CHAPTER – VI:

SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS
6.1 Introduction

The present study was carried out with a broad objective of understanding the impact of insurance regulation on the insurance sector in India after liberalization.

The specific objectives are framed to examine

1. The nature and direction of insurance regulation in India
2. The impact of insurance regulation on insurance penetration and insurance density vis-à-vis global insurance scenario
3. The impact of insurance regulation on the insurance market structure in India post liberalization period and
4. The impact of insurance regulation on the confidence levels of the insurance investors in India.

Since the deregulation of Indian insurance industry from 2000, there have been fast paced developments in terms of entry of private insurance companies with collaboration with internationally renowned insurance companies, which increased influence of the regulatory body IRDA, heightened competition and the business is getting louder by the day with the prospect of 20-30 players in life insurance market is well within the sight.

The summaries of findings are presented according to the objectives set for this study.

6.2 Findings with respect to Nature and Direction of Insurance Regulation in India

After enactment of IRDA Act 1999, the insurance sector was opened for the private participation and IRDA since 2000 onwards framing regulations related to insurance sector till January 2014 it brought out several regulations relating to various aspects of insurance sector which includes amendments. In this study we have categorized the regulations into three groups. We used analytical methodology to find the impact of regulations on various aspects of insurance business.
6.2.1 Number of Life insurance and Non-life insurance companies:

The number of life insurance companies have gone up from only one company i.e., LIC of India in 1999 to drastically go up to five companies soon after setting up of IRDA in 2000-01 and to 12 in 2001-02. From then onwards it stabilized and moved up to 22 companies in 2008-09 and slowed down to a final tally of 24 till date. The number of non-life insurance companies has gone up from four public sector companies in 1999 to drastically go up to ten companies soon after setting up of IRDA in 2000-01 and to 20 in 2007-08. From then onwards it stabilized and moved up to 24 companies in 2009-10 and stabilized at to a final tally of 27 till date.

6.2.2 Solvency Ratio

The solvency ratio of all life insurers and non life insurers are more than one indicating that the available solvency margin in more than the required solvency margin. It underlines the capability of insurance companies to meet their obligations with minimum time and effort. It can also be observed that in life insurance segment the solvency margin of LIC of India is consistent in the range between 1.3 to 1.54 indicating that their business is now six decades of experience in Indian insurance conditions and therefore, there is consistency in their maintenance of solvency ratio. Whereas for other private life insurers, they have started their operations with a higher solvency ratio as they invest into the business and as they started selling more and more life insurance policies, their obligations increased and the solvency ratios started declining but as things stand now, all the life as well as non life insurance firms in India do have a healthy solvency ratios.

6.2.3 Obligations to Social and Rural Sector

This study reveals that the Micro-Insurance portfolio has made steady progress during the year 2011-12 to 2012-13. More life insurers have rigorously pursued their Micro-Insurance operations and many new products have been launched during the year. The distribution infrastructure has also been considerably strengthened and the new business has shown a decent growth, though the volumes are still small.

A further analysis of the statistics reveals that LIC of India has covered more than 1.3 crore lives which are more than 15 times the lives covered by all the private life insurers( 7.5 lakh lives) put together. This is an indication of the fact that LIC of
India has its branches throughout the length and the breadth of the country whereas private life insurers are operating only in urban and semi urban localities and their micro insurance business is only a compliance to IRDA regulations than the real urge to serve the rural and urban poor for inclusive growth.

6.2.4 Individual Agents/Advisors and Corporate Agents

This study reveals that the number of agents in LIC of India increased from 8.9 lakh in 2006-07 to 15.93 lakh in 2008-09 and decreased to 10.82 lakh in 2011-12 and thereafter slightly increased to 11.72 lakh in 2012-13. Correspondingly, in private life insurance segment, the number of agents recruited was phenomenal in 2006-07 at 11.03 lakh and increased year on year to 14.03 lakh in 2009-10 and then slipped drastically to 9.49 lakh in 2012-13. This is an indication of the fact that there is no stability of tenure of insurance agents/advisors in private life insurance. This is a serious issue since insurance agents/advisors form a vital link between the firm and the policy holders to enhance customer relationship and sustain it till the claim settlement. LIC of India definitely has an edge in this crucial aspect of life insurance business.

The study also indicates that LIC of India traditionally relied more on individual agents since its inception than on corporate agents. Whereas the private life insurers banked heavily on corporate agents and hence there were 2420 corporate agents by the year 2009-10. But it can be seen that there is a sort of collapse thereafter to reach a paltry 532 corporate agents by 2012-13. Private life insurers lost their way in the midst of global financial crisis and what was their key result area of sales through corporate agents was dented beyond repair and now it would take Herculean task to make a turnaround.

6.2.5 Growth in Premium income of Life and Non-life Insurance Segment

It can be seen that the first year premium which is reflection of new business underwritten each year shows that both LIC of India and private life insurers are making steady progress though LIC is showing a better performance only to stabilize during 2009-10 and slight decline thereafter. It shows that the first year premium which includes single premium and regular premium is a measure of trustworthiness of life insurers, LIC of India, scores over private life insurers for obvious reason that
it is a public sector major and Indian insurance investors pose more confidence than on private life insurers.

The renewal premium is a measure of consistency with which the policy holders make payments towards their premium obligations and the persistence efforts of insurance agents/advisors. In this count also, LIC of India has far better record than their private counterparts. The total premium underwritten by life insurers has increased steadily for both LIC of India and private life insurers. But the premium underwritten by LIC of India shows much higher trajectory than private life insurers.

As for as gross direct premium income for non-life insurance segment is concerned the performance of both public and private sector companies are more or less similar in the sense that the premium collected by the public sector has gone up form 13,500 crore in 2002-03 to 35022 crore in 2012-13, where as the private sector in the same period has gone up from 1350 crores to 27950 crores. This show that line between public and private companies is getting thinner by the year and sooner or later the private sector is poised to match the public sector performance

6.2.6 Growth in Number of Policies issued in Life and Non-life Segment

It can inferred from the analysis of this study that growth in Policy issued by LIC of India has registered a consistent growth from 2003-04 from 2.7 crores policies to 3.76 crores polices in 2007-08, then slow down a little up to 2011-12 at 3.57 cores policies. But the recovery can be seen in the past year with a slight increase to 3.678 cores policies issued. On the contrary new policies issued by private life insurers show a steep increase from 2003-04 with 16.58 lakhs policies to 1.5 crores policies in 2008-09 then decline slightly to 1.43 corers polices and drastically slipped down to 74.05 lakhs policies which is less than half of what they sold during 2008-09 which is best performance till date.

This is an indication of the fact that the Indian insurance investor’s trust and confidence with private life insurers has eroded considerably and unless the private life insurers come out with strong resilient strategies to penetrate deeper in to targeting all segments, it would be difficult for them to arrest this kind of slide.
The number of policies issued in non-life segment for both private sector and public sector after the initial inconsistency till 2005-06, has streamlined thereafter and stabilized to register a constant growth till 2012-13.

6.2.7 Grievances, Policy Lapses and Death Claim Records

The study shows that the status of Grievances pending has shown a declining trend for LIC and increasing trend for Private life insurers from 2007-08 till 2002-13. This shows that LIC of India for more serious in resolving the grievances compare to private life insurers.

An analysis of policies lapsed ratio shows that there is rampant mass-selling of Life insurance policies by private life insurers as it can be seen from the above table that almost all private life insurers have a high lapse ratio, some times as high as 60 per cent where as LIC’s lapse ratio in all these years is less than 6 per cent. This is point of serious introspection for the regulator, IRDA and private life insurance companies.

As for as death claim settlement is concerned, LIC’s track record is blemishless and unparalleled and shows that their record is a nearest to 100 percent for all these years. Where as the private life insurers’ record is poor and inconsistent, as their claim settlement has dropped to 87 per cent in last year.

6.3 Findings with respect to Impact of Insurance Regulation on Insurance Penetration and Insurance Density in India

In this study we have used descriptive methodology to analyze the impact of insurance regulation on macro variables like insurance penetration and density. Here we compared the India’s density and penetration values with world insurance averages.

6.3.1 Overall Insurance Penetration in India vis-à-vis World’s Insurance Penetration:

India’s insurance penetration has shown increasing trend since opening up of the insurance market in 2001 from 2.71 percent to5.2 per cent in 2009. But thereafter,
India’s insurance penetration started falling from 2010 (5.1 per cent) to 2012 (3.96 per cent). This can be attributed to global financial crisis which had a cascading effect on all the economies of the world; though India was by and large fairly insulated from its effect, it could not be completely insulated. Hence, the revival of the economy is taking its due course of time but as of now situation appears to be brim.

At the same time, world’s insurance penetration increased from 7.4 per cent in 2001 to 7.7 per cent in 2003 but started declining marginally from 2004 onwards to reach the down i.e. 6.3 per cent in 2012. This is because of recession across advanced economies. Fall of world trade centre in 2001, followed by Gulf war and exposure of major corporate scandals in USA are also contributed to recession across the world.

6.3.2 Life Insurance Penetration in India vis-à-vis World’s Life Insurance Penetration

A comparison of World’s life insurance penetration with India’s life insurance penetration, reveals that the world’s insurance penetration is on a marginal downswing since 2002 from 4.6 percent to 3.6 percent in 2012. Whereas India’s life insurance penetration during the same period continuously increased from 2.15 percent in 2001 to 4.60 percent in 2009 indicating that India’s life insurance penetration is negatively correlated with World’s life insurance penetration. This can be attributed purely to the prudent regulations that led to inflow of many private players. With their international joint venture partners started venturing into the Indian insurance space redefining the hitherto virtual monopoly enjoyed by public sector giant, the Life Insurance Corporation of India. But, after 2010, India’s life insurance penetration started declining as the global financial crisis spread its shadow on the Indian economy as a whole and life insurance could not be an exception.

6.3.3 Non-Life Insurance Penetration in India vis-à-vis World’s Non-life Insurance Penetration

A closer look into the performance of non life segment reveals that world’s non life penetration is showing a declining trend from 3.2 percent in 2003 to 2.7 percent in 2012. Whereas India’s non life penetration is showing a continuous increase from 0.56 percent in 2001 to 0.78 percent in 2012. This indicates that there is a tremendous potential in India’s non life insurance segment. This growth is because
of the phenomenal increase in automobile sector followed by increasing health consciousness of average Indians leading to more sales of health policies.

6.3.4 Correlation between GDP and Insurance Penetration in India

The correlation coefficient of 0.68 between India’s GDP and India’s insurance penetration signifies that there is a moderate positive correlation between the two macro economic variables.

6.3.5 Overall Insurance Density in India vis-à-vis World’s Insurance Density

On the insurance density front, it can be observed that India’s insurance density has posted a spectacular growth since liberalization of the Indian insurance sector from USD11.5 in 2001 to USD64.4 in 2010, only to marginally slow down to USD53.2 in 2012, indicating that India’s insurance density increased by nearly five times in the said period. On the contrary, the world insurance density increased by USD391 in 2001 to USD 640 in 2012, indicating that the world’s insurance density has only doubled during the same period. This shows that the impact of regulation is very much evident in Indian insurance sector although it has to go a long way in reaching the world average figure which is more or less ten times higher than that of India’s insurance density.

6.3.6 Life Insurance Density in India vis-à-vis World’s Life Insurance Density

It can be observed that the world’s density in life insurance segment has only grown up by nearly one and half times from USD 236 in 2001 to USD 367 in 2012 whereas India’s density in life insurance segment has grown by nearly six times from USD 9.1 in 2001 to USD 55.7 in 2010, only to rally down to five times growth since 2001 at USD 42.7 in 2012. This clearly shows that the life insurance density growth is much faster than the overall density growth in India, since regulation played its effective role in registering the above said growth in life insurance density.

6.3.7 Non-Life Insurance Density in India vis-à-vis World’s Non-life Insurance Density

Unlike the insurance density growth in life insurance segment, the insurance density in non life segment has registered a continuous growth in spite of global financial crisis in 2008, from USD 2.4 in 2001 to USD 10.5 in 2012, a growth of
nearly four times. Relatively, the World’s insurance density in non life segment has only increased by one and half times in the same period from USD 155 in 2001 to USD 273 in 2012 with a slight hiccup in 2009 in the aftermath of global financial crisis.

6.3.8 Correlation between GDP and Insurance Density in India

The correlation coefficient of 0.95 between India’s GDP and India’s insurance density signifies that there is a strong positive correlation between the two macro economic variables unlike the moderate correlation coefficient between India’s GDP and India’s insurance penetration. This indicates that the spread of number of lives or objects covered under insurance post regulation is less as shown in the moderate correlation between GDP and insurance penetration, the amount collected as premium to GDP is high as shown in the strong positive correlation between GDP and insurance density.

6.4 Findings with respect to the Impact of Insurance Regulation on Insurance Market Structure in India

In this study we have used analytical methodology to find the impact of insurance regulation on the insurance market structure by using Market Share Analysis, Concentration Ratio and Herfindahl-Hirschman Index.

6.4.1 Entry of Private Life insurance Companies in India.

With the passing of the insurance bill in the Parliament in 2000, several private companies entered Indian insurance sector as joint ventures with foreign equity participation. There are 24 private life insurance companies operating in Indian life insurance market at present along with the public sector giant, Life Insurance Corporation of India. And there are 27 non life insurance companies operating in general insurance market at present along with the 4 public sector general insurance companies.

6.4.2 Growth in the Market Share of Private Sector Companies

After liberalization of insurance sector in 2000, the market share of public sector insurance companies in both life insurance and non-life insurance segment has
decreased considerably over the past decade. It can be seen from the above table and charts that in life insurance segment the share of LIC has decreased from 99.46 per cent in 2001-02 to 69.77 per cent in 2010-11. After 2011-12 the market share of public sector giant LIC has slightly increased to 70.68 in 2011-12 and to 72.70 in 2012-13. On other hand the market share of private life insurance companies has increased from 0.54 per cent in 2001-02 to 30.23 per cent in 2010-11. But after 2011-12 the market share of private life insurance has stared declining to 29.32 per cent in 2011-12 and to 27.30 per cent in 2012-13. This is due to the fact that the initial euphoria about private life insurance started subsiding and the Indian insurances investors started reposing more trust and confidence in LIC. In the non life segment the market share of public sector insurances companies is showing a continuous decline since from the opening up of the market to private non life insurance companies, from 96.24 per cent in 2001-02 to 55.62 per cent in 2012-13. On the other hand the market of share private non life insurers has increased from 3.76 per cent in 2001-02 to 44.38 per cent in 2012-13. This is due to the fact that non life segment in India is dominated by the growth in automobile sector and raising levels of health awareness among average Indians and fueled by increases in disposable income of Indian middle class.

6.4.3 Decline in Market Concentration of Life Insurance Segment

Two measures of market structure namely, Concentration ratio and HH Index reveal whether particular market is monopoly or oligopoly or monopolistic or perfectly competitive. The above analysis shows that the life insurance sector, after liberalization has moved from monopoly to oligopoly and to monopolistic market structure.

It may be observed that the Concentration ratio as well as HHI is declining over time since the opening up of the sector. Consistently the steep fall has occurred during 2002-03 to 2007-08. The decline coincided with the stabilization of operations of the corporate which were granted registration to underwrite insurance businesses in the country. Further, it is interesting to see some reversal in the fall of Concentration ratio and HHI during the past two years.
This is an indication of the positive impact of insurance regulation in India. But after 2011-12 the concentration ratio and HHI curves started to rise slightly, indicating that the reversal is due to fact that erstwhile monolithic giant LIC has started regaining the trust and confidence of Indian life insurance investors.

### 6.4.4 Decline in Market Concentration of Non-Life Insurance Segment

The analyses present in the study shows that the Non-life insurance sector, after liberalization has moved from monopoly to oligopoly and to monopolistic market structure.

The Concentration ratio as well as HHI of Non-life insurance segment is declining consistently over time since opening up of the sector i.e. between 2002-03 and 2007-08 as observed, which is similar to the life insurance segment.

This is an indication of the positive impact of insurance regulation on the market structure of non-life insurance sector in India. All the players in the non-life insurance segment are getting level playing field, so that the demarcation between public and private non-life insurers is gradually fading over the time, this is an indication of the effectiveness of regulation in non-life insurance sector vis-à-vis life insurance sector.

### 6.5 Findings with respect to Impact of Insurance Regulation on Insurance Investors’ Confidence in India

In this study we have used micro level methodology like participatory method i.e. field survey, and focused group discussion (FGD) approach to analyze the impact of insurance regulation on the confidence of insurance investors. This study is grouped in to three section (i) Insurance investor’s general awareness about insurance regulation (ii) Insurance investor’s confidence after insurance regulation (iii) Insurance investor’s confidence towards agents/ advisers.
6.5.1 Findings with respect to insurance investors’ general awareness about insurance regulations

6.5.1.1 Overall Findings:

With respect to insurance investors’ awareness about insurance regulation in general, brought about by IRDA since 2000, the following null and alternative hypotheses are postulated;

H0: ‘Regulations brought in by IRDA has no significant impact on insurance investors’ awareness about insurance regulation’.

H1: ‘Regulations brought in by IRDA has significant impact on insurance investors’ awareness about insurance regulation’

For testing the above hypothesis, one sample T test was conducted. The calculated mean value of ‘Insurance investors’ awareness about insurance regulation’ is more than the assumed mean 3 i.e., 3.5613 and the observed P value 0.000 is less than 0.05. This result indicates that the above null hypothesis that ‘Regulations brought in by IRDA has no significant impact on insurance investors’ awareness about insurance regulation’ is rejected and the alternative hypothesis that ‘Regulations brought in by IRDA has significant impact on insurance investors’ awareness about insurance regulation’ is accepted. This is also vindicated in the analysis of mean and standard deviation in the table number 5.1.

The analysis of the above table highlights that the respondents agreed strongly for the statement ‘All the latest updates of insurance regulation are available in IRDA website’ (mean 3.94) with a standard deviation (0.739) indicating consistency in the opinion of the respondents for the same statement. It is followed by the agreement for the statement that ‘IRDA is an apex regulatory body for insurance sector in India’ with a mean score of 3.71 and standard deviation of 0.679. The respondents have agreed less for the statement ‘IRDA has promoted consistency & homogeneous disclosure requirements by both private & public insurers’ with a lowest mean score of 3.31 and highest inconsistency with a standard deviation of 1.099.
The above analysis definitely holds promise that the efforts of IRDA in promoting itself as an apex insurance regulatory body has penetrated into the minds of insurance investors and their publications with respect to insurance regulation has also impacted positively on insurance investors. But, investors view that IRDA is not doing much with respect to regulating private insurance companies and also IRDA has fallen short of promoting consistency and transparency in disclosure. In a nutshell it can be observed that IRDA’s efforts have definitely brought awareness about insurance regulation in India.

6.5.1.2 Findings by Demographic Variables

a) Age:

After analyzing the results of ANOVA (Table 5.3) it is found that there is a significant difference in the opinions of Indian insurance investors on the basis of the age with respect to their awareness about insurance regulation in general since the observed p value (0.000) is less than 0.05.

The results of Tukey HSD post hoc test reveal that insurance investors in the age group between 18 - 30 and 31 - 45 share the same opinion in the sense that younger and middle aged insurance investors are more aware of the insurance regulation than their counterparts in the age group of 46-60 and 60 and above.

b) Gender:

After conducting Levene's Test for Equality of Variances,(Table 5.5.) with F value of 15.246, and observed P value of 0.000 being less than 0.05, it is necessary to consider the t value and P value under “equal variances not assumed”. The observed t value and P values are -1.802 and .073 respectively (p>0.05). Hence, there is no significant difference between the opinion of male & female with respect to awareness towards insurance regulation in general.

The mean scores and standard deviation for male respondents (Table 5.6) are 3.5301 and 0.39668 respectively whereas for female respondents the mean and the standard deviation are 3.6149 and 0.47932 respectively. This indicates that male respondents are relatively more consistent & female respondents are relatively more positive with their awareness level towards insurance regulation in general.
c) **Qualification:**

After analyzing the results of ANOVA (Table No. 5.7), the F value and P value are 0.235 and 0.872 (P>0.05) respectively. The results indicate that there is no significant difference in the opinion held by the insurance investors’ towards insurance regulation based on their qualifications like matriculation, graduation, post graduation and others as the observed significance value is more than 0.05.

The Tukey HSD test results indicate that there is no significant difference between the opinions of insurance investor awareness towards insurance regulations with respect to all the categories of qualifications as the observed p value is more than 0.05.

Therefore, it can inferred from the above results that IRDA’s efforts to create awareness about insurance in general in India has penetrated in the minds of insurance investors in India irrespective of their qualification level. The post hoc test further vindicate the results of ANOVA as the results show insignificance of educational qualification with a score of more 0.05 in all categories of qualification.

d) **Occupation:**

After analyzing the results of ANOVA (Table No. 5.9) the F value and P value are 18.772 and 0.000 (P<0.05) respectively. The results indicate that there is a significant difference in the opinion of insurance investors with respect to their awareness towards insurance regulation in various occupations like government service, business, professionals, private service, retired and students as the observed significance value is less than 0.05.

Further, the post hoc test reveal that the opinions of respondents in government service, professionals, businessmen and students are uniform and show that they are relatively more aware of the insurance regulation. Whereas respondents belonging to private sector service and retired employees share the same opinion and they are comparatively less aware of insurance regulation.
e) **Location:**

After analyzing the results of ANOVA (Table No. 5.11), the F value and P value are 18.854 and 0.000 (P<0.05) respectively. The results indicate that there is a significant difference in the opinion of insurance investors with respect to their awareness towards insurance regulation based on the location which is categorized as urban, semi-urban & rural as the observed significance value is less than 0.05.

Further, the post hoc test reveal that urban respondents are relatively more aware of insurance regulations compared to their counterparts in rural and semi urban areas as the opinions of rural and semi urban are uniform.

**6.5.2 Findings with respect to insurance investors’ confidence after insurance regulations:**

**6.5.2.1 Overall Findings:**

With respect to Insurance investor’s Confidence after insurance regulation in India, the following null and alternative hypotheses are postulated;

- **H0:** There is no significant impact on investors’ Confidence after insurance regulation in the post IRDA regime.
- **H1:** There is significant impact on investors’ Confidence after insurance regulation in the post IRDA regime.

For testing the above hypothesis, one sample T test was conducted. The calculated mean value of ‘Indian Insurance investors’ confidence about insurance regulations’ is more than the assumed mean 3 i.e., 3.55 and the observed P value 0.000 is less than 0.05.

This result indicates that the null hypothesis ‘There is no significant impact on investors’ Confidence after insurance regulation in the post IRDA regime’ is rejected and the alternative hypothesis that ‘There is significant impact on investors’ Confidence after insurance regulation in the post IRDA regime’ is accepted.
The analysis of the table 5.13 highlights that the respondents agreed strongly for the statement ‘IRDA is enacted primarily to protect policyholders interest whether in private, LIC or in GIC’ (mean 3.80) with least standard deviation (0.684) indicating consistency in the opinion of the respondents for the same statement. It is followed by the agreement for the statement that ‘IRDA’S obligation of insurers to rural or social sectors regulation is right step towards financial inclusion’ with a mean score of 3.61 and standard deviation of 0.780. The respondents have agreed less for the statement ‘IRDA has brought in expertise with respect to efficient and speedy claim management’ with a lowest mean score of 3.44 and highest inconsistency with a standard deviation of 0.921. And for all other statements the mean score of more than 3 indicates the gradual improvement in insurance investors’ confidence. Majority of the Indian insurance investors strongly back the IRDA’s initiatives in regulating the insurance sector in India after liberalization.

The above analysis shows that the insurance investors’ confidence has improved substantially after the enactment of suitable regulations by IRDA. Its regulations with respect to obligations to rural and social sector are very much appreciated by the respondents who feel that the regulation is a good step towards financial inclusion. But, investors are low on confidence with respect to the fact that the regulations are not adequate enough to bring about expertise in efficient and speedy claims management. But the results show that the investors overwhelmingly opine that IRDA has brought in the much needed confidence in the investors towards regulations enacted by it.

6.5.2.2: Findings by Demographic variables:

a) Age:

After analyzing the results of ANOVA (Table5.15), it is found that there is a significant difference in Indian insurance investors’ confidence after regulation, on the basis of their age, since the observed p value (0.000) is less than 0.05.

The results of Tukey HSD post hoc test reveal that insurance investors in the age group between 31-45 and 46 - 60 share the same opinion and respondents belonging to age group 18-30 and 60 and above show different opinions. It can be inferred from the above analysis that investors in the age group from 31-60 have
reposed trust and confidence on IRDA’s efforts in bringing about prudent regulations and thereby their confidence levels have increased whereas the investors in other age groups are non-committal about their opinion about the confidence that they have in IRDAs regulations.

b) Gender:

After conducting Levene's Test for Equality of Variances, (Table 5.18) the results signify that F value and P value are 0.009 and 0.923 respectively. As P value for Levene’s test for equality of variance is greater than 0.05, “assuming equal variance”, the t value 0.900, with an observed P value of 0.369, is considered for inferring the results. Since observed P value is more than the set P value of 0.05, it can be inferred that there is a highly significant difference between the perception of males and females as to their confidence level towards insurance regulations on the basis of gender.

The mean scores and standard deviation for male respondents are 3.5710 and 0.45086 respectively whereas for female respondents the mean and the standard deviation are 3.5287 and 0.44589 respectively. This indicates that female respondents are relatively more consistent with their opinions compared to male respondents.

c) Qualification:

After analyzing the results of ANOVA (Table No. 5.19), the F value and P value are 8.001 and 0.000(P<0.05) respectively. The results indicate that there is a significant difference in the confidence held by the insurance investors’ based on their qualifications like matriculation, graduation, post graduation and others as the observed significance value is less than 0.05.

It can be seen from the Tukey HSD analysis that qualification plays a vital role in instilling Confidence after insurance regulations as understanding of regulations need considerable amount of knowledge and intellectual capacity in order comprehend the intricacies of regulations. Therefore, respondents who are graduates and post graduates are more confident about the regulations brought in by IRDA as their opinions are polarised as per Tukey HSD post hoc test and respondents with
lesser qualification are unable to comprehend the complexities of insurance regulations.

d) Occupation:

After analyzing the results of ANOVA (Table No. 5.21), the F value and P value are 21.092 and 0.000 (P<0.05) respectively. The results indicate that there is a significant difference in the insurance investors’ confidence about insurance regulations on the basis of various occupations like government service, business, professionals, private service, retired and students as the observed significance value is less than 0.05.

As per the results of Tukey HSD post hoc test, it can be observed that the opinions of respondents belonging to government service and professionals are uniform whereas the opinions of respondents belonging to private service and businessmen are similar. Therefore, it can be inferred that the government servants and professionals follow the regulations closely and therefore, their Confidence after regulations is relatively higher compared to that of private service and businessmen.

e) Location:

After analyzing the results of ANOVA (Table No. 5.23), the F value and P value are 25.210 and 0.000 (P<0.05) respectively. The results indicate that there is a significant difference in insurance investors’ Confidence after insurance regulation, based on the location which is categorized as urban, semi-urban & rural as the observed significance value is less than 0.05.

Further, the post hoc test reveal that urban and semi urban respondents are relatively have more confidence in insurance regulations compared to their counterparts in rural areas as the opinions of urban and semi urban are uniform.

6.5.3 Findings with respect to insurance investors’ confidence towards agents/advisors:

6.5.3.1 Overall Findings:

With respect to opinions of Insurance investors’ confidence towards agents/advisers, the following null and alternative hypotheses are postulated as below;
**H0:** There is no significant difference in investors’ confidence towards insurance agents/advisors in the post IRDA regime.

**H1:** There is significant difference in investors’ confidence towards insurance agents/advisors in the post IRDA regime.

For testing the above hypothesis, one sample T test was conducted. The calculated mean value is less than the assumed mean i.e., 2.75 and the observed P value 0.080 is more than 0.05. This result indicates that the above null hypothesis that ‘There is no significant difference in investors’ confidence towards insurance agents/advisors in the post IRDA regime’ is accepted and the alternative hypothesis that the ‘There is significant difference in investors’ confidence towards insurance agents/advisors in the post IRDA regime’ is rejected. This shows that the regulation has not brought in the confidence in the insurance investors about the insurance agents/advisors.

The table 5.25 indicates that the mean score ranges from 2.24 to 3.72 and standard deviation ranges from 0.754 to 0.891. The respondents have greatest agreement for the statement ‘IRDA’s regulations have led to best practices in recruiting and training agents/advisors of insurance companies’ indicating that they fully endorse the statement. But apart from that, for all the other statements the mean is less than three indicating that the respondents do not endorse the fact that regulations have made insurance agents/advisors more responsible, fair, honest, and ethical in their selling efforts. The lowest mean of 2.24 for the statement, ‘IRDA has standardized the sale of Insurance policy through agents/advisors based on a thorough assessment of investors’ needs and risk attitude’ indicate that the agents/advisors do not assess the needs of the investors followed by a mean of 2.35 for the statement, ‘IRDA regulations mandated the insurance agents/advisors to act with honesty, fairness, and with the best interests of investors in mind’ indicating that the respondents are not confident about the intentions of the agents/advisors to sell them the appropriate policies. The average standard deviation being 0.426, it indicates that there is consistency in the views expressed by the insurance investors about their confidence towards agents/advisors.
Therefore, by and large, the investors appear to be in agreement to the fact that these agents/advisors, though trained professionally, are not doing proper assessment of investors’ needs and risk attitude, not honest enough to sell the right policy for the investors, still resort to mis-selling of the insurance policies leading to Lapsation of the policies. This shows that the investors’ confidence towards insurance agents/advisors is less, indicating that the regulatory body has to take up the issue seriously to evolve more stringent regulations to streamline the selling behaviour of the agents/advisors so that the confidence levels of the insurance investors will be increased.

a) Age:

After analyzing the results of ANOVA (Table 5.27) the F value and P value are 7.751 and 0.000 (P<0.05) respectively. The results indicate that there is a significant difference in the opinions held by the insurance investors towards their confidence with insurance agents/advisors in the age group of 18-30 with 46-60, 31-45 with 46-60 and 61 and above as the observed significance value is less than 0.05.

The Tukey HSD analysis shows that even though there are significant differences in the investors’ confidence towards agents/advisors among various age groups, the opinions of the respondents belonging to 18-30, 31-45 and 60 and above are uniform in the sense that these age group respondents have less confidence towards agents/advisors whereas the respondents belonging to age group of 45-60 show relatively more confidence towards agents/advisors.

b) Gender:

After conducting Levene's Test for Equality of Variances, (Table 5.30) the results signify that F value of 33.208, and observed P value of 0.000 which is less than 0.05, it is necessary to consider the t value and P value under “not assuming equal variance”. The observed t value and P values are 2.172 and 0.031 respectively (p<0.05). Hence, there is a significant difference between the perceptions of male & female towards the services offered by private life insurance companies.

The mean scores and standard deviation for male respondents are 2.7952 and 0.42027 respectively whereas for female respondents the mean and the standard
deviation are 2.6983 and 0.43090 respectively. This indicates that male respondents are relatively more consistent with their opinions compared to female respondents.

c) Qualification:
After analyzing the results of ANOVA (Table 5.31), the F value and P value are 0.748 and 0.524(P<0.05) respectively. The results indicate that there is no significant difference in the opinions of insurance investors on the basis on their qualifications like matriculation, graduation, post graduation and others, as the observed significance value is more than 0.05.

The post hoc test reveals that opinions of respondents with respect the investors’ confidence towards agents/advisors show that irrespective their qualification levels, all the respondents are univocal in expressing their dissatisfaction with the selling efforts of the agents/advisors.

d) Occupation:
After analyzing the results of ANOVA (Table 5.33), the F value and P value are 0.809 and 0.544(P>0.05) respectively. The results indicate that there is a no significant difference in investors’ confidence towards insurance agents/advisors post IRDA regime, on the basis of their occupation of insurance investors like government service, business, professionals, private service, retired and students as the observed significance value is more than 0.05.

The post hoc test reveals that opinions of respondents with respect the investors’ confidence towards agents/advisors shows that irrespective their occupational category, all the respondents are univocal in expressing their dissatisfaction with the selling efforts of the agents/advisors.

e) Location:
After analyzing the results of ANOVA (Table 5.35), the F value and P value are 5.091 and 0.007(P<0.05) respectively. The results indicate that there is a significant difference in the opinions of insurance investors with respect to their confidence towards insurance agents/advisors post IRDA regime, based on the
location which is categorized as urban, semi-urban & rural, as the observed significance value is less than 0.05.

From the Tukey-HSD analysis, it can be inferred that though significant differences exist among the urban, semi-urban and rural respondents, there appears a commonality among semi-urban and rural respondents since they are vulnerable to the mis-selling by insurance agents/investors whereas the urban respondents are less vulnerable to wrong advices by insurance agents/investors.

6.6 Suggestions and Conclusion

The Indian economy with its one billion plus population, presents lucrative and diverse opportunities for various business segments. However, the intricacies that make up this market are not very well known to most people. India with its numerous and varied sub-cultures presents a microcosmic view of the world itself – it constitutes a small, representative system that has analogies to a larger world in configuration and development.

Characterized by its large potential and high growth rate, the insurance industry has been one of the most dynamic sectors, which is playing an increasingly important role in India’s liberalized economy. During the past decade, the sector has witnessed rapid growth with over 20 to 25 percent annually. For obvious reasons, it is believed that the insurance sector will continue to develop rapidly in line with the deepening reforms of India’s economic system. As a result, this prosperous sector will attract more and more private participants both domestic and foreign, seeking opportunities to establish and promote insurance business in the market.

Therefore, biggest challenge faced by the apex insurance regulatory body i.e., IRDA is to develop prudent and sustainable regulations with prospect of about 50-60 players, each represented by thousands of agents, brokers and intermediaries. To evolve a free and fair method of assessing the companies, to ensure fair play between the competitors and to safeguard the interests of the largely uninformed customers are the main tasks ahead for the regulator. The other and equally serious aspect is to ensure that the vast amounts collected by the insurance and pension funds are utilized for the
welfare of the people. This makes the study of the Indian insurance sector from regulatory perspective especially pertinent and challenging.

The results of this study has thrown light on the fact that the one and half decade old insurance regulation has started bearing fruits in terms of its impact on insurance penetration, insurance density, market structure of the Indian insurance sector and on investors’ confidence towards insurance. There are far reaching implications for insurance penetration and insurance density vis-à-vis global scenario as very much evident in this study with growth in India’s penetration and density is very much higher than the world growth in the last decade. Hence, the insurance regulations have kick started the insurance sector in the right direction right from the beginning and the efforts of IRDA in this regard are quite commendable.

When a comparison of life insurance and non-life insurance sector is made, it is evident that non-life insurance sector’s growth is unperturbed even during Global Financial Crisis whereas life insurance segment has received a sort of jolt during Global Financial Crisis period only to pick up and register quite a good turnaround in the last two years boosted by the spectacular performance by the public sector giant, the Life Insurance Corporation of India. The trend in the last two years indicates that the private life insurers’ honeymoon period is over and they need to stand and deliver. The initial euphoria about private life insurance has considerably subsided and barring a few private life insurers, majority of them are feeling the heat of understanding a highly complex Indian insurance investors’ psyche as traditionally in India, life insurance is aggressively sold, but seldom solicited and bought by the investors. Going by the spectacular performance of Life Insurance Corporation of India, it can be said that the private entry has awaked this sleeping giant and now that they know that they should go for the kill, are aggressively playing the trust and safety card more prominently in their promotional campaigns, finally realizing that they have to leverage on this very important cutting edge factor that they have been bestowed with, being a public sector company.

But the story in the non-life insurance segment is altogether different with almost all players in this segment are quite competitively putting their best efforts and the benefits of such competition are reaped by the Indian insurance investors. It has
more to do with the fact that non-life insurance is mandatory and the good show put up by automobile sector in India over the last decade coupled with the fact that the health consciousness levels of average Indian has significantly enhanced has only helped this segment to put up a decent sustained performance during the past decade. This fact is also vindicated in the fact that market structure of the Indian insurance sector has smoothly travelled from monopoly to oligopoly and then to monopolistic competition as evidenced by Concentration Ratio and Herfindal Index.

As far as the confidence levels of Indian insurance investors are concerned, it is very much evidenced in the primary data of this study that they overwhelmingly acknowledge the good efforts made by the regulator, IRDA in the sense that majority of the respondents are aware of the fact that IRDA is playing the role of offering a level playing field to all the insurers. It is also pretty much evident from the findings of this study that the confidence levels of the Indian insurance investors have enhanced following the initiatives taken by IRDA to protect their interests, whether in public sector companies or private sector companies. But the only cause of concern to the regulator is that the Indian insurance investors still don’t feel that the insurance agents/ advisors are doing an ethical job of analyzing the insurance needs of the investors and then selling the best suited insurance contract for them as evidenced in this study. Hence, the regulator has a larger responsibility of streamlining the efforts of these important middlemen in the chain and make them deliver the most suited insurance policies to the largely uninformed Indian insurance investors.

6.7 Policy implications

On the basis of the major findings of this doctoral study, the following policy suggestions can be articulated.

1. Enhancing insurance penetration and insurance density through leveraging the demographic dividend of India:

Although there is a marked improvement in insurance penetration and density in Indian insurance sector since liberalization, it can be said that the Indian insurance penetration and density in both life and non-life segments appear to be pale in comparison with the World insurance penetration and density. Still the large portion
of the Indian population is uninsured and under-insured. Between penetration and density, it is observed that the spread of lives and objects covered under life and non-life segments are precariously low whereas the premiums collected per se is marginally better compared to the spread. And for obvious reasons, life insurance segment appears to be more volatile in the growth and in terms of competitiveness compared to non-life segment. Enhancing insurance penetration and density can be ensured by leveraging the demographic advantage that India has as an emerging economy by capitalizing on the vast portion of rural segment and large young population of the country.

Regulations with respect to obligations to rural and social sector are definitely a step in right direction. It has already started yielding benefits by tapping the largely untapped rural markets for inclusive growth. IRDA can even think of amending the regulations in this respect to bracket more rural population who more vulnerable to risks to their lives and their commodities.

Regulators should also look into the demographic profile of the Indian population where more than 50 percent of the total population is less than 30 years of age. As the economy is in a transformational mode from manufacturing and industry orientation to service and knowledge economy, IRDA should come out with regulations that can cater to the needs of our young population so that the habits of savings and investments are inculcated at the very beginning of their productive lives.

2. Amendment of regulations pertaining to the private life insurance companies:

According the findings of this doctoral study, the market structure of both life and non-life insurance segments have moved from state owned monolithic structure to oligopoly and to monopolistic market structure as the concentration ratio and HH index have shown declining trend till 2010 only to move slightly upwards for life insurance segment afterwards. This indicates that the public sector life insurance giant, the LIC of India, has regained the momentum that it had lost soon after liberalization, by effectively capitalizing on the trust card as their core competitive advantage.
Hence, the onus is on the regulator to ensure that all life insurers should be treated equally by the Indian insurance investors so that the demarcation as to public and private life insurance should be eliminated in the larger interest of the insurance sector. To this effect, regulator has a larger responsibility of streamlining the operations of private life insurers with respect to solvency margins and claim settlement records which are not satisfactory compared to LIC of India. Then only the regulator can ensure a level playing field for all players in life insurance segment just like the non-life segment.

3. Regulations with respect to consistency and transparency in disclosure and speedy claims management:

As per the findings of the this study, a majority of the respondents are of the opinion that, IRDA has not done much to ensure consistency and transparency in disclosure and that it has to ensure all the insurers should make periodic declaration of investment reports. To convince a large population, which is comparatively not well informed about the intangible benefits of life insurance is indeed a tough task. In a business such as life insurance, where the customer entrusts the companies with his / her financial savings, transparency has a direct relation to sales. Hence, transparency should start from the point of purchase of insurance policies and integrate itself to all aspects of the relationship till it boils down to claim settlements in which especially private life insurers have poor rector.

Therefore, the insurance industry needs to engage in serious dialogue on a regular basis with consumer bodies and other interested parties on issues such as access for the less affluent and general consumer confidence. There is a need for the industry, the regulator and consumers to establish a collective, forward-looking joint agenda. This should particularly focus on how the industry can better serve its customers. The IRDA may consider establishing a broad ranging forum, including representatives from all parts of the industry, consumer groups, the IRDA and Government. This should meet regularly with the aim of agreeing priorities, monitoring progress, giving early warning of problems that might be arising and thereby, adding teeth to the regulations to ensure consistency and transparency in disclosure and speedy claims settlement.
4. Regulations to monitor the selling efforts of agents/advisors:

An important finding of this study is that the respondents are univocal in expressing their disgruntlement about insurance agents/advisors, who though trained professionally, are not doing proper assessment of investors’ needs and risk attitude, not honest enough to sell the right policy for the investors, still resort to mis-selling of the insurance policies leading to lapsation of the policies. This opinion cuts across all the respondents irrespective of their age, gender, qualification, occupation and place of residence.

Customer needs analysis is the crux of the life insurance business. It requires that an advisor has to understand the financial needs of an individual depending on his earning capacity, dependents, future productive years etc. and calculate human life value of the person in question. Accordingly, the advisor has to advise him on the best insurance policy that suits his requirements. The insurers also pressurize them to reach the targets in terms of commission earned and the number of policies logged in. In this high pressure race, the customer ends up with a policy which is contrary to what his needs are.

Therefore, the results of this study show that the investors’ confidence towards insurance agents/advisors is precariously less, indicating that it is high time that the regulatory body has to take up this issue seriously to evolve more stringent regulations to streamline the selling behaviour of the agents/advisors so that the confidence levels of the insurance investors will be enhanced.

5. Making Life Insurance Mandatory

The United Nations Declaration of Human Rights 1948 provides that "Everyone has a right to a standard of living adequate for the health and well being of himself and his family". In India, Article 41 of our Constitution requires that the State, has to make effective provisions for security with respect old age, sickness, and disablement. This can be met through the mechanism of insurance.

As per the results of this study, non life insurance being mandatory has not only made the competition open for all insurers, whether public or private but also has resulted in an effective and efficient monopolistic market structure. But life
insurance segment is showing the one player i.e., LIC of India has bounced back to rule the roost again in life insurance segment which is contrary to the very purpose of regulation.

Hence, it is high time that life insurance be made mandatory in India and the right to insurance be made a fundamental human right. The State, may, take an initiative to pass the bill ‘right to insurance’ on the lines of ‘right to information’ or ‘right to education’ and the State can think of extending the benefits of life insurance to the lower strata of society out of its exchequer. This would definitely augur for the life insurance sector and thereby to the economy as a whole.

6.8 Scope for further research

While many seasoned insurance markets are halting in stagnation, the new and fast-growing and emerging economies are appearing on the international stage of the insurance business and are offering lucrative opportunities. Major players from across the globe have been joining the gold rush and entering promising markets such as India or China to conquer the Asia-Pacific region and reap the benefits from the enormous growth materializing there. Due to regulatory requirements, most of them enter partnerships to avoid setting up a distribution network from scratch or to benefit from a partner’s local experience. India is, by all accounts, a prime target to do insurance business.

The insurance industry has experienced significant changes over the past decade. But never before the changes been so pronounced, the pace so rapid and the scope so broad in the insurance sector. Insurers are in the midst of a true paradigm shift. Buyers are becoming more sophisticated about services and value, and are ever more demanding. At the same time, the industry is experiencing new regulation framed by IRDA, which is infusing new competition, new market entrants, new substitutes for traditional insurance offerings. As long as developments happen in a fast changing environment, insurance industry is going to attract more and more academic researchers in the years to come. Further researches could be on the lines of analyzing the prospects of reorienting the regulations to suite the dynamics of changing environment, changing International Financial Architecture and so on.