



## ROLE OF INSURANCE AND INNOVATIONS IN INSURANCE

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### ABSTRACT



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Insurance is a form of contract or agreement under one party agrees in return of a consideration to pay an agreed amount of money to another party to make goods for a loss, damage, injury to something of value Insurance, in law and economics, is a form of risk management primarily used to hedge against the risk of a contingent loss. Insurance is defined as the equitable transfer of the risk of a potential loss, from one entity to another, in exchange for a premium. Insurance rate is a factor used to determine the amount, called the premium, to be charged for a certain amount of insurance coverage risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice. This paper explores the role of innovations in insurance and a secondary data has been sourced to analyze the study.

**Keywords:** *insurance, innovations, loss, risk*

### Introduction

Changing Lifestyles the insurance sector is growing at a good pace while embracing innovation. Innovations should be done in the insurance sector. Insurance is a good kind of investment by the people for their security and for their future. Thus, insurance sector should take the help of technology for innovations in this sector. Furthermore not only technology works but also bright ideas, masterly strategy or the use of tools, and the fact that best firms are better organized to meet the needs of their people. Detailed analytical methods on Press release, meeting, seminar, workshop, grievance cell, Insurance Awareness camp, Harmonize Call Centers, Reinvest in client service are used to

propose enhancements to define the prospective approach. A meticulously monitored insurance industry which moves with the times by offering its customers tailor-made products to gratify their financial needs is, therefore, indispensable for progressing towards a worriless outlook. Insurance industry contributes to the financial sector of an economy and also provides an important social security net in developing countries. The consistent sub-optimal performance of this sector in India from independence through the 1990s has led to different sets of reforms, with each model adopted focusing on distinct competitive strategies. Insurance in India has full hurtle phase.

It has shown maximum growth rate of 56.99 % in 2006 in world after Liechtenstein (61.58%). This study identifies the latest development of insurance in India in comparison to abroad & also signifies Various Opportunities and the Challenges with which the sector was reformed in 2000 to conclude that only in the last decade. Human-resource management is undergoing a massive transformation that will change career paths in as-yet uncertain ways. Employers are placing greater emphasis on business acumen and are automating and outsourcing many administrative functions, which will force many HR professionals to demonstrate new skills and compete for new, sometimes unfamiliar roles.

#### Review of literature

**Kotler and Bloom, 1984; Kotler, (2000)** mentioned that insurance business falls under the ambit of services and is widely used as a method of risk transfer. Services are benefits, which are sold to customers or clients such as hospitality, transport, and education. Service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product Insurance can be considered as a product evidenced by the policy document and as a service in terms of the benefits (services) rendered by the insurance companies and their intermediaries.

**McGrath, Medlin and O'Toolec (2017)** perceived that start-ups are firms with resource deficit and have limited development. The key concept for start-ups is the business network which activate and improve the relationship with other firms. The study discusses how the managers have the capability of improving the network, as the managers can accept whether business relationships are important, and if they should adapt or adjust in the business networks

**Rajat Shuvro Bakshi (2002)** in his study attempts to know the theoretical concepts and examines the post liberalization Scenario in the existence of Insurance Regulatory and Development Authority and the strategies for the future must be based on customers, as the customers are the major driving force for the private players and is not easy to achieve especially when insurers are preparing themselves up for a competition. Insurance premium in India accounts for mere 2-3% of Gross Domestic Product and percentage of savings is barely 5.95% in India. The factors discussed in the study is to retain the customers, in spite of private entry are strong distribution network, strategic selection of segments, reputation, creditability and financial stability. As per Financial Times, May 14, 2002, Company records to the extent of 23 million numbers of Policies sold, compared to other private companies.

**Meyr and Tennyson (2015)** provide the first investigation of information markets as a reaction to deregulation of product forms in insurance markets. The article included the case of Germany, where insurance product ratings entered the market after relaxation of product regulation in 1994. The ratings' potential for enhancing the performance of a deregulated insurance market is analyzed by considering both market structure and governance characteristics of the rating market.

#### Statement of the problem

Many innovations have been taking place in the mutual fund sector which provides various benefits. This study aims at analyzing the factors that influence the investment decisions with regards to mutual funds and the retail investors perception and awareness towards Mutual funds.

### Objectives of the Study

- To study the innovations in Mutual funds.
- To find out the motivating factors that encourages the investors to invest in mutual fund industry.

### Scope of the study

This discussion is limited to the certain select motivating factors and its effect on innovations in mutual funds,

### Research Methodology

• **Research design:** - For obtaining complete and accurate information, descriptive research is chosen. Descriptive research includes surveys and fact finding enquiries of different kind

• **Research approach:** - sourcing secondary data

• **Data source:-** The data used for the study is secondary data which is the data collected for the purpose of study from secondary sources such articles, bulletins, news dailies and surf engines.

• **Sampling area:** - GHMC Limits, Hyderabad

### Limitations of the study

- Only secondary has been chosen for the study
- The study has not been conducted over an extended period of time considering both market ups and downs. The study could not capture such situations.
- The study is limited to Hyderabad only. Therefore the inferences cannot be generalized.
- Reducing the cost of transactions and developing valuation and pricing mechanisms of insurance services.

- Developing the accounting framework of insurance activity in line with international standards.
- Developing rules and procedures regulating different insurance services.
- Focus on insurance of SMEs and micro insurance in co-operation with expert institutions
- New legislation to be developed in the insurance sector; including the issuance of private and optional pension funds law and medical care companies' law, finalizing a policyholders' protection fund, while issuing legislation and standards necessary for performing micro insurance.
- It was established to enhance supervision of non-bank financial institutions, including insurance companies, develop regulatory coordination and increase efficiency. Developing rules of supervision on insurance companies operating

Finally, the fight against poverty through financial inclusion and socio-productive innovation is based on certain assumptions. Firstly, that the majority of the rural poor have insufficiently exploited economic potential. Secondly the barriers preventing the realization of this potential must overcome. And, third, that coordination and integration between social policies and productive development must be improved. The following section describes some examples of these challenges.

India is a highly populated country and would continue to be so in the near future. It has vast untapped insurance potential as barely 6% of India's insurable population is insured. During nationalization, the performance of insurance industry as compared to the population was

much below the expectation so; this vast untapped potential needs to be tapped by the emerging life insurance companies. Today, India has a huge working population that is growing and the companies just need to reach out to this population. Insurance companies, by the nature of their business, are risk averse. The insurance industry is a labor-based business and is growing multifold.

### Innovations in insurance sector

- The industry has been spurred by product innovation, vibrant distribution channels, coupled with targeted publicity and promotional campaigns by the insurers
- Government approved the ordinance increasing FDI limit in Insurance sector
- The insurance industry is expected to reach US\$ 280 billion by 2020. In 2016, around 46 private players were operating in the industry, while Life Insurance Corporation accounted for 72.61 per cent of the country's insurance market.
- launch of the country's 1st life insurance chatbot which will help the customer as a financial guide to aid them to choose the most suitable plans befitting their needs. Growing market share of private players □ Focus on providing one kind of service help insurance companies in differentiation
- Higher personal disposable incomes would result in higher household savings that will be channeled into different financial savings instruments like insurance and pension policies
- the government introduced an insurance pension scheme that gives an assured return of 8 per cent for senior

citizens through LIC to concentrate on social security.

- Revival package by government will help companies get faster product clearances, tax incentives and ease in investment norms
- Research Opportunities for Indian insurance market Low-income urban and pension markets Crop insurance Motor insurance markets Micro-insurance Health insurance markets

### Establishing micro insurance

1. Fulfillment of corporate social responsibility
2. Increase brand recognition to boost market entry –today's micro clients maybe tomorrow's high-premium clients
3. To target untapped markets and income groups of rural India Key strategic decisions
4. The micro insurance business model must be separated from business model
5. Selling micro insurance would require new, alternative distribution mechanisms The micro insurance business model
6. A special micro insurance team called the Rural and Social Team is formed
7. Identify and partner with credible NGOs operating in the local community
8. NGO suggests good agents for micro insurance policies (micro-agents)
9. A group of micro-agents called a Community Rural Insurance Group (CRIG) is formed; it relies on direct marketing of micro insurance policies to local community members

10. Local operations like collecting and aggregating the premiums, training micro-agents, and helping to distribute benefits looked after by the NGO

### Conclusions

Insurance business in India needs a special care as compared to other business. This industry is going to face more challenges due to change in economy and employment. More no of players around the world have planned to enter into India looking to the potential available here. Probably understanding the customer expectation and attitude for this product is the important. There is time to re-engineer the business model. The industry has been spurred by product innovation, vibrant distribution channels, coupled with targeted publicity and promotional campaigns by the insurers would help them enhance the awareness level.

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