A STUDY ON RISK MANAGEMENT TOOLS AND TECHNIQUES IN LIFE INSURANCE INDUSTRY IN INDIA

Dissertation Submitted to

The IIHMR University, Jaipur

for the partial fulfilment for the award of the degree of

Master of Business Administration (MBA)

In

Hospital and Health Management/Pharmaceutical

Management/Development Management

By

Dr TRAPATI BHARGAVA

Under the Supervision and Guidance of

Dr VARSHA TANU

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DECLARATION BY STUDENT

I hereby declare that this dissertation titled **A Study on Risk Management tools and techniques in Life Insurance Industry In India** is the Bonafede record of my original research work. I declare that it has not been submitted to any other university or institution for the award of any degree or diploma. Information derived from the published or unpublished work of others has been duly acknowledged in the text.

Trapati Bhargava
Name of Student: Trapati Bhargava
Date: 06/06/2023

CERTIFICATE

This is to certify that DR. TRAPATI BHARGAVA in partial fulfilment of the requirements for the award of the degree of MBA Hospital and Health Management from the IIHMR University, Jaipur has successfully completed her internship at PNB METLIFE INSURANCE COMPANY during MARCH 3 – JUNE 3, 2023.

PLACE: Gurgaon | Ravi Mishra

DATE: 06/06/2023 | PNB MetLife Insurance Company

CERTIFICATE

This is to certify that dissertation titled **A Study on Risk Management tools and techniques in Life Insurance Industry In India** is a record of the research work undertaken by Dr Trapati Bhargava in partial fulfilment of the requirements for the award of the degree of MBA Hospital and Health Management from the IIHMR University, Jaipur under my guidance and supervision and her approach to the research study has been sincere, scientific, and analytical.

Dr Varsha Tanu
Date: 07/06/2023

Dr Mahender Kumar
Date:07/06/2023

TABLE OF CONTENTS

ABSTRACT

Insurance as a financial product and an instrument has gained massive traction since the last 3-4 years. This is primarily due to strike of covid, massive digital adoption leading to ease of issuance and ease of information access due to increased financial literacy owing to internet adoption.

A massive number of public and private sector insurers are building models and underwriting engines to serve the massive scale of the Indian population. With current insurance adoption not even at 25% of the population there is a huge scope of market expansion for multiple insurance products (life, motor, etc.).

With the above being the strong undercurrent that is driving a massive growth in the insurance industry as a whole, there is a need for prudent risk models to account for the demographics that India put forth. This is a huge undertaking because no standard risk model can cover the demographics in general. This puts the simplicity of the insurance product at scale that might hamper adoption insurance.

This thesis is aimed at studying the current insurance landscape of India, the existing players and their strategies. We will also analyze how insurance as an industry has evolved. And finally, we will create a basic underwriting engine to analyze profiles for life insurance of about 200 individuals.

This will cover the complete risk analysis value chain of the industry along with the proposed modelling

INTRODUCTION

1.1 Overview: In this chapter, we go over the research's overview, historical context, problems, and goals as well as its purpose, research issues, significance, and organizational structure.

1.2 Area of the Study's History

There are 28 active life insurance firms in India, and they are expanding at a pace between 16 to 27 percent. As a result, India has a sizable insurance industry, and insurance services, along with banking services, contribute around 7% of the nation's GDP.

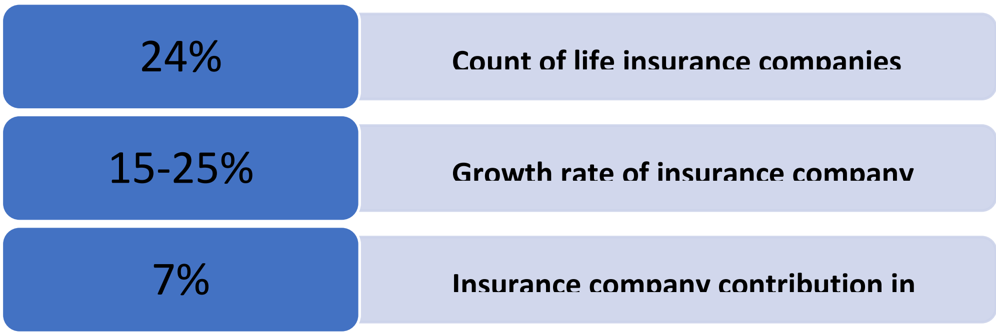

Figure 1.1: Insurance: Key statistics

Any country can benefit from a rapidly growing and well-developed insurance industry because it fills the need for long-term capital that can be used to develop the infrastructure of the country while posing the least amount of risk. Although it is almost certain that there will be more deleveraged financial systems and significantly altered regulatory frameworks as economic scenarios become more complex and chaotic.

What are the top priorities that insurers should set in this fast-paced environment, taking everything into account? If adjustments are made to enterprise risk management (ERM) and asset/liability management (ALM), businesses can survive the current crisis and emerge even stronger. In addition to providing a framework and recommended risk management techniques, this study focuses on how the insurance industry is changing.

With 139 million policies, India is the world's largest life insurance market. Over the next five years, it is expected to grow at a CAGR of 13 to 16%. Insurance penetration in India increased steadily from 2.9% in 2021 to 5.2% in 2022 and 3.2% in 2023, according to the Economic Survey 2022-23, which was released on January 31, 2023.

From its current size of US$ 37 billion, the country's insurance market is anticipated to quadruple in size over the next ten years. The life insurance market is predicted to surpass US$ 60 billion during this time.

Untapped commercial potential exists in the Indian insurance market, which needs to be taken advantage of. Less than 2% of the world's total insurance premiums and only about 3% of the world's life insurance premiums are paid by India, the second-most populous country. With respect to premium volume, the nation currently holds the fifteenth-largest position in the world, and future growth is expected to be significant. Over the past few years, the life insurance sector has experienced significant growth. It now trails banks in terms of mobilized savings but still contributes significantly to the capital market.

The life insurance sector has seen phenomenal growth over the last few years. In terms of mobilized savings, it now comes in second place to banks and makes a significant contribution to the capital market. The life insurance sector is responsible for managing more than Rs 34,000 crores in deployed capital, more than Rs 33,11,286 crores in assets under management, and more than Rs 3,88,890 crores in infrastructure investments.

The sector of life insurance has witnessed immense growth in the past few years. Today, it is second only to banks for mobilized savings and forms a formidable part of the capital market.

The life insurance sector controls:

* More than Rs. 35, 782 crores of deployed capital
* Over Rs. 24,01,386 crores of managed assets
* Investments in infrastructure exceeding Rs. 2,95,940 crores

Another indication of the sector's growth is its infrastructural strength.

Today the life insurance sector comprises of:

* Over 11,091 branches
* More than 20.07 lakh agents
* 2.45 lakh direct employees and growing significantly
* 32.52 crores In-force policies

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The strength of the infrastructure is another sign of the sector's expansion. Currently, the life insurance industry has more than 12,222 branches, more than 22,00 lakh agents, 1.54 lakh direct employees, who are rapidly increasing, and 30,50 crores of active policies.

The following are some of the major investments and developments in the Indian Life insurance sector. Life insurance industry in India has seen some significant investments and developments, some of which are listed below.

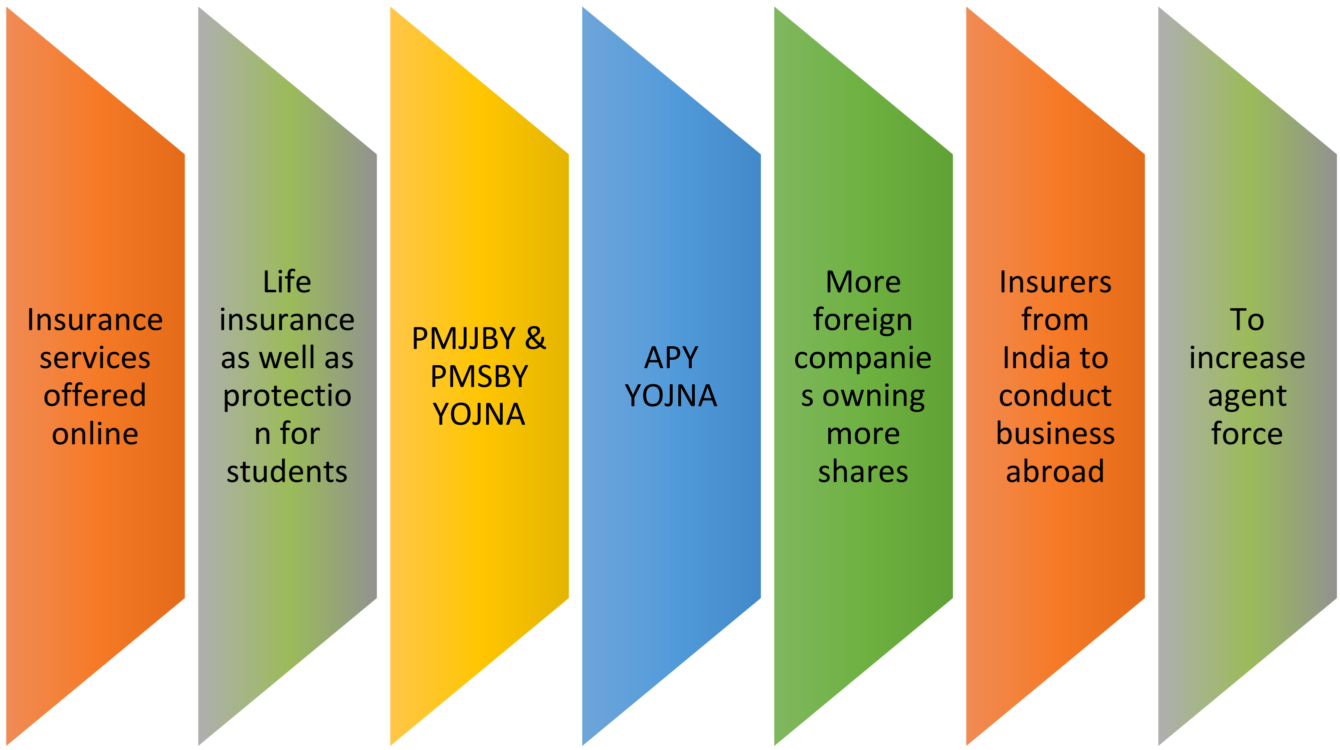

Figure 1.2 Key developments in insurance industry

It will be simpler to obtain a license for online insurance products by collaborating with the Insurance Regulatory and Development Authority of India (IRDAI).

It is intended to launch the Unified Package Insurance Scheme (Bhartiya Krishi Bima Yojana), a comprehensive insurance program for farmers that will be implemented by the Central Government. Among the elements of the proposed program that will be included are insurance for students' safety, life insurance, crop insurance, health insurance, personal accident insurance, insurance for live animals, and insurance protection for agricultural machinery like tractors and pump sets.

To promote enrolments in the Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), the government sponsored the Suraksha Bandhan enrolments drive, which included the sale of gift checks and the introduction of deposit programs in bank branches.

To increase the subscriber base and ensure a broader reach, the Central Government has loosened a few rules for its flagship insurance program, Atal Pension Yojana (APY). These rules include more options for periodical contributions, voluntary and premature exits, and simplified penalties for payment delays. Bennett Coleman and Co. Ltd. (BCCL), a media conglomerate that publishes in many languages and owns several periodicals in India, will purchase the entire 33% stake that Relegate Enterprises Ltd. Contributed to the joint venture Aegon Religare Life Insurance Co. Ltd. Because of the government's reform measures enabling the rise in stake holding by foreign corporations in the insurance sector, the foreign partner Aegon is prepared to increase its stake in the joint venture from 22 to 55 percent.

GIC Re and 12 additional non-life insurers created the India Nuclear Insurance Pool, which has a capacity of Rs 1,600 crore (US$ 118 million) and will serve as a risk transfer mechanism to the operators and suppliers under the CLND Act.

BNP Paribas Cardiff wants to raise its stake in SBI Life Insurance from 36% to 46%, according to the State Bank of India. When that happens, the foreign joint venture partner's ownership of the business will increase to 26%, decreasing SBI's ownership of SBI Life to 74%. The Life Insurance Corporation of India (LIC), the second foreign insurance company, has been granted permission to operate in Bangladesh.

Reliance Life Insurance Company (RLIC) declared today that it will hire 21,000 new agents throughout India during the current fiscal year to achieve its expansion goals. It will result in a 30% increase in their agency force, which is currently 110,000.

To support the insurance sector, the Indian government has launched several initiatives. These are just a few of them:

- Giving the poor and rural populations insurance protection.
- In accordance with the Union Budget for 2023–2024, one insurance program was introduced, and others were revised.
- Established a pool for insurance with a $1 trillion budget.

The Insurance Laws (Amendment) Act of 2015's Section 32 B made changes that prompted the creation of the IRDA (Obligations of Insurers to Rural and Social Sectors) Regulations, a draft regulation. These regulations require insurers to offer insurance coverage to those who reside in rural areas and in less stable economic situations. In accordance with the Union Budget 2015–16, the Government of India has introduced two insurance programs. The first one is the Personal Accident Insurance Scheme, also referred to as the Pradhan Mantri Suraksha Bima Yojana (PMSBY). The second is the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), the federal government's life insurance program. Both programs provide basic insurance at affordable rates and are easy to get through several public and private organizations.

A toll-free helpline for services in banking and insurance created specifically for farmers, by the government of Uttar Pradesh is a first of its kind. The percentage of foreign equity investments in insurance companies was increased to 60% by the Rajya Sabha Select Committee.

To lessen the financial burden on foreign nuclear providers, the Indian government established an insurance pool worth Rs 1,300 crore ($306 million) in accordance with the Civil Liability for Nuclear Damage Act (CLND).

Ahead of us Growth in the population who can be insured. Favourable demographic factors, regulatory changes, and life insurance as a key saving tool.

A 74-year life expectancy and 680 million or more people expected to be insurable in India in 2022. Additionally, it is predicted that by the end of this decade, life insurance will make up 43% of all savings, up from 33% in 2021–2022. Given the numerous legislative changes that will further alter how the sector functions and engages with its customers, the future appears bright for the life insurance industry. The expansion of Indian life insurance will be aided by demographic factors such as the expanding middle class, the young, insurable population, and the rising demand for protection and retirement planning.

Indian Insurance Companies' current financial profiles-

Life insurance is the sector of the economy that is expanding the fastest in India. Since 2000, the government has allowed private companies and FDI to participate up to a maximum of 33%; most recently, the Cabinet approved a plan to raise the cap to 59%. Life insurance in India was made nationalized in 1956 with the establishment of the Life Insurance Corporation (LIC).

Every private life insurance company was then acquired by LIC. The strict rules established by the Insurance Regulatory and Development Authority of India (IRDA) must be followed by all Indian life insurance providers.

The industry continues to be dominated by the enormous state-owned Life Insurance Corporation of India (LIC). Private companies have produced ULIPs (Unit Linked Investment Plans), which offer life insurance as well as flexibility for savings or investment options at the consumer's discretion.

The life insurance providers listed below are those that the IRDA has registered.

a) Aegon Religare Life Insurance Company, Ltd.
b) Aviva Life Insurance Company of India Ltd.
c) Bajaj Allianz Life Insurance Company, Ltd.
d) AXA Life Insurance Company of India, Ltd.
e) Birla Sun Life Insurance Company, Ltd.
f) Canara Oriental Bank of Commerce Life Insurance Co.
g) DHFL Pramerica Life Insurance Company, Ltd.
h) The Edelweiss Tokio Life Insurance Co.
i) Exide Life Insurance Company, Ltd.
j) Future Generali India Life Insurance Company, Ltd.
k) HDFC Standard Life Insurance Co. Ltd
l) ICICI Prudential Life Insurance Company, Ltd.
m) IDBI Federal Life Insurance Company, Limited
n) Insurer India First Life Insurance Co.
o) The Kotak Mahindra Old Mutual Life Insurance Company Ltd.

p) Life Insurance Corporation of India

q) Max Life Insurance Co. 18.PNB Met Life Insurance Company of India, Ltd.

r) Reliance Life Insurance Company, Ltd.

s) Sahara India Life Insurance Co. 21.SBI Life Insurance Company, Ltd.

t) Shriram Life Insurance Company, Ltd.

u) Star Union Dai- Ilchi Life Insurance Co.

v) Tata AIA Life Insurance Company, Ltd.

1.3 Regulatory Framework

The Indian insurance industry is governed and developed by the Insurance Regulatory and Development Authority (IRDA), an independent, high-level statutory body. It was created by an act of the Indian Parliament, the Insurance Regulatory and Development Authority Act, 1999, which the Indian government duly approved. In 2001, the agency relocated its headquarters from Delhi to Hyderabad, Andhra Pradesh,

1.4 Profile of Risk for Insurance Companies

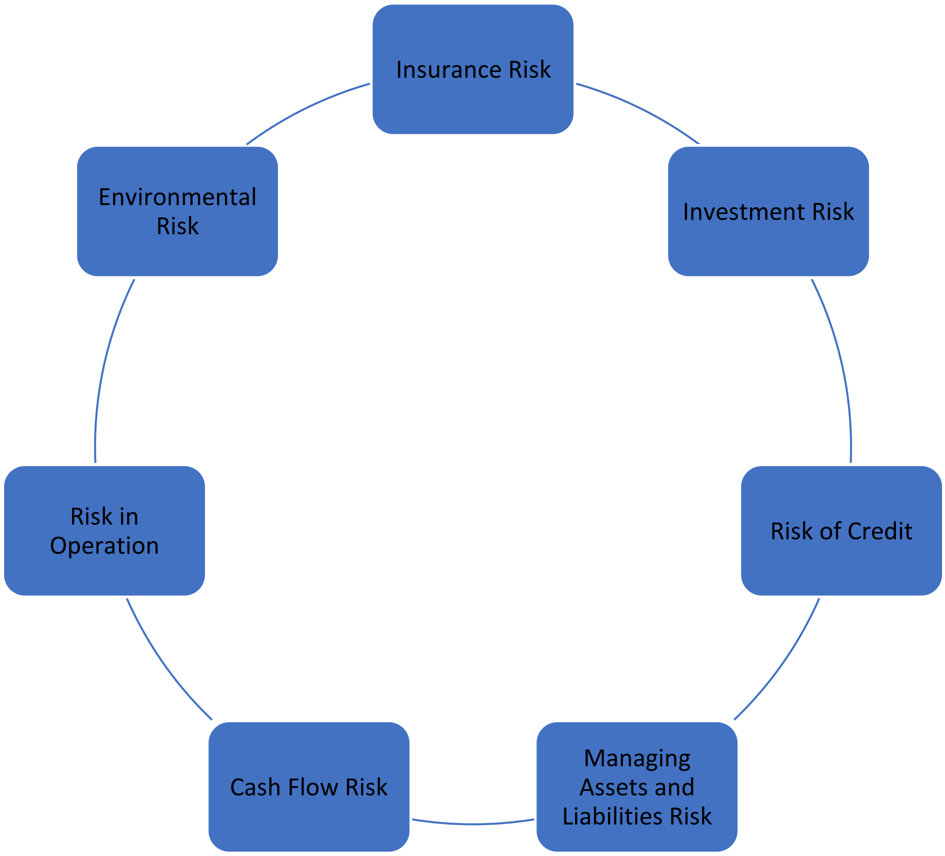

Figure 1.3 Insurance Risk: Different areas

The risks listed below would be covered by an insurance company's risk profile: Risks in the following order:

(1) Insurance Risk

(2) Investment Risk

(3) Risk of credit

(4) Managing assets and

(5) Cash flow risk

(6) Risk in operation

(7) Environmental Risk

Insurance Risk: A life company runs the risk of suffering financial loss and ultimately being unable to fulfil its obligations if the product design, pricing, underwriting, claims management, and reinsurance management are inadequate or improper.

Following are the main elements of insurance risk:

The kinds of risks (death, disability, etc.) that are underwritten are.

a. Risk in product design.
b. The nature of any "options" or "guarantees" that are provided.
c. Guarantees: participation in annual and/or final surplus, minimum guaranteed interest rate, etc. Options include paid-up options, resumption options, guaranteed annuity options, dynamic premium adjustment options, etc.

Underwriting risk: A life company may be exposed to the risk of accruing claims that are higher than the level assumed in pricing due to shortcomings in the underwriting procedure and the types and levels of controls and systems. The long-term viability of the life company might be compromised as a result.

1.5 Chosen Risk in Life Insurance

Life insurance companies have long recognized that certain population characteristics cause some groups to exhibit better mortality rates than others. Women typically outlive men when all else is equal; smoking is unhealthy and has a negative impact on mortality. However, life insurers pick applicants with average risks and provide the best premium discounts via official preferred programs. Companies used to offer a single premium rate for each age and sex cohort (some with discounts for non-smokers) prior to the introduction of preferred programs. If a 45-year-old male was eligible for coverage, the price was the same as it was for other 55-year-old men. The sector's risks were then pooled, with those with higher mortality paying for those with lower mortality. Preferred programs have decreased premium cross-subsidization by more closely matching insured pay rates with their risk profile.

1.6 Assessing Risk

Through several human activities, including risk assessment, risk management is a structured method of addressing threat-related uncertainty. The following are some of the risk management strategies:

A) Avoid taking the risk.

B) Lessen risk's detrimental effects.

C) Assuming all or a portion of the risk's loss, cost, or consequence

Financial risk management focuses on risks that arise from financial sources, as opposed to some traditional risk management systems that concentrate on risks that arise from physical or legal causes (natural disasters, fires, accidents, death, litigation, etc.). Risks that the product can be used to manage are the focus. Risk management aims to bring the various risks connected to areas to a level that is deemed acceptable by society. Threats posed by the environment, technology, people, organizations, and politics all fall under this category. On the other hand, it refers to all the tools at people's disposal, particularly the risk management division (people, employees, and organizations).

Some Explanations

The ideal risk management model is one that prioritizes risks first, then deals with risks that have the highest losses and highest probabilities of occurrence first, and then deals with risks that have lower losses and lower probabilities of occurrence. It entails managing risks. order. Although it appears to be straightforward now, the process can be very challenging. Prioritizing risks and probabilities, such as trade-offs between high-probability, low-loss risks and high-loss, low-probability risks, is a major source of confusion.

Risks that have a 100% chance of happening are occasionally disregarded by organizations. Because they fail to understand this risk, organizations take this action. Such a scenario could be risky for the organization. Certain intangible risk categories are always present, including, knowledge risk due to ignorance. Relationship risk is created by ineffective connections. When employing ineffective operational processes, the risk of process involvement can be a problem. These risks directly lower cost effectiveness, productivity, service quality, standing, brand value, and revenue value as well as the effectiveness of knowledge resources. By identifying and reducing risks that reduce efficiency, intangible risk management enables risk management to produce immediate benefits. Asset allocation problems are dealt with by risk management. There is a cost associated with resource mapping mistakes. The money used for risk management could have gone toward more lucrative endeavours. Therefore, using risk management tools themselves poses a risk to the organization when the cost of doing so exceeds the cost of loss. Therefore, a perfect risk management strategy should have a low cost and a high level of risk reduction.

Risk management steps include:

1. Determine Content
2. Identification
3. Assessment

Establish the context

- a — a risk assessment of the chosen research area.
- b — Preparing for the remaining steps
- c — The following is mapped out.
- d — 1.Risk management's social dimension
  2.The characteristics and goals of stakeholders
  3. Constraints are the foundation on which risks will be assessed.
- e — Establishing an activity's framework and a schedule for identification
- f — Creating a risk analysis for the procedure
- g — Risk reduction using the organizational, human, and technological resources that are currently available

Identification of potential risks comes after context-setting. A risk is simply an occurrence that results in issues when it occurs. The root of the problem, or the problem itself, is where risk identification starts. Therefore, causal analysis and problem analysis are involved in identifying potential risks.

Table 1.1: Methods of Commonly Identifying Risks

Identification of risks based on objectives	Risk is defined as any circumstance that makes it more difficult, or impossible, to achieve an objective.
Identification of risks based on scenarios	Risk is defined as any occurrence that produces a potentially undesirable scenario alternatives.
Identification of risks based on taxonomies	A questionnaire is created using information from the taxonomy and best practices Risks are revealed by the responses to the queries.

Checks for common risks	Lists of known risks are available in several industries. It is possible to determine whether each risk in the list applies to a specific circumstance.
Risk Charting	Putting resources into a matrix and considering the risks to which they are exposed and the effects of each.

Assessment

To implement the risk management plan effectively, this action is essential. The likelihood and severity of the potential harm can be determined, though it may not be an easy task. For example, it is easy to determine the value of a destroyed building, but it is impossible to determine the likelihood that an unlikely event will occur. As a result, the main difficulty in risk assessment is determining the probability of an event happening in the absence of such historical data. In addition, it can be difficult to assess the severity of intangible loss losses. The information that is currently being provided as solutions to this problem is the main source of information. To make decisions, risk managers should prioritize risks and assess the most significant ones first. There are many theories for calculating risk, but these are the most popular: Risk equals occurrence times event impact The frequency of risk evaluations, not the formula used to calculate them, is what counts.

1.7 Issue with Statement

The study's weakness is the dearth of empirical data on the risk management strategies and tools used in the Indian life insurance industry. However, Harrington and Niehaus' (2004) book Risk Management and Insurance provides a summary of significant life insurance and annuity products suitable for lower- and middle-class customers, and many academics are interested in the related field. I'm doing research to find out more about the prices and tax breaks for these goods. Gupta, PK (2008) examines various aspects of insurance as well as the components of risk management that go along with it in his book Insurance and Risk Management. The book also includes a comprehensive comparative analysis of how cost-effective insurance is. Inderjit Singh (2009) examines various aspects of India's privatization in his book Insurance and Risk Management insurance department. Describe different risk-based capital management techniques. This has increased interest in risk management among the life insurance industry.

India's life insurance sector, like those in other cities, strives to provide high-quality insurance to lower risk and improve customer service. With numerous new branches opening, the life insurance market in India has become extremely competitive over the past ten years.
Below is a list of life insurance providers in India:

A) Bajaj Allianz Life Insurance

B) India's Life Insurance Corporation

C) Birla Sunlife Insurance Co., Ltd.

D) ICICI Prudential Life Insurance Co., Ltd.

E) SBI Life Insurance Company, Ltd.

F) Sahara Life Insurance, No.

There needs to be a greater understanding of the value of risk management in the life insurance industry. Thus, the following are the main issues raised by this study: There is a lack of publicly accessible empirical data on the Indian life insurance market.

1.8 The Study's Goal

The primary objective of this study is to develop risk management tools and procedures that life insurers can use to assess the risks that their first-tier clients are exposed to.

1.9 Main Objectives of the Research work

The following are the main points of this study's objective:

1. To examine the effectiveness of IRDA's risk management guidelines.
2. To assess the advantages of such measures in life insurance firms.
3. To determine the insurance companies' level of risk management.

The proposed research work's criticality

In essence, insurance is a system that divides losses incurred by a select few by many people exposed to similar risks. Rejda (2004) defined risk as the uncertainty surrounding the possibility of harm. By anticipating potential contingent losses, creating, and implementing procedures to lessen the likelihood of losses occurring and the financial impact of losses, risk management, according to Vaughan (2003), addresses pure risk. Rejda (2004) notes that for insurance to function effectively, the loss should not be catastrophic, and most risk units should not experience losses simultaneously. Depending on how well the insurer's risk management strategy is working, the level of difficulty will vary. The results of this paper give a glimpse into how risk management is currently being practiced in the Indian insurance sector. Clearly laid out risk identification Processes for analysis and risk reduction can help reduce risks related to insurers.

The gaps between the risk management practices currently in place and those that are necessary are identified in this paper. Using the paper, insurers can categorize potential customers. Customers in accordance with the insurance risks involved.

Scope

Risk analysis and risk management have become crucial during this stage of the Indian economy's liberalization. The challenge of comprehending and managing risk is currently the biggest issue facing the insurance sector. The insurance industry is by its very nature risky. Given that insurers are involved in risk management, their own risk management should be given top priority. The study's only participants are life insurance companies that work in the Indian financial industry. Also included in the survey are Rajasthan's biggest life insurance providers. The primary focus of this study is on these companies' internal controls, policies, and risk management plans. Since the establishment of a mandatory Risk Management Committee (RMC) was mentioned in a series of corporate governance guidelines published by the IRDA in 2010, risk management was chosen as the subject of the study. is. You can use this survey to find out if your business is compliant.

Along with being flawed and lacking elements from current risk management procedures, current risk analysis methodologies also fall short of IRDA guidelines.

2. LITERATURE REVIEW

2.1 Description

The idea of risk management, factors affecting risk management in the life insurance sector, a historical overview of the insurance sector, players and its evolution, a brief historical review of the insurance sector, and a chapter summary are all provided in this chapter.

2.2 The Growth of Insurance Industry

The practice of insuring one's property dates to the dawn of time, just as does the ingrained desire of modern businesspeople to safeguard themselves against unforeseen events. A sacrifice had to be made to achieve safety in another to avoid the negative effects of those accidents. Especially after the industrial age, which ended nearly 6000 years ago, concept insurance is a modern invention. source the following can be used to study how the insurance industry has evolved.

2.3 Concept of Insurance

The Dharmastra and Natyashastra (Yagnakaya and Chautilya), respectively, also provided explanations of insurance. Marine insurance was used in ancient times to guarantee the existence of insurance. Transport contracts and trade credits. However, with the founding of Oriental Life, life insurance as we know it today was introduced to India. Anita Babusar founded an insurance company in England in Calcutta in 1818. Customers in Europe are typically served by the business. But in 1834, this endeavour was a failure. Under the administration of President Madras, Madras Shareholders established a life insurance company in 1829. Then, in 1870, the UK Insurance Act came into effect, which sparked the growth of the insurance industry. Oriental (1874), the Indian Empire (1897), and the Bombay Mutual Life Insurance Society thirty years of the 19th century's final decade. At the Bombay Presidential Palace, these businesses began operations. The Foreign Insurance Office ruled this era. In 1912, the Indian Life Insurance Companies Act came into effect. The first legislative measure to control the life insurance industry. The passage of the Indian Insurance Companies Act of 1928 subsequently made this possible. The government's job is to compile statistical information on the life and non-life insurance transactions that take place inside the government. from an insurance provider in India. The previous laws were consolidated when the revised Insurance Act was passed in 1938. The Insurance Act of 1938 is what it is known as.

This law was primarily designed to safeguard and protect the insured's interests. comprehensive rules for the management of insurance company operations effectively and efficiently. Nationalization was declared on January 19, 1956, by C.D. Deshmukh, minister of finance. Congress can enact regulations to provide life insurance. Regulation is the source of life. On September 1st, 1956, the Insurance Corporation of India (LIC) was created through an acquisition. In total, there are 154 Indian insurers, 16 foreign insurers, and 75 utility companies. working in the Indian life insurance industry. Insurance was monopolized by LIC. Up until 2000, when the insurance industry was opened to private businesses, it was treated as a corporation.

The Malhotra Commission was established in 1993 and presided over by the Indian government. The following goals have been established by former RBI Governor and Treasury Secretary R.N. Malhotra: the insurance industry should be reformed in accordance with recent economic changes. Committee It submitted a report in 1994 urging the construction of special facilities. Insurance industry regulation and privatization.

The Malhotra Commission's recommendation was adopted by the Indian government and incorporated into the December 1999-introduced Insurance Regulatory and Development Authority (IRDA) bill. As the statutory authority, it created the Insurance Regulatory and Development Authority (IRDA). In April 2000, a self-governing body was established in India to oversee the insurance sector. the creation of the IRDA provides access to the Indian insurance market for private businesses. The updated Insurance Act, which consolidated the earlier legislation, was passed in 1938. The Insurance Act of 1938 is what it's called.

The primary goal of this law was to safeguard and protect the interests of the insured. comprehensive rules for the management of insurance company operations effectively and efficiently. Deshmukh, the minister of finance, announced the nationalization on January 19, 1956. Congress can enact regulations to provide life insurance. Regulation is the source of life. On September 1st, 1956, the Insurance Corporation of India (LIC) was created through an acquisition. In total, there are 154 Indian insurers, 16 foreign insurers, and 75 utility companies. working in the Indian life insurance industry. Insurance was monopolized by LIC.

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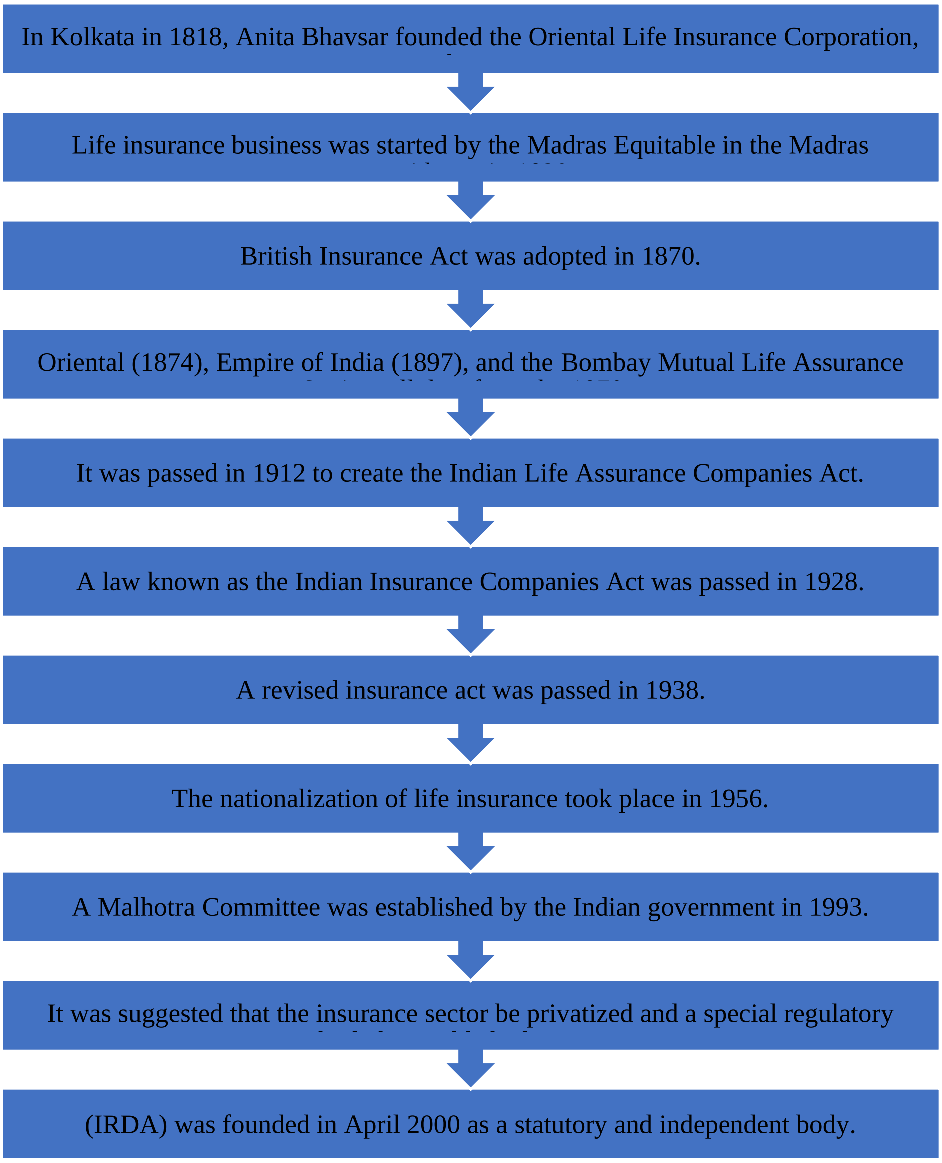

Figure 2.1: Chronology of insurance as an industry

Table 2.1: List of literature reviewed for the research

Researcher	Topic	Publish	Description
M.K. Khan.	"Prospects of a Career in Life Insurance Business in India - An Analysis"	Indian Journal of Marketing, Feb. 1978, Volume 7, No. 6, Pages 23–31	Learn about the possibilities and outlook for a career in the life insurance sector. He defines a good career and describes what a good career entails. The sale of life insurance products must be the primary goal. There is no upper age limit or prerequisite knowledge needed Professional experience professional and able to open doors for character development. There is no substitute for the work done; the relationship with customers in a life insurance agency is permanent. A persistent server that is convenient for clients is another point he makes for life insurance agents.
M. S. Dorfman	"Introduction to Insurance"	Insurance New Jersey, Second Edition, Prentice Hall, 1982	Explain the fundamentals and the various types of insurance, including life, fire, and marine insurance. All life insurance fundamentals are covered in detail.
Kenneth Black Jr. and Huber S.S.	"Life Insurance"	1982's Tenth Edition of Prentice Hall's Insurance N.J.	The Calculation of Prices for Different Products Aspects of insurance companies' marketing and organizational structure You can learn more about the business from me.
Seetharamanah	"Fluctuations in new business"	Yogakshem a, December 1982	Determine the cause of the high concentration. A new business has started in the last few months of the year. He proposed measures to stem the year-end rush.
A. Parasram, V. A. Zeithaml, and L. L. Berry.	An abstract model of service quality and the research implications"	Fall edition, Journal of Marketing, Vol. 48, pp. 41–50.	Five factors: Trustworthy aptitude for this Offering performance that is dependable and precise, responsiveness - readiness to assist clients and offer dependable assistance and safety inspires empathy and compassion, as well as trust and confidence. Personalized property and customer service.
Rajkumar	"The Role of Insurance Advertising"	Indian Journal of Marketing, Volume 15, Number 2, July 1985, Pages 21 to 23.	The purpose of advertisements is to persuade the consumer who is viewing them. Purchasing power is limited, but it appears to be working by informing people about gear inertia and the image enhancement market, educating them, and providing staff support. Pre-tests have revealed that most wealthy people suffer from misunderstandings when it comes to the insurance sector. He

			discovered these things while working with an insurance provider: Life insurance companies' treatment of their customers. Everything is unfair.
Sneha Ayyar V.	“Product Development”	Yogakshem a, July 1986, P.	Various topics, including the significance of new system development and various issues, were discussed in relation to the formulation of new guidelines. Start a new system company by getting involved in its development. He made a point of the necessity of incidental benefits, such as those for disasters, disabilities, and hospitalization.
Mr. Rajan Saxena	“Marketing of Life Insurance Services”	“Marketing of Life Insurance Services”	We go over a lot of life insurance-related topics. The author stresses how vital life is. Discuss various insurance tactics life assurance
Mr. N. Mishra	“Appraisal of Marketing Strategies of the Life Insurance Corporation of India”	Indian Journal of Marketing, Vol. Xvii, No. 6, Feb 1987, P. 25- 31.	Evaluation of life insurance strategy company. When reviewing strategies, The author felt that life insurance existed before 1960 The company didn't pay much attention to it Customer satisfaction goal, but since 1980 Since then, the company has acquired several companies Corrective actions to improve customer satisfaction Improve service and increase customer satisfaction
Ashley Deb Roy	“We Care for our Customers”	April 1987, YogakshemA, P. 4.	The nature and significance of better policyholder customer service have been investigated and put into practice. Highlighted the necessity of high-quality service. There are specific instructions for each step. Life insurance companies improved customer service by implementing training programs. The business does this to its representatives, employees, and when opening new branches, adoption of computers in the offices of insurance companies.
N.C. Venkatesh	“On the Trail of Better Service”	Yogakshem, November 1987, P. 28.	Better policies were discussed as a necessity. giving customers individual attention and emphasizing the value of satisfaction Policyholder
A. Parasram, V. A. Zeithaml,	“Multiple-item scale for measuring	Journal of Retailing, 64(1), 12-40.	We demonstrated how to quantify service quality as follows: Inconsistencies between what is expected and what is perceived5 dimensions of service.

and L. L. Berry.	consumer Perceptions of service quality”		
Appa Rao Machiraju and B.S.R. Rao	“Life Insurance and Emerging Trends in Financial Services Market”	1988, P. 25 of YogakshemA.	Brokers of life insurance ought to provide more Financial Professional Level Service. The authors thought that the economic climate was shifting. Scenarios enhance the customer service division of the business.
R. Han Raghunath,	“Population – Insurable and Insured”	Yogakshem a, February 1988, page	Review your insurance policy. We came to the conclusion that more self-enrolments were necessary as the insured population grew. Farmworkers and employees are referred to as tapped. The author has provided constructive criticism. Create a new group-satisfying system.
The V.V. Patki	“Rural Marketing”	Yogakshem a, May 1988, p.	Talked about the issues with selling one's life The countryside was home to numerous insurance companies. initiatives to open rural markets. of This is a suggestion for taking part in and using the village festival. Description of the advantages and techniques of audio-visual insurance for villagers' lives
Shejwalkar, P.C.	“Training in Life Insurance Marketing”	Yogakshem a, August 1989, P. 27	Discussed the importance of using trained agents Expand life insurance business. he emphasized The current selection pattern for agents is: be changed. he gave his personal opinion on the matter Or you can invite an independent research institute Conduct agent training.
B. Kiribati	“Life Insurance Policy Holdings-A Study on Influencing Factors	Published Thesis, December 1991.	Know your level of consciousness and preferences Factors Affecting Insurance Portfolios And to test the relationship between Influencing factors and holding policies. the study We found that most respondents were aware of this Foundation Security Policy and

			is considered number one. the study He also revealed that there was an important
Seetharaman , M.	"Fluctuations in New Business"	Yogakshem a, December 1992, P. 24	Identified why new stuff takes a lot of work business at the end of the year. he I suggested some steps to overcome them. they are The half-year financial results were completed in September, Significant discounts on insurance premiums received For Q1, the following special discounts apply: Low Season Premium and Completion Promotion/secondment of the first civil servants A week in April.
Bitner, Booms and Mohr	Critical Service Encounters: The Employee Viewpoint	Journal of Marketing, p. 97	According to relatives, service quality is defined as "the overall perception of customers of the superiority/inferiority complex organization and its services." Consequently, the service. Everyone's service business survival depends on quality.
George Hofested,	An item of national value is insurance.	As a good with broad appeal, insurance	The primary purpose of life insurance is to guard against financial loss caused by a fatality. It includes provisions for the risks of death, disability, and serious illness in addition to the risk of death. Consequently, life insurance evolved as a necessity for economic survival, whatever happens that has an impact on a person's income. A person's personality value is influenced by their skills. This could lead to an early demise.
Both Appi Reddy and G. Narasimha Murthy.	"Marketing of Life Insurance Services in Rural Areas"	Management Researcher, Volume 11, Numbers 3 and 4, January/June 1996, Pages 23–28.	Followed by difficulties in providing the services and the Life Insurance Company in rural areas. In addition to special promotional efforts like field publicity vans, film screenings, exhibitions, etc., the organization appoints development officers with responsibility in a designated territory (Trust with Trust). Despite ongoing efforts, the study found that only 4.55 crore people have insurance coverage against the 24-crore people who are insurable.
Vijayavan i, J.	"Cost Effective Distribution	The Indian Journal, P. 81, December 1998.	The techniques for enhancing distribution channels. The idea of flexible rebate programs for customers not only spreads insurance coverage but also draws in more clients. For various market

	“Channels of Life Insurance Products”		segments, she recommended various health insurance products. She also recommended introducing free offer programs to customers in order to boost business.
Samuel Achamma	“Insurance: The Indian Experience”	Monsoon and Winter 2000, RBI, Occasional Papers, Vol. 21, No. 2, P. 349–373	I tried to give you an overview Indian insurance system. as an insurance industry Promotes economic development, according to the authors Attempts to assess insurance penetration and Compare with world standards.
Simita and MishraMishra	“Global Insurance Market Structure”	The Management Accountant, Vol. 35, No. 1, Jan. 2000, pp. 51–54.	Compare insurance positions Represents 58% of global direct premiums and non-life insurance 42% in 1997. that's according to research If you can afford it, you will need insurance Increased activity, instant bonuses, and damages 42% in 1997. that's according to research If you can afford it, you will need insurance Activities increased, families became nuclear families, Individuals become increasingly dependent
A. Bajpai, G.N.	“The Challenges before the Insurance Industry in India”	Mumbai's A.D. Shroff Memorial Trust publishes this work. 2002	reveal changes in the environment Liberalization and globalization progress disaster, interest rate drop, convergence, Demanding and entailing customer expectations Insurance industry challenges
Paksha Kumari	“LIC of India: A Catalyst to Development”	July-December 2002, pages 41–52, Journal of Business Perspective	to learn more about the LIC's contribution to the economic development of the community and its security provision. The number of personal insurance contracts increased even more significantly, by 13 times or more, according to the annual report.
Gayathri, C. and Raman, N	“A Study on Customers Awareness towards New	2004, Vol. 34, P. 6-8, Indian Journal of Marketing	observed the client spread the word about new insurers. Because of this, 24% of his 53% respondents are under the age of 30. Group 31–40, length 2°, followed by the 41–50-person group and the remaining respondents identifies as being "over 50." also possess the majority 56% of respondents are professionals, and 32% of

	Insurance Companies”		them have insurance. marriage. We also discovered that it was 52%. 44% of respondents who subscribed to a risk protection policy did so to avoid taxes or to invest any tax surplus.
Mathabane, R., and Silvervine Yanam, K.	“A Study on Policyholders Preference and Satisfaction of Services Rendered by Selected Life Insurance Companies in Tamandu, Namakwa District”	Vol. 2, No. 1-2, Jan. – Dec. 2010, pages 47–56, International Journal of Marketing and Trade Policy	Competitive landscape of Indian insurance industry the market has changed dramatically in recent years. There were changes at the same time. was held at Government regulation and technology. of Policyholder expectations change. existing insurance companies Introducing many new products in a competitive market About life insurance products enterprise
Keerthi, P. and Vijayalakshmi R.	“A Study on the Expectations and Perceptions of the Services in Private Life Insurance Companies"	SMART Journals, Vol. 5, 2009	Show that you are meeting policyholder expectations Well satisfied if certain factors react to it quality of service. But for other variables, The fact that there is a large gap policyholders feel low Service compared to their expectations. i fall Stakeholders in the life insurance industry Effective service delivery wins Capturing the hearts and minds of customers and increasing the number of customers can be expected market share
Crosson, Hit, and Lemon	“The future of retail financial services Transparent bypass and differential pricing”	Business school Wharton, 2004	There are three main themes. transparency, Elimination of middlemen and differential pricing Defining retail finance transformation Services such as life insurance companies. of The author is financial services the industry is allowed to change three trends.

Churchill E.	“Compound Interest simplified	Pergamon Press Ltd Oxford 1969	Explore the concept of present value and Cumulative value means this compound Interest acts as a bridge between present value and cumulative value. he says Premium equivalent to the present Value of future claims. You can see that it is a period from investment (insurance period) and interest rate Determine future present value Rights or Future Cumulative Present Value payment.

3. IRDA AND LIFE INSURANCE COMPANY

3.1 Introduction

Key Highlights

- Insures earning capabilities.
- Seen as a tool for savings as well.
- Fulfils primary needs, i.e. buying financial security for your family.

Life insurance is a contract between you and a life insurance company that covers your life insurance policy. In the event of death during the term of the contract, the beneficiary will refund the prescribed amount.

If you are the primary breadwinner of your family, having insurance makes a lot of sense. of families can remain financially secure in the unfortunate event of an early death life insurance you have.

Therefore, the main purpose of life insurance is to protect your family in the event of your death. Today, insurance is also seen as a tool to effectively plan, retirement, and more. And for your child's future needs. The market now offers insurance plans that do more than just cover. Enrich your life and increase your wealth at the same time. Ensuring your life essentially guarantees your ability to work. Even if you die, your relatives can continue to live without financial difficulties.

Most insurance plans available today have a built-in savings component. It not only protects against death, but also helps you plan for a financially independent future. That way, you can enjoy a comfortable retirement. For example, Kotak preferred Retirement plans such as the Kotak Retirement Income Plan and Kotak Capital Multiplier Plan. The main need is to ensure the financial security of the family. Some plans require a loan from an insurance company. Your policy may be the same. It is pledged as collateral to raise funds from banks and other financial institutions. in your case. In the event of an unfortunate death, the life insurance proceeds can pay off the loan.

3.2 Process of Life Insurance Funding

When due, you will receive either the insured amount or the lump sum account, whichever is higher. How this works:

1. Pay the premium annually.
2. This bonus will be credited to your bulk account.

3. Amount required for life insurance premiums and other expenses will be deducted from this account.
4. The rest will be invested in sound financial stocks (as per IRDA regulations) in your name.
5. Bonuses declared annually by the company will be added to the accumulated amount. Therefore, the value of the Savings Account increases each year
6. Receive the accumulated amount at the end of the contract period, account or insurance amount, whichever is greater.

3.3 Need for Life Insurance

Whether it's accidents, illness, theft, or natural disasters, risk and uncertainty are part of life's great adventures. They're all built into the mechanics of the universe, waiting for it to happen.

Insurance is man's answer to life's whims. When you can't win against man-made and natural disaster, well, at least be prepared for the disaster and its aftermath.

Insurance is a contract between two parties, the insurer (insurer) and the insured, (individual or entity claiming coverage) – if the insurance company agrees to pay the insured person economic loss caused by unforeseen events against regular payments "Bonus". Such unexpected events are called "risks", so they are also called risk protection.

Insurance, therefore, is essentially a means of financially compensating for the losses that life brings, people - companies and others. Calculate the required insurance amount according to life stage and life span need.

3.4 Role of Life Insurance

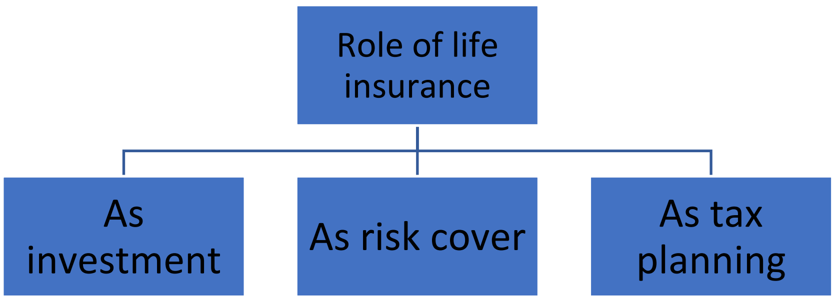

Figure 3.1: Various aspects of Life Insurance

Role 1: Life Insurance as "Investment"

Insurance is an attractive investment option. While most people are aware of risk hedging, Potential tax savings for insurers do not recognize many of the benefits as a capital investment options too. Insurance products offer more returns compared to regular investment options. In addition to additional incentives (read bonuses offered) by insurance companies.

One simple reason is that insurance products cannot be compared to other forms of investment. Provide financial protection against risks that the non-insurance sector lacks product. In fact, the premium you pay for an insurance policy is an investment in risk. so, before you must accept that part of the total amount is invested in your life compared to other schemes.

Role 2: Life Insurance as "Risk Cover"

First and foremost, insurance is about hedging and protecting against risk, and financial protection is more important. Accurate - to survive the unpredictable loss of life. Designed to protect against injury

A sense of security that can only be provided by insurance in preparation for unforeseen circumstances. Something no other form of investment can offer. Having life insurance gives you peace of mind and peace of mind. Be ready to meet any financial demands your family may face in the event of early bankruptcy, demise.

To ensure such protection, insurance companies collect premiums from many people in crisis. same risk. Insurance claims are paid out of the total amount of premiums collected by the insurance company. Those who act as trustees of the fund. Insurance also provides for accidents and loss of income after retirement.

Accidents and injuries can have devastating consequences, but insurance provides timely relief family at a time like this. We can also help you avoid any inconvenience after retirement. An incident occurs during the insurance period.

The entry of private companies into the insurance sector will make a wider range of products available to choose from. Additionally, many of these can be further customized for individuals/groups, special needs. Considering what we're paying now, it's worth buying the extra sleep.

Role 3: Life Insurance as "Tax Planning"

Insurance serves as an excellent tax saving mechanism too. The Government of India has offered tax incentives to life insurance products to facilitate the flow of funds into productive assets. Under Section 88 of Income Tax Act 1961, an individual is entitled to a rebate of 20 per cent on the annual premium payable on his/her life and life of his/her children or adult children. The rebate is deductible from tax payable by the individual or a Hindu Undivided Family. This rebate can be availed upto a maximum of Rs 12,000 on payment of yearly premium of Rs 60,000. By paying Rs 60,000 a year, you can buy anything upwards of Rs 10 lakh in sum assured. (Depending upon the age of the insured and term of the policy) This means that you get a Rs 12,000 tax benefit. The rebate is deductible from the tax payable by an individual or a Hindu Undivided Family.

3.5 Profile of Life Insurance Companies in India

Life Insurance Corporation which is the only public sector life insurer and twenty two private sector life insurers, most of them joint ventures between Indian groups and global insurance giants, were taken for the study.

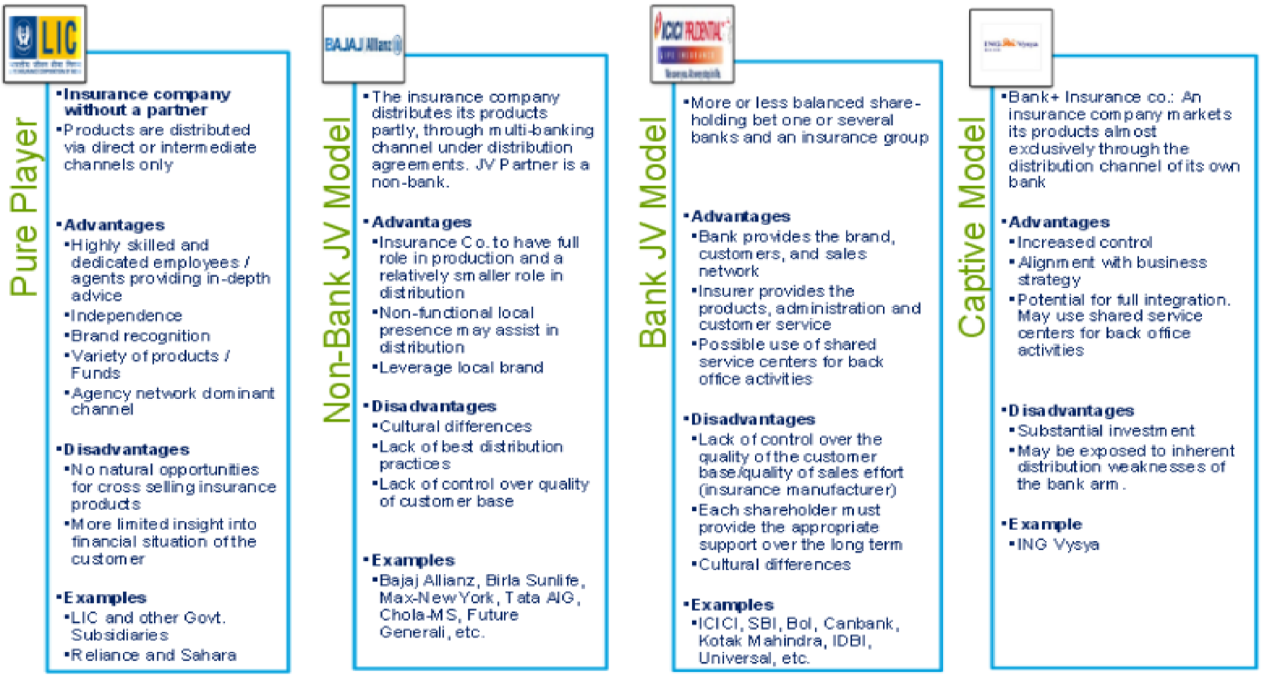

Figure 3.2: Profile of insurance companies in India

Public Sector

LIFE INSURANCE CORPORATION OF INDIA (LIC)

The Life Insurance Corporation of India (LIC) is a self-governing body with the power to administer life insurance coverage.

An Indian insurance business headquartered in Mumbai. About 154 insurance companies in India Companies operating in the country, 16 insurance companies outside India and 75 provident fund companies India at the time of nationalization. Nationalization took place in two stages. First the decree took over the management and subsequent ownership of the company by comprehensive calculation. Indian parliament passes life insurance bill The Companies Act of 19 June 1956 established the Life Insurance Corporation of India Limited Established on September 1, 1956, with the aim of further popularizing life insurance, to reach all policyholders in the country, especially in rural areas, provide reasonable financial protection at a reasonable cost.

The purpose of the Life Insurance Corporation of India Limited is to:

I. Further expanding life insurance, especially in rural areas; socially and economically disadvantaged groups with the aim of reaching all persons covered by national compulsory insurance and providing adequate financial protection against death affordable
II. Maximizing the mobilization of savers through insurance-linked savings
III. Invest funds in the best interest of investors and the community. Comprehensive considering national priorities and commitment to attractive rates of return.
IV. Responding to various life insurance needs of local communities changes in the socio-economic environment caused by this family system and this group insurance system.
Life insurance activities are publicly managed solely by the Life Insurance Corporation of India. It enjoyed a monopoly position and became synonymous with life insurance. LIC of India is one of the pioneering organizations that introduced leverage in India Utilization of information technology in services and businesses.

Computers were installed at his LIC in India in 1964. Delayed introduction of unit recorders the 1950s was phased out in the 1980s and replaced by microprocessor-based computers in the industry. Department office for back office informatization. Hardware and software standardization. It started in the 1990s. A standard computer package was developed and implemented. Regular and Salary Savings Plan (SSS). His LIC in India has 5 regional offices, 33 departments and 212 branch offices. Registered office in 1956. Since life insurance contracts are long-term contracts, Various services are necessary during the insurance period, but I felt the need afterward over the years, we expanded our business and established branch offices in each regional headquarters. A restructuring of the Indian LIC has taken place and a few new branches have been opened. Due to organizational restructuring, service functions were transferred to branch offices. Accounting unit. It has had a tremendous effect on the company's performance.

Currently, LIC of India operates his 3,250 fully computerized branches, 100 of which are departmental offices, 7 zone offices and headquarters. LIC's wide area network consists of 100 departments. Manage your office and connect all branches via a metro area network. India's LIC merged.

Some banks and service providers offer online premium collection options in certain cases. City. LIC's ECS and ATM's premium payment features enhance customer convenience. In addition to online kiosks and his IVRS, an information centre is also set up in Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access for policyholders, LIC in India Satellite Sun Park Office. Branches will be smaller, slimmer, and closer to customers.

Private Sector

After trying different models for the insurance industry, including privatization (before 1956) and nationalization (1956-2000) with negligible regulation, and observing sub-optimal performance of the insurance sector, the government resorted to introducing both hybrid models. This led to the following results of efficient regulatory mechanisms (since 2000) and we turned to both hybrid models as we found the performance in this sector to be sub-optimal. This has led to the privatization of this sector with an efficient regulatory mechanism (since 2000). It was launched with the aim of making the industry more competitive and attracting more players. Offer more variety of products to most people.

Table 3.2: Consumer Segments: Needs and Satisfiers

Segments	Needs
Low-income group	Risk cover
	Generic advice
	Low Premium/Lakh SA
	Long Term Guarantee
Mass Affluent	Long Term Wealth Creation
	Good Advice - Selection
	Ease of Purchase
Affluent +	Market Linked Returns
	Ability to Tailor Market
	Recommendation
	Advice – Financial Planning

	Low Charge (NPV)

3.6 Industry Potential: Expected Growth

The insurance industry in India has undergone a transformation since in 2000 the industry was liberalized. As the 1 player market grows to 24 players in his 13 years, the industry is witnessing periods of rapid growth and degrees of slowing growth and increasing competition.

There were also many product and operational innovations demanded by consumers. The need and increase in competition between players. Changes in the regulatory environment have had a dramatic impact on the development of the industry. The insurance industry remains Struggling to emerge from the shadow cast by the challenges of economic uncertainty. Good industry fundamentals over the past few years bode well for roadmap development.

For sustainable, long-term growth, The decade from 2001 to 2010 was characterized by a period of rapid growth (average annual growth rate). New business premium as a share of 31%) and growth rate is flat (CAGR of about 2%) new business premium for 2010-2012, according to KPMG). The first decade of liberalization of the insurance industry saw exponential growth. supported by Life insurance industry grew rapidly with innovative products and aggressive sales expansion jet speed. But this rapid growth also caused product-related problems design, market trends, management complaints, need for course correction. For the long-term health of the industry. Regulatory changes have been introduced for life insurers in the last two years. During this time, we have introduced many new customer-centric practices. Product-related changes, initially In September 2011 he was introduced with ULIP (Unit Linked Insurance Plan) which is now a traditional product have the greatest impact on the industry.

3.7 New Product Guidelines

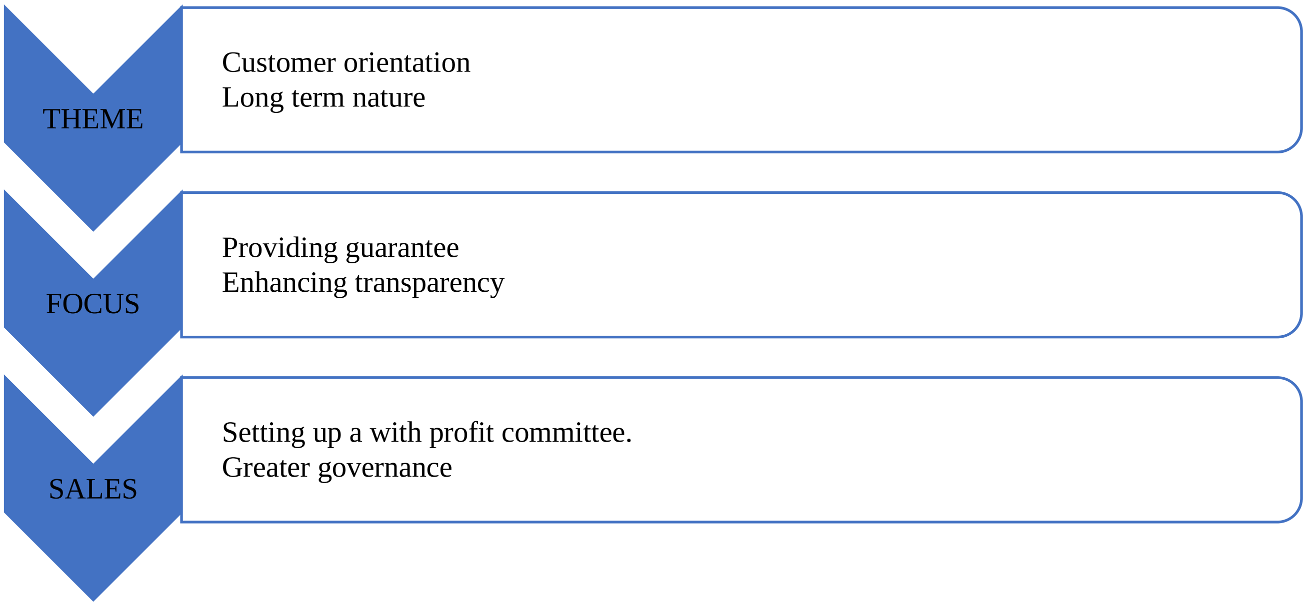

Figure 3.4: Key aspects of Insurance Products

The new policies for both linked and unlinked products are effective immediately. At the beginning of 2014, the previously set date will be extended by three months. In addition, this period will give life insurers a full start to the critical quarter of January to March. Products and sellers are familiar with the nuances of all these new products. These product guidelines are consistent with IRDA's regulatory theme of customer centricity. And the longevity of the life insurance business. The guidelines follow two overarching guidelines themes such as securing and improving transparency. Most Important Changes Introduced these include higher death benefits, guaranteed surrender values, and mandatory benefit disclosures. Applies to all life insurance products. Your annuity may be slightly reduced due to changes in your death benefit or cash surrender value. General age advantage, that is however, the internal rate of return (IRR) guarantees security especially in old age. Insurance is life insurance not found in other financial products. All ULIPs are now on sale with a personalized bonus illustration. This requirement is now extended to other product forms. Even the new guidelines “committee with interests” is planned at board level. Personalized reward presentation increases pre-sale transparency Based on the discussion, With Profit Committee is likely to lead to better governance. Manage participation policies. Limited time premium sales commission.

3.8 Future Looks Good

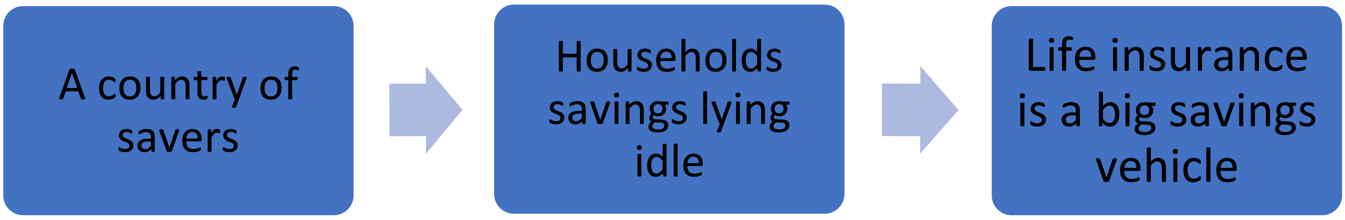

Figure 3.5: Steps of Insurance Growth in India

India remains a big saver despite a decline in the number of households' savings rate in recent years. India's problem is that household savings are not being used or invested in savings vehicles that don't help you reach your life goals.

There is a worrying trend toward increasing unproductive spending of household savings physical assets such as real estate and gold. India continues to be a country with a large number of savers, although the number of households is declining.

Savings rate in recent years. India's problem is that household savings are not being used or invest in savings vehicles that don't help you reach your life goals There is a worrying trend toward increasing unproductive spending of household savings physical assets such as real estate and gold.

Still, the future of the life insurance industry looks interesting, with some changes. A regulatory framework that will further change the way the industry does business interaction between business and customers. Life insurance is observed all over the world. In many cases, the industry acts counter-cyclically. B. In the following situations: Economic growth is slowing due to other factors such as a large current account balance and high fiscal conditions. Deficits, currency devaluation, high interest rates, savings rates remain high, leading the global economy, Increased demand for life insurance.

In addition to banking, life insurance has become an important means of saving in this uncertain economic climate. So, we expect the industry to do reasonably well. demographic factors, etc. Growing middle class, younger insured population, and growing awareness of the need for insurance Coverage and retirement schemes will also support the growth of life insurance in India. It's time for life insurance to refocus on customer-centric behaviour and product solutions Based on consumer needs, ethical market behaviour, transparency, and governance. growth is It's a natural result for now and for years to come.

3.9 IRDA

IRDA ensures the insurance industry in India to protect the interests of policyholders and ensure the orderly growth of the industry.

Background

- 1991: Government of India begins the economic reforms programme and financial sector reforms
- 1993: Committee on Reforms in the Insurance Sector, headed by Mr. R. N. Malhotra, (Retired Governor, Reserve Bank of India) set up to recommend reforms.
- 1994: The Malhotra Committee recommends certain reforms having studied the sector and hearing out the stakeholders
- Some recommended reforms
  o Private sector companies should be allowed to promote insurance companies
  o Foreign promoters should also be allowed
  o Government to vest its regulatory powers on an independent regulatory body answerable to Parliament

Birth of IRDA

- Insurance Regulatory and Development Authority (IRDA) set up as autonomous body under the IRDA Act, 1999
- IRDA's Mission: To protect the interests of policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental there to.

IRDA's Activities

- Frames regulations for the insurance industry in terms of Section 114A of the Insurance Act 1938.
- From the year 2000 has registered new insurance companies in accordance with regulations.
- Monitors insurance sector activities for healthy development of the industry and protection of policyholders' interests.

Passage of IRDA Law Begins Reform of Insurance Sector. Parliament in December 1999. IRDA since its establishment as a public body in April. The year 2000 followed a tight schedule of drafting regulations and registering private insurers.

Another decision that was made at the same time to provide a support system for the insurance industry, especially life insurers, was the launch of IRDA's online service for agency licenses and renewals. The agency's approval of agency training brokers will also allow insurers to have a trained insurance agent workforce to market the product, which is expected to launch early next year.

Since its establishment as an independent statutory body, IRDA has created a globally compatible private sector regulatory framework. 12 life insurance companies and 6 non-life insurance companies are registered.

IRDA’s Mission

Insurance Regulatory and Development Authority (IRDA) Act, 1999 spells out the Mission of IRDA as:

“... to protect the interests of the policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto......”

Duties, Powers and Functions of IRDA

1. Section 14 of the IRDA Act 1999 sets out the duties, powers, and functions of the IRDA. Subject to the provisions of this Act and all other applicable laws, the Authorities have a duty to regulate, promote and ensure the proper development of insurance, business and reinsurance business.
2. Without prejudice to the generality of the provisions contained in paragraph (1), the following shall apply. Authority powers and responsibilities include:
    a. Issue, renew, amend, withdraw, suspend or suspend a registration certificate to an applicant; cancel such registration.
    b. Protection of the interests of policyholders in matters relating to allocation of insurance. Nomination of policyholders, insurance interest, settlement of insurance claims, cancellation the amount insured and other terms and conditions of the insurance contract.
    c. Establish the required qualifications, codes of conduct and practical training for intermediaries, or insurance brokers and agents.
    d. Defining a Code of Conduct for Professionals and Loss Adjusters.
    e. Promote efficiency in insurance operations.
    f. Promotion and regulation of professional organizations related to insurance and reinsurance business.
    g. Collection of fees and other charges for the purposes of this Act;

h. Information gathering, inspections, investigations; Surveys, including surveys of insurers, brokers and insurance intermediaries other organizations related to insurance business
i. Managing and regulating the fees, benefits and terms and conditions offered; by insurers related to general insurance business not controlled or regulated by the EU; Customs Advisory Board under Section 64U of the Insurance Act 1938 (April 1938).
j. Determining the form and nature of accounts; and Statements are prepared by insurance companies and other insurance intermediaries.
k. Regulation of investment by insurance companies
l. Rules for maintaining solvency margins.
m. Arbitration of disputes between insurance companies and intermediaries or insurance intermediaries
n. Supervise the functioning of the Customs Advisory Board
o. Disclosure of the percentage of the insurer's premium income that is used for project funding, promote, and regulate the professional bodies referred to in section (f)

IRDA Circular

Each insurer submits new insurance products or changes to existing policies to the authorities. Products pursuant to File and Use Circular No. IRDA/Cir/010/2003 dated March 27, 2006; and Circular board after that. Every time an insurance product is launched, all insurers must market that product rigorously following the terms of use and other characteristics of products approved by authorities. In files and use documents filed with IRDA, insurers specify the ranges to which premium rates apply. Varies depending on adverse risk factors.

It is assumed that companies are estimating tariffs strictly within the limits deposited with IRDA and the United States. Variations within the range are subject to the judgment of the insurer and advice from the Commissioner. Actuary. Care must be taken not to send bonus offers that exceed the specified range. Tariffs not approved by IRDA and the underwriting insurance company and designated actuary.

1. However, authorities have noticed some insurers doing things like provide premium rates outside the range registered with IRDA.
2. Offer discounts on benefits not specified in the submission.
3. Offer discounts on insurance premiums without the express authorization of the insurance company; and appointed secretary.

4. Offer enhanced product benefits without charging a premium; This is unsound behaviour that not only carries regulatory penalties, but also has social implications. It ultimately affects the interests of policyholders and shareholders. such practices should be stopped immediately. Any deviation from the instructions will be prosecuted.

3.10 Risk Governance and Oversight Framework

Risk management oversight consists of ensuring that the issues and risks facing the company are fully understood and that the measures taken to address them are adequate. The Board has adopted the Group Risk Committee structure as one of the mechanisms to ensure that the Board has an appropriate level of risk management oversight and governance across the business. This structure should enable effective governance across groups, regions and business units. The Committee enhances alignment of risk responses between the ALCO and ORC (Operational Risk)

Principles of effective oversight

Effective risk management oversight relies on:

- Management oversight of risk prior to board oversight
- Clear distinction and separation between 1st, 2nd, and 3rd line risk management responsibilities
- Clear accountability for coverage of all risk categories and associated group policies
- Clarity in committee purpose, responsibilities, and authority
- Effective and appropriate use of senior management time.

Board Oversight

The Board seeks assurances demonstrating that:

- Appropriate risk management systems and controls
- Sound governance and internal controls
- Timely flow of management information to fulfil oversight responsibilities Effectively.

To achieve these goals, the Board has:

1. Delegation of risk oversight authority from the board to the CEO and board
2. Ask managers about how risk management works
3. Maintain the independence of non-executive bodies.

Management Oversight

Management will facilitate risk management oversight by providing:

- Management information on the risks faced by regions and individual business units.

- An overall perspective on consolidated group risk
- Evidence to show adherence to defined risk appetite by regions or business unit

Why Risk Management Committees are important?

The Board takes a risk-based approach to establishing the internal control system and utilizes a committee structure to review its overall effectiveness.
The Committee assures the Board that all material risks to which the Group is exposed are properly identified, assessed, monitored, and controlled. These allow escalation of critical actions outside of risk appetite and allow monitoring of corrective actions taken.

How does Risk Management Committee work

Committees bring together diverse members to provide independent challenges through oversight Members' knowledge, perspectives, and experiences. The people playing a role within the governance framework are an important factor in this regard. Ensuring adequate staffing is critical to ensuring that the committee can carry out its duty's Complete tasks effectively. All committee members are required to make valuable contributions to the Committee. Individual contributions are also made, but the committee operates on a collective contribution. Accountability. This allows members to freely express their opinions in discussions. Maintain a united front after an agreement is reached. consensus reached in committee. The meeting is binding on all members.

3.11 Terms of Reference of Risk Committee

In this section, we look at typical powers to better understand the responsibilities of a risk committee. The Risk Committee is set up by the Board of Directors to oversee the company's overall risk exposure. The Risk Committee reviews and monitors financial and operational risk management and assesses whether our risk profile is within expectations. The committee reviews and monitors the risk appetite related to its risks and compares the risk profile across the region (both current and emerging risks) to the risk appetite. In addition, the Committee under its authority reviews and monitors the implementation and effective compliance with the Group's risk management policies.

Scope of Committee Oversight

1. Risk Policy Scope

   The Risk Committee's activities are focused on the implementation and management of all Group risk management policies, which are covered by its subcommittees. These include the Asset and Liability Committee and the Operational Risk Committee.
2. Scope of operations

The activities of the Risk Committee as a governance committee apply to all relevant areas.

- Markets and facilities
- Corporation
- Joint Venture
- The risk committee considers risks that the company does not anticipate have management control.

Committee authority

- The Risk Committee has the same oversight powers as the Executive Committee. All markets and activities within the region and corresponding legal entities
- The Commission has the authority to investigate and investigate, in cooperation with local policy makers. It provides the kind of administrative information and other supporting documentation you need. Risk management oversight activities.

Committee accountability

- The Committee is collectively accountable to the Executive Committee Management of the Chair to ensure proper performance of duties and responsibilities Procedures described in this document
- The Risk Committee is also accountable to our Board of Directors.

Committee responsibilities

Unless otherwise reserved or decided by the Executive Committee, the responsibilities of the Committee may be delegated by decision of the Committee.
The Commission's primary responsibility is joint responsibility for the oversight of risk management activities related to risks associated with the policies overseen by the Commission, in the following ways:

- Key risks significant to the achievement of the company’s business objectives are identified, assessed, and managed.
- Mitigating actions are taken to bring significant risks within appetite.

The Risk Committee makes recommendations to meet its oversight obligations. Further consideration and verification in relation to internal risk management. The committee will monitor progress towards any recommendations. Special tasks include:

- Review aggregate risk profile against appetite.
- Review and assess the adequacy of the firm's risk profile

- Review and assess the suitability of drivers and risk definition measures appetite for major risks.
- Review and monitor material risks, including risks and issues reported through Visit the subcommittee and assess whether the risks are in line with local needs.
- Recommend aggregate Risk Appetite: Recommend aggregate risk appetite to the Executive Committee on an annual or more frequent basis as often as needed.
- Assess whether mitigating actions are place in the event of a policy breach or an activity taking a market or operation significantly out of appetite.
- Conduct a quarterly review of the company's emerging financial, operational risks and changes in the region-wide risk profile for appetite.
- Monitor overall financial and operational risk to the extent necessary
- Ensure that minimum standards of proportional control are applied. Managing financial and operational risks associated with regional operations.
- Ensure proper review of group risk waivers and waiver applications politics.
- For content-related issues, consult the appropriate regional policy owner.
- Applicability, Implementation, Compliance and Enforcement of Group Risk Policy
- Assess and implement strategies to improve the region's risk profile, as appropriate.
- Notify the executive committee of any breaches or events which have taken the region significantly out of risk appetite and the actions in place to return within appetite-
    - Notify and escalate to the Board and appropriate Group Risk Committee appropriate.
    - Actual movement outside of risk appetite and lack of control defined in regulations. Risk policies within the risk committee that may require changes local planning or community interventions.

4. RISK MANAGEMENT

4.1 Risk Management

A systematic method of defending a business's assets and profits is risk management. Loss prevention aids in the disruption-free achievement of your business objectives. To manage risk, damage must be avoided and minimized. Risk management is a tool or technique used in the insurance sector to create and modify insurance contracts to lower losses. We examine both the benefits and drawbacks of risk management. Every company must manage risks, but insurance companies have a greater responsibility than most. It is a technique used by businesses to assess the risks associated with their operations and guarantee the sustainability of their profits.

4.2 Risk Management Process

To ensure that upcoming activities are stable and under control, risk management makes organizational challenges that are suggested.

The following are benefits of the risk management process:

- Planning, Prioritization, and decision-making improvements.
- Improved capital and resource use and allocation
- Minimizing turbulence in the business' non-essential areas
- Preserving and improving the company's assets and reputation
- Building up and sustaining the human resource base and knowledge base of the organization
- Maximization of operational effectiveness

Risk Management in insurance industry includes:

1. The company should be able to identify and adequately model sources of risk , such that it is able to price the contract correctly.
2. Payments from insured.
3. Payments to the insured.
4. Premium
5. Benefits

In response to specific predetermined insured events, life insurance contracts outline the cash flows between the insured and the insurer. The difference between the amount paid by the insured and the amount received by the insured is known as the benefit. Premiums are typically composed of a fixed initial premium and tier-based payments for the duration of the insured person's life (and while they are on active duty) until retirement. Term insurance, pure endowment, and partial or full whole life annuities are examples of common achievements that are discussed in textbooks. For descriptions of these policies as well as an overview of life insurance in general, see Gerber (1997) for discrete time and Norberg (2000) for continuous time. A contract between the insured and the insurance provider establishes the premium and level of benefits. The premium or benefit is also determined by the insured in terms of numbers, leaving the remaining calculations to the insurance company. So, the insurance contract specifies both the quantitative and qualitative nature of benefits and premiums. Usually, businesses reduce benefits or raise premiums in response to unfavourable changes in the financial markets or insurance portfolios because quantitative targets act as guarantees to the insured. Understanding the risks involved with entering insurance contracts is essential because insurance companies cannot change contract terms in response to unfavourable changes in the financial markets or insurance portfolios. Companies must be able to identify (significant) risk sources and model them to accurately price contracts. However, more than just contract pricing, a proper risk description is essential. Throughout the life of the contract, it is essential for internal control and measurement. various scenarios' effects. It is also anticipated that future solvency regulations will require businesses to continuously monitor and assess corporate risk. Companies can reduce the effects of different scenarios on traffic light systems and, in the future, solvency requirements, by implementing risk mitigation strategies after risk has been assessed. For instance, trading on the financial markets and obtaining reinsurance are the best options in this situation.

Risk Management Measurement:

Types of risk management:

1. Financial risk
2. Risk of death

Sometimes in the literature, mortality risk is described as an insurance risk that the company has. There are, of course, additional dangers. We also go over operational risks and risks associated with upcoming administrative costs, such as salary, rent, and general business continuity. According to the Basel Committee, operational risk is "the risk of loss arising from deficiencies or failures in internal processes, people, or systems, or from external events, so every loss caused by errors in relation to business operations is regarded as an operational risk. This includes both individual and organizational errors. See King (2001) and Cruz (2002) for a detailed analysis of operational risk modelling techniques. Equity risk and interest rate risk are two additional categories of financial risk. As a result, this presentation doesn't touch on potential additional types of risk, such as credit risk. Defaulting counterparties in financial transactions. Consult Lando (2004) and others for an in-depth discussion of credit risk. The uncertainty surrounding potential interest rates is known as interest rate risk, and it has an impact on bond prices. The uncertainty associated with risky assets other than bonds is addressed by equity risk. Standard interest rate risk is further defined in this context as the uncertainty related to the direction of bonds that are currently being traded (the currently observable yield curve) and the entry price at which new bonds will be issued. Reinvestment risk, which refers to the additional uncertainty that was issued for market spending, is how we divide it. Naturally, reinvestment risk is only intriguing when bonds with sufficient maturities are not trading at the time of observation. This use of the term "reinvestment risk" differs from, for example, Linebarger (1998) in that it refers to the risk associated with unsure returns if the capital is reinvested in the bond market after the current bonds mature. Linebarger (1998) does not distinguish between the two bonds because the bond in which the capital is reinvested was traded at the time of the initial bond purchase. Standard interest rate risk, on the other hand, refers to the possibility that bonds that are currently traded will yield less in the future, whereas reinvestment risk only refers to the possibility that a bond with a sufficiently long term is not traded first.

The risk of mortality is derived from two distinct risk sources:

1. Systematic: Describes the uncertainty caused by changes in the underlying mortality intensity.
2. The term "unsystematic mortality risk" refers to the threat posed by the haphazard expansion of an insurance portfolio with known mortality intensity.

Aspects Affecting Risk Management in the Insurance Sector:
The insurance industry faces several risks:

1. Investment risk
2. Risks specific to insurance.

The insurance industry's risk factors:
Three general categories can be used to classify risk factors in the insurance industry:

1. Assessing danger
2. Investment hazard
3. Non-technical risk.
    a. The area of insurance risks that an insurer underwrites is known as underwriting risk. purchase by way of the sale of insurance. Examples of these include calculation of premiums, associated risks, contingency fees, and operating costs.
    b. Any risks associated with the Company's asset management that fall under the category of investment risks. These include the risk of valuation, interest rate, and obsolescence.

c. In contrast to actuarial risk, which is a liability-side risk, investment risk is an asset-side risk. All risks that aren't categorized under the first two categories are gathered under the heading "Non-Technical Risks." This includes sales risk, country risk, legal risk, and management risk.

4.3 India's Insurance Industry's Risk Management Practices

Services for risk management, such as underwriting and post-loss uninsurance providers closely monitor the risks of business interruption and liability. Finding the risks connected to their commercial property is something the insurance industry is interested in. They have submitted a settlement request to the Indian government. support for public insurance, Insurance companies used internal services for individual companies as well as business support organizations like the Tariff Advisory Committees (TACs) and the Loss Prevention Association of India (LPA). after the Indian Loss Prevention Association was dissolved and the purpose of tariffs was redefined. Following the Advisory Board, businesses started looking into expert risk management. offered by the private sector. Risk services must be used because of tariff elimination. Companies in the insurance, securities, and other industries. Benefits for the Insurance Industry in addition to Risk Management (RM) Consulting. With the rise of multinational corporations and the recognition of the significance of RM services by national governments, services are seen as a value-added for insurance company customers. Customers are compelled to use RM's cutting-edge services consulting for the Indian market by insurers.

Tools for Important Risk Assessment include:

A quick risk analysis to distinguish between good risks and bad risks, typically performed by insurance companies during the underwriting process. security-related audits, such as those on electrical safety, fire safety, and general safety. Audits are now used for more than just ensuring compliance with security laws. enhancing the organization and lowering risk. Risk-based audits, including risks associated with machine failure and business interruption Power plants, wind turbines, and the cement industry all place a high value on audits to improve maintenance procedures and risk funding, as well as Insurance Reports and Risk Pools, among other things. India's climate change grows the monsoon season. levels in various parts of the nation. Large-scale flood damage has happened in some instances. In some areas, policyholders and insurers are urged to take professional services into account. Risk management practices like lightning strikes, fire inspections, and flood risk assessment. Large and medium-sized businesses (SMEs) are starting to use protection checks more and more. Medium-sized businesses come in second to large businesses. Measures for

Specific Risk Management Many industries address flood risk, with or without the assistance of insurance companies.

4.4 Risk Management Tools

Figure: 4.2 Risk Management Tools

4.5 Risk Analysis

Risk analysis steps include:

- To identify whether the likelihood of an event occurring is rare, unlikely, a moderate possibility, like or rare.
- To determine whether the potential consequence or impact of the event are insignificant, minor, moderate, major, or catastrophic.
- Qualitative risk analysis
- Evaluate the risk.
- Treat the risk.

Step 1: Analyse the Likelihood of the Risk

Rating	Descriptor	Description	
1.	Very likely	>10 occurrences per year are likely	It happens frequently.
2.	Likely	Probability of occurrence: 1–10 times per year	Throughout one's working hours, the incident has occurred multiple times in each workplace and will continue to do so.

3.	Moderate	one time every two to five years, most likely.	It is possible for the event to happen once and at any time in a specific work area.
4.	Unlikely	Probably once every five to twenty years	The incident may not have occurred yet. Have happened, but might do so in the future
5.	Rare	approximately every 20 years	I'd heard that something similar had occurred elsewhere.

Step 2: The implications of risks must be analysed.

Rating	Descriptor	Description
5	Catastrophic	• Death brought on by an accident or work-related illness. • Significant nationwide TV and news coverage for a few days. • Material asset loss or other financial loss of more than $10M. long-term environmental damage, parliamentary intervention like the Royal Commission, and a 23-week long shutdown of all operations.
4	Major	Significant long-term environmental damage, significant national TV or news coverage, a parliamentary inquiry, a complete halt to operations for more than two to three weeks, numerous serious workplace accidents or illnesses that result in hospitalization for more than four weeks or serious permanent disability, the loss of an asset or other financial loss of between $1 million and $10 million
3	Moderate	• A sizable release of pollutants followed by a short-term recovery. • Loss of an asset or other financial loss ranging from $40,000 to $2,000,000; Serious illness or injury necessitating three to four weeks in the hospital. • A complete shutdown that lasts no longer than two days.
2	Minor	• A loss of property or other financial loss ranging from $4,000 to $60,000; an illness or injury requiring less than three days in the hospital; time spent away from work; or time spent in the hospital. • Minimal short-term environmental harm; minimal interruption of services
1	Insignificant	• There were no mishaps or minor injuries requiring first aid; no financial losses of less than $6,000; no temporary pollution that harmed the environment.

		. No service disruption exists.

Step 3: Level of risk in the Qualitative Risk Analysis Matrix

Likelihood	Risk				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Very likely	M	S	S	S	S
Likely	M	M	S	S	S
Moderate	L	M	M	S	S
Unlikely	L	L	M	M	S
Rare	L	L	L	M	M

Legend

Symbol	Stands for	Remarks
S	Significant RISK	senior management attention needed
M	Moderate RISK	management responsibility must be specified
L	Low RISK	manage by routine procedures

Evaluation of Risks

Two goals are served by this action.

a. Method for calculating and predicting the probability of an event. how the insurers were impacted by this incident.

b. Selecting the minor risks that can be tolerated and the significant risks that need to be addressed. Qualitative descriptors like "almost certain," "likely," "likely," and "unlikely" are used to achieve this. Or "rare," "catastrophic," "serious," or "moderate," depending on how likely an event is to occur.

Step 4: Assess the Risk

This step aims to determine the risk level. Because it specifies which risks should be handled first and in what order, this step is very important. The process also reveals risks that insurance companies can easily manage and underwrite. Appropriate risk management techniques may be required if the risk is deemed unacceptable.

Step 5: Control the risk.

Finding and putting into practice options to manage and mitigate risk are the goals of this step. The level of risk is determined through a risk assessment process. The objectives of this phase are to: This phase's objectives are:

- Determine the various risk management options and assess them.
- Creating and carrying out a risk response strategy. In addition to the goals, this phase also serves a reporting purpose in that we must consider informing management of specific risk events. Management develops an opinion about what constitutes a risk event, including all extreme risks. notified the board of.

Risk reduction options include:

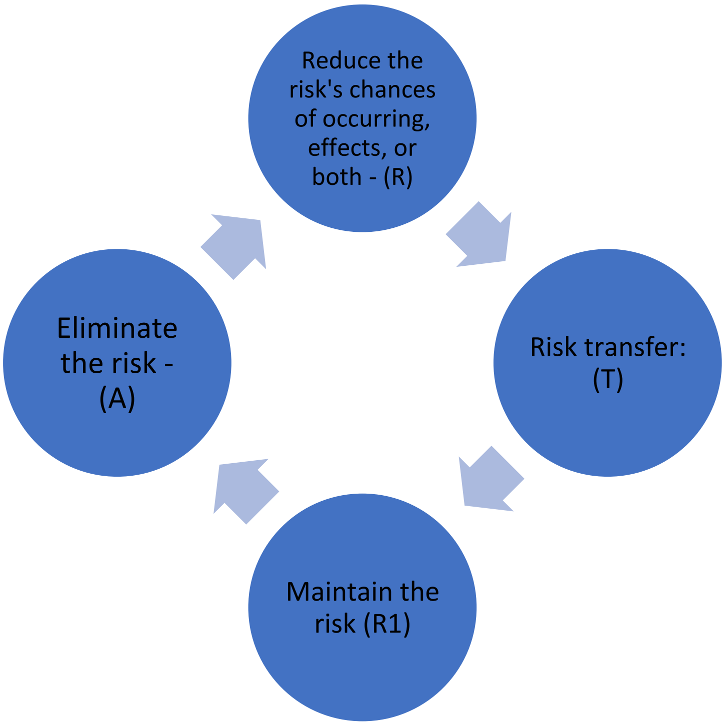

Figure:4.3 Risk reduction option

Eliminate the risk - (A)

Choose not to protect the subject if it poses an unacceptable risk.

- Pick an insurance theme that is more appropriate for your organization's goals and objectives.
- Choosing alternate procedures or methods that are more acceptable to the insured presents low risk.

Reduce the risk's chances of occurring, effects, or both - (R)

There are several options available.

- Inform the insured of the risks to which they are exposed.

- Advise him to alter his lifestyle.
- Raise the premium amount.

Risk transfer: (T)

Any portion or all the risk may be transferred to a third party.

Maintain the risk (R1)

Even after taking precautions to reduce them, risks may still exist.

- There might not be a need for risk management if the identified risks' established risk levels fall into the "Low" category or if it is determined that the risk is otherwise acceptable.
- There might be situations where the risk precludes the use of any available treatments.

4.6 Setting Rates for Life Insurance

When there are mortality tables available that show the number of deaths by age across a large population, pricing life insurance is much easier. Although age is the most important factor in determining life expectancy, smoking and gender are also known to have significant effects. The actuary can therefore fairly estimate the median age at death for her cohort of 25-year-old non-smoking males. The calculation of the net single premium is the easiest case. This amount does not include any costs or benefits and is the cost incurred to provide protection against death. Due to the high cost of life insurance, most people opt not to buy it, but this is the basis on which all premiums are calculated. The annual premium can be easily calculated using the net one-time premium. The only part of the net temporary premium that is not the death benefit is its present value. The net single premium is less than the death benefit because there is a chance that interest will build up on the premium before it is used to pay the death benefit. The cost of paying the death benefit, all related costs, a reserve for unforeseen events, and profit are included in the overall cost of life insurance.

4.7 Value of Underwriting

No matter if an insurance company specializes in life or property, the underwriting process is essential. The applicant's requested premium will not be appropriate if the risk assessment is inaccurate. A company's capacity to pay is impacted by low premiums. On the other hand, the principle of good faith dictates that charging a higher premium than necessary would be unfair to the applicant. In addition, this choice becomes biased or unfair if the applicant's additional risk must be paid for by the other policyholders (if it is not covered). As a result, underwriting affects both individual and group fairness to policyholders as well as fairness to insurers. The risk is normal or normal or first-class life if the insurer determines that the individual for whom the insurance is offered does not have any characteristics that negatively affect mortality or other factors relevant to the insurance. In this case, the insurance premiums charged will be in accordance with the rates in the table. The requirements for accepting the proposal are different if not. Insurance providers might decline to offer coverage in some circumstances. When a company decides not to provide insurance, the word "denial" is used.

4.8 The essentials of Underwriting

To build a successful business, as was already mentioned, underwriting is done. We adhere to specific actuarial principles to accomplish this. There are three main ideas:

1. Policyholders are chosen based on our underwriting criteria.
2. Adequate balance for each fare class
3. Equity between policyholders

4.9 Choosing Your Underwriting

A decision regarding underwriting must be made after the information has been evaluated by the underwriter. He then makes three fundamental actuarial choices when submitting his first insurance application. Accept the request; Accept the request with conditions or modifications; or refuse the request.

5. Study Design and Research Methods

5.1 Overview

The individual steps in this study's methodology are justified in this chapter along with methodological concerns. It gives a general overview of the study's elements, including data collection and statistical measures.

5.2 Research Perspectives

According to Remedy et al. (1998), research methodology describes the operational framework for conducting research. Methods and procedures for gathering data and knowledge, as well as instruments for confirming or disputing that knowledge, are what define research methodology. Nechemia’s et al., 1996; Sanders anticipates researchers to pick studies that may be influenced by their philosophical philosophies and paradigms. Sanders claims that the research can be roughly divided into five groups, as depicted in the diagram.

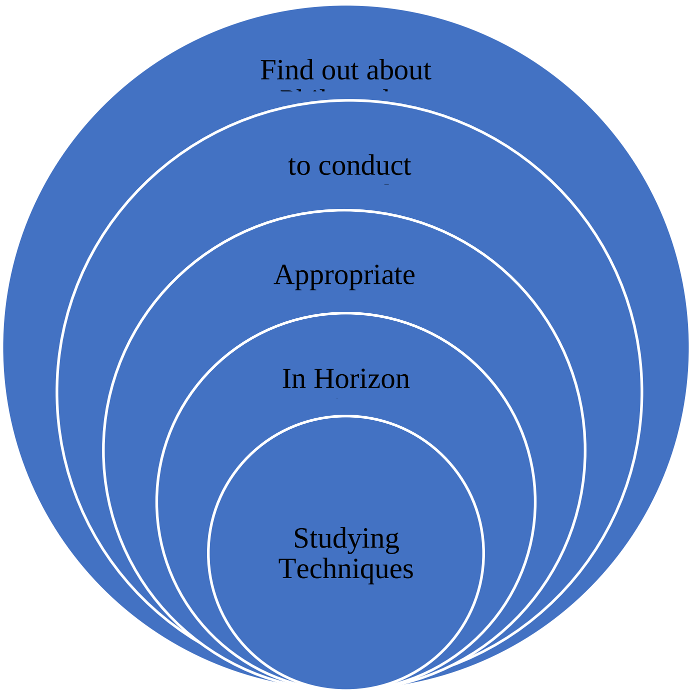

Figure:5.1 Research Perspectives

The philosophy

This research philosophy is defined as the underlying assumptions and convictions of our worldview (Saunders et al., 2007). The two main approaches to research are positive psychology and phenomenology. In situations where knowledge and the outside world are assumed to exist independently of people's perceptions and where science uses objective methods to determine what is real, positivism is concerned, according to Sullivan (2001, p. 47). Positivism puts hypothetical deductive generalizations to the test using logical, quantitative, and more impartial scientific methods.

On the other hand, phenomenology or interpretive philosophy contends that "the reality of the world is thought to emerge from the creation and exchange of social meanings in the process of social interaction. Sullivan (2001, p. 48). Phenomenological perspectives inductively and holistically use qualitative, more subjective, and naturalistic approaches to understand human experience in context-specific environments (Amaratunga, Baldry, Sarshar, and Newton, 2002). In this study, I chose positivism rather than a phenomenological perspective. It believes that the components of service quality and customer satisfaction in the Ghana insurance industry can be objectively investigated using established theoretical frameworks and structured tools to assess and analyse them. Generalizations can be made from the findings.

To conduct research

A research objective is a comprehensive statement of what the research is to achieve. Depending on its purpose, research can be broadly divided into descriptive, exploratory, and explanatory research (Saunders et al., 2000, 2007; Cooper and Schindler 2006). Descriptive research is research that aims to "present an accurate profile of a person, event, or situation" (Robson 2002: 59 in Saunders et al., 2007). This involves conducting research using a particular structure to better explain the facts about a phenomenon or to express how a phenomenon is perceived or how it exists. to formalize. Explanatory studies attempt to establish relationships between variables. The goal is to find out how one variable affects another. The goal is to provide empirical explanations for causality and causality between one or more variables (Saunders et al., 2000, 2007; Malhotra & Birks, 2007; Cooper & Schindler 2006). They are also used when the purpose of research is to answer the 'why' in a particular context. Finally, research is also exploratory if it is done to investigate and elucidate what is happening, or to gain new insight into a phenomenon from a new perspective. (Robson, 2002). It is most often used when researchers want to better understand a situation or problem, or when the field of study is new or vaguely stating that it is important to study unknown variables that may influence a particular phenomenon. This includes using methods such as searching library materials, seeking expert opinion, and conducting focus group interviews.

This is mixed, as research objectives may include both qualitative and quantitative results. Many authors suggest that this methodology is appropriate in some cases. In this study, we combine all three. The purpose of explanation, explanation, exploration. First, the study aims to detail the landscape of customer satisfaction and service quality in the insurance industry, and because it is descriptive, it provides a good understanding of the reality of customer satisfaction with service quality in the GII. and gain a deeper understanding of the relative importance of each aspect. Quality of service to customers. Second, the study is descriptive in nature as it aims to determine the impact of service quality on overall satisfaction and the impact of customer demographic variables on overall satisfaction. We also explore the relationships that exist between customer satisfaction and their behavioural intentions, such as their likelihood to recommend or repurchase a service. Third, the survey is exploratory, as it is still unclear in the Ghanaian insurance industry whether customers are satisfied and how they perceive the quality of GII insurance services.

Appropriate Research

Research can be deductive or inductive. The deductive research approach begins with: Develop a theory or hypothesis, then test it on a case-by-case basis and develop strategies for verifying or rejecting the claim. In other words, think from the general to the specific. On the other hand, this approach is inductive, and research begins with observations of phenomena within the environment. Data is then collected, and theories are developed, or generalizations are made. So, let's go from the specific to the general. This study carefully selected, applied, and tested existing empirical theories and models to assess the impact of service quality on customer satisfaction in the insurance industry in Ghana. The research is therefore deductive.

In Horizon Time

Regarding the time covered, the research plan can be longitudinal or cross-sectional. A cross-sectional study investigates a specific phenomenon over a specific time (Saunders et al., 2007). According to Malhotra and Birks (2007), a population can be sampled at once, as in a single cross-sectional study, or two or more samples of the target population can be studied at once, as in a multiple cross-sectional study. You can also research. cross-sectional study. Conversely, when it comes to duration, a study may be a longitudinal study that examines a particular phenomenon over varying time periods. Longitudinal studies can take the form of a single longitudinal study examining only one sample at different time points, or multiple longitudinal studies examining two or more samples at different time points (Malhotra & Birks, 2007). The survey is typically cross-sectional, collecting data across Ghanaian insurers' customers on a one-off basis rather than over a long period of time.

Studying Techniques

A research strategy is a general plan of how a researcher intends to answer a research question. A researcher's strategy largely determines the choice of data collection method. Main research strategies are action research, ethnographic research, experiments, surveys, case studies, sound theory or archival research (Saunders et al., 2000, 2007; Cooper & Schindler, 2006; Malhotra & Birks, 2007).

Action research: The term "action research" was first used by Lewin in 1946. It is a study called Investigate a specific problem in a particular environment, then research a corresponding problem. Interventions are designed and implemented to solve problems or improve situations. It is not behavioural research, but actual research (Coghlan & Bramnick, 2005; Saunders et al., 2007). It is for diagnostic and evaluative purposes, involves the people or subjects under study in problem solving, and is more collaborative in nature (ibid.).

Ethnographic studies: The word "ethnos" is a Greek word that refers to an ethnic, racial, or cultural group. Combining the suffix ``graph" meaning ``to know something" or ``knowledge about something" gives rise to the term ``ethnography" (Sullivan, 2001). Ethnographic studies explain that describes the cultural underpinnings of peoples, mainly taking place in their natural environment. In such studies, researchers may choose to observe the cultural characteristics of the person or situation under study by becoming part of and participating in the activities of that person or situation (Malhotra and Birks, 2007; Saunders et al., 2007; Cooper et al., 2007) Al Schindler, 2006; Sullivan, 2001).

Experiment

An experiment is a kind of causal study in which researchers investigate change. Manipulate one variable while manipulating one or more other variables under controlled conditions. It is usually done in the natural sciences and social psychology. Its main purpose is to study the causal relationships of variables in specific situations (Saunders et al., 2007; Cooper & Schindler, 2006).

Survey: A poll is a type of method of gathering the opinion of a sample or population We typically use more objective research tools such as structured questionnaires to explore what researchers are looking for. It is usually associated with a deductive approach and is commonly performed in business and management research to prove or disprove certain claims or hypotheses made. This allows economical collection of large amounts of data from large populations. It is most done to answer research questions about who, what, how much, and how many people are involved in the research question.

Case study: Case studies involve examining specific situations and their implications. More accurate and detailed representation of the nature of phenomena associated with a particular environment. It is mainly used when the goal is to have a complete and in-depth understanding of the research background and the process being carried out (Morris and Wood, 1991 in Saunders et al., 2007).

Therefore, multiple data collection sources are used, which is called triangulation. In most cases, these are related descriptive and exploratory investigations aimed at clarifying the 'why', the 'what' and the 'how' within the context of the incident. Ying (2003, Saunders et al.) argue that case studies can be single or multiple, whole, or embedded.

Grounded theory: It is a research methodology that develops theory by letting go of theory. (Sullivan is often associated with the inductive approach, a strategy for exploring and explaining behaviour.
Archival research: Refers to investigations based on administrative records and documents, primary data source. It is typically used when the goal is to examine changes in the past or over time, and is often the starting point for descriptive, exploratory, or descriptive research. These strategies can be combined into a single study for specific purposes (Saunders 2007). This study essentially chose a survey strategy to collect residents' opinions on the specific issue of perceptions of service quality and customer satisfaction, combined with the use of qualitative techniques (Sullivan, 2001). Grounded theory is building theories for forecasting and quantitative methods.

5.3 Statement of Hypothesis

A research hypothesis is the statement created by researchers when they speculate upon the outcome of a research or experiment. Every true experimental design must have this statement at the core of its structure, as the aim of any experiment.

The hypothesis is generated via a few means but is usually the result of a process of inductive reasoning where observations lead to the formation of a theory. Scientists then use a large battery of deductive methods to arrive at a hypothesis that is testable, falsifiable, and realistic.

The hypotheses for this thesis are:

a. Risk management and internal control systems exist in the Indian Insurance Industry.
b. The risk management and internal control systems are being compiled with IRDA.

5.4 Source of Data Collection

Data collection is the process of collecting and measuring information about a target variable in a well-established and systematic manner so that relevant questions can be answered, and results can be evaluated. Accurate data collection is critical to maintaining the integrity of your research, regardless of your research field or preference for data definition (quantitative or qualitative). In general, we may collect data from two sources (primary sources and secondary sources). Data collected from primary sources is called primary data, and data collected from secondary sources is

called secondary data.
Primary data is also called raw data. Data is collected from the original source. Controlled or uncontrolled environment. Examples of controlled environments are: An experimental study in which certain variables are controlled by the researcher. On the other hand, data collected through observations and questionnaires in natural environments are examples of data collected in uncontrolled environments. Secondary data is data that comes from secondary sources such as reports, books, magazines, documents, magazines, and the Internet.
Primary data as information would be directly collected from customers all over India.

5.5 Sample Size

The sample size of a statistical sample is the number of observations that make it up. Sample size is an important characteristic of empirical studies that are conducted. Conclusions about the population obtained from the sample.
In a stratified study, different sample sizes exist for each stratum.
The sample size of the study is 200 Customers who are categorized according to their profession as:

- Business class
- Govt. employee
- Manufacturing sector
- Service sector
- Others include housewives & retired people.

5.6 Sampling Method

The sampling method used in the study is stratified sampling.
Stratified sampling is a type of sampling method. For stratified sampling, Researchers divide populations into separate groups called strata. A probability sample (often a simple random sample) is then drawn from each group. Stratified sampling has several advantages over simple random sampling.
Stratified random sampling is used to identify a sample population that best represents the overall population under study. Advantages include minimizing sample selection errors and ensuring that certain population groups are not over- or under-represented.

5.7 Method of Data Collection

There are many methods to collect data, depending on our research design and the methodologies employed. Some of the common methods are questionnaires, interviews, and observation.
In this study the data collection is done by filling forms through questionnaires.

5.8 Instrument Used

The instrument used in this study is: - Questionnaire / form.

A questionnaire is a survey tool consisting of a series of questions and other prompts to gather information from respondents. It is often designed for statistical analysis of responses, but not always. The questionnaire was devised by Sir Francis Galton. Questionnaires are commonly used in both quantitative and qualitative research.

Table 5.1: Questionnaire for Prospective Customers

Name		
Date of Birth		
Gender		
Height		
Weight		
Blood Pressure	Normal	
	High	
	Low	
Personal Health Record	Healthy	
	Unhealthy	
Please specify the disease, if unhealthy		
Habits	Liquor	Heavy/ Mild
	Tobacco	Heavy/ Mild
	Smoking	Heavy/ Mild
	None	
Driving	Self-Drive	
	Driver	
	Other	
Mention accident if any		
Insurance History of Family	Father	
	Mother	
	Siblings	
Occupation	Business	
	Service	

	Agriculture	
	Retired	
	Housewife	
Job Profile	Company	
	Designations	
	Annual Income	
	Qualification	
	Length of Service	
	Nature of work	

5.9 Relevance of Questionnaire

- The "Date of Birth" column indicates the risk to an individual's life. The probability of death increases with age. In other words, people of the same age, beyond 50 years, the company may charge an additional premium. otherwise depending on the range. If a person of a certain age falls, the company may request a medical certificate to confirm that the person is healthy.
- The column ‘height & weight’ specifies that the individual is overweight or not. Because, if an individual is overweight then he becomes more prone to diseases. So, he is a risky customer to the company. Companies can ask to pay extra premiums.
- ‘Personal health record’ is again for medical grounds. If the individual is suffering from critical disease, then his death is sure. In such a case the company will not insure him at all. But in some cases, the company insures the individual at an extra premium. Such a case comes under medical underwriting dealt at head office.
- ‘Habits’ are again to specify the risk involved in insuring an individual. Since, a person who drinks or smokes heavily shortens his life cycle. So, he is a risky customer to the company. Companies should charge more from such individuals.
- ‘Driving habits’ of individuals also specify the risk involved in insuring such individuals. If, individual uses a driver or other conveyance, the risk involved is less than if he drives himself. Any record of an accident while driving confirms the risk involved.
- ‘Insurance history of an individual’ specifies any hereditary disease in the family. In such a case where the individual suffers from any hereditary disease then risk is more. So, companies can charge extra premiums.
- ‘Occupation’ specifies the kind of job an individual performs which defines the risk exposed to him. Insuring such an individual is risky for the insurer. So, companies can either ask for

more premiums according to the kind of risk exposed to the individual or may not insure him at all.

Table 5.2 Weightage Criteria

								Highest	Lowest
Age (years)	>35 yrs	36-45	46-55 y	56+					
Weight	4	3	2	1					
Score	7*4=28	7*3=21	7*2=14	7*1=7				28	7
Height, weight	Normal	Fatty							
Weight	2	1							
Score	14*2=28	14*1=14						28	14
BP	Normal	Low/ High							
Weight	2	1							
Score	14*2=28	14*1=14						28	14
Personal Health	Healthy	Unhealthy							
Weight	2	1							
Score	14*2=28	14*1=14						28	14
Habits	None	Mild 1	Mild 2	Mild All	Heavy 1	Heavy 2	Heavy All		
Weight	7	6	5	4	3	2	1		
Score	4*7=28	4*6=24	4*5=20	4*4=16	4*3=12	4*2=8	4*1=4	28	4
Driving	Other	Self							
Weight	2	1							
Score	14*2=28	14*1=14						28	14
Annual Income	7 Lacs	7-5 Lacs	5-3 Lacs	<3 Lac					
Weight	4	3	2	1					
Score	7*4=28	7*3=21	7*2=14	7*1=7				28	7
Nature of Work	Desk Work	Field Work							

Weight	2	1							
Score	14*2=28	14*1=14						28	14
							TOTAL	252	92

Criteria for Risk Categorization

Category A: Score = 100 % to 84 %

Here is the ideal candidate for the category A:

- You are the ideal weight for your height.
- You have an excellent health history with no serious or chronic illnesses or ailments.
- Your immediate family has no history of cardiovascular disease or internal cancer before the age of 60.
- You’ve never smoked, or if you have you’ve quit for at least five years.
- You don't participate in high-risk recreational or occupational activities such as hang gliding, rock climbing, motorized racing, offshore drilling, mining, etc.
- Your recent financial standing is excellent.
- You have good average blood pressure readings of about 140/85 or less.
- You have a very clean driving record with no more than one or two moving violations in the last three years and no reckless-driving convictions in the last 5+ years.
- You’ve never required treatment for drug or alcohol abuse.

Category B: Score= 83.99 % to 68%

This category is a substandard category.

The candidate of this category is not an ideal candidate as Category A.

Category C: Score = 67.99% to 52% This category is substandard to Category B.

Category D: Score = 51.99% to 36.50 % This category is substandard to Category C.

6. FINDING AND CONCLUSION

6.1 Presentation of data collected from filling questionnaire for prospective customers

Table 6.1: Breakdown on questionnaire data

Feature		A	B	C	D
Total		92	68	28	12
%		46%	34%	14%	6%

Age (years)	<35	58.7%	15.9%	6.9%	7.7%
	36 – 45	16.3%	10.1%	17.2%	7.7%
	46 – 55	14.1%	46.4%	48.3%	38.5%
	56+	10.9%	27.5%	27.6%	46.2%
Income (lacs)	7+	34.5%	11.8%	10.7%	0
	7 – 5	39.1%	45.6%	14.3%	8.3%
	5 – 3	9.2%	33.8%	64.3%	25.0%
	< 3	0	0	10.7%	25.0%
	Income not disclosed	17.2%	8.8%	0	41.7%
Habits	None	26.1%	30.9%	3.8%	0
	Mild 1	41.3%	42.6%	25.0%	50.0%
	Mild 2	23.9%	11.8%	28.6%	33.3%
	Heavy 1	8.7%	14.7%	42.9%	16.7%

Table 6.2:Respondents Demographic

Variable	Category	Number	Percentage
Gender	Male	114	57%
	Female	86	43%
Age (years)	< 35	67	33.50%
	36 – 45	28	14%
	46 – 55	63	31.50%
	>56	42	21%
Occupation	Business class	35	17.50%
	Govt. Employee	20	10%
	Manufacturing	55	27.50%
	Service Sector	70	35%
	Housewife, Retired	20	10%
Income (Lacs)	< 3 Lacs	6	3%
	3 TO 5 Lacs	52	26%
	5 TO 7 Lace	75	37.50%
	>7 Lace	41	20.50%

	Not Disclosed	26	13%

This table represents that there were a greater number of male respondents than female. Additionally, there were a group of respondents who did not participate in any economic activity, but majority of respondents belonged to service sector. Most respondents fall under income category of 5 to 7 lacs annual income. In spite of stratified sampling, the sample is not evenly distributed.

6.2 Interpretation of data

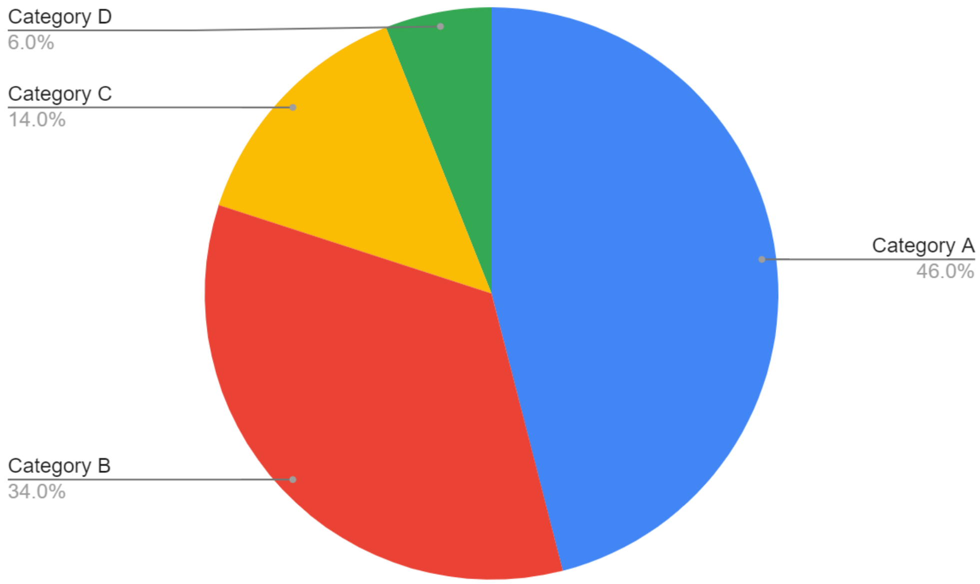

Figure 6.1 Breakdown of Indian Population based on risk categories.

46% of the population fell in Category A hence there are ample customers in India who can be insured with minimal risk for insurance company.

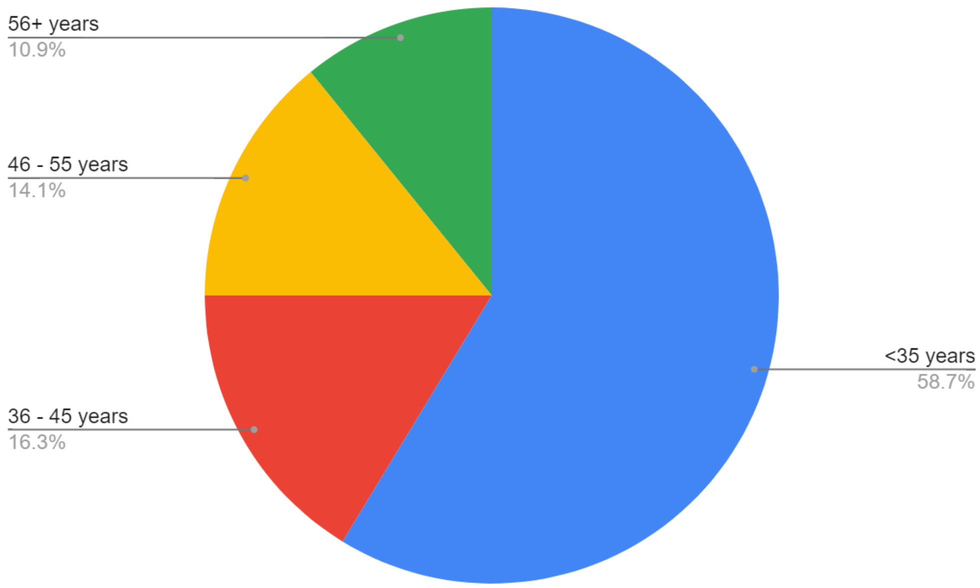

Figure 6.2 Breakdown by age group in category A

The people who fell in category A were mostly of young age as 58.7% of people were below 35 years age. India is an attractive place for insurance companies as it has an ample young population.

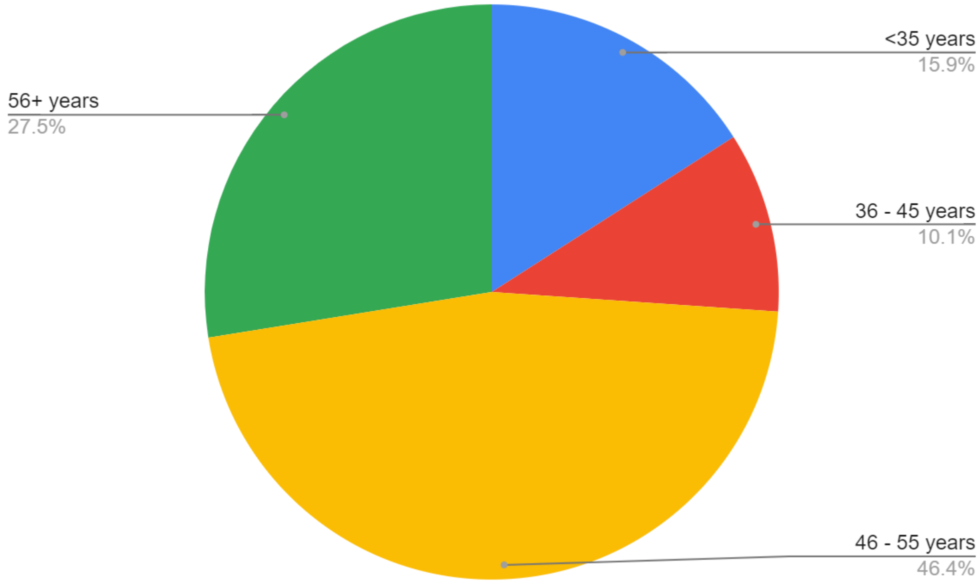

Figure 6.3 Breakdown by age group in category B

The people who fell in category B were of older age. Only 15.9% of people were below 35 years of age while mostly people fell in 46-55 yrs. Companies must avoid giving insurance to those people who are above 56 years of age if it has a choice.

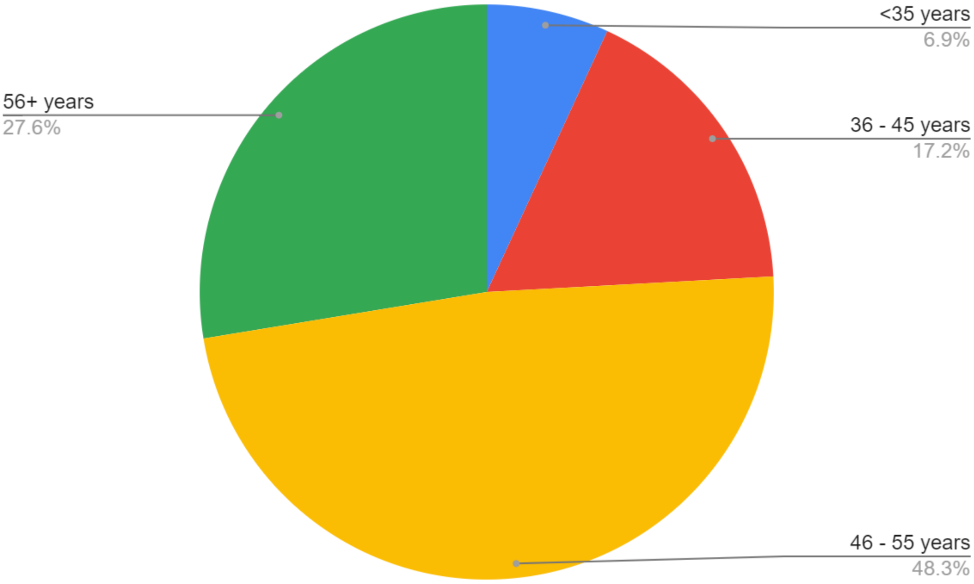

Figure 6.4 Breakdown by age group in category C

The people who fell in Category C were mostly of 46-55 years age group. They are not very ideal people to be insured. Companies should give preference to younger people to give insurance.

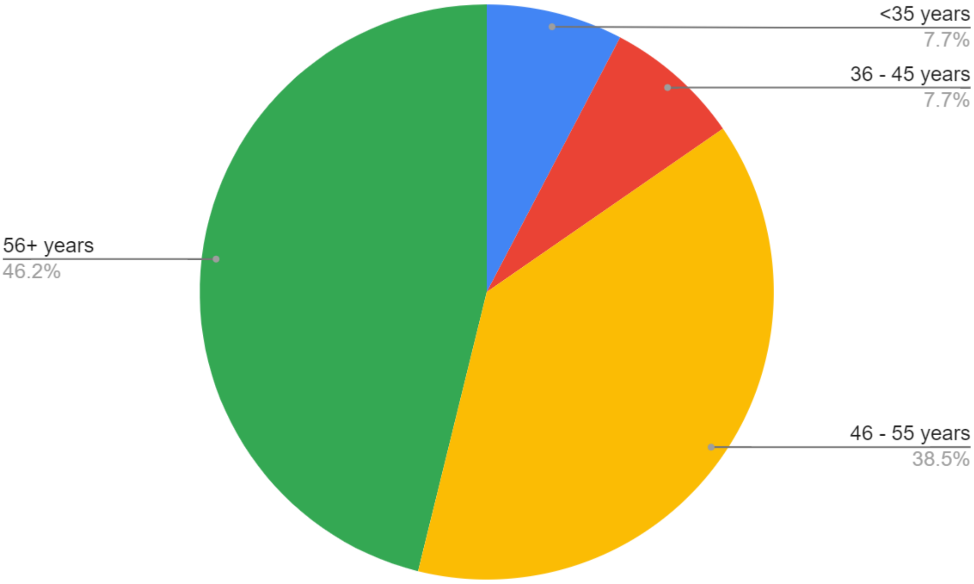

Figure 6.5 Breakdown by age group in category D

Category D people mostly belong to the 56+ age group. They are not the ideal group to be insured. Companies should not give insurance to such people.

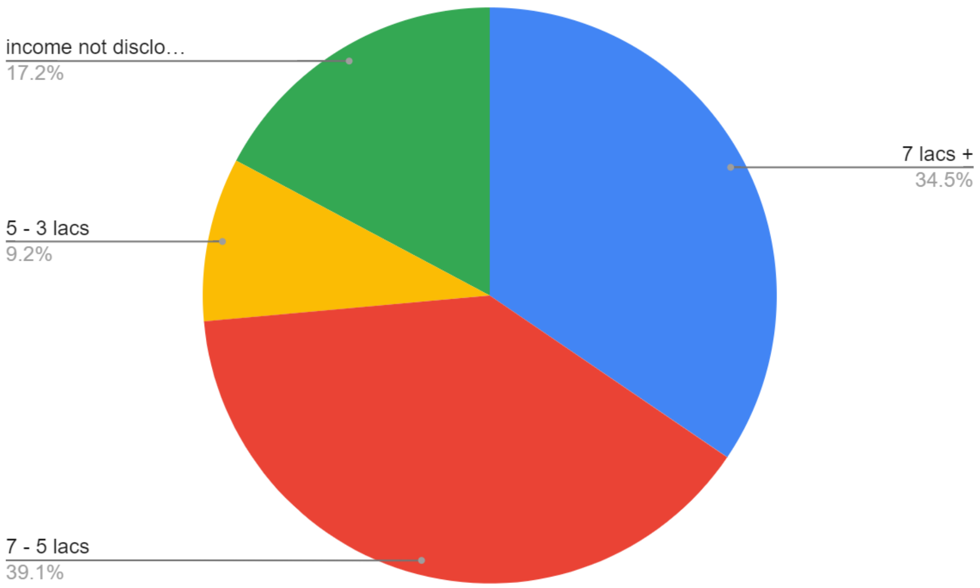

Figure 6.6 Breakdown by income in category A

16% of people who fell in category A did not disclose their income group. Income ensures the timely premium payment. Hence a person whose income is not disclosed is not a very ideal person to be insured.

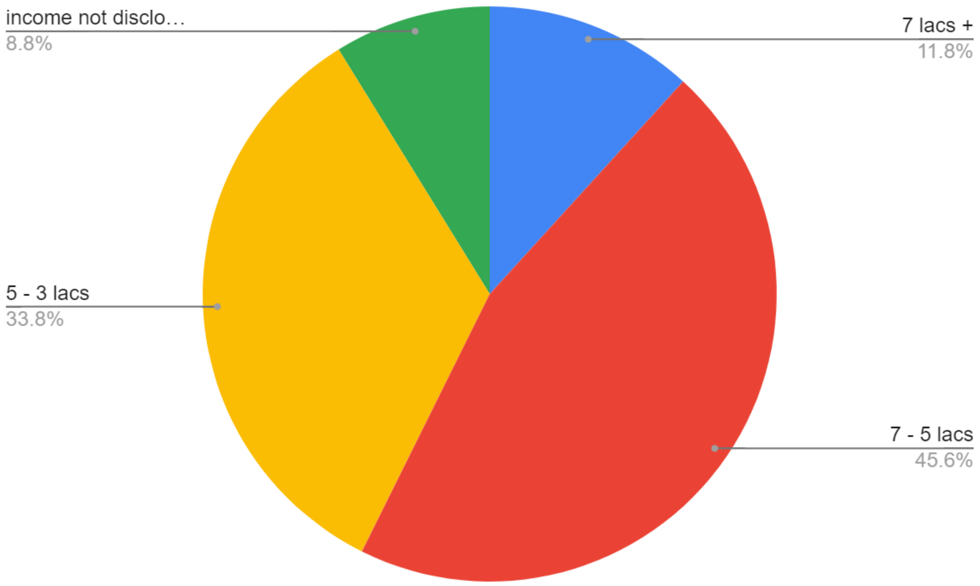

Figure 6.7 Breakdown by income in category B

The people who fell in category B mostly belong to the average income group. Companies must ensure that the person they are insuring is capable enough to pay premium.

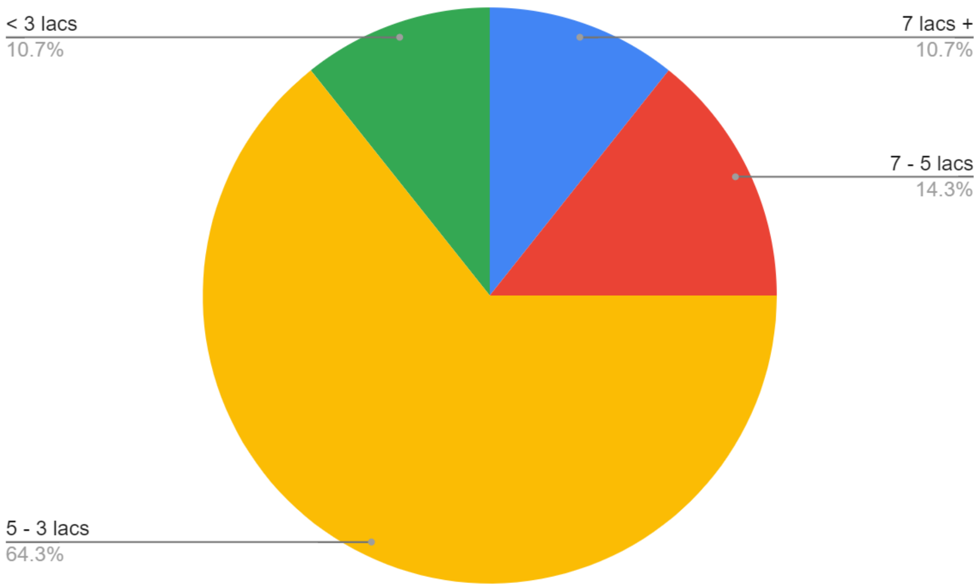

Figure 6.8 Breakdown by income in category C

Most people who fell in category C belong to the average income group. Although these people are cocategory premium they fall in risk category, company should try to avoid giving insurance to such people.

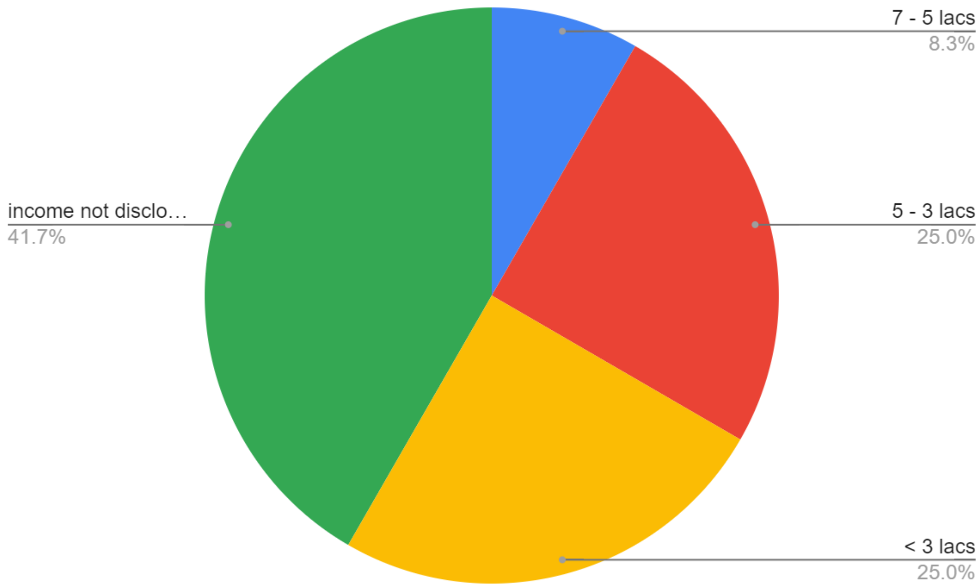

Figure 6.9 Breakdown by income in category D

The people who fell in category D belong to the income group 3-5 lac. or have not disclosed their income. It may be the case that the person belonging to the D category is capable to pay premium, but company must not give insurance to such person.

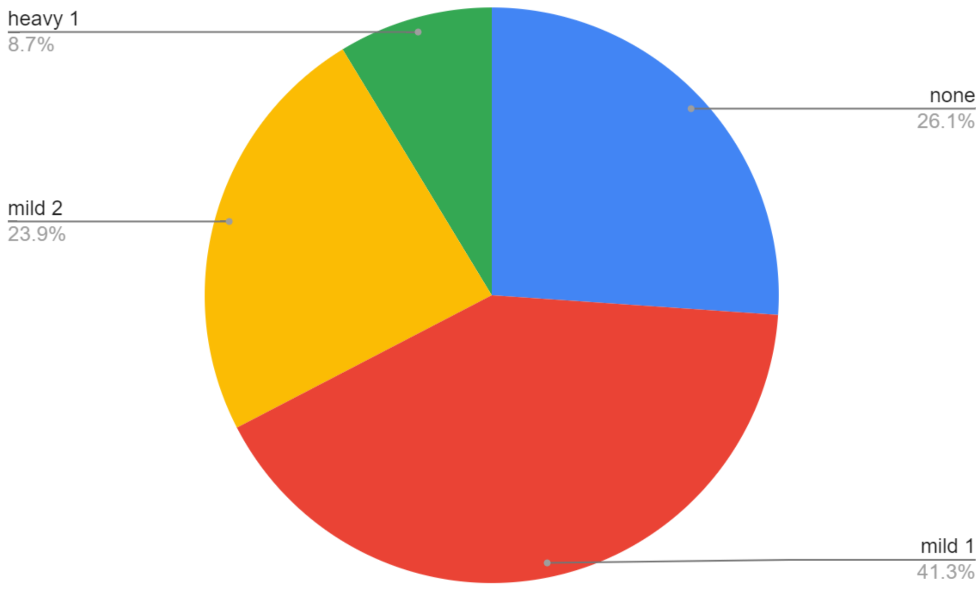

Figure 6.10 Breakdown of habits in category A

26.1% of the sample of India does not have any bad habits. That is one of the reasons why most people fell in Category A.

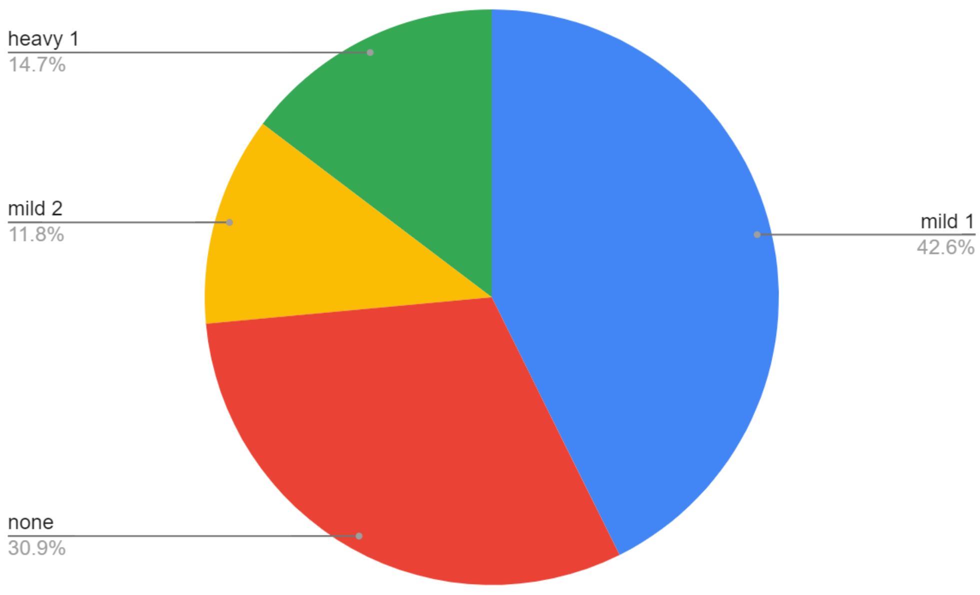

Figure 6.11 Breakdown of habits in category B

The people felling in Category B either do not have bad habits or they have mild bad habits which comprises 73% of the sample. It is less risky to insure such persons.

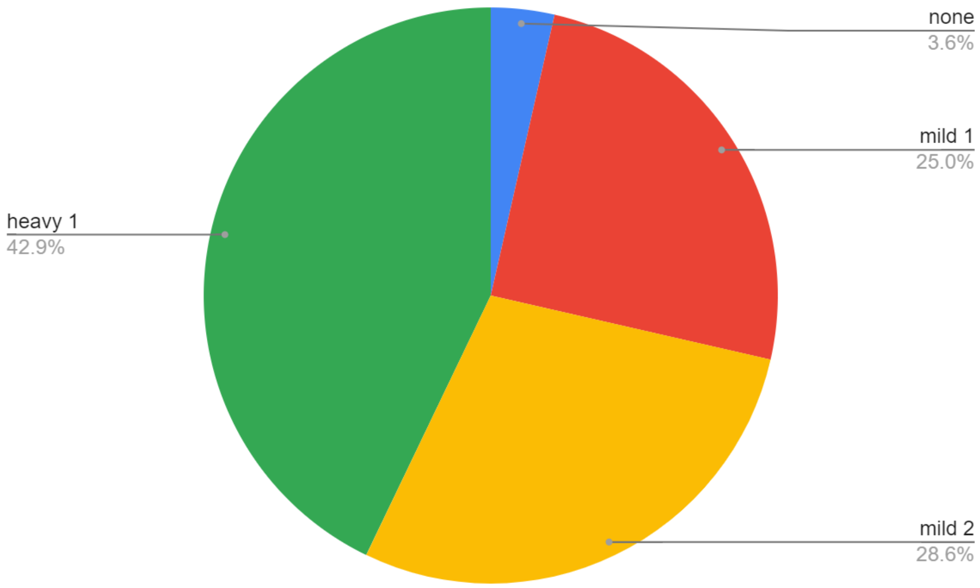

Figure 6.12 Breakdown of habits in category C

The people felling in the C category have bad habits. They are at least consuming two or more products which are not good for their health. Companies must avoid insuring persons felling in the C category.

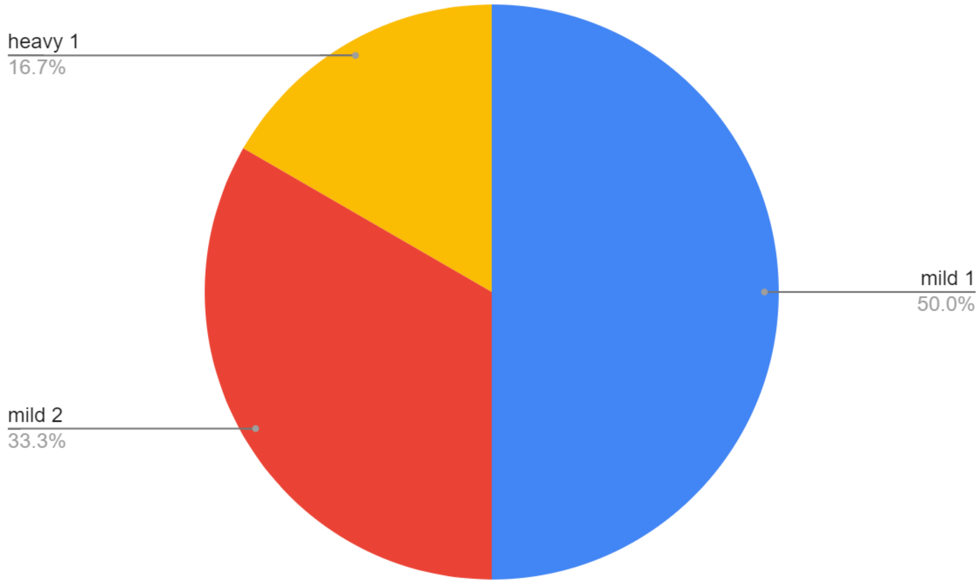

Figure 6.13 Breakdown of habits in category D

The person felling in the D category has bad habits. Companies must not insure such a person whose health may be an issue in future.

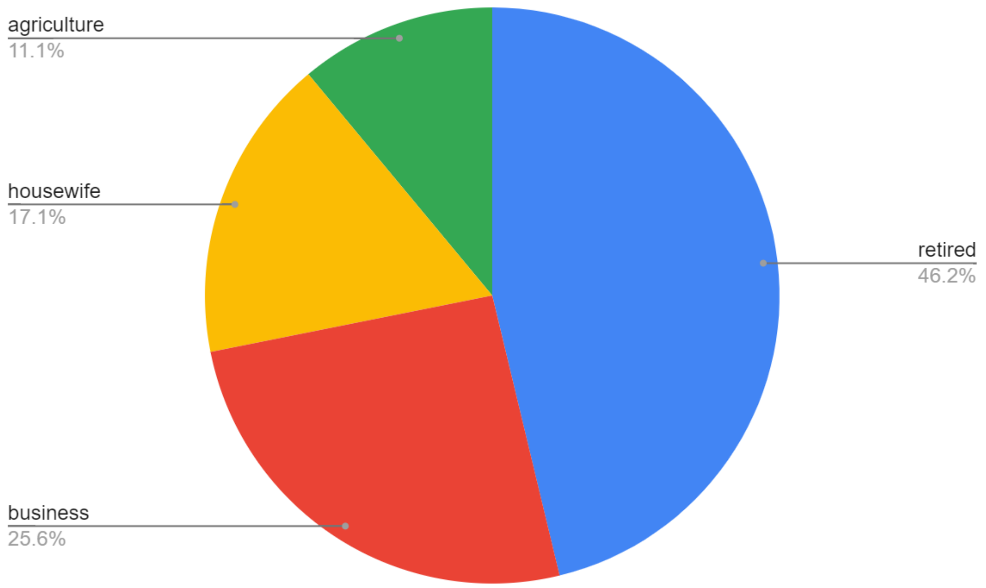

Figure 6.14 Breakdown of people who did not disclose their income.

46% of people who have not disclosed their income are retired. Hence, they don't have any source of income. Additionally, housewives which comprise 15% of the population also don't have any source of income. So, it is require ensuring the premium payments before insuring such people.

6.3 Findings of data collected from filling questionnaire for prospective customers.

1. In this study, we had divided prospective customers into four categories as per risk attached to them. Category C & D are the category of people who are risky to be insured. The study shows that they comprise 20% of the sample.
2. This study shows that 58.7% people of Category A are below 35 years of age. It shows that most people in Category A are young.
3. The study further shows that only 10.9% of the population in India is above 56 years of age in Category A.
4. The study reveals a descending pattern in income group category wise. Category A belongs to the higher income group and Category D belongs to the lower income group.
5. The income and age group data shows that an elderly person as well as a low-income person can also fell in Category A. While a young person with bad habits may fall into C or D category.
6. The study suggests that whether a person is ideal to be insured or not cannot be judged based on a single factor.

7. The study further shows that 17.2% of people in Category A have not disclosed their income. But income is an important part while insuring someone. Income ensures regular premium payment.
8. The study also shows that the people who did not disclose their income were either housewives, retired or had agriculture as their occupation. Only very few businessmen were there who did not disclose their income.
9. The study shows that 10% of housewives and 46.2% retired, who do not have any source of income. 11.1% of people belong to agriculture and 25.6% of people belong to business, which had income but did not disclose it.
10. There were 13% % people who had income but did not disclose. It may be because of a lack of trust.
11. The study shows that the average income of people in India is 5 to 7 lacs.
12. The study shows that the people who fell in Category A & B had either no bad habit or very mild bad habit.
13. The study further reveals that the people felling in category C & D were exposed to bad habits and had risked their life.
14. The study shows that the people who fell in category C & D were elderly aged, with low income and bad habits. All these factors made them unsuitable for insurance companies as a prospective customer.

6.4 Recommendations

1. An insurance company should improve its risk management tool so that it covers all kinds of risk associated with a prospective customer.
2. A CRO should have knowledge of all the risks that an insurance company is exposed to.
3. A CRO must balance the cost of risk management so that it does not exceed the loss from risk.
4. The main soul of risk management is its framework. If the risk management framework is effective, then the person handling it will bring positive results.
5. The risk management tool should also be measured from time to time in terms of stronger business performance, better decision making, improved returns and better approach toward uncertainties.

6.5 Suggestions and Conclusions

1. Insurers strive to mitigate risk, but insurers themselves are also exposed to many risks dangerous. One of these risks is insuring someone whose claim may exceed the amount.
2. Bundling policyholders reduces this risk. But what happens when companies don't follow strategy? And form a pool of risky customers.
3. One marketing technique in the insurance industry is aggressive selling Likelihood of choosing risky individuals as prospects for sales managers to meet his goal.
4. This is why companies take risks. This allows the company to charge different premiums to different customers for the same sum insured.
5. Each company has its own calculator for calculating premiums.
6. This study is merely an attempt to gain insight into possible insurance coverage. Firms ensure high-risk customers even though there are too many low-risk customers. For companies, this is an opportunity cost.

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