ABSTRACT

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 makes them deliver the most suited insurance policies to the largely uninformed Indian insurance investors.