

“History, State of the Insurance Industry and Prevailing Industrial Implications”

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The life insurance industry has gone through several periods of transformation, instigated by key historical events and changes in consumer needs. The Presbyterian Ministers' Fund, established in 1759, was the first life insurance entity in the United States. Although its purpose was to provide life insurance to the widows and orphans of deceased ministers.

1818 saw the advent of life insurance business in India with the establishment of the Oriental Life Insurance Company in Calcutta. This Company however failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency.

In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers.

In India, life insurance has been an integral part of most people's lives. For some, it is an investment avenue while others see it as a safety net to provide for their family's future in case of untimely death.

The primary purpose of traditional life insurance products is to provide a safety net for families when one of the primary breadwinners passes away unexpectedly. In recent years, insurers' have shifted their focus to products addressing longevity risk, as the employer-funded defined benefit pension plan is becoming rare.

The insurance sector has gone through a number of phases by allowing private companies to solicit insurance and also allowing foreign direct investment. India allowed private companies in insurance sector in 2000, setting a limit on FDI to 26%, which was increased to 49% in 2014. However, the largest life-insurance company in India, Life Insurance Corporation of India is still owned by the government and carries a sovereign guarantee for all insurance policies issued by it

Nationalisation happens

The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business.

Sector reopened

An Ordinance was issued on 19th January, 1956 nationalising the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies-245 Indian and foreign insurers in all.

Basic recommendations

The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry.

7.3. Implications

When you purchase insurance, you're making payments against a future incident you don't want to happen. For example, no one wants to get sick. Health insurance prevents the possibility of a major financial catastrophe if you do get sick. As a small business owner, some types of insurance are required, while others protect your business assets and all your hard work.

However, insurance is an expense that doesn't generate immediate rewards, other than perhaps sleeping a little better at night. You could pay thousands of dollars every year for liability insurance and never make a claim. The offset is that the insurance premiums are a legitimate business expense and should be deducted from revenues.

Insurers need to identify additional market segments that are conducive to automated underwriting. Insurers need to create tools to aid brokers and agents in increased rule based underwriting. To remain competitive in the marketplace, insurers need to redesign their business processes to facilitate speeding up of the automation process and also develop predictive analytics and automated underwriting solutions.

Insurance firms face the need to constantly come up with improved products in the marketplace to differentiate them from competition. At the same time, insurers also need to ensure that they are complying with existing regulations.

. Life insurers also now offer pre-underwritten products such as traditional term insurance plans and mortgage protection plans to their customers.

Apart of that the property-liability insurance firm indemnifies the insured suffering from a covered loss so that they can restore their financial positions to, or near, the level they had prior to the loss. However, the insured often hopes that it does not have to materialize this claim. The reasons are multi-fold. First, insurance is available or pure, not speculative, risk protection. If an activity contains a gain possibility as in typical business activities that corporations take for profit-generating purposes, the risk related to that activity is not the subject matter of insurance; otherwise, insurance would induce problems of moral hazard. Insurance does not cover administrative distress or expenses that the insured incurs to file for claims or to regain its

reputation and loyalty from various stakeholders. Third, insurance often requires the insured to retain a share of the claim through a deductible (fully retaining small losses individually, in aggregate, or both) or through coinsurance sharing losses at a predetermined percentage

Insurance continues to play a crucial role in helping companies manage risk by transferring it. But it also serves as a vital risk management tool in non-traditional uses in which risk transfer is, at best, a minor consideration. Today's corporate risk managers play a critical role in identifying, evaluating, and developing strategies to mitigate and finance risk in a way that vastly improves the protection of their organization's assets.

Conclusion

Over the last few decades, continued environmental, operational, and technological changes have led to the development of multiple distribution channels in the insurance industry. Insurers no longer rely solely on traditional channels such as agents and brokers, but have developed new alternate channels to drive growth at lower costs.

As competition in insurance markets is intensifying, cost savings and customer retention has become critical, forcing insurers to look for ways to drive sales and customer convenience while keeping costs low and maintaining profitability. These factors are leading to the emergence of additional channels such as call centers, mobile, and web.

We are already witnessing a gradual change in the buying habits of customers as they make use of the internet in the decision making and product buying process Insurance companies are also effectively using technology to better meet customer demands by better integrating technology with the whole policy sales cycle. They are focusing on speeding up the complete insurance distribution process while also identifying processes that can be automated—improving efficiency and profitability. These initiatives are enabling insurance firms to scale up their business models by strengthening their internal processes with a goal of better customer service

Increased competition and noticeable changes in customer behavior and preferences paved the way for the growth of newer channels for policy sales, however insurers now leverage these channels to directly communicate with customers and sell suitable insurance products.

With these new developments, customers' methods of researching and buying insurance products also changed over time. With the increased penetration of the internet and smartphones, customers now prefer to gather information on various products and services offered by multiple insurers and tend to compare before making a final decision. The internet has developed into an important channel to gather information on insurance products, and the increased popularity of social media is also expected to affect how customers buy insurance products. Many

customers now seek feedback on insurance products on social media sites and include the feedback in their decision-making process.

On the business front, insurers are reacting to these trends and are coming up with solutions that

attempt to better meet customer expectations. They are also effectively leveraging technology to reach customers and quickly incorporate their feedback. They are focusing on building an effective and comprehensive distribution network while also working to break-down the complete policy sales process to identify components that can be automated. Four such trends witnessed across insurance channels that are explained in detail in this paper are:

1. Rise in customers' use of the internet to buy insurance products
2. Increased use of social media as a distribution channel
3. Rise in usage of SaaS solutions to enable the insurance distribution process across multiple channels
4. Rise in usage of technological solutions to automate the underwriting process and increase direct sales

As the insurance industry changes so must insurance regulators. This study aims to provide insurance regulators and other policymakers with a broad picture of the insurance industry and how it has transformed over time. It covers many of the important evolutionary steps in the history of the life insurance industry. Since its very beginnings the life insurance industry has been resilient from the formation of mutual insurers resembling what we describe in today's evolving international markets as micro insurance, to the present mature market. Throughout its history the focus on mortality risk and longevity risk have served as cornerstones of the industry.

how insurers view and manage the multitude of risks they face. This should enhance state regulators' abilities to oversee insurers.

Technology advances and changing consumer preferences are shaping product design and sales.

True electronic commerce is becoming a reality with insurers providing quotes, delivering new

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