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RESEARCH METHODOLOGY
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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.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–23

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PERFORMANCE OF LIFE INSURANCE INTERMEDIARIES IN INDIA AND THE NEED FOR INSURANCE MARKETING FIRMS (IMFs)

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ABSTRACT

Life insurance industry has always been a major buzz creator in India. It has seen many changes since its inception from nationalization to liberalization it has seen it all. Market has become dynamic with time in this case intermediaries play a very important role in fetching up the business. And every life insurer is trying to tap the market and potential policyholders as much as possible, with the help of its intermediaries. Thus this paper aims at analyzing the performance of different intermediaries in life insurance industry as well as analyzing the position of Indian life insurance sector in the world economy (Asian countries) in terms of penetration and density and discussing the new concept of IMFs in India as the need for boosting up the distribution channel has been felt by the insurers as the performance has not been so satisfactory in the previous half decade.

KEYWORDS

penetration, density, IMF.

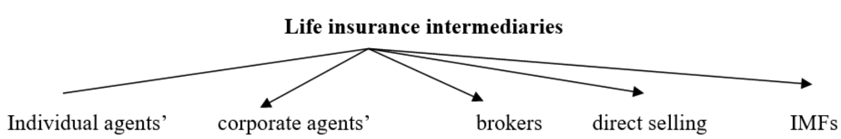
INTRODUCTION

According to the 'World Insurance in 2014' report published by reinsurance major Swiss Re, the economic environment for insurers improved only marginally in 2014, as global real gross domestic product (GDP) rose by 2.7%, near the 10-year annual growth rate average of 2.8%. Globally, the share of life insurance business in total premium was 55.55 per cent. However, the share of life insurance business for India was very high at 79.12 per cent while the share of non-life insurance business was small at 20.88 per cent. In life insurance business, India is ranked 11 among the 88 countries, for which data is published by Swiss Re. India's share in global life insurance market was 2.08 per cent during 2014. However, during 2014, the life insurance premium in India increased by 1.0 per cent (inflation adjusted) when global life insurance premium increased by 4.3 percent.

Insurance industry has always been intermediaries driven i.e. it depends totally on its marketing intermediaries in bringing up the business. The success of life insurance business is largely vested on them. After opening up of the insurance sector for the private and foreign players by IRDA in 2000 many advancements have taken place in development of the intermediaries for steady flow of business earlier only individual agents used to be responsible for bringing up the business but later on bancassurance, brokers, corporate agents also came into picture which strengthened the base of life insurance business in India. And to expand the business further IRDA is proving licenses to Insurance marketing firms as well. The role played in life insurance and personal insurance by the agents is far greater than in commercial, property and liability insurance which is by and large availed by corporate. Now let's throw a light on types on intermediaries operating in Indian life insurance industry.

LIFE INSURANCE INTERMEDIARIES

FIG. 1



Other than this there are MI agents and common service centers as well.

Individual agents are the licensed agents by IRDA whereas the corporate agents can be banks, firms, companies registered under company's act 1956, RRBs, Co-operatives, panchayats and NGOs approved by IRDA. Brokers are different from agents as they can sell the policies of many insurance companies to the policy-holders and they are categorized as direct brokers, reinsurance brokers and composite brokers. IMFs i.e. Insurance marketing firms are the newest branch of insurance intermediaries as IRDA has started allowing licenses from 2015 itself. All the efforts are taken to increase the business and taping the potential policy-holders which can be ultimately observed on insurance penetration and density which sees whether the insurance industry is able to cover the nation against the risks or not.

LITERATURE REVIEW

Sumninder Kaur Bawa & Samiya Chattha (2016) studied the efficiency of each life insurance intermediary working in the industry and also measured the growth and performance and found out the the individual agents are fetching the most business.

Sreedevi Lakshmikutty and Sridharan Baskari (*2006)* stated the importance of every distribution channels and how every channel is important for the industry ansd also stated that every intermediary can't work profitably due to vast economic, social, cultural and geographical differences.

J. David Cummins, Neil A. Doherty (2005) canvassed the economic functions of the insurance intermediaries and also studies the compensation arrangements of various individual intermediaries.

Aditya Nath Jha (2014) emphasized on the need of development of better distribution channels for the life insurance industry.

Viswanathan (2006), Lakshmikutty and Baskar (2006) highlighted that the ultimate success of marketing of insurance channels depends on matching the right segment of customer with the right products at the right time with right distribution channel

Govardhan (2008) stated that an effective growth of business ultimately depends on the performance of various distribution channels. The study asserted that each distribution channel had been performing at its best in one way or another. Among the array of distribution channels, time tested channel had a long way to achieve success in emerging markets of insurance business.

Majumdar (2010) made a conceptual analysis of different situation where the performance of distribution channels could be profitable. The study disclosed that although agents had brought maximum business to the life insurance industry through the business underwritten, but the bancassurance channel was regarded as an upcoming channel in terms of its growth and productivity.

RESEARCH METHODOLOGY

The performance has been evaluated on the basis of new polices and new schemes sold by the various intermediaries during the period of 5 years i.e. 2010-11 to 2014-15. And after that India's position in global scenario Asian counties has been assessed in terms of penetration and density and the concept of IMFs has been discussed theoretically. For this purpose, percentages and trend analysis has been used and for the trend analysis percentage proportions have been taken.

ANALYSIS OF PERFORMANCE OF INTERMEDIARIES IN TERMS OF POLICIES SOLD (INDIVIDUAL) AND NUMBER OF LIVES COVERED (GROUP)

NEW POLICIES SOLD (INDIVIDUAL)

The number of new polices sold are the important indicators in the growth of any insurance business and in also shows that how many new policyholders are buying the policies every year. In the table 1 number of new policies sold by every intermediary has been shown and it has been observed that every intermediary is showing a decline in number of new polices sold from the previous year even the total number of new polices sold is showing a declining trend from the last 5 years (y_c=20+(-2.40)*x shows that the number of polices has decreased at the average rate of 2.40% during the period of 5 years). And on observing table 1 it can be seen that the individual agents have most proportion in the business contributed over the period of time.

NEW POLICIES SOLD (INDIVIDUAL)

TABLE 1

Year	individual agents	corporate agents(banks)	corporate agents others	brokers	direct selling	total
2010-11	41581811	1936562	2988481	511388	1088426	48106668
Growth from previous year	-7.67%	-7.09%	-21.76%	16.38%	-40.01%	-9.565%
2011-12	39103141	2180018	1588650	476054	812478	44160341
Growth from previous year	-5.96%	12.57%	-46.84%	-6.90%	-25.35%	-8.203%
2012-13	39370820	2454767	1093960	427151	809926	44156624
Growth from previous year	0.68%	12.60%	-31.13%	-10.27%	-0.31%	-.008%
2013-14	36792083	2327836	701276	315769	698100	40835064
Growth from previous year	-6.54%	-5.17%	-35.89%	-26.07%	-13.80%	-7.522%
2014-15	21654232	2414000	393200	256740	666858	25385030
Growth from previous year	-41.14%	3.70%	-43.93%	-18.69%	-4.47%	-37.83%

Source: Hand book on Indian insurance statistics (2014-15)

TREND OF NEW POLICIES SOLD

TABLE 2

year	Total policies sold	Proportion of new polices	trend
2010-11	48106668	23.73953	24.8
2011-12	44160341	21.79211	22.4
2012-13	44156624	21.79027	20
2013-14	40835064	20.15116	17.6
2014-15	25385030	12.52693	15.2
total	202643727	100	100
			A=20 B=-2.40

CONTRIBUTION BY EACH INTERMEDIARY

TABLE 3 (in %)

Year	individual agents	corporate agents(banks)	corporate agents others	brokers	direct selling	total
2010-11	86.44	4.03	6.21	1.06	2.26	100
2011-12	88.55	4.94	3.6	1.08	1.84	100
2012-13	89.17	5.55	2.48	0.97	1.83	100
2013-14	90.1	5.7	1.71	0.77	1.71	100
2014-15	83.71	9.33	1.52	0.99	2.58	100

Source: Hand book on Indian insurance statistics (2014-15)

NUMBER OF LIVES COVERED (GROUP)

In group insurance number of lives covered are considered instead of number of polices sold because unlike individual insurance group insurance has more than one person insured analysis this we can get the information about that each year how many lives are getting secured and how many people are availing the benefits of insurance. From table 4 it has been observed that the intermediaries have shown positive growth as compared to last year unlike individual insurance not only this the total number of lives covered has seen a positive growth (trend line being y_c=20+2.394*x shows that the total lives covered under group insurance has increased at the average rate of 2.394% during the period of 5 years). On observing table number 6 it is easily visible that the group policies are sold mainly by the direct selling instead of individual agents or any other intermediaries.

NUMBER OF LIVES COVERED (GROUP)

TABLE 4

year	individual agents	corporate agents(banks)	corporate agents others	brokers	direct selling	total
2010-11	3435632	4651600	6735374	4657417	63752022	83232045
Growth from previous year	-61.80%	293.75%	3.00%	-5.47%	7.963%	3.14%
2011-12	8703095	2618616	1143544	2370781	51877235	66713271
Growth from previous year	153.31%	-43.70%	-83.02%	-49.09%	-18.62%	-19.84%
2012-13	11626637	2698080	6281462	2296292	55214205	78116676
Growth from previous year	33.59%	3.03%	449.29%	-3.14%	6.43%	17.09%
2013-14	11644649	3282246	4621554	3793588	70669931	94011968
Growth from previous year	0.15%	21.65%	-26.42%	65.204%	27.99%	20.34%
2014-15	6934791	4485704	34022937	5537280	71855360	122861373
Growth from previous year	-40.44%	36.66%	636.17%	45.96%	1.677%	30.68%

Source: Hand book on Indian insurance statistics (2014-15)

TREND OF NUMBER OF LIVES COVERED

TABLE 5

year	Total	% prop of total lives insured	trend
2010-11	83232045	18.70655	15.212
2011-12	66713271	14.99393	17.606
2012-13	78116676	17.55686	20
2013-14	94011968	21.12936	22.394
2014-15	122861373	27.61331	24.788
total	444935333	100	100
			A=20 B=2.394

CONTRIBUTION BY EACH INTERMEDIARY

TABLE 6 (in %)

year	individual agents	corporate agents(banks)	corporate agents others	brokers	direct selling	total
2010-11	4.13	5.59	8.09	5.6	76.6	100
2011-12	13.05	3.93	1.71	3.55	77.6	100
2012-13	14.88	3.45	8.04	2.94	70.68	100
2013-14	12.39	3.49	4.92	4.04	75.17	100
2014-15	5.64	3.65	27.69	4.51	58.48	100

INSURANCE PENETRATION AND DENSITY

Insurance penetration and insurance density are the capable indicator of the growth in the industry. Insurance penetration refers to percentage of insurance premium to GDP (expressed in %) whereas insurance density is the ratio of premium to population (per capita premium) expressed in USD.

TABLE 7

Year	Insurance penetration (%)	insurance density (USD)
2000-01	1.39	6.1
2001-02	2.15	9.1
2002-03	2.59	11.7
2003-04	2.26	12.9
2004-05	2.53	15.7
2005-06	2.53	18.3
2006-07	4.1	33.2
2007-08	4	40.4
2008-09	4	41.2
2009-10	4.6	47.7
2010-11	4.4	55.7
2011-12	3.4	49
2012-13	3.17	42.7
2013-14	3.1	41
2014-15	2.6	44

Source: Hand book on Indian insurance statistics (2014-15)

AS shown in the table and the chart during the first decade of the deregulated insurance industry insurance penetration has gone up by 2.15% (2000) to 4.4% (2010). After this the penetration has been decreasing since then and has reached to 2.6 (2015) which is the lowest in these 15 years. whereas, insurance density also had an impeccable growth since de-regulation, i.e. 9.1 USD (2000) to 55.7 USD (2010) after this it has fallen and reached to 44 USD in the year 2014-15. Which shown that the first decade after the de-regulation was the golden decade as the insurance industry has flourished in leaps and bounds. This infers that the Indian Government as well as the insurance companies shall take instrumental steps in developing the life insurance industry in India as it's by far one of the most potential industries as it mobilizes savings effectively along with proving a risk cover

INTERNATIONAL COMPARISON OF PENETRATION AND DENSITY (ASIAN COUNTRIES)

TABLE 8

	Penetration (in %)				**Density (in US Dollars)**			
countries\year	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
Hong kong	10.1	11.2	11.7	12.7	3442	4024	4445	5071
India	**3.4**	**3.17**	**3.1**	**2.6**	**49**	**42.7**	**41**	**44**
Japan	8.8	9.17	808	8.4	4138	4142.5	3346	2926
Malaysia	3.3	3.08	3.2	3.1	328	329.9	341	338
Pakistan	0.4	0.43	0.5	0.5	4	5.3	6	7
PR China	1.8	1.7	1.6	1.7	99	102.9	110	127
Singapore	4.3	4.43	4.4	5	2296	2471.8	2388	2840
south Korea	7	6.87	7.5	7.2	1615	1578.1	1816	2014
Sri lanka	0.6	0.54	0.5	0.5	15	14.8	16	17
Taiwan	13.9	15.03	14.5	15.6	2757	3107.1	3204	3371
Thailand	2.7	2.95	3.8	3.6	134	156.5	310	198

Source: Hand book on Indian insurance statistics (2014-15) and various issues of swiss re.

It's clearly visible from the table that India is lagging behind many Asian countries in terms of penetration and density as well as we can see here Taiwan tops the list with maximum penetration over the year whereas Hong Kong tops the list in terms of density but India performs poorly in terms of both.

As observed in all the tables and various data that despite so many intermediaries in the life insurance sector each working towards expanding the life insurance business to its best individual life insurance policies sold has seen a declining trend over the period of 5 years not only this all the intermediaries has seen the decrease in business as compared to the last year and not only this insurance penetration and density is not that satisfactory and still many potential policy holders lie in the nooks and corners of the country who are unable to enjoy the benefits of insurance due to lack of information and reach thus realizing this Life Insurance Council, the industry body of life insurers in India is currently actively assisting Insurance Regulatory & Development Authority (IRDA)'s innovative initiative of entrepreneur driven alternative distribution channel – the creation of 'Insurance Marketing Firms' (IMFs), with an objective to bring Insurance at the doorstep of the customer, and this in turn would help Life Insurance industry attain greater heights Now let's throw some light on what IMFs are and how it will be helpful in increasing the business.

INSURANCE MARKETING FIRMS

IRDA started giving licenses to the insurance marketing firms from the year 2015 in order to boost the insurance business across the country. They are basically entrepreneur driven firms aimed at selling the insurance product to different strata of society. The Insurance Regulatory and Development Authority of India (IRDAI) has allowed insurance marketing firms to solicit and procure products of two lives, two general and two health insurance companies, through salespersons. The firms would also have financial service executives (FSEs) who would be able to distribute any product.

It works in accordance with the norms and regulations laid down by IRDA like other intermediaries. IRDA has laid down many regulations for IMFs right from its registration from working to the minimum capital requirement s and the eligibility of its employees below are the few regulations related to IMFs.

- IMFs should follow the proper procedure related to registration in IRDA in order to carry on business.
- Registration of Insurance Marketing Firm by engaging ISP for the purpose of soliciting and procuring Insurance Products of two Life, two General and two Health Insurance companies at any point of time, under intimation to the Authority. Provided that in respect of general insurance, the Insurance Marketing Firm shall be allowed to solicit or procure only retail lines of insurance products as given in the file & use guidelines namely motor, health, personal accident, householders, shopkeepers and such other insurance products approved by the Authority from time to time. Provided further that any change in the engagement with the insurance companies shall be done only with the prior approval of the Authority and with suitable arrangements for servicing existing policyholders.
- They can take up insurance services activities as listed by IRDA.
  - Undertaking back office activities of insurers as allowed in the Guidelines on Outsourcing Activities by Insurance Companies issued by the Authority.
  - Becoming approved person of Insurance Repositories.
  - undertaking survey and loss assessment work by employing on their rolls licensed surveyor & loss assessors
  - Any other insurance related activity permitted by the Authority from time to time.
- Products that can be marketed are.
  - Mutual funds of mutual fund companies regulated by SEBI.
  - Pension products regulated by PFRDA.
  - Other financial products distributed by SEBI licensed Investment Advisors.
  - Banking/ financial products of banks/ NBFC regulated by RBI.
  - Non-insurance products offered by Department of Posts, Government of India.
  - Any other financial product or activity permitted by the Authority from time to time.
- The Applicant shall have a net worth of not less than ten lakh rupees
- The Applicant shall ensure that the net worth is maintained at all times and Insurance Marketing Firm shall submit a certificate duly certified by a chartered accountant to this effect annually within three months from the close of the financial year.
- The aggregate holdings of equity shares or contribution of the Insurance Marketing Firm by a foreign investor, including portfolio investors, do not exceed forty-nine per cent of paid up equity capital or contribution of the Insurance Marketing Firm at any time. For the purposes of these regulations, the calculations of foreign investment shall be made in the same manner as specified in the Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000 for an insurer, as amended from time to time.
- The Insurance Marketing Firm shall designate a Principal Officer who shall be the overall in charge and shall be responsible for regulatory compliance to the Authority.
- The eligibility criteria training and examination procedure for the principle officer is mentioned by IRDA.

Rest of the regulations are mentioned in the THE GAZETTE OF INDIA: EXTRAORDINARY

Currently as on 31.08.2016 34 IMFs are working in the life insurance industry.

CONCLUSION

The IMFs is yet another significant step in reaching out to large retail customer base with need based Insurance solution, after the new product guidelines of IRDA came into existence from January 1, 2015 which has enabled the launch of almost 375 products by Insurers, to Indian life insurance customers. This is looked upon as the most ambitious intermediary as observed in the study that the insurance industry has not prospered well in the last 5 years in case of individual industry and the individual agents are bringing most of the business whereas, in group insurance direct selling is proving covers to most of the policyholders. To have a better position in the global market in terms of penetration and density India needs to improve its distribution channel a s result of which IMFs has emerged. Results of which will soon be visible in the later 2, 3 years.

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