

RATING THE SUCCESS FACTORS OF INSURANCE SERVICES IN INDIA - AN ANALYTICAL APPROACH

Dr. Abhilasha Sharma,

Assistant Professor, IITM,
ITM University, Gwalior, India.

Dr Sunita Dwivedi,

Associate Professor, IITM,
ITM University, Gwalior, India.

ABSTRACT

The purpose of this paper is to help insurance services , academicians, consultants and researchers to have a better understanding of the booming opportunities in insurance services in India. The paper gives insight into the priority of the success factors of insurance services from the insurance service provider front.

The investigation was divided into stages: Stage 1: Literature and existing research review, Stage 2: Narrowing down the factors from 38 to 10 with three stages with the help of panel members Stage 3: Assigning the ranking to the success factors of insurance services.

The research results uncovered that the Service Quality contributes maximum in the success factor of insurance services in India.

The purpose of this study is to identify and prioritize the success factors of insurance services for enhancing the competitiveness in the field of insurance services.

Keywords: Insurance services, success factors etc

INTRODUCTION:

The paper is structured as follows:

- An introduction of Insurance services System in India
- Identifications of the success factors in the insurance services sector.
- Prioritizing the success factors in the insurance services sector.

The purpose of this study is to help the insurance services in India, to identify and map success factors so to undertake relevant initiatives to improve their competitiveness in insurance services.

THE INDIAN INSURANCE SERVICES SYSTEM:

The Indian Insurance services industry comprises segments that provide comprehensive insurance services to individuals and small businesses.

Insurance services in India has fast emerged as one of the major drivers of the overall insurance industry and has witnessed enormous growth in the recent past.

LIST OF INSURANCE/REINSURANCE COMPANIES IN INDIA AS OF JUNE 2004:

Source: IRDA Annual Report, 2002-2003. Figures in brackets refer to the number of companies in that category. List of insurance/reinsurance companies in India as of June 2004, Life insurers (14), Public sector (1), Life Insurance Corporation of India (LIC), Private sector (13)

Allianz Bajaj Life Insurance Company Limited, Birla Sun Life Insurance Company Limited, HDFC Standard Life Insurance Company Limited, ICICI Prudential Life Insurance Company Limited, ING Vysya Life Insurance Company Limited, Max New York Life Insurance Company Limited, MetLife Insurance Company Limited, Om Kotak Mahindra Life Insurance Company Limited, SBI Life Insurance Company Limited, Tata AIG Life Insurance Company Limited, AMP Sanmar, Assurance Company Limited, Aviva Life Insurance Company Pvt. Limited, Sahara India Life Insurance Company Limited, Non-life insurers (14), Public sector (6) National Insurance Company Limited, New India Assurance Company Limited, Oriental Insurance Company Limited, United India Insurance Company Limited, Export Credit Guarantee Corporation, Agriculture Insurance Company of India Limited, Private sector (8), Bajaj Allianz General Insurance Company Limited, ICICI Lombard General Insurance Company, Limited, IFFCO-Tokio General Insurance Company Limited, Reliance General Insurance Company, Limited, Royal Sundaram Alliance Insurance Company Limited, Tata AIG General Insurance, Company Limited, Cholamandalam General Insurance Company Limited, HDFC Chubb Genera Reinsurers (1), General Insurance Corporation of India (GIC)

Source: IRDA Annual Report, 2002-2003. Figures in brackets refer to the number of companies in that category. Life Insurance Company Limited

After the release of the Malhotra Committee report in 1994, insurance industry appeared imminent.

Look at the glimpse of insurance industry:

MILESTONES OF INSURANCE REGULATIONS IN THE 20TH CENTURY:

Year Significant regulatory event 1912 First piece of insurance regulation promulgated – Indian Life Insurance Company Act, 1912

1928 Promulgation of the Indian Insurance Companies Act

1938 Insurance Act 1938 introduced, the first comprehensive legislation to regulate insurance business in India

1956 Nationalisation of life insurance business in India

1972 Nationalisation of general insurance business in India

1993 Setting-up of the Malhotra Committee

1994 Recommendations of Malhotra Committee released

1995 Setting-up of Mukherjee Committee

1996 Setting-up of an (interim) Insurance Regulatory Authority (IRA)

1997 Mukherjee Committee Report submitted but not made public

1997 The Government gives greater autonomy to LIC, GIC and its subsidiaries with regard to the restructuring of boards and flexibility in investment norms

aimed at channelling funds to the infrastructure sector

1998 The cabinet decides to allow 40% foreign equity in private insurance companies – 26% to foreign companies and 14% to non-resident

Indians (NRIs), overseas corporate bodies (OCBs) and foreign institutional

investors (FIIs)

1999 The Standing Committee headed by Murali Deora decides that foreign equity in private insurance should be limited to 26%. The IRA Act was renamed

the Insurance Regulatory and Development Authority (IRDA) Act

1999 Cabinet clears IRDA Act

2000 President gives assent to the IRDA Act

Sources: Various.

Insurance services is, however, quite broad in nature -

Insurance services in India is generally fairly mature in terms of supply, product range and reach-even though reaches in rural India still remains a challenge for the private sector and foreign banks.

There are few challenges in the Insurance services in India. Retention of customers and rising indebtedness could turn out to be a major challenge. Information technology poses both opportunities and challenges. Even with ATM machines and Internet Banking, many consumers still prefer the personal touch of their neighborhood branch bank.

LITERATURE REVIEW:

Past researches have shown that that in the modern era of insurance sector in India began with the Oriental Life Insurance Company in 1818, followed by the Bombay Assurance Company in 1823, and the Madras Equitable Life Insurance Society in 1829.

In 1938 with the enactment of insurance act all the life and non life insurance companies were included. By mid-2004, there were 21 private sector insurance companies operating in India, alongside eight public sector companies.

In 1956 non life insurance were nationalized along with insurance companies. After the release of the Malhotra Committee report in 1994, the insurance industry comes out with a new transformation.

India's non-life insurance industry was previously dominated by the state-owned GIC and its four subsidiaries. India is the fifth largest life insurance market in the emerging insurance economies globally and is growing at 32-34% annually.

Patrick M. Liedtke and Kai-Uwe Schanz (2006) addresses key success factors for reputation management in insurance. The purchasing decisions of consumers are increasingly driven by nonmonetary factors. Sahel Farokhian and Tooraj Sadeghi (2011) show that all of the theories were confirmed and from the standpoint of the insurance companies in the Iranian insurance industry and the most important success index is related to the factors of safety, relationship, customer understanding, responsiveness and the validity of insurance companies.

Jared Lewis (2011) stated that insurance industry is highly competitive as individual agents and companies compete with one another for a larger portion of the market share. With minimal growth to look forward to, insurance agents and companies will have to differentiate themselves in the marketplace by meeting a number of critical success factors.

Joanne Petit (2011) states that critical success factor for the insurance industry as a whole and especially for individual insurance companies, is the need to update the way business is conducted.

SREELATA NEELESH, DR. MOHENDER KUMAR GUPTA, DR. SUNIL KUMAR (2012) conducted the research in which it has come out that with the opening up of insurance sector to private players, it has become a fiercely competitive field. A high level of customer service is surely the need of hour.

According to the Swiss Re Economic Research & Consulting, it can be postulated that from 2004 to 2014 the penetration of life insurance in India will increase to 4.4% and that of non-life insurance to 0.9%.

RESEARCH METHODOLOGY:

Identifications of the success factors in the insurance services sector.

Preliminary surveys of available literature on Indian Insurance Services presented a wide spectrum of success factors in Insurance services. Success factors are relative to time period. Success factors relevant to the best performance of Indian Insurance Service a decade ago may have little value to current macroeconomics environment of the country. So more emphasis is given on the current literature which explores the dimensions of success of insurance services in India.

The study began with churning of literature for identifying a set of success factors that could form the basis for the present study.

Based on literature survey, initially, a total or more than 38 success factors were identified and referred to a select panel of 30 practicing Insurance Managers, Agents, academicians and research students. In the first round

of moderation the select panel scaled down the number of factors to 25 which was narrowed down to 19 after second round of moderations and finally after third round the number came down to 11(eleven) factors for in insurance services in India. These factors have been shown in Table-1

The above Eleven(11) parameters were again forwarded to earlier referred panel. The panelists were requested to do ranking of all the eleven parameters with each other, with the help of a ranking grade from 1 to 11 resulting into a Matrix. The Eleven parameters for success of Indian Banks is as shown as Annexure-I.

Table-1:Success Factors of Indian Insurance services

	Competence	Credibility
	Security and Safety	Sound business strategy
Good financial strength	Technological updation	Courtesy
Understanding the customer	Service quality	Customers' satisfaction
Customer loyalty		

DATA ANALYSIS & INTERPRETATION:

Prioritizing the success factors in the insurance services sector

Table 2: Assigning Ranking To Success Factors of Indian Insurance Services In Indian Environment

FACTORS	1	2	3	4	5	6	7	8	9	10	11	Total
1 Service Quallity	13	2	3	1	1							20
2 Security and Safety	1	12		2	3			2				20
3 Customers' Satisfaction	1	3	12	2							2	20
4 Credibility	1		1	10		2	2		1	2	1	20
5 Competence	1	1	2		9	1	1	1	2		2	20
6 Technological updation	1	1		1		7		3	2	2	3	20
7 Good financial strength		1	1		2		5	3	4	2	2	20
8 Sound business strategy	1		1	2	1	2	3	1	5	2	2	20
9 Customer loyalty	1			2	2	2	3	4	3	2	1	20
10 Understanding the customer					2	3	2	3	3	6	1	20
11 Coutesy						3	4	3		4	6	20
Total	20	20	20	20	20	20	20	20	20	20	20	

Source:Primary data

Once the responses were received, analyses were done and relative ranks were assigned.

The resultant rank order of eleven dimensions & their hierarchy have been shown in the table3:

To calculate a summary rank ordering the factor with the highest (first)preference was given the lowest number(1) and the least preference was given the highest number(11).

Table 3: Application of Rank Order For Deriving of Hierarchy of Success Factor In Insurance Services

Factors	Preference Ranking
1 Service Quallity	35
2 Security and Safety	64
3 Customers' satisfaction	73
4 Credibility	109
5 Competence	114
6 Technological updation	144
7 Good financial strength	145
8 Sound business strategy	147
9 Customer loyalty	152
10 Understanding the customer	169
11 Courtesy	176

The lowest total score indicates the first highest preference ranking.The result shows that the following rank ordering : service quality,security and safety,customers satisfaction and so on.

Table 4: Rank Analysis of Success Factors

Factors	Score	Average rating	Ranking
1 Service Quality	257	20.07813	I
2 Security and Safety	168	13.125	II
3 Customers' satisfaction	165	12.89063	III
4 Credibility	132	10.3125	IV
5 Competence	125	9.765625	V
6 Technological updation	96	7.5	VI
7 Good financial strength	88	6.875	VII
8 Sound business strategy	11	0.859375	VIII
9 Customer loyalty	98	7.65625	IX
10 Understanding the customer	76	5.9375	X
11 Courtesy	64	5	XI

Thus, service quality contributes the maximum in the success factor in insurance services in India. The courtesy contributes less in formation the success in insurance services. In between the two dimensions, in descending order, falls the remaining. The above ranking may be considered as a benchmark for insurance services in India and can be taken as desired parameters.

CONCLUSION:

Quantitative measure of Indian Insurance services can be useful in evaluating and comparing the prevailing factors in different banks. Moreover, creating a hierarchy of success factors can be of immense help to banks in pinpointing and focusing on specific factor for designing bank reforms strategies.

Further, having an idea about importance of success factors can also help insurance services in designing vision and mission related interventions in their quest of excellence.

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