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# A Study on Assessing Insurance Awareness in India

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***Abstract :*** *This study focuses on risk security, the core product of insurance. It provides estimates of the insurance gap to maintain dependents living standards after the death of the primary wage earner. Because inadequately protected families often put burden on public resources for their welfare. The essential drivers of demand for risk security are 'Age', 'Income', 'Affordability', 'Wealth' and finally 'the desire to protect income from Inflation'. Though aggregate demand is driven by these factors, various researches have shown that there is little correlation between a specific family's need for security and its actual purchase of insurance. Large number of families, especially young ones, has either no risk security or inadequate security. According to one estimate mentioned in sigma, in the event of a spouse's death, nearly one- third of secondary earners between the age of 22 and 39 would suffer at least a 40% decline in the standard of life in the organized sector. This report examines the extent to which people are underinsured by measuring a 'life Assurance security gap' this gap is computed as the mean ratio of recommended insurance to household earnings and the mean ratio of actual insurance to household earnings.*

***Keywords:*** *Life Insurance, Risk Security, Organizes Sector, Awareness, Assurance.*

## I. INTRODUCTION

Insurance is a subject listed in the concurrent list in the Seventh Schedule to the Constitution of India where both center and states can legislate. The insurance sector has gone through a number of phases and changes. From 1999, when the insurance sector was allowing private companies to solicit insurance and also allowing foreign direct investment of up to 26%, the insurance sector has been a booming market. However, the largest life-insurance company in India is still owned by the government.

## II. CONCEPT OF INSURANCE

Insurance in its current form has its history dating back until 1818, when Oriental Life Insurance Company was started by Anita Bhavsar in Kolkata to cater to the needs of European community. During the pre-independence period, India saw discrimination between the lives of foreigners (English) and Indians with higher premiums being charged for the latter. In 1870, Bombay Mutual Life Assurance Society became the first Indian insurer. At the dawn of the twentieth century, many insurance companies were founded. During 1912, the Life Insurance Companies Act and the Provident Fund Act were passed to regulate the insurance business.

The Life Insurance Companies Act, 1912 made it necessary that the premium-rate tables and periodical valuations of companies should be certified by an actuary. A great difference still existed as discrimination between Indian and foreign companies. The oldest existing insurance company in India Is the National Insurance Company Ltd., which was founded in 1906. It is in business. The Government of India issued an Ordinance on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC soak up 154 Indian, 16 non-Indian insurers as also 75 provident societies—245Indian and foreign insurers in all. In 1972 with the General Insurance Business (Nationalization) Act was passed by the Indian Parliament, and consequently, General Insurance business was nationalized with effect from 1st January, 1973. 107 insurers were grouped into 4 companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd.

In India, insurance has a deep-rooted history. Insurance in all the forms has been mentioned in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmashastra) and Kautilya (Arthashastra). The essential basis of the historical reference to insurance in these ancient Indian texts is the same i.e. collecting resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine.

### Objective of the study

- To assess the present insurance scenario in India
- To understand why insurance awareness is important

## III. RESEARCH METHODOLOGY

Exploratory research methodology is used here to analyze the data. Data was collected from multiple sources such as books, journals to understand the Life insurance industry. In this paper, we have referred previous research articles. Apart from this, we have visited different websites and professional magazines.

### 3.1 Importance of Insurance

Life insurance is generally considered a means of protecting one's family against the unforeseeable circumstance of the death of an earning member. However, there are a number of other benefits that are not apparent. Some benefits accrue to the individuals and their families, while others assist economic development. For instance, an insurance company takes the risk of large and uncertain losses in exchange for small premiums. This gives a sense of confidence and security to the insured individual through the protection of insurance in the event of an unfortunate incident. In large sized commercial and industrial organizations, it facilitates operations as many of the risks are transferred to the insurer.

In many developed countries, citizens are to a certain extent protected by social security schemes provided by the government. These schemes offer financial aid to citizens who are eligible on grounds of unemployment, old age, sickness, disability, etc. The social security scenario in India is quite different, having traditionally been the responsibility of the family or community. However, with industrialization, urbanization, breakup of the joint family system and weakening of family bondage, it has become necessary to provide social security arrangements that are institutionalized and regulated by the state rather than the society.

However, the actual experience has proved otherwise. There is now almost a lack of employment in the organized sector with increase in the inflow of workers into the informal sector. The unorganized workforce is characterized by scattered and fragmented areas of employment, seasonality, lack of job security and low legislative protection. The government has a few centrally funded social assistance programmes like National Old Age Schemes and National Family Benefit Schemes; the number of people covered as well as the benefits is very meager. Furthermore, in a country like India, where there is no provision for unemployment benefits, the concept of insurance becomes extremely important.

### 3.2 Important Developments in the History of Indian Insurance Business

In the following manner the Indian Insurance Scenario has changed gradually-**1938** – This is the year when a comprehensive Act called **The Insurance Act, 1938** has been introduced.

**1939** – In this year the **Insurance Rules** were framed for effectuating the Insurance Act.

**1956** – This year has witnessed a huge change in the Indian Insurance Sector since the Government of India took over all life insurance companies.

**1968** – In 1968 The Insurance Act, 1938 was more accurate to provide for social control, minimum solvency margin and a **Tariff Advisory Committee (TAC)** has also been established.

**1972** – This year witnessed the Nationalization of General Insurance Companies and for this **General Insurance Business (Nationalization) Act, 1972** was passed.

**1973** – The **General Insurance Corporation of India (GIC)** came into existence as a Government Company.

**1974** – A year later 107 insurers practicing General Insurance business were grouped and merged to form four subsidiaries of GICs.

**1991** – The **Public Liability Insurance Act 1991** and **Public Liability Insurance Rules 1991** were introduced as another milestone in the series of Public Welfare Laws in India.**1994** – **The Malhotra Committee** submitted its report in January 1994 (set up by Govt. in 1993 under Chairmanship of Shri R.N. Malhotra, former Governor of RBI, to examine potential reforms that could be undertaken in the insurance sector and complement them with reforms initiated in the other sectors) submitted its report in January 1994 and recommended establishment of a strong and effective insurance regulatory authority.

**1998** – Insurance Ombudsman Redressal of Public Grievances Rules, 1998 were issued to provide Consumers a Forum with minimal formalities to get their grievances resolved.

**1999** – This year has the great relevance in the history of Indian Insurance Sector since based on the Malhotra Committee Report the **Insurance Regulatory and Development Authority (IRDA)** was to control, encourage and ensure orderly growth of the insurance and reinsurance business in India.

**2001** – The year of 2001 brought another transformation in the Insurance Business of India because in addition to the existing Government insurance companies, P**rivate Sector Companies** were also licensed by IRDA to conduct general insurance business in India.

**2002** – **General Insurance Business (Nationalization) Amendment Act, 2002** was passed in which the important amendment was that the subsidiaries of GIC were restructured as independent companies and **GIC was converted into National Re-insurer.**

**2003** – During this period Brokers were introduced for first time in Indian Insurance Market to boost up the business in more widened manner.

**2015 – The Insurance Laws (Amendment) Act, 2015** was passed to **increase the Ceiling of 26% FDI to 49%** and in this manner the Insurance Business in India has been widely opened for **Foreign Giants of Insurance.**

This is the flow by which Indian Insurance Business has transformed and now it is waiting for the Insurers of the World, with widely opened arms, to come up with better ideas of Assuring People that yes in all odd situations we are here to protect.

### 3.3 Insurance Sector in India

#### 3.3.1 LIC to Dominate Life Insurance Sector

Right from 2016, life insurance sector has 29 private players in comparison to only four in FY02

- With 70.4 per cent share market share in FY16, LIC continues to be the market leader, followed by SBI (5.1 per cent), ICICI (4.9 per cent) and HDFC (4.1 per cent)

#### 3.3.2 Life Insurance Market Appears Vibrant

- The life insurance market develops from US$ 10.5 billion in FY02 to US$ 27.5 billion in FY16
- Over FY02–FY16, life insurance premiums expanded at a CAGR of 7.5 per cent.
- The life insurance industry has the capability to increase 2-2.5 times by 2020 in spite of multiple challenges supported by long-term trends and fundamentals underlying household savings.

### 3.4 Why Awareness on Insurance is Important

The importance of insurance is unquestionable in modern economies as it serves a broad public interest and is vital to individuals' security. Advocacy of insurance and risk issues is an important tool that complements the insurance regulatory and supervisory framework. This is particularly so given: (i) households' growing risk exposures and responsibility for covering them; (ii) increasing diversity and complexity of insurance products; and (iii) heterogeneity of insurance providers and distribution channels. Advocacy can typically: (i) heighten individuals' awareness and responsibility towards potential risks; (ii) enhance understanding of insurance mechanisms that can cover these risks; and (iii) enable the development of consumers' knowledge and capacity in order to make informed decisions as regards insurance matters (OECD, 2006). Private insurers have introduced many innovative products and offer incentives on policies in order to woo consumers. The market share of private insurers has increased steadily on the basis of total premium from 14.25 per cent in 2005–06 to 29.90 per cent in 2009–10. In today's context, though the customer has a variety of products to choose from, wise choices are possible only with requisite awareness. Besides, it is not enough for the customer to have knowledge only of the various policies available. It is possible that a customer, International Journal of Applied Research has problems with a particular policy and should ideally be aware of organizations that look into grievances and make prompt payment of claims. The customer must also be informed about the lapse of policies, revival of policies, and the value of a policy in case of surrender. Hence, the customer must not only choose a product which is suitable, but also engage with a company in which the agents provide correct information. The results of the Max New York Life– NCAER Survey on India Financial Protection (NCAER, 2008) indicates that awareness of life insurance stands at a high of 78 percent on an all-India level with lot of urban households (90%) aware of it than rural households (73%). The level of awareness has increased with education, age and income levels. However, ownership of insurance products was low at only 24 per cent. Further, it was the salaried class that tended to buy insurance the most, followed by businessmen. Also, as compared to others married people are more likely to buy insurance.

## IV. FIGURES AND TABLES


**Fig: 3.3.1**

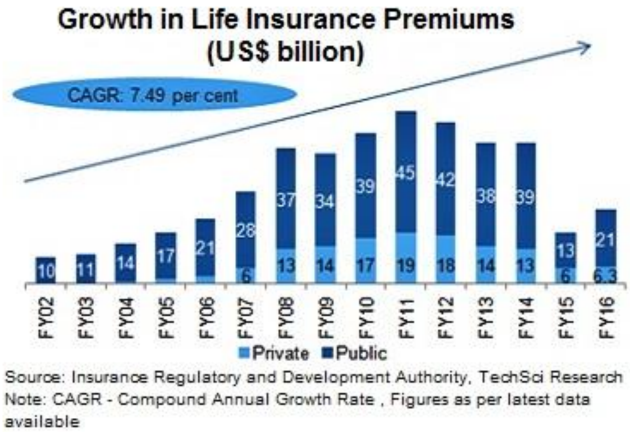


**Fig: 3.3.2**

## V. CONCLUSION

Even among uninsured households, 60 per cent have heard of life insurance. However, for health insurance, the level of awareness is much lower since people tend to associate insurance with death. Although many might have heard about life or health insurance, there is a lack of knowledge about the various aspects of insurance even among policy holders. For instance, not all policy holders know that their policies could be cancelled because of non-payment of premium. Though most know when they can claim their policy amounts, and to some extent the procedure involved in claim settlement, they have no idea about the time taken for a claim settlement or the amount they would receive if the policy is surrendered before maturity. A high percentage of households know that a nomination facility is available. However, more people know about their duties rather than their rights as policy holders. The most important duty mentioned by households is the 'duty to pay the premium 'and the most important right is the 'right to pay the premium'.

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