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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

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CONTRIBUTIONS TO BOOKS
- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES
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CONFERENCE PAPERS
- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES
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WEBSITES
- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

CHANGING PARADIGMS OF INSURANCE COMPANIES - A STUDY

P.MANIVANNAN
HEAD
DEPARTMENT OF CORPORATE SECRETARYSHIP
RKM VIVEKANANDA COLLEGE
CHENNAI

ABSTRACT

Insurance is of paramount importance for protecting human lives against accidents, causalities and other types of risks. Insurance has been dominated by public sector in India however, with the liberalization of Indian economy, private sector entry in insurance has got momentum. The public sector insurance companies, particularly, the dominance of LIC is not deliberate rather it is by virtue of the regulations that the market is deprived of the level playing field and market has an anti-competitive environment. This sector is highly lucrative and therefore increasing the FDI cap would be a step to enhance competition in this sector and also cover a large population. This highlights emerging trends and the varying strategy of the role players to strengthen their market.

KEYWORDS
Insurance, Protecting human lives; LIC; FDI.

INTRODUCTION
The Insurance sector in India is one and a half centuries old. In the pre liberalization period this market was monopolies by LIC, GIC and to four subsidiaries. The opening up of the Insurance sector has been a surge not only in the number of foreign players entering the market but also in the variety of products being offered. The total Insurance premium in India is 2% of our GDP, which is far below the world average of 7.8%. The insurance penetration in India is only 1.95%.

Post Liberalization of Insurance sector has facing intense competition. In the second phase of liberalization we are posed for a paradigm shift. The following strategies would help insurance companies in India differentiate themselves.
- Products – stars of the future
- Distribution Strategy
- Pricing Strategy
- Customer Service
- IT as an enables.

PRODUCTS – STARS OF THE FUTURE
The Insurance products in India can be categorized in to life Insurance and Non-Life Insurance.

LIFE INSURANCE

Life Insurance is a well established product in the country. People view life insurance policy as a secure, risk free investment. Instead of product innovation the need of the hour is to take it to the masses as estimates say 250-300 million Indians are still insurable.

HEALTH CARE INSURANCE

Worth over Rs.86000 crores and expected to grow by Rs.8000 crore each year. This is the position of the healthcare and health financing industry. But it has the following problems.

i) Structural problems with the product including inflexible coverage terms.
ii) Un-organized health sector in the country.
iii) No standardized medical rates.
iv) No domain knowledge with the Insurance industry.
v) No reliable medical history system in the country.

THE FUTURE STRATEGY
- Recognize health care as a separate line of business.
- Reduce capital requirement from 100 crores to 30-50 crores.
- Introduce capital monitoring and product level norms for private health insurers.
- Insurance in urban areas and high public subsidies in rural areas should be promoted.
- Health care industry should create and adopt quality standards for health care delivery, develop the treatment protocols.
- Developing risk sharing models with insurers and making patient flow efficient by developing effective models to avoid overcrowding and over-treatment.

TRAVEL RELATED HEALTH INSURANCE

About 7 million Indians travel overseas, out of which 2% need medical assistance and 0.3% emergency medical treatment. But hardly one million out bound travelers go for medical Insurance. Hence this market could be harnessed. Flexible products for tech consultants and corporate travelers who travel for even 2-3 days can be introduced.

CROP INSURANCE

Crop Insurance enables farmers to insure themselves against income risks over which they have no control and allow them to invest in new, green revolution technology. New schemes should be introduced to protect farmers against price and yield fluctuations which would arise due to changes by adopted in different develop countries.

NATURAL DISASTER INSURANCE

It creates a financing mechanism for dealing with losses due to natural disasters like earthquakes and storms. The policy would look at disaster profiling, disaster planning and asset allocation in the case of disasters. The premiums for natural disaster insurance can be collected as part of municipal (property) tax, or as a surcharge at the time of transfer of property.

TERRORIST RISK COVER

Currently the territories risk is covered as a standard peril in fire Insurance policies following the September 11th issue in USA and the subsequent attack on Indian parliament, overseas re-insurers and refusing reinsurance of domestic general insurers' fire insurance portfolio. Separate terrorist attack insurance with the following features should be launched.
- Corpus fund to be created to reduce dependency.
- The corpus fund can be created out of the contributions from general insurance
- The contribution rate is pegged at around 3-5% of their total premium.
- The contribution may be made eligible for tax break

DISTRIBUTION STRATEGY

In India 1 billion people there is a vast untapped potential waiting to be mined. The key to reaching them is to develop sound distribution channels.

The traditional distribution model comprises:

- **Captive/Tied Agents:** These are agents who sell policies of only one Insurance company which employs them.
- **Independent Agent:** An individual agent who represents several companies and place insurance policies for their clients with the company that offers the best rate and coverage.
- **Corporate Agents:** Firms selling policies of several Insurance companies.

The various channels that can be used under the purview of the amendments are:

BANKS

Bank assurance in its simplest form is the distribution of Insurance products through a banks distribution channels. Banks can straightway leverage their existing capabilities in terms of database and face to face contacts to market Insurance products.

Rural areas and small towns offer huge potential to the insurance companies. This potentiality was largely untapped due to inadequate distribution. The following measures are suggested and these bodies can act as "Corporate Agents" to sell Insurance products most specific to the community needs.

- Cooperative societies
- Village Panchayats
- Post Offices

NGO's

This channel could be used to increase awareness about the Insurance Products. As many NGO's have strong presence and a positive reputation in rural areas they can prove to be an effective channel.

GROUP CHANNELS

Worksite Group: This type of marketing is the selling of voluntary Insurance and financial products at the worksite. The products may be on either an individual or group platform and are usually paid through periodic payroll deductions.

Affinity Groups: Affinity groups are homogenous groups. The major advantage of selling Insurance to affinity groups is that there is a greater likelihood of lasting.

Personal Advisors: Such as accountants, lawyers, doctors and tax planners.

Mutual Funds: Mutual funds could capitalize on their existing customer bases to sell policies.

Hospitals: A tie-up with hospital chains for selling health insurance can be an effective channel to reach a wide base of customers.

PRICING STRATEGY

Tariff is a schedule of premium rates, policies and conditions applicable to risks in a class of business. Historically rates of premium have been arbitrarily founded and progressively refined as experience was gained. Statistics on the frequency and intensity of claims were built over long periods and amorphous rate schedules constructed.

The Tariff market in India has been viewed to have a mixed bag of merits and demerits.

PROS

i) Global perception of Indian Market as a stable market in terms of rates terms and conditions.

ii) Steady growth of the Insurance business with the tariffs providing benchmarks rates.

CONS

i) Standardization has inhibited innovation and restricted customer choice.

ii) Tariffs have destroyed underwritings skills and have led to the proliferation of a bureaucratic attitude.

iii) Since Tariffs are not based on adequate data, rates are not scientific and realistic.

iv) Tariffs do not respond in a timely manner to changes in rates in International Markets.

De-tarrification is bound to happen as we have moved towards free market. In all probable chances the IRDA is working at detariffication in a phased manner. The strategies that the Insurance companies should adopt so as to proliferate in the detariffed market should be:

Collection of Data: The biggest problem against detariffication is the absence of proper data to fix the premium rates. This data can be easily collected by the nationalized players that monopolized the industry for long.

Scientific Pricing models: Historically the rates of premium were arbitrarily founded and refined over a period of time. What is actually required is a systematic study of the risk profile of the individual/industry, economic condition etc., to arise at the premium rates. Various tools used are stochastic modeling, Financial modeling and reporting, Actuarial Sciences.

Risk Management: The risk for an individual can be determined by weighing the risk on various parameters such as his background, personal history etc. This would prevent the customer from being put in general class but would help in accurately the premiums, the customers needs to pay depending on the risk calculated.

Underwriters should be trained in the approach to rating making full use of statistical data and statistical techniques.

The marketing staff and front line staff should be trained to collect appropriate risk information at the time of rating and acceptance.

Factors needed to be considered by Insurance companies which arriving at the premium for a particular product.

CUSTOMER SERVICE

Products and prices in an Insurance industry can be easily duplicated. This service becomes the only differentiated which will provide the competitive advantage in the long run.

THROUGH AGENTS

The insurance agents are the interface between the customer and the Insurance Company. The agents should be able to accomplish the following the improve service.

- Assessing and analyzing the clients risk profile.
- Finding the best product or products available in the market
- Negotiating the best deal available in the market
- Continuity of service throughout the period of Insurance.
- Claims advisory service.

PREMIUM COLLECTIONS

The Insurance premium till data is paid by cash or cheques. With the internet technology revolutionizing the way business is done, a lot of time and money could be saved by premium payment through this mode.

CUSTOMER MANAGEMENT CELL

Insurance companies should have a cell for customer management which caters to the customer needs and complaints. They would do the following:

- Clear customers doubt and educate them about the products.
- Provide printed literature about products in English and regional languages
- Respond faster the customer's complaints like premium collection, renewal of policy etc.
- Educate the consumers about complaint redressal schemes like the ombudsman and the consumer courts. Insurance ombudsman and the consumer courts. Insurance ombudsman is a quasi judicial body established for speedy settlement of dispute in a fair, impartial and judicial manner.

BUILDING BRAND AWARENESS

Insurance companies build the awareness based on:

- Holding seminars and informal corner meetings.
- Distributing brochures/handout giving complete information of their products.
- Laying emphasis on the value of the product rather than on its price.
- Advertisements speaking of the utilities of the products instead of being loaded with slogans.

CLAIMS PROCESSING

- Responses time between the claim and the actual payment should be fast.
- Incase of delayed payments, fine should paid by the insurance company.
- In case of conflicting interests case should be referred to the ombudsman or courts as the case may be.

IT – A STRATEGIC INVESTMENT

Among the all, one factor that can, and is bringing sweeping changes in the industry, in the manner it will work henceforth, in information technology. Companies will need to redefine the way business was conducted so far. Innovations in technology will help the following areas.

MARKETING AND SALES

IT supports an Insurance enterprise in

- Measuring effectiveness of distribution channels.
- Developing front-end capability for collection of error-free data.
- Identifying profitable customers for cross selling
- Tracking and routine leads.
- Disseminating information's there by increasing efficiency in sales.
- CRM solutions which capture information generated by clint encounters across all sales and service channels to present a single, unified picture of the customer in all transactions.

CHANNEL MANAGEMENT

Agency Management systems, call centers, computer telephony interface, point of sales systems, portals, knowledge management applications, wealth management, remote access and mobile computing support the distribution agencies by providing timely information on products, customers and market.

INTERNET AND E-BUSINESS

- Web based applications enable insurers to connect, inform and communicate with agents, partners, customers and end-users.
- Websites and portals are a low cost distribution channels to provide information about products and services.
- E-business enables and support business by facilitating online quotes, online policy issuance, online bill presentment and payment and claims submission.

KNOWLEDGE MANAGEMENT

Actual and risk assessment applications and rating solutions can be integrated with the underwriting and claim applications enabling the insurers to collect, collate, bring together, analyze the risk related data and calculate chances of loss and the average likelihood of an event happening.

INSURANCE PROCESSING

IT solutions can be used effectively to improve the efficiency of the business processes and maintaining accuracy, uniformity and consistency. Technology based transaction – centric solutions can be used for

- Workflow and document management.
- Electronic bill presentment and payment system.
- Content management.
- Sales force automation.
- Claims processing.
- Fraud detection.

CONCLUSION

Opening up of the sector certainly means more awareness amongst customers and highest expectations which can be satisfied by new products, better packaging and improved customer service. Potential buyers for more of this Insurance lie in the middle class. Both new and existing players will have to explore new distribution and marketing channels to reach them.

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