

## GENERAL INSURANCE INDUSTRY IN INDIA-ISSUE AND CHALLENGE

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\* **Dr.S.ANANDARAJAN**, M.Com,M.Phil,Ph.D

Assistant Professor and Head  
PG and Research Department of Commerce,  
SrimathSivagnanaBalayaSwamigal Tamil Arts and Science College,  
Mailam, Tamilnadu-604304.

\*\* **N. Saraswathi, M.Com,**

SrimathSivagnanaBalayaSwamigal Tamil Arts and Science College,  
Mailam, Tamilnadu-604304.

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### *Abstract*

*The earlier traces of insurance are in the form of Marine Trade Losses and at the time bonds were used to cover accidental losses. After Marine Insurance, there was augmentation in the field of Fire Insurance. It is started Germany in the beginning of 16<sup>th</sup> century and great fire in England in 1666 which resulted in burning of 85 percentages of the houses to ashes injected life, strength and continuity to the concept of Fire Insurance. Within the colonial augmentation of England the Fire Insurance spread all over the global. In India General Insurance started working 1850 and credit for the identical goes to the Triton Insurance, Calcutta.*

### **Introduction:**

Insurance is our common experience that almost all immovable and movable properties. Any loss to properties put the individual to great hardship and it is also in many cases a national waste of valuable items, which cannot be replaced. So the device, which was conceived to save the several public from the aforesaid losses, is known as Insurance.

### **ROLE AND IMPORTANCE OF INSURANCE**

#### **1. Insurance provides security and safety :**

The insurance security and safety against the loss is a particular event. In case of life insurance payment is made when death occurs or the terms of insurance are expire. The loss to the families at a premature death and payment in aging are adequately provided by insurance. In other words, security against premature death and agingdolorous are provided by life insurance.

## **2. Insurance providing peace of mind:**

The security wish is the prime motivating factor. This is the wish which tends to stimulate to more work, if this wish is unsatisfied, it will carves a tension which manifests itself to the individual in the form of an unpleasant reaction causing reduction in work.

## **3. Insurance protects mortgaged property:**

At the death of the owner of the mortgaged property, the properties are taken over by the lender of money and the family will be deprived of the uses of the property. On the other hand, the mortgage wishes to get the property insured because at the damage or destruction of the property he will lose his right to get the loan replayed.

## **4. Insurance eliminates dependency:**

At the death of the husband or father, the destruction of family needs no elaboration. Similarly, at destruction of, property and goods, the family would suffer a lot. It brings reduced standards of living and the suffering may go to any extent of begging from the relatives, neighbors or friends.

## **5. Life insurance encourages saving:**

The elements of protection and investment are present only in case of life insurance. In property insurance, only protection element exists. In most of the policies elements of saving predominates. These policies combine the programs of insurance and savings.

## **6. Life Insurance provides profitable investment:**

Individuals unwilling or unable to handle their own funds have been pleased to find an outlet for their investment in life insurance policies. Endowment policies, deffered annuities are certain better form of investment.

## **7. Life insurance fulfills the needs of a person:**

The needs of a person are divided into,

- Family needs,
- Old-age needs,
- Re-adjustment needs,
- Special needs,

- The clean-up needs.

## **USES TO BUSINESS**

### **1. Uncertainty of business loss is reduced:**

In world of business, commerce and industry a huge of number of properties are employed. With a slight slackness or negligence, the property may be turned into ashes. The accident may be fatal not only to the individual or property but to the third party also. New construction and new establishment are possible only with the help of insurance.

### **2. Business-efficiency is increased with insurance:**

When the owner of a business is free from the botheration of losses, he will certainly devote much time to the business. The care free owner can work better for the maximization of the profit. The new as well as old businessmen are guaranteed payment of certain amount with the insurance policies at the death of the person, at the damage, destruction of the property or goods.

### **3. Key Man Identification:**

It is the particular man whose capital, expertise, experience, energy, ability to control, goodwill and difficulties make him the most valuable asset in the business and whose absence will reduce the income of the employer tremendously and upto that time when such employee is not substituted.

### **4. Enhancement of credit:**

The business can obtain loan by pledging the policy as collateral for the loan. The insured persons are getting more loan due to certainty of payment at their deaths. The amount of loan that can be obtained with such pledging of policy, with interest thereon will not exceed the cash value of the policy. In case of death, this value can be utilized for setting of the loan along with the interest.

### **5. Business continuation:**

In any business particularly partnership business may discontinue at the death of any partner although the surviving partners can restart the business, but in both the case the business and the partners will suffer economically.

## **6. Welfare of employees:**

The welfare of the employees is the responsibility of the employer. The former are working for the latter. Therefore, the latter has to look after the welfare of the former which can be provision for early death, provision for disability and provision for oldage. These requirements are easily met by the life insurance, accident and sickness benefit, and pensions which are generally provided by group insurance.

## **MARKETING OPPORTUNITIES**

Liberalization of insurance sector has resulted in a tremendous spurt in business wherever the sector has been opened up for competition. In Korea, Taiwan, Srilanka, within 3 to 8 years of opening up insurance grew up by three times at a compounded growth rate of around 18percentage. In next few years, it is expected that Indian Insurance Sector will be facilitated with following opportunities /benefits of marketing prospective under competitive scenario.

- There will not be only an increase of efficiency and quality of service to the consumers but also there will be wider choice of prices and increased productivity.
- There will be inflow of managerial and financial expertise from the global need insurance markets.
- The introduction of advanced selling techniques with international flavor will direct the sector towards a high growth trajectory.
- The international companies will help in building global class expertise in local market by introducing the best global practices.
- Regulatory norms of compulsory social obligations will enhance the rural coverage at affordable and reasonable prices. Otherwise, this is a vast potential and virgin market, which competitors will surely like to capture.
- Innovative and flexible priced insurance products of our country will integrate into the global economy.
- PrivatFe players are likely to embark on client segmentation and product differentiation strategies that should result in more innovative and flexible products and services.

## **BUSINESS THREATS**

An environmental threat is a challenge posed by an unfavourable trend or augmentation that would lead in the absence of defensive marketing action to deterioration in growth and profitability.

### **Entry of Global Threats**

The global bigwigs entering the insurance market have expertise in the field and are in a position to drive the market through their core competence in insurance.

### **Threats to Market Share**

Consequent upon entry of the experienced insurance giants, the market share serviced by the existing players will come under attack and simultaneously they have started snatching share of potential market.

### **Fear of market disorder**

Liberalization in this sector will cause market disorder because of the fierce competition and the domestic insurers will lose their base.

### **Growth of captive insurers**

Like in developed countries, in the next few years in India also, large industrial, commercial, and other organization may develop ways of retaining more of their own risk. In recent years, in USA commercial insurers have lost up to 35percentage of their total insurance premium to captive and other forms of risk retention.

### **Selective Marketing**

Various observers are concerned that private players would neglect difficult and unfamiliar lines of business such as, motor insurance, insurance products to cater the needs of rural markets, etc., and would focus on commercial client. Private players are avoiding motor insurance and other insurance which are loss producing.

### **Entry of new more players**

New players would be free to decide on the market segmentation area wise, product wise and thereby they would have an edge.

### **Tough competition**

Competition will bring pressure on profit margins and underscore the need for better control on claims, cost and management expenses.

### **Entry of Banking sector in insurance sector**

Due to the entry of banking sector to underwrite the insurance business, it will pose a serious challenge in the motor and personal lines of insurance with their wide network of branches and their strong customer relationship.

## **INTERNAL ENVIRONMENTAL ANALYSIS**

At times insurers have been found less effective because they do not properly evaluate their strengths and weakness. It is therefore, critically important for insurers to periodically evaluate their strengths and weakness.

### **STRENGTHS**

- Wide organizational reach with a sound network consisting of 4200 offices spread all over the country.
- Huge basket of more than 180 products to suit needs of varied customer segments.
- Large pool of technically skilled manpower within depth knowledge and understanding of the market.
- Well established training infrastructure, skilled faculties.
- Strong capital and reserve base.
- Not retention capacity as high as 86percentageof its gross booking.
- Large asset base of Rs.19,000,00 crore.
- Solvency margin of more than 50percentage in all public sector companies.
- Uninterrupted record of profit.

### **WEAKNESS**

- Excessive manpower/fat organization.
- Low level of employee morale.

- Long hierarchy.
- Low automation.
- Poor customer service.
- Operating office do not function as profit centers.
- Absence of professional cadre.
- Heavy expenses.
- Deficient product mix.
- Continued underwriting losses.
- Huge third party losses in motor portfolio.
- Low customer confidence.

## **SWOT ANALYSIS**

The General Insurance Industry is in transition phase from regulated market to open market due to opening of the sector for private players. There is tough competition in the market and in this scenario only the fittest will survive. In the changing scenario while formulating the market objectives, the overall evaluation of the company's environmental factors, i.e. strength and weakness and external environments, i.e. opportunities and threats, should be carried out. This overall evaluation of the company is called SWOT analysis.

## **EXTERNAL ENVIRONMENTAL ANALYSIS**

In general, an Insurance company has to monitor key macro environmental forces (demographic, economic, technological, politico-legal and socio-cultural) and significant micro environmental factors (customers, competitors, distributors, users like financial institutions and other intermediaries) that affect its ability to earn profit. The insurance company should set up a marketing intelligence system to track trends and important augmentations. For each trend of augmentation, management needs to identify the associated opportunities and threats.

## **CONCLUSION**

Organizational restructuring is absolutely in order to face competition. Rationalization of the industry and strengthening the industry is the need of the hour. Strategies of GIC should adequately focus on standardization, communalization, diversification, and globalization.

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