Insurance is an agreement between insurer and insured in consideration of premium received from the insured, subject to limit of a specified amount suffered by specified perils insured against during the stated period. On the basis of business, insurance can be divided into three categories, i.e. life insurance business, general insurance business and social insurance. The history of general insurance can be traced back to the early civilization. The earliest transaction of insurance as practiced today can be traced back to the 14th century AD in Italy when ships were only covered. This practice of marine insurance gradually spread to London and during the 16th century it was established in the mercantile transactions.

Insurance in its modern form first arrived in India through the British company called the Oriental life insurance company in 1818. It insured the lives of Europeans living in India. The first company that sold policies to Indians with “fair value” was the Bombay Mutual life Assurance Society starting in 1871.

In a period of a half a century, the insurance sector in the country has come full circle, from being an open competitive market to full nationalization and then back again to liberalized market in which private players and public sector companies are on a level playing field. Most of the new companies in the industry have entered the market as joint ventures with participation of a foreign partner holding up to 26 per cent of the paid up equity capital. The opening up of the sector to private players witnessed introduction of a number of new products deserving the attention of the customers and possibly the Indian insurance market is one of the fastest growing markets.

Insurance is seen as essential characteristic of economic development of a country. It promotes financial stability and reduces financial anxiety. It acts as a lubricant for trade and commerce, mobilizes nations’ savings, enables risk to be managed more efficiently, helps the insured to reduce losses and finally facilitates different allocations of a country’s capital. The essence of insurance, as we have seen, is to act as a risk transfer mechanism for loss. Insurance does not reduce the risk, but it does endeavor to provide financial protection against the consequences. Insurance has come up as a very important
financial service in most parts of the world. The insurance is considered as one of the important segment in an economy for its growth and development. This industry provides long term funds that are essential for the development of basic infrastructure. The insurance industry also provides debts to the capital market including market for the government bonds. The sector acts as mobilizer of savings, as financial intermediary, as stabilizer of financial market and as risk manager. Insurance services lead to efficient and productive allocation of capital resources, prevent the losses to the firms and encouraging loss preventive measures, facilitate growth of trade and commerce, complement government’s social security programs and assist the individuals and firms in efficient management of risks.

There are a number of threats that inhibit the growth and development of insurance in India. They affect the marketing action and cause deterioration in growth and profitability. Some of these challenges include: terrorism, tough competition, selective marketing, managing customer grievances and growth of captive insurers.

The government enacted IRDA Act, 1999 in parliament which made amendments to the previous insurance acts in India. Many regulations have been framed under IRDA Act, 1999 and the Insurance (Amendment) Act, 2002. The authority is the government watchdog in the insurance sector, established to protect the interests of and secure fair treatment to policyholders. It regulates, supervises, develops, controls and promotes the growth of insurance industry in India.

After the entry of the private players, the industry has witnessed a lot of competition and thus improvement of the customer service in the industry. The general insurance market in India is growing rapidly. People are better informed about insurance products and public confidence in the industry is building up. The competitive environment is forcing the insurance companies to offer products on the basis of changing customer attitudes. Customized product development, effective distribution of insurance services and efficient after sale service may go a long way in ensuring the success of general insurance industry.

The insurance market has witnessed dynamic changes due to liberalization and privatization of insurance sector. The growth rate of private sector general insurance companies is much higher than that of public sector and the private sector companies are
increasing their market share year by year. Liberalization of this sector has offered tremendous opportunities to tap the potential of the lucrative market and has contributed to the strengthening of general insurance business by creating a competitive atmosphere.

Recent inventions in information technology are changing insurance business. The technological advances place in the hands of insurance companies and agents the tools to bring new saving and better service to customers. Information technology leads to breaking down of familiar limitations, geographical and financial. Businesses are using information technology to improve quality, to lower costs and to design new products and services. It’s hard to predict exactly how information and communication technology (ICT) will affect insurance in the future. But it is pretty sure to lead to cutting costs, to blurring financial distinctions and to cross jurisdictional and geographical lines. It is widely recognized that e-commerce will enable insurers to realize business process efficiencies, improve customer service and brand loyalty and enable insurers to better position themselves competitively and handle tremendous volumes of work in a modern work culture. The initial adoption of such technology anywhere in the world is always slow and catches momentum gradually. Judging by the leads taken by most insurers in India, technology will be adopted in a much shorter time frame.

Some of the obstacles hindering the application of ICT in the insurance sector include; security reservations, scarcity of skilled staff, low internet usage and few users, low intention to buy online, traditional attitudes and views of the companies and inflexible organizational chart and resistance to change etc. There is however, considerable scope for cooperation at all levels to remove barriers to the growth of information and communication technology in the insurance industry.

Insurance industry is emerging competitive in the Indian context particularly after the floodgates of secured monopoly markets are opened up to private players. Marketing of insurance services in the Indian context has been a different ballgame altogether as various companies are adopting different marketing strategies and there has been a shift from selling orientation to marketing orientation and agents are becoming advisors and relative role shift of seller to marketer. This changed scenario has made the industry adopt different marketing strategies. Customizing the products, pricing, channel strategies and direct selling, e-channel, company advisors, company agency channels, cross-selling
and bancassurance are becoming company strategic tools for present India scenario. The latest competition among different players has made the insurance industry move towards better service deliverers. The positioning themselves with USP, using advertising as a tool to communicate the same and building brands has become an inevitable marketing exercise in Indian insurance industry. The combination of channel and the promotion has become a dominant strategic tool for Indian insurance companies. India’s liberalized economy has solicited all private players to serve the insurance market. Now the challenge and success for the insurer lies in exploring the market with a balancing marketing strategy among consumers and competitors. The marketing strategies adopted by the company will depend on accessibility, viability and affordability. The strategy should be aimed at attracting and retaining the customer to the business and creating awareness among the customers about the company and its products and services. The strategies should be adopted in consideration with the competitors. At this digitized information era, e-commerce has made it possible for companies to remodel their marketing strategies in the lines of modern information technology in order to capture the wide spectrum of the market, defying the geographical.

**Objectives of the study**

The major objective of the study is to analyze the growth of general insurance industry in India and to evaluate performance of general insurance companies. Following are the specific objectives;

1. To study the role of government in regulating the insurance industry in the post-liberalization era.
2. To evaluate the growth and performance of general insurance companies in India.
3. To investigate the impact of information and communication technology in general insurance sector.
4. To critically analyze the marketing strategies and how they lead to growth and competition in general insurance companies in India.
5. To provide conclusion and suggestions on the basis of the study.

Commensurate with the objectives of the current study, the relevant data has been obtained from primary as well as secondary sources. The primary survey has been conducted in the five northern states of India i.e, Utta Pradesh, New Delhi, Haryana,
Punjab, Rajasthan and the Union Territory of Chandigarh. A sample size of 300 employees and agents has been taken for the purpose of the study. For the purpose of analysis, the respondents have been divided into two categories i.e., from private and public sector companies and on the basis of experience in terms of years. In the present study non probabilistic (convenience sampling) method has been used to select the sample. A well structured and pre-tested questionnaire was constructed and administered to get the needed information from respondents. The data was analyzed through statistical techniques like Anova, ratio analysis, percentage analysis and weighted average score method. Chi-square tests as well as t-test were carried out to test the significance of the results. The results have been presented using graphs, tables and pie-charts.

**FINDINGS OF THE STUDY**

Major findings of the study are as follows;

1. The general insurance penetration in India is very low as compared to international standards in general and the rural sector in particular. Liberalization of this sector has offered tremendous opportunities to the insurance players on the unexplored rural market. So, to ensure higher growth, the general insurance companies have to design their products suitable for rural market.

2. It has been found out that the employees of the private sector insurance companies are more acquainted with the application of ICT systems (74 per cent) than those from public sector firms (59 per cent).

3. The results have revealed that there has been a steady increase in the number of rural agents during the period of study. This is because the insurers have started to exploit the rural market. However, a lot still needs to be done to fully exploit this rich market.

4. Private sector non-life insurance companies have reported a higher rate of growth in their net premium compared to public sector companies. This is further reflected by the higher rate of increase in new policies underwritten by the private sectors.

5. It has been found out that the information and communication technology concept awareness is more dominant among the younger respondents than the older ones.
6. The results reveal that private sector insurance companies have experimented more with third party distribution channels (like car dealers, supermarkets, travel agents, microfinance agents etc.) compared to public sector insurance companies.

7. It has been revealed that there is fast erosion in the market share of public sector general insurance companies whereas private sector general insurance companies are consolidating their position very fast.

8. It is further revealed that management expenses of general insurance companies have continued to exceed statutory ceiling. This has been attributed to increase in salaries of officers and staff employed by them. Remedial measures can be either by increasing the premium income or by controlling the over-all expenses.

9. It has also been found out that both the public as well as private insurers have implemented ICT applications with the private sector slightly higher (at 75.6 per cent) than public sector insurers (69.7 per cent)

10. The results reveal that lack of sale culture within the bank and non-involvement of branch managers are the major challenges for implementation of bancassurance as a marketing strategy by most insurance companies.

11. A close investigation of the product portfolio through the annual reports reveal that private companies are concentrating more on cream business. In respect of loss making portfolio, such as motor business, they have avoided to enter these business to reduce their net incurred claims ratio.

12. It has also been revealed that consumers have less choice of products in the absence of tailor-made products to suit different categories of people in terms of their level of income, nature of profession and needs.

13. The survey revealed that the majority of the respondents (65.7 per cent) perceive ICT as an opportunity. 29.3 per cent of the total respondents said ICT is a challenge to insurance industry, while 4.7 per cent consider it as a threat and only 0.3 per cent of the respondents consider ICT as ambiguous.

14. It has been found out that lack of awareness; security reservations, insufficient infrastructure etc. have led to low implementation of modern technologies in marketing of insurance products.
15. An investigation into the annual reports of all the insurance companies under study reveal that the reason for better performance in net earnings of public sector insurers is the higher investment income. Public sector insurance companies are making huge investments in the capital market and due to excellent performance of the market, the profits of these insurance companies are also booming, even though they are suffering losses from their core insurance business.

16. The productivity trend in the general insurance industry reveals that private sector insurance companies are more cost-effective as compared to public sector companies. This is mainly accounted to the use of information technology, professional approach and leaner workforce.

17. It has been found out that most customers consider cost of the product and speed of claim settlement as the most important factors while selecting an insurer.

18. It has also been revealed that private sector insurance firms have experimented with new and complex products as compared to public firms which largely depend on traditional familiar products which do not require much explanation.

19. Among the insurance value chain considered in our study, there is highest implementation of ICT in service and product development (R&D) 1.217 (WAS), while claim management has been the least taker when it comes to new technology applications 0.960 (WAS).

20. The results reveal that pricing is a major factor in determining the growth and expansion of insurance company, the majority of the respondents (67.0 per cent) consider high pricing of insurance policies as deterrence to insurance marketing.

21. It has been found out that security reservations (64.0 per cent), non-conformity of current products and services to online offers (61.7 per cent) and scarcity of skilled staff (61.7 per cent) were reported to be the major obstacles that highly derail the implementation process of ICT systems by insurance industry in India.

22. Among the corporate obstacles, it has been revealed that low intention to buy insurance services online was the major obstacle (66.0 per cent) hindering ICT implementation in the insurance sector.

23. The highest benefit obtained by insurers from applying ICT systems in their operations is brand and image promotion (86.3 per cent), followed by increase in
sales volume (premium) (80.7 per cent). It is clear that ICT has transformed the work culture of many companies and has led to expansion of market share.

24. All the insurance products in our study have embraced ICT applications to various levels as reported by the respondents from both public and private insurance companies. Personal insurance (Health and accidents) has the highest implementation of ICT application (71.7 per cent), it is closely followed by Auto insurance (69.3 per cent).

**Recommendations**

Following are the certain recommendations which may be useful for improving growth and performance of general insurance sector in India;

1. It is recommended that the IRDA should give more thrust on quality, service and discipline by insurers and related agencies in the insurance sector. Further more, IRDA should also lay more emphasis on research in insurance sector to identify ways in which technology can reduce costs, develop better methods for measuring risks created by technology and address the regulatory issues created by doing business online.

2. In this competitive market environment, insurance agents should act as financial advisors to their clients. They should offer advice to policyholders; they should also recommend alternative policies that suit the consumer at given conditions. The agents should concentrate in the rural and semi-urban areas where the use of Internet has not been used to spread the awareness to the people about insurance services.

3. It is recommended that bankers should be trained on bancassurance business to improve their confidence and they should maintain separate database for policyholders from the other bank customers. There should be a separate counter for insurance related business in the banks offering bancassurance services.

4. In order to solve the problems relating to claim settlement, it is suggested that certain mechanism should be developed to provide proper training and education to the policyholders through conferences, seminars and workshops to make them aware of general insurance business and the products offered. Besides, insurers should develop a cost effective and consumer friendly grievance redressal
mechanism and formulate an effective customer relationship management (CRM) strategy.

5. It is suggested that insurance companies should diversify the marketing strategies used for different products and different market segments; they should not depend only on one strategy to attract more sales and enhance good growth.

6. As far as insurance distribution in rural areas is concerned, possible options include designing insurance plans suited to the particular needs of the various segments such as land-less laborers, persons living below poverty line etc. Insurance players should focus on introducing insurance plans that provide flexibility in premium payment and they should also concentrate on social security schemes.

7. It is recommended that insurance companies should improve confidence of policyholders on the use of new technology by improving security and avoid data misuse especially in claim management.

8. In order to increase insurance penetration, various intermediaries like retail outlets, post office distribution channels, corporative institutions, rural development agencies, NGOs, micro-financing institutions, women’s SHGs, youth clubs, panchayats, social and other charitable trusts etc., should act as agents to secure business proposals in respect of their constituents at nominal agency commission. The products should be priced at low rates to attract the low income groups and designed to meet their needs.

9. In order to be more competitive and responsive to the needs of the society, the insurance players are required to concentrate on the following strategies; environmental analysis, restructuring organization to ensure delivery of the insurance product at the customer's door-step, human resource development, efficient marketing strategies, distribution channels and corporate governance.

10. It is recommended that rural based training centers for agents should be established with special emphases on health, personal accident and other allied subjects. Such training centers should be conducted in regional languages so that the candidates who are weak in English can easily comprehend the subject.
11. The role of IRDA, besides regulating the insurance sector is also to develop it. In such a fast changing scenario where the prospects appear to be brighter both for the insurers and the insured, the following strategies are recommended;

i) To promote more awareness among public about insurance.

ii) Market structure of insurance companies to be planned according to the market studies conducted.

iii) Wider product range to be made available to the public to cater every possible market.

iv) New technologies to be brought in to use and

v) More vibrant customer service to be developed.

12. It is needed on the part of insurance players to upgrade professional skills of their employees and to train them for providing personal attention towards policyholders, detailed and regular information about new plans/policies and handling queries.

13. It is recommended that insurer should develop the customers’ database through which text messages and e-mails can be sent to customers regarding new products and new price scheme. Insurers should also concentrate on B2B network to enhance ICT application in extending corporation with partners, like in the case of re-insurance business.

14. The IRDA should create an environment where insurers, consumers and other related groups can co-exist and operate for the promotion of insurance. In the interest of consumers, IRDA must put emphases for the development of pension, health insurance, rural insurance and insurance for weaker sections of society.

15. Advertising and promotional strategies are very essential part of marketing strategies that companies cannot ignore incase they need to improve their market environment. The general insurance companies should invest more on advertising and promotional strategies.

16. It is recommended that education on insurance ought to be included in upper primary, secondary and pre-secondary curriculum to stimulate interest in the subject and improve awareness. The course should show the effects of fraud in insurance and help minimize fraudulent acts in insurance.
17. Insurance companies of India should introduce multi benefit policies including tax benefits with timely customer services and they need to focus on health insurance which is one of the untapped areas in insurance, innovative products, smart marketing and aggressive distribution with much individual attention, transparency and flexibility to increase the quality and volume of insurance business.

18. In order to maintain safe business transactions, what is needed is a secure legal environment, while legislation in India is providing this environment by enacting laws dealing with the internet, insurance companies should provide comprehensive protection policies for business against web-related risks, such as hackers and viruses, credit card and employee fraud, business interruption losses and legal action.

19. It is recommended that agri-credit policies that are easy on farmers should be implemented to extend credit to the rural farmers to free them from the clutches of unscrupulous elements.

20. It is suggested that insurance companies should expand the use of information technology and make their employees and agents smarter and receptive to the technological changes.

**Limitations of the study**

Like any other research project, the present study also has certain limitations as stated below;

1. Although an effort has been made to cover almost all the factors to satisfy objectives of the study, yet survey method has its limitations in exploring human responses because of hiding or exaggerating some facts.

2. Data for the study has been collected from five northern India states only and the Union territory of Chandigarh. The composition and characteristics of population being different in other parts of the country might restrict generalization of the results.

3. Though utmost care has been taken by the researcher to include all important growth and performance indicators in this study, but still some variables might have been left out.
Areas for further research

Following are certain promising areas for those who are interested in research in the field of growth of insurance industry;

1. The rural insurance market of India offers promising territory for insurance business expansion which has not been exploited fully by the insurers. A comprehensive rural based study should be conducted to suggest the means of exploring the rural market.

2. A similar study on growth and performance should be conducted on the life insurance sector in India and a comparison be made between life and general insurance firms to find out where the regulators need to lay more emphases.