CHAPTER II
REVIEW OF LITERATURE

Any worthwhile research study in any field of knowledge requires an adequate familiarity with the work which has already been done in the same area. A number of studies, both conceptual and empirical have been conducted regarding various aspects of insurance industry both in India and abroad to highlight basic structure, challenges and opportunities associated with it.

In order to have a bird’s eye view of the nature and extent of related work already accomplished and to formulate our own methodology, a number of relevant studies have been reviewed in the present chapter.

Malhotra (1994) studied the working of insurance corporations in his committee. The committee studied the structural adjustment of the insurance sector; it highlights the present structure of insurance business in India and deals with the story of GIC’s success especially up to the date when the committee submitted its report. The committee made various recommendations, some of the important recommendations was as follows; private sector should be granted to enter insurance industry in a controlled manner. The minimum paid up capital of a new entrant should be Rs.100 crore. Concerning entry of foreign insurance companies, the committee made an elaborate recommendation that they should be required to float Indian companies and should preferably enter the market by way of joint venture with Indian partners. It recommended further that steps be initiated to set up a strong and effective regulatory authority in the form of a statutory autonomous board in the lines of SEBI. The four subsidiaries he recommended that should be fully declined from GIC by acquisition of entire stock in each of them by the government.

Graven (1998) addressed the impact of the internet in the marketing and distribution of insurance products in his paper titled ‘Electronic Commerce in the Insurance Industry: Business Perspective.’ The study found that in a very short period of time, the internet has emerged as a viable commercial medium. Survey evidence demonstrates that Americans are showing increased acceptance of Internet i.e. shopping online. When compare with other forms of direct marketing such as mail order and telephone ordering, electronic commerce on the internet is still relatively small,
especially insurance industry’s involvement with and commitment to electronic commerce lags far behind competitors in the banking and brokerage industries. Although it is revealed that some industry players are concerned about unleashing price competition, the internet’s effect on prices will be extremely salutary for consumers. Furthermore, by making it possible for consumers to be able to compare similar products across companies at a low cost, this will help to remove entry barriers and make consumers less reluctant to switch from their current carrier. The study recommended that insurers need to determine ways to configure electronic channels that enhance traditional channels and possibly even increase overall channel utilization instead of removing the middleman from a transaction.

Gopalakrishna (1999) studied the business benefits of e-commerce. He observed that in the insurance industry, the insurers are beginning to embrace the internet, but as compared to other industries such as retailing industry, insurance players have been slow to get into e-commerce in a big way. Today, companies are actively pursuing new IT initiatives such as data warehousing, e-commerce and componentization. The objective is to get clarity around products, channels and service features. This in turn will help in designing the distribution blueprint so that the right product reaches the right customers through the right channels in the shortest possible time.

He suggested that the insurance industry has to address the following concerns/issues over the next five years; security, regulatory issues, technology improvements and building a brand name. The new entrants in the insurance sector need to put in tremendous effort to segment customers, understanding their unique requirements and tailored products that meet their requirements. With this in-depth understanding, companies need to design new delivery channels that deliver products to the targeted segment cost effectively. He said further that while technologies like data warehousing and data mining would help in profiling customers and defining market segments, the internet would help in reducing the cost of distribution channel and the time to market.

Lalbhai (1999) discussed present scene and future issues of health insurance in India. He pointed out that one of the major challenges of privatization of insurance would be how to develop mechanisms, which help making consumers aware about the various intricacies of insurance plans. As of now, information, knowledge and awareness of
existing insurance plans are very limited. He compared the mediclaim scheme offered by GIC and other insurance companies. He explained the Indian Medical Association’s role in changing scenario in the health sector. He revealed that there is lack of adequate information base to operate insurance schemes at large scale. The main problem he said is that there are no proper guidelines/protocols, no proper policy for patients. He recommended that there is strong need to develop the mechanisms to include the poor. The approach towards other systems of medicines needs to be defined. Insurance companies should introduce other options developing credit card type of system so that the customers are attracted and also can have benefits and discounts at hospitals. There is need to have separate company for health insurance rather than it being as part of GIC and its four subsidiaries. Any attempt in developing the insurance mechanisms should emphasize the need for preventive and promotive care.

Mukherjee (1999) pointed out that customer service has been one of the areas of concern for insurance companies. This should receive the maximum attention and should span the entire gamut of activities in the purchase of a product i.e. right for information dissemination, documentation to policy administration and claims settlement. They also need to innovate new products such as annuities. He asserted further that today the Indian software industry is in a position to undertake complex development projects in the insurance sector and deliver them to the clients’ satisfaction. The inherent strength of the industry and the vision of its leaders and their innovative approach to problem solving will ensure that it will be able to meet the challenges of the new millennium.

Garven (2000) carried out a study on the role of electronic commerce in financial services integration, his major objectives were; to summarize internet trends and discuss various related public policy issues, to address online insurance supply and demand and finally to discuss the economics of disintermediation and explained how this applies to e-commerce in the insurance industry. He observed that although other online financial services have already taken off quite vigorously, the insurance industry’s involvement with and commitment to electronic commerce lags far behind competitors in the banking and brokerage industries. It is widely recognized that e-commerce will enable insurers to significantly lower costs, realize business process efficiencies, improve customer service and brand loyalty, and enable insurers to better position themselves competitively.
However, insurers cite as top obstacles factors such as resistance to change, threat of agent/broker disintermediation, lack of technological infrastructure, regulatory hindrances and lack of industry vendor solutions. He noted that the internet creates many opportunities as well as challenges for insurers. E-commerce will cause insurers to move away from a product-oriented approach to more of a consumer-oriented approach. This will be a neutral consequence of the higher degree of transparency in pricing brought about by the internet.

Sbarbaro (2000) studies the potential impact of introducing or expanding the availability of private health insurance within low and middle income countries in his working paper. He observed that while the introduction of private health insurance would draw additional money into health services, unless carefully regulated, it would not support an organized public health approach. He recommended that World Health Organization (WHO) should take the lead in initiating a process that will assist countries in determining the potential of private health insurance models as financiers of healthcare. The WHO should be encouraged also to develop an international consultation group that can assist the governments of low and middle income countries in the regulation of private health insurance companies including licensing requirements; adherence to benefit design, integration and co-operation with basic public health and preventive services and establishment of customer appeal processes.

Choudry (2000) pointed out that insurance company performs three types of functions, in her research study titled ‘Changing Horizons of General Insurance in India’. In first function, primary functions, companies are to provide certainty against risks or to decrease uncertainty of risks and to protect the insured against economic losses. In second function, secondary functions, the insurance companies are to provide freedom from the necessity of capital for security system to insure, to make the contribution for the development of large scale enterprises and to aware the general public with risk prevention measures. In third function, which she called indirect function, insurance companies are to invest available funds in the government securities and bonds, make contribution in foreign exchange research and to provide a means of saving. She observed that India has unexplored, uninsured yet potential insurable rural market. Therefore, she suggested that efforts are required to capture the huge untapped
market. “We can make marketing tie-ups with Nationalized Banks and rural co-operative banks for promotion of policies in rural areas”. Price war is a general phenomenon of competition, so she suggested that there is a need to fix premium rates in comparison to rates prevailing in the developed countries. Information and communication technology is the base of modern market system and plays an important role in sale promotion. She therefore, suggested further that insurance companies should start online trading and credit card acceptability after amendments in laws.

Shigeyuki (2001) studied e-commerce in the Japanese non-life insurance to review the current e-commerce in the market and to find out the key successful factors by clarifying the characteristics of insurance purchase behavior in Japan. He studied Japan’s position in e-commerce and said; insurance is a risk related service and a business model on the internet must be more sophisticated to fit with insurance purchase behavior. He thinks it needs more time to become familiar to people and to expand in the market especially for the personal line business. He observed that the internet has evolved from being purely an information and communication medium, to an important distribution channel. He suggested that for the protection of policyholders it is important to establish the security of concluding contracts on the internet. However, as the security level increases, the convenience of transactions lessens. Unfortunately the two factors are in trade-off relation. Insurance is risk related product, so we should avoid reverse selection and insurance fraud. It is also against the convenience of the transaction which is wanted by the customers on the internet. We should adjust appropriately these trade-off factors. For that reason, transparent and practical framework of rules and regulations for internet transactions should be established.

Srivastava et al (2001) attempted to review the growth of general insurance in India, they examined its distinguishing features, traced its growth in different classes of business, reviewed claim experience and they also analyzed its potential over a period of time in a competitive environment. They discussed the prerequisite conditions for conducting general insurance business, and its distinguishing features. The paper examined the growth of general insurance on the basis of growth of gross and net premium, geographical spread of the business, class wise distribution of the business, underwriting results, reinsurance operations, investment income, free and technical
reserves, net worth, overall profitability, overall claim ratio and management expenses. The authors observed that despite the fact that the industry has grown after nationalization in terms of premium income, introduction of new products, wide coverage of individuals and organizations, innovating new covers sectors, creating infrastructure at grassroots level etc; several weakness have also come to surface during these years of operation, these include; Low level of insurance penetration, low level of insurance density, poor quality of insurance services, lack of qualitative and quantitative insurance products, low productivity and inadequate application of information technology.

Srivastava et al (2001) attempted to highlight the importance of investment function in the insurance business, the principles governing investment decisions, financial planning for these investments, existing opportunities for investment in money or capital markets, growth of insurance operations. The paper studied the need for capital investment by insurers and traced out the growth of investment and future challenges and opportunities in this area. There happens to be a close link between the principal activity of underwriting business on the one hand and the investment operations of insurance on the other. The investment operations by the insurance companies are carried out from the accumulated funds of the policyholders. According to the authors, capital investment by insurance companies should be based on the following principles; safety of investment, yield of assets, liquidity, diversification and congruent coverage. Present regulations governing investment of insurers are at a higher side and needs to be reduced in a competitive and liberalized economic environment. The authors recommended that the insurance companies should be given greater freedom and discretion to invest their funds and build up their ‘equity portfolio’ as per their own wisdom. Reduction in mandated investment may be necessary and in order to prevent investment in unsound securities, several other indirect methods may be to make it obligatory for insurer to place their investments in securities of those companies which obtain higher ratings from reputed credit rating agencies. Similarly, the list of ‘approved investment’ needs to be modified as per the development in financial market and should also be taken out from the Act. However, reduction in control should be such as not to result in weakening of financial strength of these companies and turning them into insolvent units. A judicious balance between decontrolling on the one hand and solvency of investment funds on the other,
have to be worked out. For increasing competitiveness and for the survival in the
industry, insurance companies will have to ensure maximum yield from invested funds
within the parameters of safety and liquidity. Investment decisions of insurance
companies should be taken by professionally skilled personnel in the field.

Gergan (2001) discussed some of the fundamental issues surrounding the use of
alternative internet business models in insurance. He also examined the application of
different models using specific examples of insurance websites in his paper, ‘E-
The paper focused on the impact of the Internet on insurers and the marketing and
distribution of insurance products. The paper also discussed the potential role of internet
to become an important distribution channel for insurers because of its potential to reduce
transactional costs and create new intermediaries. The paper focused on distribution,
recognizing its interaction with other insurer business functions affected by information
technology. The challenge for any particular insurer is developing a coherent strategy and
implementation plan suited for its particular objectives and characteristics. The paper
observed that if the insurance industry follows the development of financial services on
the web, the internet will ultimately account for a significant percentage of personal
property-liability insurance policies and perhaps life insurance policies, particularly
simpler term life products. This may place some insurer using traditional distribution
systems at a disadvantage. As more insurance business migrates to the web, and
traditionally sold insurance becoming more expensive, more consumers are likely to be
attracted to the web. At this stage, we believe that insurance companies will need to
reduce the commission charged, which could adversely affect the economic
circumstances of traditional independent agents. The internet poses some potential threat
to the insurance ‘manufacturing process’ (underwriting and servicing insurance policies),
but also presents many new opportunities. The paper suggested that the future landscape
of insurance e-commerce should allow sophisticated low and middle-income individuals
to purchase standard insurance coverage like auto, home, term-life, and annuities online,
because they will not need additional advice from agents or insurance broker. The
insurance industry will continue to support its other distribution channels because they
will service those customers who are looking for more complex or unique insurance products that are not suitable for on-line transactions.

Kleffner (2002) discussed the impact of technology on property and causality insurance and suggested how the current distribution system should be reconfigured due to the impact of technology. He grouped the insurance products into two categories viz, commodity-type products and more complex products. The former can potentially be sold online, while the latter requires more effort on the part of underwriter and broker and do not necessarily fit in direct online sale due to the complexity of the product and the need of advice. She explained how technology can increase the value-added by brokers and improve the service and products provided by both brokers and insurers. The paper outlined cost reduction for insurance companies by adopting technology. This is possible as technology has the potential to reduce costs by improving access to information for customers, brokers, underwriters and regulators and by bringing efficiency improvements in distribution, administration and claim settlement. The author traced the risks and opportunities created by technology for both insurers and policyholders. She suggested that before offering broad-based coverage for technology exposures, insurers need to carefully examine the risk and be certain that they can actually underwrite and price the risk. The paper, finally, recommended that research needs to be done to identify ways in which technology can reduce costs, develop better methods for measuring the risks created by technology (e.g. losses due to hackers, viruses, liability, arising from internet use etc.) and address the regulatory issues created by doing business online.

Ajay et al (2002) analyzed the social implications of opening up of insurance sector in India to private players. They studied why the private players in insurance industry have been allowed after nationalizing the sector in 1956. They highlighted the social issues that have been overlooked so far in the process. They also suggested how the insurance sector reforms should proceed and outlined the role of insurance regulatory and development authority in cementing the reforms in Indian insurance industry. The paper warned that undermining of social cause, indifference to development of basic infrastructure, neglect of rural sector, urban bias among others were the causes which led to the liberalization of insurance sector. They observed that the success of the insurance industry will primarily depend upon meeting the rising expectations of the consumers and
its contribution to the development of the country. The opening up of the insurance sector to private insurance companies has put a great responsibility on them to ensure a very fast growth of insurance so that India can come to the level of the developed countries of the world in the penetration of insurance and play a key-role in changing the social and economic landscape of the country.

Sinha (2002) studied privatization of the insurance market in India from the British Raj to monopoly Raj to Swaraj and pointed out that it seems unlikely that the LIC and the GIC will shrivel up and die within the next decade or two. The IRDA has taken ‘slowly slowly’ approach. It has been very cautious in granting licenses. It has set up fairly strict standards for all aspects of insurance business (with the probable exception of the disclosure requirements). The regulators always walk a fine line. Too many regulations kill the incentive for new comer. Too relax regulations may induce failure and fraud that led to nationalization in the first place. India is not unique among the developing countries where the insurance business has been opened up for foreign competitors. The openness of the market did not mean a take over by foreign companies even in a decade. Thus, it is unlikely that the same will happen in India, especially when the foreign insurer cannot have a majority shareholding in any company.

Kumar (2002) made an in-depth study on development of insurance in India and discovered that over the past three years, around 40 companies have expressed interest in entering the sector and many foreign and Indian companies have arranged anticipatory alliances. The threat of new players taking over the market has been over played. As is witnessed in other countries where liberalization took place in recent years. He observed that nationalized players will continue to hold strong market share positions, and there will be enough business for new entrants to be profitable. He mentioned further that opening up the sector will certainly mean new products, better packaging and improved customer service. Both old and new existing players will have to explore new distributions and marketing channels. Potential players for most of this insurance lie in the middle class. New insurers must segment the market carefully to arrive at appropriate products and pricing. Recognizing the potential in the past-three years, the nationalized measures have already begun to target niches like pensioners, women or children.
Vress (2002) observed that websites mainly serve to provide information about the company and its products. Many insurers especially in developing economics have not sized the opportunities created by e-commerce for making all business processes more efficient, beginning with online sale of policies. But the growing number of those who have embraced the technology is more encouraging. The new information and communication technology is making it easier for insurers to breakup the value chain. Individual functions, such as underwriting, policy administration, claims management, investment of risk management can be optimized within the business divisions or outsourced to a rapidly growing number of specialized external providers. Claims management, underwriting and some parts of risk management are particularly suitable for outsourcing to specialized providers. Rising cost pressure will cause traditional providers to review their fully integrated business model. He predicted.

Dasgupta (2002) investigated the impact of e-commerce on the insurance industry in India in his paper ‘E-commerce in the Indian Insurance Industry: Prospects and Future’. He observed that the recent growth of internet infrastructure and introduction of economic reforms in the insurance sector has opened up the monopolistic Indian insurance market to competition form foreign alliances. He studied the evolving scenario in the insurance industry in India and identified the features of online insurance that improve the conventional insurance model and thus, makes it more attractive for the Indian insurance industry to go online.

In his study titled ‘Insurance and disaster management: The Indian Context’, Atmanand, (2003) attempted to fill the gap in studies on the role of the insurance sector in disaster management. He observed that comparatively Asia suffers larger number of deaths than economic losses due to events like windstorms and earthquakes. This is because of high population density in Asia and low economic capacities to withstand the impact. On the other hand, it suffers more economic losses due to floods as the economy of most Asian countries is still dependent on agriculture. He explored the role of insurance in disaster management and said it is essential to make to best use the available public insurers and affordable commercial insurers in disaster mitigation. The study suggested that just as in the case of motor insurance, where third party insurance is compulsory insurance against calamities viz, earthquake, floods or fire, must also be
made compulsory. Prompt payment by the insurers helps the disaster victims to cope more effectively with the mental stress of the disaster. The general insurance industry already has provided various covers to mega industries and mega units running into thousands of crores of Rupees at all places in India. In the event of national disaster, all these claims are payable thereby saving mega industries from the growth-retarding effects thereof. The study also enumerated the failure of insurance and referred the cases of Gujarat earthquake and the Orissa Super-Cyclone in 1998 and 1999 respectively.

Pathak et al (2003) discussed the competitive strategies adopted by LIC as well as its strength and weaknesses. They carried out SWOT analysis of life insurance Corporation of India and general insurance market in India in order to help it formulate new marketing strategies. This study was conducted by the help of a survey through an open ended interview of hundred customers selected randomly from LIC. The purpose of the survey was to prepare new and effective marketing strategies, increase market share and improve upon customer satisfaction by providing quality services. It will also help insurance companies to be more competitive, customer friendly and more innovative with regard to products they offer. The results showed that although the insurance companies are spending a lot of money on publicity to attract the customer attention, there is no budgetary allocation for research and development of products, which could be beneficial in bringing out innovative and need based, cost effective products for insuring public. Education and awareness for the general public is still after cry in India, IRDA seems to have less interest in this segment. Agents’ pre-recruitment training and their subjectivity and responsibility with the profession are also deteriorating sharply with the passing of time. Insurers are only interested in getting the business somehow out of the agents and not the quality business. The study revealed further that the agents only think in terms of their commission and income they receive. The study recommended that research and development in insurance products, their servicing, profitability at both ends, i.e. insurer as well as insured, apart from intermediaries should be given importance by IRDA and the insurance industry. Large poor segment of the population can make the industry profitable provided better useful insurance, combining products including health and life can be launched at reasonable cost.
In his study ‘Challenges faced by insurance industry in India’, Walia (2003) suggested that all measures will have to leverage information on technology to the best advantages to help reduce distribution costs and serve their customers efficiently. The greatest investment will take place in customer relationship management technologies. He pointed out that the nationalized insurance companies have done a commendable job in extending their services through the country but the choices available to the customer so far has been very few in terms of products and prices. The untapped market still remains vast secondly he observed that most new entrants have a tendency to target the business of existing companies rather than extending the market, this is myopic. This not only leads to intense competition for the new players, but much of their efforts is spent on trying to capture existing customers by offering better service or other advantages. Yet the benefits of this strategy are likely to be limited. A better approach may be to examine specific areas where demand can be met or stimulated.

Aneja (2003) analyzed institutional investment of insurance sector in India in her research study titled ‘Institutional investment analysis of the insurance sector in India,’ she reviewed the investment pattern of insurance sector units and found out the thrust areas where the insurance sector should invest its funds to get more value addition in its assets. She also explored the contribution of insurance sector in the growth of primary and secondary capital markets in the country. The study focused the nationalized insurance organizations having large number of zonal, divisional and branch offices allover India. The study employed various statistical techniques such as percentage analysis, bar diagrams, index numbers and trend lines using method of least squares for the purpose of analysis of the data. The study also applied student’s t-test and ANOVA for testing the significance of the results. It was ascertained by the study that major portion of the total assets of nationalized insurance corporations is investment. The volume of investment was seen in the Brocken form of mainly three broad areas i.e. stock exchange securities, loans and special deposits, they have increased their share in stock exchange securities at the cost of loans and deposits with the idea of honoring their obligations to their policyholders. The increase in investment in the stock exchange securities reflects the status of stock exchange to be safe and profitable area of investment, the study revealed. The study recommended that since loans for housing are
directly related to the welfare of the people, in future, more loans for housing should be provided by insurance organizations. This will help the society in the one hand and increase the income of the insurance organization on the other. However, regular fixed income should be considered while extending loans to individuals to ensure that the loans remain good loans.

Arora, Anshu (2003) analyzed the current development and trends within the insurance industry in her paper ‘E-insurance: Analysis of the impact and implication of E-commerce on the insurance industry’. The paper also assessed the extent to which e-commerce affects day-to-day activities of insurance companies and examined some of the implication of e-commerce on the life insurance industry and associated sectors. Internet usage allows an alternative to the traditional manned claims desk by allowing free exchange of information on claims procedures. Brokers and other intermediaries, however, face the threat of disintermediation and broker commission rates are under threat. This has been particularly due to the internet, as customers ‘go direct’ with underwriters. The paper revealed that the internet facilitates cost reductions especially in administrative terms by using a straight through processing system. It also reduces distribution costs, as the internet favors pool rather than pull strategy. She recommended that the insurance industry must begin to aggressively embrace e-commerce. Indeed banks, securities brokers and investment companies all have a strong head start on the insurance industry in implementing practical and effective e-commerce solutions in their day to day activities. The internet has made ‘it much easier for consumers and advisors to compare and contrast product designs and prices/charges. Hand-in-hand with the implementation of e-commerce, there shall inevitably be tougher legislation in relation to regulation. She concluded that with the introduction of new technology, such as “m-commerce” the nature of e-commerce will continue to change and open up new avenues of generating business.

Yao (2004) studied e-commerce adoption by insurance companies in New Zealand and presented an overview of the current state of e-commerce in the New Zealand insurance industry. The primary objective of the research was to gain an understanding of the current state of e-commerce in the New Zealand insurance industry. The study evaluated the current situation and investigated whether the industry in still
using the internet as an information display channel only. The study found out that all of the insurance companies had websites but less than half of these were New Zealand ones. Most of the companies use an international website to service all their global customers, yet the majority of these sites do not include any features specific for New Zealand customers. Overall it was found that the uptake of electronic commerce is relatively slow. The insurance industry is only employing the Internet to distribute information, with few companies offering the capability of online transactions. It is evident that there remains considerable scope for further development of website features. The study suggested that designing websites that are informative relevant and useful to all the company’s customers is the main need of the hour.

Sinha (2005) explored the current state of development in India’s insurance market and enumerated the challenges and opportunities offered by this exiting market. By comparing growth, penetration, density and other insurance variables, it can be said that, while India is still an underdeveloped insurance market, it has a huge catch up potential. But there are still major hurdles to overcome if the market is to realize its full potential. To begin with, he said that India needs to further liberalize investment regulations on insurers to strike a proper balance between insurance solvency and investment flexibility, the sector would benefit from less-invasive regulations. He further observed that it is the responsibility of non-life insurers to help manage India’s high exposure to natural catastrophes. To do this, technical know how and financial capability are imperative, he recommended. Finally, he observed that the largely underserved rural sector holds great promise for both life and non-life insurers. To unleash this potential, insurance companies will need to show long term commitment to the sector, design products that are suitable for the rural population and utilize appropriate distribution mechanisms. Insurers will have to pay special attention to the characteristics of rural labor force, like the prevalence of irregular income streams and preference for simple products, before they can successfully penetrate this sector, he recommended.

Rao (2004) evaluated international standards and their adoption by other countries in his study ‘Harmonization of regulatory standards and guidelines’. He pointed that setting of global standards involves a study of practices followed the world over, identifying the best practices, testing their efficaciousness in different setting and forging
consensus among different constituencies for their adoption. He discussed the role of the International Association of Insurance Supervisors (IAIS) as to develop international principles and standards for insurance supervision and to improve supervisory system for the insurance industry through mutual assistance and co-operation. He emphasized the need for harmonized supervision of reinsurance. He observed that Indian position is consist with international practice in most areas, however, India still lags behind in international insurance standards in area of corporate governance and internal controls. The paper pointed out the problems in implementing harmonized standards and finally suggested that the setting out of these standards and transparency about their implementation could make a significant contribution to strengthening the international financial system.

Subhedar (2004) attempted to outline a suitable framework for the pension regulation and supervision in India. The pension system encompasses all vehicles that build up assets for old age income, like employee provident fund, public provident fund, occupational pensions, personal pensions and gratuity. The paper argued that because of the complex and long term nature of pension business, this business needs closer supervision. The detailed regulations would vary by the type of pension arrangement but the basic philosophy of the regulations should remain the same. The paper suggested that booking at the complex nature of pension business, a suitable frame-work for regulations and supervision of all pensions is necessary. It is also essential that all the arrangement for building up of assets for old age income, other than those regulated and supervised by the IRDA and brought under the control of the pension regulatory body if not immediately then over a period of time so that all issues are addressed in a holistic manner. This would bring cohesiveness to the pension system, its regulation and supervision. Finally, the paper advised that there is an urgent need to initiate a consumer education and awareness programs so that people gain proper knowledge about the need to and means of saving for their retirement.

Vaisnav (2004) found out that agricultural rural markets are still virgin territories to great extent and offer existing opportunities for insurance companies. The surest path of success is to judge and to measure the requirements of the people currently and offer such schemes that they would understand and able to afford. There is also an urgent need
to enter into tie-ups or understandings with government agencies to ensure the success of
the schemes. He suggested the need of the hour is to have innovative policies that have
explicit benefits for the people to observe, understand and measure. However, all these
have to be supported by appropriate policy measures at the ground level.

Bopp et al (2004) explored the growth potential of emerging insurance markets-
China and India. They provided an overview of emerging insurance markets and
analyzed the key regulatory trends and the challenges ahead. They compared the existing
developments that are ongoing in the Chinese and Indian insurance markets. The paper
observed that the insurance business in emerging markets is concentrated in certain areas
and that in Asia; people tend to spend significantly more on life insurance than in
countries with a comparable per capita income. As in the life insurance sector, non-life
insurance penetration on average increase with average per capita income. The paper
revealed that other factors influencing per capital for insurance are compulsory insurance
schemes and a regions exposure to natural catastrophes. Structural factors however, may
also prohibit a market from ever reaching the expected level of penetration for a certain
level of income. Due to the fact that motor third party liability insurance is compulsory in
most countries, motor insurance is the dominant non-life business line in most emerging
markets. On liberalization, the paper observed that entry parties to most emerging
insurance markets have been reduced over the last decade, leading to more international
insurance entering to these markets. In turn merger and acquisition activities have
accelerated and competition intensified. On growth in emerging markets, the paper
observed that over the past five years, growth in emerging markets’ insurance premiums
clearly outpaced that of industrialized nations. Insurance demand has been increasing
strongly on the back of fast economic growth, the continuing integration of these markets
into the global economy, the proofreading of new insurance products and distribution
channels and the increase in per capita income. Emerging insurance markets will
continue to grow at a fast pace. Heating economic growth and increased stability will
favor insurance market development.

Grossman et al. (2004) in their article examined the barriers as well as success
factors involved in making the transition to a web-enable insurance model. They
discussed the emerging standards and technologies that will make possible the next
generation of e-commerce in the insurance industry. Although insurance industry has been slow in adopting e-commerce, the insurance industry stands to gain substantially from picking up the pace. The specter of an e-enabled insurance landscape is appealing to many in the industry and the potential benefits to be accrued are immense. The article observed that among the most significant barriers to e-commerce adoption include, alienation of agents by companies selling insurance through the internet due to years of cannibalization, inter-state regulation, and the conservative culture of the insurance industry itself. Another part of the problem stems from lack of standards in the industry, allowing for the reliable exchange of information.

Sharma et al. (2005) made an attempt to discuss the growth of insurance industry and emerging opportunities and challenges facing the insurance sector in their paper titled ‘Globalization of Indian Insurance sector – The emerging scenario’. They pointed out that globalization of Indian economy, break up of the traditional extended family system, increased competition, government role and policies have contributed in changing the status and role played by earlier insurance giants like LIC and GIC. They traced the growth of insurance industry in the pre-nationalization era and found out that malpractices, deficiencies, bad health of private operators and frequent liquidation of insurance companies were some of the reasons that led to nationalization of insurance sector by forming LIC and GIC. The insurance industry registered impressive growth in the post nationalization period. Due to low insurance penetration in the post-nationalization era, it was high time competition was induced in this sector; consequently, the sector was liberalized to allow the private players to enter insurance business. The authors also explored the opportunities available for both existing as well as new players and recommended that in order to be competitive and responsive to the needs of the societies, the insurance players would be required to concentrate on environmental analysis, human resource development, efficient marketing strategies, distribution channels and corporate governance.

Dhar et al. (2005) made an attempt to briefly highlight the developments that are taking place in the insurance industry in India in their study, ‘Insurance industry in India – An insight’. They opined that in the context of global scenario, India cannot remain isolated. It is evident that the existing players need to be geared up to face competition.
The new players will have to focus on the new and emerging customer requirements. The existing players will also have to take care of customer specific issues and requirements. As a matter of fact, customer-built products will have to be designed so as to suit specific customer needs. New products have to be designed for large corporate groups. Insurance industry is going to witness a sea change in its marketing strategies. The existing and new players will have to device different strategies to retain and enhance their market share. This would be done by bringing in new practices, setting new service standards, and creating new benchmarks. The investment function is going to assume a much greater importance in the near feature. The current low interest rate regime and market volatility are the biggest challenge before the insurance industry.

Rao et al. (2005) tried to identify the reasons why the public mainly prefer private companies to public companies, and to understand the level of satisfaction relating to the different aspects of the private companies. Annamalainagar was chosen as the area of study where about 238 employees have purchased policies from AMP Sanmar private insurance company. Among them, 50 respondents were randomly chosen and a designed questionnaire distributed to them. The collected data was analyzed using suitable statistical tools such as; t-test, ANOVA. Friedman’s test and factor analysis. It was clear from the results that the most important reasons for preferring private insurance company to public company were; timely service, better service, friendly approach, better communication, immediate attention, influence of friends and relatives as agents and trustworthiness. The least important factor considered was the less premium level. The authors recommended that since private insurance companies have attractive schemes to gain the attention of the public, it would be more effective if they could extend more varieties to attract more customers. When the companies plan schemes for different segments, the elderly people scheme must focus more on economic factor because they attach more weight to this factor compared to younger generation. Companies must take steps to further improve the brand image through more advertisements and also monitoring their service level. The insurance industry is facing a healthy competition, which really benefits the public. Public sector should further improve their product varieties and attractive schemes to compete with the private sector and also change their attitude further toward service in order to survive in the market.
Verma (2005) studied the role of brokers in insurance business in his article titled ‘*Broking system in Indian insurance market*’ and noted that the primary role of broker is to facilitate the transfer of risk through placement of insurance cover on behalf of an insured. The broker acts as a match marker, a consultant as well as innovator; he understand insurer’s procedure better and responds as required to emerging demands from clients, he acts as the buyers agent. The article observed that brokers have vast scope and prospects in the distribution of insurance products. With market oriented thinking, they can generate risk awareness, expand shopper pattern and develop insurance market. Broking in insurance will increase range, mobility, integration and above all utmost good faith among parties in insurance contract.

Doyle (2005) studied health insurance, treatment and outcomes using auto accidents as health shocks. The survey he conducted revealed that, being uninsured has real consequences. Controlling for personal, cash, vehicle, neighborhood and hospital characteristics, the uninsured are estimated to receive 20% less treatment than the privately insured following serious accidents. In addition, there appears to be large effect on mortality. The uninsured are found to have a 1.5 percentage point higher mortality rate of 3.8%. These estimates imply that physicians are not practicing flat of the curve medicine, at least in this trauma cases. The study observed further that providing sensitivity towards insurance status appears to account for the difference in curve as apposed to unobserved characteristics of the uninsured. For example similar groups such as drivers who have health insurance but do not have automobile insurance, receive more treatment and die less. In addition, the uninsured receive fewer major operation-decisions that are likely the domain of physical claims. Finally, the study observed that the combination of less treatment and higher mortality is inconsistent with systematic differences in health status between the insured and the uninsured. It appears then, that having health insurance significantly affects treatments decisions and ultimately patient outcome.

Veeraiah and Sreenu (2005) in their article proposed the suitable strategies for improving the insurance business in rural areas in India. They reviewed the rural insurance scenario in India and found out that the India’s villagers consists mainly of farmers, craftsmen, milkmen, weavers, casual laborers, construction workers and
shopkeepers and so on with, no fixed regular income the rural insurance products should be low cost products and simple. They suggested that steps to be taken to raise the awareness among rural population with regard to insurance schemes and make them aware of various kinds of policies and their implications. Segmental marketing strategy should be introduced in rural areas to improve the insurance business.

Vyas et al. (2006) comprehensively reviewed the National Agricultural Insurance Scheme (NAIS) and suggested changes to make it more effective. The paper is based on a detailed analysis of exhaustive data from eleven crop seasons covering the rabi season of 1999-2000 onward up to the same time in 2004-05. They also conducted field investigations in Haryana, Rajasthan, Andhra Pradesh, Madhya Pradesh and Gujarat to assess the response of farmers, bankers and other stakeholders. The authors also relied on discussions with knowledgeable persons like government functionaries from the department of agriculture, bankers, academicians and farmers representatives in Nagpur, Jaipur and Hyderabad. The authors recommended the need for proper co-ordination with all stakeholders at the states level. Without involving states in a more active mode, an important activity such as crop insurance cannot be carried out effectively.

Nag (2006) studied the suitability of bancassurance in the Indian market. He reviewed the present status of bancassurance and how it is gaining worldwide acceptance, the paper studies the prevalent models of bancassurance in markets where the concept has taken roots and sees which model is best suited for India and seeks to point out certain difficulties which may arise in India due to the present regulatory framework. The paper recommended that there is an urgent need to provide clear guidelines about use of bancassurance as an alterative mode of distribution of insurance products.

Bromideh (2006) explored the impact of application of e-commerce on the Iranian Insurance Industry and found that the attitude and views of insurers towards e-commerce was positive. He found that e-commerce would be an opportunity rather than a challenge or even a threat for insurance industry. The insurers highly believed that e-commerce would affect insurance companies and, thus, their companies should embrace it. Lack of skilled staffs in e-commerce application and scarcity of IT experts were the most infrastructure requirements which he found that the Iranian insurers were suffering from, whereas they were well equipped with hardware and networking as well as general and
professional insurance software required in e-commerce applications. Iranian insurance companies believed that in the case of e-commerce application, they would get these top five benefits; brand and image promotion, extended corporation with partners (especially in the re-insurance cases), lower investment for establishment of sale and after sales services network, cost reduction in value chain management (e.g. product/service development) and decentralization and low restrictions imposed by national borders. The data for the study was analyzed quantitatively, mainly through descriptive statistics and the differences in the perception of the respondents in both state-owned and private insurers were tested by using t-test. In other words, analysis and presentation of the data were structured according to the frame of inference.

Bawa (2006) evaluated the overall performance of life insurance Corporation of India in her research study ‘Performance evaluation of Life Insurance Corporation of India’. She studied the portfolio management of Life Insurance Corporation and also the impact of private new entrants in the insurance industry on the working and performance of life insurance Corporation of India. She applied correlation and regression analysis and tested the compound annual growth rates for their significance by using t-test. The results showed that individually, each and every private company has shown a large growth of total premium in one year over the other. The market share of LIC has been decreasing regularly with the entry of private players, this indicates that with every successive year, private players are gaining the trust of the public and have been quite successful in snatching the business away from the LIC.

Chawla (2007) studied customer satisfaction in life insurance sector in northern India in her research study titled ‘Privatization of life insurance: A study of customer satisfaction in Northern India’. She traced the progress and trends in the life insurance industry in India after privatization. She studied customer satisfaction towards policies, distribution channels, promotional measures, claim settlement, grievance handling mechanism and premium rate structure. For measuring customer satisfaction, she used various statistical and mathematical tools such as percentage analysis and weighted average score. For the analysis of the data, she applied ANOVA, factor analysis and finally to check sampling adequacy and reliability of the data, she used various tests such as Kaiser-Meyer-Okim, Bartlett’s test of sphericity and Cronback’s alpha. The study
found out that insurance demand in India is expected to increase in future due to the good regulatory environment, political stability, favorable demographic profile and positive economic conditions. However, inflation and competition from other financial products are the areas of concern for the insurance industry. The study suggested that in order to further strengthen regulatory mechanism of the insurance industry, certain steps should be taken such as setting up of policyholder’s protection fund, implementing strict enforcement and early warning system, rating of insurance companies, strengthening the role of self regulatory organizations and adopting risk based capital approach. Efforts should also be made by the IRDA or private players so as to make the policyholders aware of the claim settlement procedures and grievance redressal mechanism.

In his research study of the marketing strategies and practices employed by various general insurance companies, Garg (2007) did a field survey in Chandigarh and Punjab. He examined the regulatory framework of general insurance in India and studied the behavior and satisfaction of the policyholders towards the selected offers of various general insurance companies. He also ascertained the satisfaction among the sales force and sales agents of various general insurance companies and the problems faced by them. The data was analyzed using measures such as cross tabulation, percentages, mean-scores, t-test for independent samples and chi-square test. The study test found out that for promoting insurance products, general insurance companies largely rely on references of the existing customers. This is followed by national channel on television, fairs/exhibition, national newspapers, sponsorships, hoardings/display boards/posters/banners/wall paintings, magazines, local newspapers, seminar/conferences, mobile advertising, pamphlets/brochures, other product literature, telemarketing, internet/e-mails. For distributing the selected insurance covers, the study found that the individual agents are mostly used. Other models of distribution include banks/financial institutions, car dealers/workshops/manufactures, brokers etc. The companies are also in the process of putting up tie-ups with co-operative banks, rural banks, non-government organization etc. The study also revealed that the public sector general insurance companies are carrying out inter connectivity and computerization of their respective offices. In the private sector, respective branches are inter-connected. Further, the public sector companies are working towards providing connectivity to their respective intermediaries.
In the private sector, some companies are inter-connected with intermediaries. The public sector companies are also working towards implementing customer relationship management and data mining techniques to capture data at source. In the private sector, some companies have already established such sophisticated tools and techniques. The study recommended that the companies should adopt liberal policy in underwriting. House repairs should form a part of home insurance cover. The companies should also make an attempt to ensure error-free document. It is required that general insurance companies should go in for aggressive brand building and promotion exercise. The general insurance companies in general need to work on their distribution policy. The companies especially in case of the private sector need to expand their branch network in rural and sub-urban areas.

Sinha (2007) compared four public sector and eight private sector general insurance companies in respect of technical efficiency for the years 2003-04 and 2004-05 using the stochastic production frontier approach. The author used the Battese and Coelli Error Component Model (1992) for his study titled ‘Premium generation by Indian general insurance industry – An empirical approach’. He traced briefly the liberalization of general insurance market and studied briefly the growth of general insurance business in India in relation to new policies sold and the premium underwritten by the general insurance industry for the period 2003-2004 to 2004-05. Considering net premium income as the output while operating expenses and number of agents as the inputs, the results showed that the observed public sector insurers exhibited higher mean technical efficiency than their observed private counterparts for 2003-2004 and 2004-05. The difference is however negligible for 2002-03. Further, the general insurers across ownership group exhibit lower technical efficiency in 2003-04 then in 2002-03, but improved somewhat in 2004-05. Consequently, no definite conclusion could be reached about homogeneity of performance of the observed units.

Mehmi (2007) highlighted the trends and opportunity of insurance industry in India. He enumerated the changes in the customers’ preference in purchasing insurance products. He indicated the amazing transformation brought about in the way business is carried out due to the adoption of information and communication technology in the insurance industry. He observed that the insurers and agents have focused mostly on the
affluent market and another trend noticed in the industry is that all too often insurers do not listen to an end customer, but instead focus on intermediary, the distributor. He suggested that insurers must also stress the continuing education and ongoing training of their agents and employees in order to maintain professional competency. There are still many customers who depend on the advice and counsel of their agents and there are also complex products that the public does not understand very well. This could lead to new market conduct problems leading to increased complex regulations.

Arora (2007) studied ethical aspect in life insurance industry of India and tried to show its relevance in the real Indian scenario. To get good business and long term customer relationship, the insurance agents should possess certain ethical aspects in their sales calls. The basic purpose of the study was to understand out of the available ethical aspects, which one should be considered most by agents or advisors and companies at the time of selling these life insurance products. The author categorized these ethical issues into three categories;

- **Systemic issues:** These are ethical questions raised about the political, economic, legal and other social systems within which business operators. Questions about the morality of capitalism or of the laws, regulations, industrial structural and social practices.

- **Corporate issues:** Are those ethical questions raised about a particular company. Questions about the morality of activities, policies, practices or organizational structure of an individual company taken as a whole.

- **Individual issues:** These are ethical questions about a particular individual or particular individuals within a company. Questions about the morality of the decisions or characters of an individual.

The author did a survey of 100 people and their responses were coded in the SPSS software and two types of statistical tools were applied; one way ANOVA and t-test. The results revealed that all the three categories; systemic, corporate and individual are not perceived as equally problematic by the prospective customers i.e. they are not thought similar. Similarly, it was found that systemic issues and individual issues are not perceived similar by the prospective customers. It was further revealed however, that corporate issues and individual issues are thought similar by the prospective customers.
Finally, it was discovered that systemic issues are not perceived similar by the prospective customers. The author found out that the prospective customers feel that the issues in the categories of corporate and individual are those which are the problems in the sale of life insurance products. He recommended that the companies should train their agents about the ethical issues which are felt important by the customers so that they can gain the trust of the customers while selling the policies.

Gidwani (2007) reviewed the reforms in insurance sector in India and observed that the Government initiated economic reforms to introduce policies of deregulation, liberalization and globalization. The reforms in the insurance sector came last, not because they were not important but because at political level consensus could not be developed. When the base of insured becomes very big the cost of insurance comes down significantly. This is still not appreciated by policy planners both in academic and the government. The study revealed that the progress made by the insurance industry in India in recent years is attributable mainly to the generation of wealth due to robust economic growth and bouncing back of stock markets and the process of liberalization of the insurance sector. At the aggregate level India is still among the countries having enormous potential for the development of insurance sector. Agriculture insurance scheme does not get the attention it deserves both from the society and the governments, this leads to reports of farmers committing suicide due to crop failure and inability to repay loan. Like any other commercial activity insurance is a business for making profit. It must generate return for the shareholder. When there are catastrophic losses the public looks at the government as an insurer at last resort. The author observed that in India like any other market, insurance frauds are fairly common and he suggested that the regulators should device the ways and means to check this menace. He recommended that in order to increase public confidence and accountability to the customer and the society, attempts should be made to professionalize the insurance industry, even if the characters of mandatory provisions are called.

Pauli (2007) explored the numerous opportunities for insurance carriers to improve operations by implementing new technology by introducing electronic signature and secure documents. She observed that while other segments of financial services have adopted electronic signature technology, and consumers are expecting all their financial
transactions to be supported in an electronic environment, the insurance industry has been slow to follow its counterparts in the rest of financial services in adopting electronic signature technology. One of the barriers to rapid adoption in the insurance industry has been a lengthy history of failed technology installations. It has been reported that as a result of adoption of electronic signature and secure documents technology, processing time has been reduced by about 50% and transactional costs declined up to 75%, this defies logic that the insurance industry has not adopted technology to support e-signature. The note recommended that insurance carriers should transit away from traditional paper based; wet-signature processes and adopts secure document and electronic signature technology. The technical complexity may appear daunting, but technology solutions providers and experts in the market place can partner with carriers to overcome this hurdle.

Gopalkrishna et al. (2008) investigated the perception for service quality using matrices developed for service quality specifically for insurance sector. The study revealed the service quality gaps in the insurance industry. The weaker dimensions of service quality are identified and implications are drawn to improve the existing systems, processes and practices. In insurance, service quality relates to six broad aspects of business; quality of raw or original data, the quality of derived data, quality of performance of employees at all levels, quality of performance of equipment and machinery, quality of decision at all levels and quality of services related to financial aspect involved. The statistical tools used by the authors include descriptive statistics, factor analysis, hypothesis testing using t-test and analysis of variance. The matrix used in the research is the customized SERVPERF instrument. The research revealed that insurance providers give more importance to ‘Tangible of service’ (service scope) and less importance to ‘care service’. Social responsibility is given least importance by the insurance companies in comparison to the other dimensions. Further, it was revealed that service quality standardization across the regions and type of ownerships is not practiced by insurance sector.

Krishna (2008) has traced the contribution of insurance sector growth to economic development in India. He has further examined the effect of insurance sector reforms and the rate of growth of insurance reforms and its contribution to economic
growth. The author estimated several models to examine the implications of insurance sector growth and reforms along with other important control variables on economic development. The purpose of the study was two-fold; first, to investigate the relationship between insurance sector growth and economic development second, to examine whether insurance sector reforms and rate of growth of these reforms are influencing economic development and to see if there is any long-run equilibrium and linear combination between them. After introducing three important econometric models with different permutations and combinations of explanatory variables, the results showed that both the life and the total insurance sector’s growth influence economic development, but the effects of non-life insurance sector growth are felt only after a year. Another interesting result that emerged is that insurance sector growth during the post-reforms period and post-insurance sector reforms period has a very strong impact on economic development in India. This shows that the reforms process in general and in the insurance sector especially, has worked to the advantage of the economic development process in the country. However, a comparison of the impact on economic development of insurance sector growth during the economic reforms period with insurance sector reforms period shows that the economic reforms interaction relation is much stronger. This tells us that economic reforms (the liberalization program) have a greater impact on economic development of the country than were insurance sector reforms. The major part of the findings shows that both insurance sector growth and insurance sector reforms are effective towards the economic development process in India, which is a healthy sign. At the same time, the insurance sector has begun to grow at a faster rate only after the initiation of reforms in the sector, which took shape only from 2000. Therefore, the author recommended that much more needs to be done by policy makers for the development of the sector, such as further relaxing entry rules and regulations, creating a level playing field for all players, strengthening the regulation process and relaxing FDI norms.

Bhattacharya (2009) studied transitional technology transformation in Indian Insurance Industry and observed that intense competition together with rising business acquisition costs and shrinking operating margins is driving insurers to invest in information technology to increase profitability, reduce costs and target operational
efficiency. The focus of the new companies is on revenue generation, growth through geographical expansion, customer acquisition and a need to capture a sizeable market share in the shortest possible time. He classified IT applications into two categories—operational and analytical systems. An operational application such as policy administration, financial accounting and claims processing provides support to employees in their everyday business activity and improvise their productivity. An analytical application like data mining helps knowledge workers (executives, managers, analysts, and actuaries) make faster and better decisions through decision support systems.

Singh and Kumar (2009) attempted to evaluate the emerging trends in the growth and financial performance of general insurance companies in India and revealed that the insurance market has witnessed dynamic changes due to liberalization and privatization of insurance sector and the industry has witnessed significant growth, which is mainly contributed by private sector companies. The study appraised the comparative financial performance of the public sector and the private sector general insurance companies in India and revealed that the private sector general insurance companies results present better efficiency in terms of expenses of management ratio, combined ratio, underwriting results ratio and they are increasing their market share year by year, whereas the performance of public sector general insurance companies in terms of net earnings, and return on network ratio is better than that of private sector general insurance companies. Further, the study revealed that the public sector insurance companies are suffering from losses when it comes to their core insurance business, but still manage to get good net earnings, which is mainly ascribed to the investment income. The study concluded that the entry of private sector insurance companies has, undoubtedly, contributed to the strengthening of general insurance business by creating a competitive atmosphere.