have, for a long period, been subsidizing guarantees on certain products or trying to minimize the impact of low interest rates on policy performance. In the interim, many insurance companies have changed their asset allocation strategies by mostly diversifying their portfolios beyond their traditional holdings—cash and investment-grade corporate bonds—by investing in illiquid assets to

increase returns. The long-term impact on product pricing and features is unknown, and will depend on further increases in both short- and long-term interest rates and whether they continue to rise in predictable fashion or take an unexpected turn for which insurers are ill-prepared.

**3.** **Increased cost of insurance** (COI) on universal life insurance policies: Several companies—including Voya Financial (formerly ING), AXA and Transamerica—are raising mortality costs on in-force universal life insurance policies. Some of the increases are substantial, but, so far, there has been an impact on a relatively small number of policyholders. That may change if we stay in a relatively low-interest-rate environment and more life insurance companies follow suit. Here is what this means: As companies have been subsidizing guaranteed interest rates (and dividend scales) that are higher than what the companies are currently (and have been) earning over the last few years, it is likely that this trend will continue.

**4.** Increasing number of unexpected life insurance policy lapses and premium increases: For the most part, life insurance companies do not readily provide the impact of the two prior factors I listed when it regards cash value life insurance policies (whole life, universal life, indexed life, variable life, etc). In fact, this information is often hidden. And this information will soon be harder to get; Transamerica is moving to only provide in-force illustrations based on guarantees, rather than current projections. Here is what this means: It will become more challenging to see how a policy is performing in a current or projected environment. At some point, regulators or legislators will need to step in, but it may be too late. Monitor your policy, and download a free life insurance annual review guide from the Insurance Literacy Institute.

**5.** **Increased complexity**: Insurance policies will continue to become more complex and will continue their movement away from being risk protection/leverage products to being complex financial products with a multitude of variables. This complexity is arising with products that combine long-term care insurance and life insurance (or annuities), with multiple riders on all lines of insurance coverage and with harder-to-define risks — even adding an indexed rider to a whole life policy (Guardian Life). Here is what this means: The more variables that are added to the mix, the greater the chance that there will be unexpected results and that these policies will be even more challenging to analyze.

**6. Pricing incentives:** Life insurance and health insurance companies are offering discounts for employees who participate in wellness programs and for individuals who commit to tracking their activity through technology such as Fit bit. In auto insurance, there can be an increase in discounts for safe driving, low mileage, etc. Here is what this means: Insurance companies will continue to implement different technologies to provide more flexible pricing; the challenge will be in comparing policies. The best thing an insurance consumer can do is to increase her insurance literacy. Visit the resources section on our site to learn more.

**7. Health insurance and PPACA/Obamacare**: The enrolment of individuals who were uninsured before the passage of Obamacare has been substantial and has resulted in significant changes, especially because everyone has the opportunity to get insurance—whether or not they have current health issues. And who, at some point, has not experienced a health issue? Here is what this means: Overall, PPACA is working, though it is clearly experiencing implementation issues, including the well-publicized technology snafus with enrolment through the federal exchange and the striking number of state insurance exchanges. And there will be continued challenges or efforts to overturn it in the House and the Senate. (The 62nd attempt to overturn PPACA was just rejected by President Obama.) The next election cycle may very well determine the permanency of PPACA. The efforts to overturn it are shameful and are a waste of time and money.

**8. Long-term care insurance:** Rates for in-force policies have increased and will almost certainly face future increases—older policies are still priced lower than what a current policy would cost. This is because of many factors, including the prolonged low-interest-rate environment, lower-than-expected lapse ratios, higher-than-expected claims ratios and incredibly poor initial product designs (such as unlimited benefits on a product where there was minimal if any claims history). These are the "visible" rate increases. If you have a long-term care insurance policy with a mutual insurance company where the premium is subsidized by dividends, you may not have noticed or been informed of reduced dividends (a hidden rate increase). Here is what this means: Insurance companies, like any other business, need to be profitable to stay in business and to pay claims. In most states, increases in long-term care insurance premiums have to be approved by that state's insurance commissioner. When faced with a rate increase, policyholders will need to consider if their benefit mix makes sense and fits within their budget. And, when faced with such a rate increase, there is the option to reduce the benefit period, reduce the benefit and oftentimes change the inflation rider or increase the waiting period. More companies are offering hybrid insurance policies, which I strongly recommend staying away from. If carriers cannot price the stand-alone product correctly, what leads us to believe they can price a combined product better?

**9. Sharing economy and services**: These two are going to continue to pose challenges in the homeowners insurance and auto insurance marketplaces for the insurance companies and for policy owners. There is a question of when is there actually coverage in place and which policy it is under. There are some model regulations coming out from a few state insurance companies, however, they're just getting started. Here is what this means: If you are using Uber, Lyft, Airbnb or a similar service on either side of the transaction, be sure to check your insurance policy to see when you are covered and what you are covered for. There are significant gaps in most current policies. Insurance companies have not caught up to the sharing economy, and it will take them some time to do so.

**10. Loyalty tax:** Regulators are looking at banning auto and homeowners insurance companies from raising premiums for clients who maintain coverage with them for long periods. Here is what this means:

Depending on your current auto and homeowners policies, you may see a reduction in premiums. It is recommended that, in any circumstance, you should review your coverage to ensure that it is competitive and meets your needs.

11. **Insurance fraud**: This will continue, which increases premiums for the rest of us. The Coalition against Insurance Fraud released its 2015 Hall of Shame. Insurance departments, multiple agencies and non-profits are investigating and taking action against those who commit elder financial abuse. Here is what this means: The more knowledgeable that consumers, professional agents and advisers become, the more we can protect our families and ourselves.

12. **Uncertain economic and regulatory conditions**: Insurance companies are operating in an environment fraught with potential changes, such as in interest rates (discussed above); proposed tax code revisions; international regulators who are moving ahead with further development of Solvency II; and IFRS, NAIC and state insurance departments that are adjusting risk-based capital charges and will react to the first year of ORSA implementation. And then there is the Department of Labour's evaluation of fiduciary responsibility rules that are expected to take effect this year. Here is what this means: There will be a myriad of potential outcomes, so be sure to continue to monitor your insurance policy portfolio and stay in touch with the Insurance Literacy Institute. Part of the DOL ruling would result in changes to the definition of "conflict of interest" and possibly compensation disclosure.

13. **Death master settlements:** Multiple life insurance companies have reached settlements on this issue. Created by the Social Security Administration, the Death Master File database provides insurers with the names of deceased people with Social Security numbers. It is a useful tool for insurers to identify policyholders whose beneficiaries have not filed claims—most frequently because they were unaware the deceased had a policy naming them as a beneficiary. Until recently, most insurers only used the database to identify deceased annuity holders so they could stop making annuity payments, not to identify deceased policyholders so they can pay life insurance benefits. Life insurers that represent more than 73% of the market have agreed to reform their practices and search for deceased policyholders so they can pay benefits to their beneficiaries. A national investigation by state insurance commissioners led to life insurers returning more than $1 billion to beneficiaries nationwide. The National Association of Insurance Commissioners is currently drafting a model law that would require all life insurers to use the Death Master File database to facilitate payment of benefits to their beneficiaries.

## FINDINGS

### THREATS TO INSURANCE SECTOR

**1. The shift to prevention rather than insurance**

Digital technologies now help prevent accidents and losses. For example, there are collision avoidance systems, self-driving cars that make driving safer, and smart home technology that warns property owners of flood risks (this technology can also automatically shut-down the water supply if necessary). Advancements like these help reduce premiums through risk prevention, so many predict that insurance companies will play more of a risk avoidance role than risk mitigation role. This, in effect, will reduce the value creation of underwriting.

**2. Data and analytics**

While insurance companies have hordes of historical data today, they are struggling to keep up and compete with companies and industries who collect up-to-the-minute real-time data through the Internet of Things (IoT), social media, credit card histories and other digital records. For example, car technology can now gather information such as driving speeds and how hard drivers brake. This is more insightful and relevant than historical information about age and past accident records.The threat to insurance companies comes not only from FinTechstartups but also digital giants, such as Google or Amazon, who combine data and analytical skills with platforms that reach millions. Companies like these offer precisely targeted offers to a low-risk customer segment based on their data and analysis. This threatens the existing insurance model because without the low-risk customers offsetting high-risk ones, the whole model falls apart.

A much closer threat comes from auto manufacturers and their developing 'connected car.' This would provide them with unique access to data that they could use to very accurately assess the risk of the driver. Armed with this knowledge, they have the ability to offer a uniquely tailored insurance product.

**3. Institutional investors**

Given the economic climate of low interest rates, large institutional investors have put their money into mainly insurance-related instruments on capital markets. But, this is changing as institutional investors focus on the primary market and, more specifically, on ventures that vertically integrate monitoring, analysis, prevention and loss mitigation. In other words, they are looking to offer the full value chain, instead of just the mitigation component — this is worth much more to an investor.

However, even in the face of these threats, insurance companies are well positioned to take advantage of this digital transformation. They have proprietary expertise and knowledge that no one else has (for now). They have large reserves to underwrite large pools of risk, and they have the trust of their customers, who (for now) are confident that the company will still be around when their policies mature decades into the future. But, as we have seen in the music, book, retail and travel industries, digital transformation will disrupt this sector. The big question is: will market outsiders become better at it before the incumbents do?

**PROSPECTS OF INSURANCE SECTOR IN INDIA**

Insurance sector in India has become one of the most favoured investment destinations both for Indians and NRIs. India is the fifth largest insurance market among the globally emerging insurance economies. Growing interest towards insurance among people, innovative products and distribution channels are sustaining the growth of the insurance sector.The various liberalisation policies in the sector have opened the door for various private sector insurance companies. This increase in number of players has resulted in new products, better packaging, improved customer service, greater employment opportunities, etc.

**Market Structure**

There are 49 insurance companies operating in India as of September 2011. Out of which, 24 are in life insurance business, 24 in general insurance business, and remaining ones in re-insurance business. General Insurance Corporation of India (GIC) is the sole national re-insurer.

**Growth Predictions**

The Indian insurance sector is expected to grow at a rapid pace to reach around US$ 400 billion in premium income by 2020, according to a report released by an industry body and the Boston Consulting Group (BCG). As per the report, this would make India one of the top three life insurance and top 15 non-life insurance markets by 2020.

**Career Prospects**

There are number of career opportunities available in Indian insurance sector. Insurance companies have job openings in various fields such as marketing, distribution, actuarial, underwriting, operations and investing departments.

A graduate in the area of finance, marketing, or sales can easily get the job in the insurance companies. They can earn anything between Rs. 8000 - 20,000 per month in the starting months. Most of the companies offer a very good remuneration and heavy incentives to retain the qualified candidates.

Candidates can also take help of various recruitment agencies operating in India for searching the right job. These ***job consultancies*** work on the behalf of companies having job requirements. The job agencies offer decent job opportunities in various sectors with top most companies and a good salary package according to candidate’s profile.

**Recent Initiatives**

The Finance Minister has approved a proposal to raise foreign direct investment (FDI) in insurance and pension sectors to 49 percent from the existing 26 percent to encourage more investment in the sector.

The Securities and Exchange Board of India (SEBI) has relaxed rules to allow more life insurers to launch public offers.The Government's Financial Sector Legislative Reforms Commission (FSLRC) is working on new insurance policies' framework that would end LIC's monopoly, empower IRDA and establish a legal system to handle any lapses at insurers' end.

**Road Ahead**

The Indian insurance industry is booming, with several national and international players competing and increasing operations in the country. The Mckinsey report on the outlook for insurance sector predicts an exponential growth for the insurance industry due to contributing factors such as increasing household incomes, higher premiums, growing technology, liberal policies, etc. This will result in more

***career opportunities in*** the coming years.

**PROBLEMS and MEASURES OF INSURANCE SECTOR**

1. Majority of insurance products are sold through agents and it is seen as a 'push' product by the customers. Many a times, products are pushed by the distributors without explaining the benefits and limitations of the policy, leading to high dissatisfaction ratio amongst the customers. IRDA is in the process of making guidelines for 'mono line' insurance agents. These insurance agents will be authorized to sell one simple insurance product and will undergo training. Post training these agents will get policy documents that are very simple and easy to understand. The forms will be pre-underwritten and preferably a one page document. This move may lead to improve understanding and simplifying the insurance process.

2. The policies which exist in the markets today are complex and difficult to understand even for a financially literate person. The policy document runs to several pages, and is full of legal jargon beyond the comprehension of ordinary people. Insurance needs to be positioned and perceived as a more 'humane subject.' For e.g. IRDA's initiative on standardizing definitions for Critical Illness will benefit the customers and will find a better acceptance among the insurance buyers. They will no longer be confused about the benefits and exclusions about the illness in the health insurance policy.

3. Insurance is a legal contract between an average person and the insurance company. Most of the insurance policies are drafted by the insurance companies and the same is accepted by the insured as it is without any negotiation or discussion. The insured does not have any say in establishing the terms and condition of policy and has to adhere to policy terms as drawn by the insurer. Simplification and usage of local language to explain

the insurance covers with policy literature can bring comfort to the policy holders. It will help buyers accept the terms and conditions with clear understanding of the benefits and the exclusions.

4. Complicated claim settlement processes pose a problem to the existing customers and act as a major deterrent to the prospective customers. The intent of the insurance policy may not be clearly understood in the policy document for a simple insured. Instead of being a source of comfort in a crisis situation, the claim settlement process should not become an additional source of trouble to an already bothersome situation. The very purpose of insurance stands defeated. Clarity in language, easy operations and friendly approach by the insurers is the need of the hour. Moving forward, insurers will need to focus on customizing products and improving customer experience in order to grow profitably.

**CHALLENGES FOR INSURANCE COMPANIES**

1. Customer Interaction: The image above had stuck in my mind for many months that **how consumers interact less with insurance companies than any other industry**. When we are talking about agile development and user driven products today, insurance companies are not only learning from user interaction but also their **products have seen least amount of evolution** compared to all other industries shown in the graph.
2. Workforce: There is a **gap at the mid-management level**. Folks who in the other industries come up with new ideas or drive new ideas to execution are missing altogether in many insurance companies. Younger folks are entering the industry and leaving after a couple of years without gaining industry expertise and then there are very senior folks who have been in the industry for uncountable years are fighting for status-quo or single digit growth.
3. Technology: There is a fear from technology in this industry. This is little bit due to the workforce as well as they are very focused on insurance knowledge and **consider technology a foe than a friend**.
4. Insurers don't know how to price certain risks: Cyber insurance is a big one where insurers are **hesitant to write cyber policies as they are not sure how to compute the losses** and therefore how to price such insurance. There is a trend where people want to pay per mile and it is again difficult to price such insurance.
5. **Distribution Channel: Archaic way of purchasing insurance** today is another big challenge; there is a lot happening on auto side to purchase insurance online but insurance companies have to go a long way to sell all their products through various different channels and be Omni channel
6. **Claims Processing**: Ideal case would be if claims processing was painless and you did not have a claims guy coming to your house 5 times and you did not have to call insurance company 20+ times to get claims reimbursed to you for the flooding in your house.

## IV.CONCLUSION

Life insurance business in India needs a special care as compared to other business. Both theory and practice to be integrated to provide the best services to the policy holders. This industry is going to face more challenges due to change in economy and employment. More no of players around the world have planned to enter into India looking to the potential available here. Probably understanding the customer expectation and attitude for this product is the important. There is time to re-engineer the business model. But still some people even after knowing the benefits are afraid to take insurance policies because of frauds associated with the policies and Insurance Companies Therefore IRDA Act has been established in India to regulate and check the working of these companies in order to protect the interest of common people But some problems are faced by insurance companies also for example maintaining funds in hard economic times ,solvency, reducing costs, maintain goodwill, providing satisfaction to customers, weakness of insurance sector, poor quality of services, need for automation, less availability of insurance products, inadequate penetration into business. Majority of insurance products are sold through agents and it is seen as a 'push' product by the customers leading to high dissatisfaction ratio amongst the customers. IRDA is in the process of making guidelines for 'mono line' insurance agents.. This move may lead to improve understanding and simplifying the insurance process. The policies which exist in the markets today are complex and difficult to understand even for a financially literate person. Insurance needs to be positioned and perceived as a more 'humane subject.

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