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To study the premiums earned by life and non-life insurers in India during the study period

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Abstract

Over the years, the insurance industry has grown rapidly in terms of mobilizing household savings. Even when considering the origins of Medici claim, health insurance in India is still very new, especially when compared to the insurance sector as a whole. As previously stated, just a small percentage of India's population is insured by health insurance, indicating that there is a large untapped market waiting to be exploited. Improving health insurance coverage will not only provide medical benefits to the insured, but will also help the household sector mobilize savings. In this regard, it is necessary to investigate the procedures and strategies used by companies in the health insurance sector, with the goal of identifying ways to improve or alter them. On the one hand, this will make it easier to expand the coverage of health insurance products, and on the other hand, it will boost the rate of household sector savings. This study is based on data acquired from a sample of respondents who are buyers of health insurance products as well as agents who offer them. In the case of buyer-respondents, some of them purchased health insurance products without weighing the benefits and drawbacks of the various products offered by different companies. They may not even be aware that private insurance companies sell such packages in some circumstances. For obvious reasons, agent-respondents are not cooperative in divulging the companies' marketing plans, techniques, and incentives when it comes to selling health insurance products. However, the relevant data for this study has been gathered with great attention and effort. Furthermore, because they are still in their infancy, standalone health insurance businesses have not been considered.

Keywords: Medici claim, Health Insurance, Marketing Plans, Techniques, Incentives

1. Introduction

The insurance industry now faces a new challenge as a result of the economic situation that developed following the New Economic Policy in 1991. As a result, over the past 20 years, the insurance sector in India has seen numerous changes. To satisfy the needs and wants of its clients, it must now be more competitive. The revisions helped raise the general public's awareness of the greater selection of insurance products and the prices that rival insurers in the market are offering. Nearly every facet of the Indian insurance market has undergone a revolution thanks to the technical know-how, extensive experience, and competence of foreign corporations that have partnered with Indian businesses.

1.1 Insurance Industry

The insurance sector plays a key part in a nation's financial

system since it has a significant socioeconomic purpose to fulfill. In the current economic climate, it has a clear edge over the majority of other financial activity. A dynamic insurance industry is essential to economic expansion. In addition to promoting the practice of saving, it offers a safety net to both individuals and businesses. Along with creating long-term finances for infrastructure development, the insurance sector also offers vital financial intermediation services, moving money from the insured to capital investments, which are essential for ongoing economic growth and expansion. To support the structural changes in the economy, the insurance industry must grow.

1.2 History of insurance in India

India's insurance industry has developed over time, mostly influenced by other nations, especially England. The Oriental Life Insurance Company was founded in Calcutta

in 1818, marking the introduction of the life insurance industry to India. In the Madras Presidency, the Madras Equitable started doing life insurance business in 1829. The Bombay Mutual (1871), Oriental (1874), and Empire of India (1897) were founded in the Bombay Presidency during the final three decades of the nineteenth century, following the enactment of the British Insurance Act in 1870. But during this time, foreign insurance companies that were successful in India—such as Albert Life Assurance, Royal Insurance, Liverpool, and London Globe Insurance—dominated the market, and the Indian offices faced fierce competition from these international firms.

The Indian government began releasing insurance companies' returns in 1914. The first law to regulate the life insurance industry was the Indian Life Assurance Companies Act of 1912. The Indian Insurance Companies Act was passed in 1928 to give the government the ability to compile data on the life and non-life insurance business that is conducted in India by foreign and Indian insurers, including provident insurance societies. The Insurance Act of 1938, which included extensive measures for efficient control over insurers' operations, merged and altered the previous laws in order to safeguard the interests of the insurance public. Principal Agencies were eliminated by the Insurance Amendment Act of 1950. Nonetheless, there were many insurance providers, and competition was fierce. Allegations of unfair trading practices were also made. As a result, the Indian government chose to nationalize the insurance industry. On January 19, 1956, an ordinance was adopted that nationalized the life insurance industry, and the Life Insurance Corporation (LIC) was established the same year. A total of 245 Indian and foreign insurers were absorbed by the LIC, including 154 Indian, 16 non-Indian, and 75 provident societies. Up until the late 1990s, when the insurance industry was once again opened to the private sector, the LIC held a monopoly.

2. Statement of the problem

The insurance industry is a significant and essential component of both the financial and overall economic sectors. It can pool enormous amounts of household sector savings in the form of insurance premiums, which are then directly invested in different sectors of the economy, assisting in its growth. In addition to destroying the government monopoly, the liberalization of the financial sector in general and the insurance industry in particular has made it possible for the private sector and numerous foreign businesses to enter the market. As a result, there is now more competition to give the general public a wide range of new insurance packages with enhanced benefits. Private insurers and a few stand-alone businesses have entered the health insurance market in particular. Despite their entry into the market, standalone insurance companies still only account for about 10% of the overall health insurance market. Although the state sector, through Mediciclaim, continues to dominate the health insurance market, the entry of private enterprises has given it more vibrancy. Businesses in the private sector, like as Tata AIG and ICICI Prudential, are actively promoting health insurance and are able to increase their market share annually. It goes without saying that businesses in the public and private sectors will use various approaches and techniques to sell their health

insurance products, with the latter being more active than the former. Given this context, it is relevant to look at the tactics used by both public and private sector businesses to sell health insurance products, which is what this study aims to do.

3. Review of literature

Sharma and Agarwal, (2020) ^[1] The Oriental Life Insurance Company was founded in 1818, followed by the Bombay Assurance Company in 1823, and the Madras Equitable Life Insurance Society in 1829, all of which contributed to India's insurance history. All of these companies performed business in India, but none of them provided life insurance to Indians. They were only insuring the lives of Europeans in India at the time. Triton Insurance Firm Ltd., the first general insurance company, was founded in 1850. The British owned and operated the facility. The Indian Mercantile Insurance Firm Limited, founded in Bombay in 1907, was the first indigenous general insurance company. The New India Assurance Firm Limited, a 100% Indian-owned insurance company, was founded on July 23, 1919, and began operations in October of that year.

Rajan and Dhunna, (2020) ^[2] during the nineteenth century, there was no specific legislation governing the activities of insurance businesses. The Indian Life Insurance Companies Act, 1912 was enacted to regulate life insurance activities in India. With the passage of the Indian Insurance Act in 1938, however, the first comprehensive legislation was enacted. The Act established requirements for minimum equity capital to do insurance business, a ceiling on shareholding patterns, tight investment controls, and agency commissions, among other things. Following that, a separate wing of the Ministry of Finance was established to administer the Act's provisions (Narayanan, 2006) ^[3]. 2 Despite the fact that a number of statutory laws and insurance Acts were introduced from time to time to regulate and control the industry, between 1935 and 1955, 66 out of 215 life business companies died. This was largely due to rising business mismanagement and malpractices, such as the manipulation of life funds to engage in speculative trading, large-scale insurance company liquidations, inter-locking of funds, and large business houses' control and influence, which resulted in public dissatisfaction and resentment.

Palande et al, (2020) ^[4] Because of this kind of mismanagement and exploitation, life insurance was nationalized by combining all private companies into one entity, L.I.C. The number of businesses in the general insurance market progressively expanded until it reached 107 in 1972. However, more than half of the 107 businesses were in financial distress. In January 1973, the Government of India nationalized the General Insurance business, citing the poor health of private operators and the large fund collection potential of the sector. With a holding company called General Insurance Corporation of India, it incorporated four subsidiaries: The New India Assurance Company Ltd., The Oriental Insurance Company Ltd., The National Insurance Company Ltd., and The United India Insurance Company Ltd.

4. Objectives of the study

The following aims guide this research:

1. To investigate the premiums earned by life and non-life insurers in India during the study period
2. To assess the health insurance sector's status in India during the study period

5. Research methodology

The multi-stage random sampling approach is used in the sample design. The city of Chennai was chosen as the sample region in the first round since it is home to all of the main health insurance firms. The sample companies have been identified in the second step. Because they sell more than half of all health insurance policies, this includes all four public sector companies: National Insurance, New India Assurance, Oriental Insurance, and United India Insurance. More than ten private sector organisations are active in this section of industry, with ICICI Lombard, Tata AIG, Bajaj Allainz, and Birla Sun Life being the top performers. These four companies account for over 75% of the private health insurance business, hence they were chosen as model companies.

With the use of the information acquired from the respective companies, the third stage picked 55 buyer-respondents at random from each of the eight sample companies. All types of buyers have been considered, including those with low and high incomes, those with less and more education, men and women, and so on. Similarly, 5 agents from each organization have been chosen as agent-respondents, with both newcomers and experienced agents involved. As a result, a total of 440 buyer respondents and 45 agent respondents were chosen as the study's sample respondents.

6. Results and Discussion

6.1 Societal characteristics of the sample respondents

The distribution of the respondents by age and gender is shown in Table. According to the data, out of the 220 respondents, 149 (68%) are men and the remaining 71 (32%) are women.

In terms of age, 38 (17.3%) of the respondents are under 35, 70 (31.8%) are between 36 and 45, 58 (26.3%) are between 46 and 55, and 54 (24.8%) are over 55. Of the 149 male respondents, 18 (12.1%) are under 35 years old, 46 (30.9%) are between 36 and 45, 42 (28.3%) are between 46 and 55, and 43 respondents (28.7%) are over 55. Of the 71 female respondents, 20 (28.1%) are under 35 years old, 24 (33.6%) are between 36 and 45, 16 (21.9%) are between 46 and 55, and 11 respondents (16.4%) are over 55. This shows that 49.1% of the respondents are in the up to 45 age category, which is 43 percent for men and 61.7 percent for women, while 50.9% are in the over 45 age group, which is 57 percent for men and 38.3% for women. This implies that older respondents purchase more health insurance coverage than younger respondents, and this is primarily the case for male respondents.

Table 1: Gender-Wise Age of the Respondents

Age	Gender		Total
	Male	Female	
Upto 35	18	20	38
	(47.8)	(52.2)	(100.0)
	[12.1]	[28.1]	[17.3]
36-45	46	24	70
	(66.1)	(33.9)	(100.0)
	[30.9]	[33.6]	[31.8]
46-55	42	16	58
	(73.3)	(26.7)	(100.0)
	[28.3]	[21.9]	[26.3]
Above 55	43	11	54
	(78.8)	(21.2)	(100.0)
	[28.7]	[16.4]	[24.8]
Total	149	71	220
	(68.0)	(32.0)	(100.0)
	[100.0]	[100.0]	[100.0]

Note: Figures in round brackets are row-wise percentages and those in square brackets are column-wise percentages.

Table 2: Gender-wise opinions on motivation for the policy

Merits	Gender		Total
	Male	Female	
Reduce Expenditure	109	63	172
	(63.8)	(36.2)	(100.0)
	[81.7]	[73.3]	[78.3]
Ageing	85	60	145
	(59.2)	(40.8)	(100.0)
	[66.8]	[65.5]	[66.3]
For Parents	42	40	82
	(52.0)	(48.0)	(100.0)
	[33.2]	[43.6]	[37.5]
Covered by the Company	28	23	51
	(56.4)	(43.6)	(100.0)
	[22.6]	[24.8]	[23.5]
Canvassing by Agents	46	48	94
	(49.1)	(50.9)	(100.0)
	[35.7]	[52.7]	[42.8]
Tax Benefits	50	25	75
	(67.4)	(32.6)	(100.0)
	[39.6]	[27.3]	[34.5]
Total	149	71	220
	(68.0)	(32.0)	(100.0)

Note: Figures in round brackets are row-wise percentages and those in square brackets are column-wise percentages.

Source: Field survey

The table reveals that among the 220 respondents, 172 state that the chief reason for purchasing the health insurance policy is to reduce the healthcare expenditure, which includes 109 (63.8%) males and 63 (36.2%) females; 145 admit that the main reason for purchasing the policy is their aging, in which there are 85 (59.2%) males and 60 (40.8%) females; 82 respondents state that they have bought the health insurance policy for the sake of their parents, which consists of 42 (52%) males and 40(48%) females; 51 state that the group policy issued by the company has covered them, which includes 28 (56.4%) males and 23 (43.6%) females; 94 respondents admit that the insurance agents have canvassed them and sold the insurance policy in which there are 46 (49.1%) males and 48 (50.9%) females; and 75 respondents state that the tax benefit which is available with the health insurance premium has motivated them to purchase the policy, which includes 50 (67.4%) males and 25 (32.6%) females. This indicates that the respondents were motivated by multiple factors when they bought their health insurance policies, with the potential to lower healthcare costs coming in first (78.3%) and then their ageing nature (66.3%). Additionally, 43% of the respondents acknowledge that the insurance company agents sold them the policies.

6.2 Factors influencing choice of health insurance policy

Understanding the factors that influence the sample respondents' decision to choose between the public and private sectors is particularly necessary given the variations in the values of the variables among individuals who hold policies in both sectors. A logistic regression model is used in this instance to do this. This model is used because the dependent variable is the likelihood of acquiring a private health insurance policy. Therefore, a value of 1 is assigned to those who have a private health insurance policy, and 0 otherwise. The following are the model's specifications:

$$SEC_i = \alpha + \beta_1 GENDER_i + \beta_2 AGE_i + \beta_3 EMP_i + \ln \beta_4 INC_i + e_i$$

where SEC_i is the type of company policy that the i th respondent holds; $GENDER_i$ is the gender of the i th respondent, with male = 1 and female = 2; AGE_i is the age level of the i th respondent; EMP_i is the type of employment of the i th respondent, with government employee = 1, business or self-employed = 2, private sector employee = 3, and private professional = 4; and $\ln INC_i$ is the i th respondent's monthly income, which is taken in log form, with α being the intercept, β being the slope coefficient, and e being the normal error term. Table 3 displays the regression outcome of this model's estimation.

Table 3: Logistic Regression Estimates

Variables	Co-efficient	Marginal Effect	t-value	p-value
Intercept	2.816	0.860	7.287***	0.000
Gender	0.301	0.154	4.027***	0.000
Age	-1.238	0.640	-6.001***	0.000
Emp	2.140	0.743	6.300***	0.000
Inc	1.903	0.612	8.810***	0.000
Log Likelihood	- 308.51			
χ^2	185.15 ***			
p-value	0.000			
Pseudo R ²	0.6761			
N	220			

Note: ***indicates significance at 1% level. Source: Computed from field survey data.

The table indicates that all of the independent variables' t-values are significant at the one percent level, highlighting the importance of these factors in helping sample respondents choose their industry before acquiring a health insurance coverage. The positive GENDER sign indicates that women are more likely than men to favor private sector policies, but the negative AGE sign indicates that younger respondents are more likely than older respondents to favor private sector policies. Regarding employment type, individuals who work as private sector professionals and employees selected private sector policies, whilst those who earn more money favor private sector policies. The χ^2 value indicates that the model is well fitted, and the estimated independent variables collectively account for almost 67% of the variations in the dependent variable. When the respondents wish to purchase a health insurance coverage, this clearly highlights the elements that influence their choice of industry.

7. Conclusion

The disparities between the sample respondents in terms of age, education, religion, community, family structure, home type, employment type, and monthly income are highlighted by this analysis. Given that the sample homes' income earners vary in quantity, these disparities are further highlighted when taking into account their monthly household income levels. These disparities lead to varying degrees of asset ownership and spending on food and non-food. It is clear that monthly household income and asset possession, as well as monthly food and non-food expenditures, are positively correlated. Factors such as the respondents' monthly income, household income, asset possession, and monthly food and non-food expenditures all show the disparities between the male and female respondents' educational backgrounds and employment kinds.

According to this analysis, older respondents and those with higher incomes purchase more health insurance plans. A sizable fraction of the respondents are also protected by the group policies of the organizations or firms where they work. Generally speaking, there is a lack of knowledge regarding the different facets of the plans, and insurance agents also fall short in this regard. Those with private sector policies report higher levels of satisfaction than those with public sector policies among those who have utilized the policy, and respondents also think the latter's services are superior than the former's. Descriptive statistics also show that male respondents had higher values for variables such as household income, monthly income, value of assets, and monthly expenditure on food and non-food items than female respondents did. Similarly, those with private sector policies had higher mean values than those with public sector policies. Furthermore, the choice of company type is greatly influenced by a number of criteria, including gender, age, type of employment, and monthly income.

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