



The Growth in the Performance of Distribution Channels of Life Insurance Industry in India

Ankita¹ , Prof. Tej Singh²

1 Research Scholar, Department of Commerce, Indira Gandhi University, Meerpur, Rewari, Haryana, India.

2 Professor, Department of Commerce, Indira Gandhi University, Meerpur, Rewari, Haryana, India.

ABSTRACT

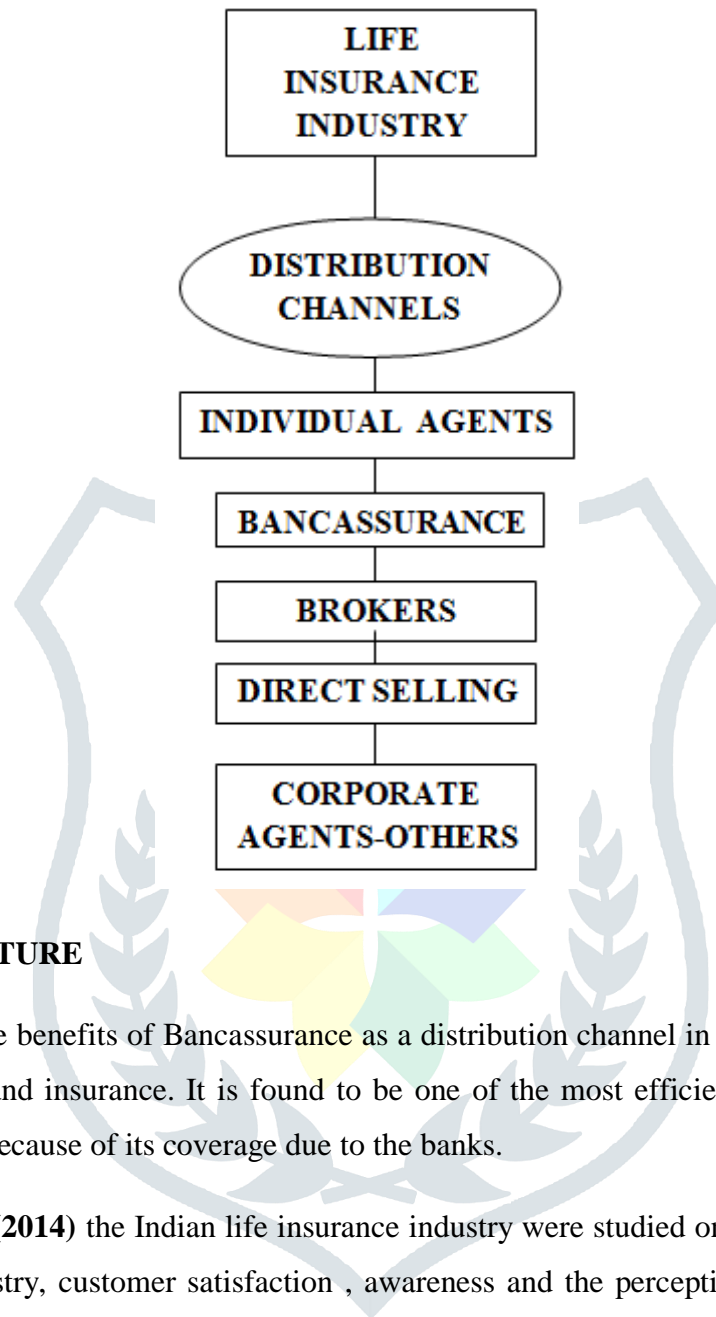
The Insurance Business has changed the whole financial system. The emergence of insurance Business with the advent of different distribution channels has drastically changed the insurance business in India. Indian insurance industry is witnessing the upward growth with the growing incomes and awareness level of customers in India. The industry is experiencing the growth of approximately 14 percent per annum. With the expansion of insurance demand the need of distribution channel expanded and it has become imperative to analyse the different distribution channel of life insurance industry in India. To analyse the different channels the data over the period of five years viz. 2016-2017 to 2020-2021 has taken for the study.

Keywords: Insurance, Bancassurance, Distribution Channel, Life Insurance Industry.

1. INTRODUCTION

The work of intermediary channels is the backbone of any business Organisation. The growth of business and its performance is highly based on the working mechanism of distribution channel. In today's competitive world the importance of distribution channel is arise to reach out the targeted customer in most efficient manner. As the With the entry of many life insurance companies in India the role of distribution channel has been escalate. The distribution channel is a prominent factor for the growth of insurance companies. With the liberalization of insurance industry many private insurance companies entered in the insurance industry. With the entrance of many players, in Last few years insurance industry has witnessed a growth of different distribution channel to make the service available in most efficient way. Distribution channel is the mechanism through which insurance industry work. The success of life insurance companies are decided by the working of its distribution channels. Therefore it become important to study the different distribution channel in life insurance industry to gauge their performance. There are different types of distribution channel in India. There are many channels of distribution in life insurance industry viz. Individual agent, Bancassurance, Direct selling and brokers,

Corporate agents- others, Micro agents, Web Aggregators etc. For the study we are taking five major channels for the study viz. Bancassurance, Individual agents, Broker, Corporate agents and Direct Selling.



2. REVIEW OF LITERATURE

Satsangi (2014) studied the benefits of Bancassurance as a distribution channel in india and found this channel beneficial for both banks and insurance. It is found to be one of the most efficient channel of distribution in india to sell the insurance because of its coverage due to the banks.

Paramasivan and Naidu (2014) the Indian life insurance industry were studied on the basis of contribution of Bancassurance to the industry, customer satisfaction , awareness and the perception of buying policies from banks were analysed. The study analysed that being a one of the cost effective channel of distribution and having a more reachable customer because of banks it may proven to be the most significant channel to reach the customer and expand the insurance business with less cost.

Bawa and Chathha (2016) studied the various distribution channels in Indian Life insurance industry with regard to policies and premium. The growth were measured to analyse the channels performance. The study found overall growth in channels performance with individual agents to be on prime in generating maximum policies and premium.

Arora and Gaur (2016) studied the satisfaction level of customers in terms of product and time period in public and private sector banks from Bancassurance in Haryana. The number of bank taken for the study were ten out of which five were private and five were public sector banks. ANOVA were applied to evaluate the data.

The study concluded that customer having life insurance policies and long term policies enjoy more satisfaction in comparison to those having general insurance policy and short term policy.

Seth and Sahay (2016) in their study observed the conflict arise between the insurance companies agents and the bank with whom they have tie up. The study highlighted that some channels were not performing well in acquiring the customer comparatively. The study concluded the need of a good strategy to optimize the channels output.

Grazy and Parimalarani (2020) in their evaluate the different channel of distribution in Indian insurance industry. The study concluded that for any business the customer is the most important factor to be considered and for insurance business to grow the channel should concentrate on the customer need and preferences.

Grazy and Parimalarani (2020) in their study analysed the perception of customers in relation to their criteria in selecting the distribution channel for purchasing the insurance products and how well they are aware of the different distribution channels provided by the insurance companies. The study concluded that the image of the company plays an important role in selection of channels and the quality of service provided by the company. The awareness level is still found flourishing.

Patel and Patel (2021) applied CAMEL model on LIC and three private insurance firms for the period of 2012-13 to 2018-19 to make comparative financial performance. The result depict the significant difference among insurance companies selected for the study with regards to CAMEL ratios. The study suggested that policy can be purchased from any insurance company with regards to CAMEL ratio.

3. OBJECTIVE OF THE STUDY

The main aim of the study is to analyse the growth of major distribution channel in life insurance industry for the period of 2016-2017 to 2020-2021.

4. RESEARCH METHODOLOGY

The present study is mainly based on secondary data. The data of distribution channels for the period 2016-2017 to 2020-2021 is taken for the study. The data for the study were collected from the IRDAI and Public disclosure of the insurance companies.

5. NEW BUSINESS PERFORMANCE

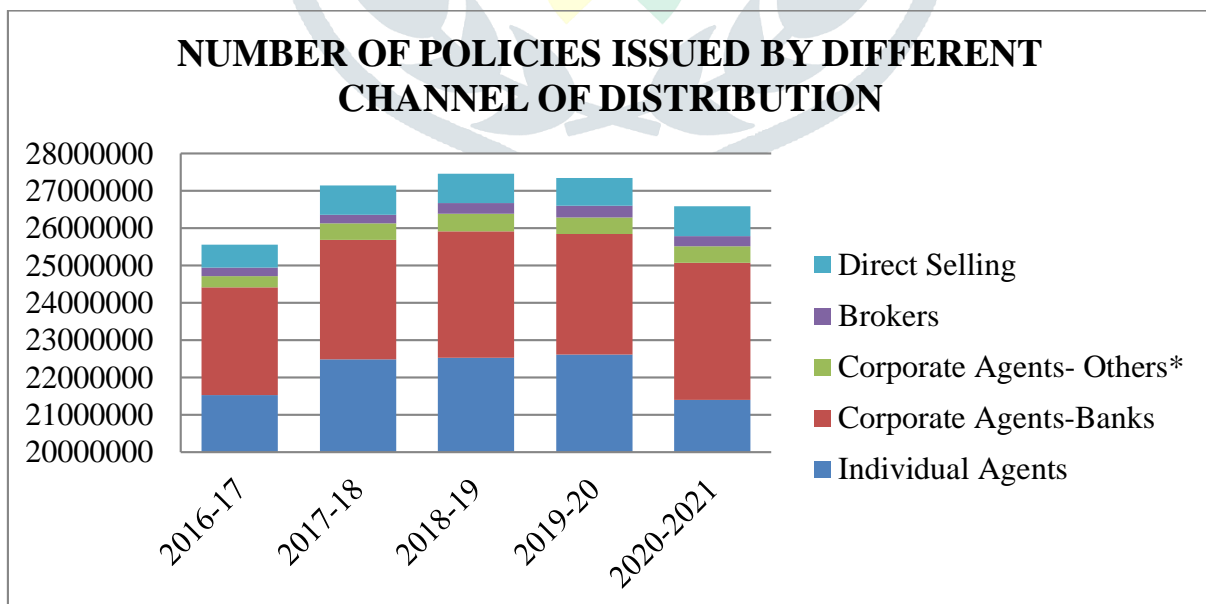
A periodically payment receive by insurer from policyholder for covering the risk. It is a contract between the insurer and the insured in which the risk of insured is transferred to insurer and for that the insurer charge some amount that is called premium. This amount of premium is paid regularly on periodic basis. The premium acquired in a particular year from new policy is known as new business premium. In a financial year premium received from a new contract is said to be a new business premium. New business premium comprise of first year premium and single premium.(The Economic Times)

6. Table: 1 INDIVIDUAL NEW BUSINESS PERFORMANCE OF LIFE INSURANCE INDUSTRY (NUMBER OF POLICIES)

| NUMBER OF POLICIES ISSUED (Policies in Crores) | | | | | |
|--|----------|----------|----------|----------|-----------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-2021 |
| Individual Agents | 21536497 | 22488896 | 22527242 | 22614911 | 21407714 |
| Growth (%) | | 4 | 0 | 0 | -5 |
| Corporate Agents-Banks | 2879990 | 3199208 | 3393652 | 3237319 | 3661658 |
| Growth (%) | | 11 | 6 | -5 | 13 |
| Corporate Agents-Others* | 302390 | 437583 | 472995 | 438534 | 442189 |
| Growth (%) | | 45 | 8 | -7 | 1 |
| Brokers | 227614 | 236381 | 278462 | 310835 | 277967 |
| Growth (%) | | 4 | 18 | 12 | -11 |
| Direct Selling | 610675 | 785516 | 782359 | 743695 | 803753 |
| Growth (%) | | 29 | 0 | -5 | 8 |

(SOURCE: Based on New business Performance data available in IRDAI Handbook on Indian Insurance Statistics, 2016-17 to 2020-21 obtained from www.irdai.gov.in.)

The above table 1 shows the new business performance of life insurance industry in terms of policies issued. The data for individual agents shows the significant growth in the year 2017-18 and it declined to negative in the year 2020-2021. The Corporate agents – Banks depicts the increase in growth except in 2019-20 with negative growth and the highest in 2020-2021. The year 2017-18 registered the major rise in growth for the corporate Agents – Others. The Broker registered the growth in 2018-19 and 2019-2020 but gone down to negative in 2020-21. The direct selling growth were at maximum in 2017-18.



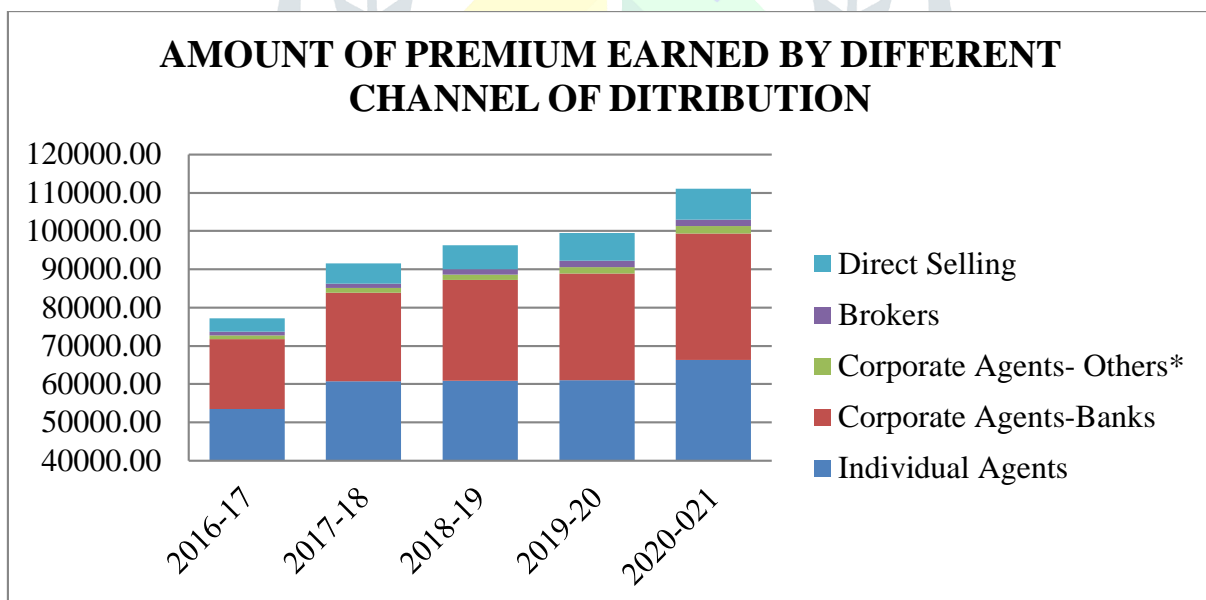
(SOURCE: Based on New business Performance data available in IRDAI Handbook on Indian Insurance Statistics, 2016-17 to 2020-21 obtained from www.irdai.gov.in.)

7. Table: 2 INDIVIDUAL NEW BUSINESS PERFORMANCE OF LIFE INSURANCE INDUSTRY (AMOUNT OF PREMIUM)

| AMOUNT OF PREMIUM (Premium in Rs. Crores) | | | | | |
|--|----------------|----------------|----------------|----------------|-----------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-021 |
| Individual Agents | 53465.34 | 60709.05 | 60822.12 | 61067.75 | 66259.50 |
| Growth (%) | | 13.55 | 0.19 | 0.40 | 8.50 |
| Corporate Agents-Banks | 18250.35 | 23204.78 | 26410.44 | 27893.37 | 33027.27 |
| Growth (%) | | 27.15 | 13.81 | 5.61 | 18.41 |
| Corporate Agents-Others* | 1011.41 | 1214.61 | 1386.63 | 1564.08 | 1959.50 |
| Growth (%) | | 20.09 | 14.16 | 12.80 | 25.28 |
| Brokers | 972.08 | 1182.14 | 1390.70 | 1712.11 | 1661.15 |
| Growth (%) | | 21.61 | 17.64 | 23.11 | -2.98 |
| Direct Selling | 3529.18 | 5163.31 | 6270.84 | 7309.98 | 8080.16 |
| Growth (%) | | 46 | 21 | 17 | 11 |

(SOURCE: Based on New business Performance data available in IRDAI Handbook on Indian Insurance Statistics, 2016-17 and 2020-21 obtained from www.irdai.gov.in.)

The above table 2 shows the new business performance of life insurance industry in terms of premium issued. The individual agents registered a significant growth in the year 2017-18 except the other years. The corporate agent- Bank shows the highest growth in 2017-18 with minimum in 2020-21. The growth of corporate Agents- Other shows the highest growth in 2020-2021 in comparison to other channel of distribution. The Broker and the direct selling registered the maximum growth in the year 2017-18 with minimum growth in the year 2020-2021.



(SOURCE: Based on New business Performance data available in IRDAI Handbook on Indian Insurance Statistics, 2016-17 and 2020-21 obtained from www.irdai.gov.in.)

8. Conclusion

Every individual life is crucial. In supporting an individual life from any unpredictable events, the insurance plays an important role. The reach of insurance in India is bleak. The insurance penetration in India in FY 2020-21 stands at just 3.2%. Even after two decades of liberalisation of insurance sector the penetration position is

not at pace with the growth of Indian economy. In India Various factors contributed to the lower penetration of insurance like- illiteracy, limited customer base, unstable economy etc. The distribution channels plays a very significant role in increasing insurance penetration in India. The study took main five channels of distribution viz Industrial Agents, Corporate Agents banks and other Broker and Direct Selling for study. The result depict no similarity in growth pattern among these five channels of distribution in terms of number of policy and amount of premium. Among these channels only Individual agents are the dominating distribution channel followed by corporate agents- Banks i.e. Bancassurance. But in terms of growth percentage Bancassurance performs better than individual agents. Growth in Bancassurance is higher than growth in individual agents. In FY 2017-18 all the distribution channels shows double digit growth. The double digit growth in FY 2017-18 of all channels has been driven by change in FDI limit by 26% to 49% in FY 2015. The FDI impact positively through increase in Capital flow, more to exposure to technology, more innovative products with the entry of foreign partners. The positive impact of FDI were vanished by the COVID pandemic in FY 2020 which affected every sector in India and the overall world. The study traces the negative growth in both channels premium collection in FY 2020-21. The adverse impact of COVID on new policies started appearing from 2019-20 onward. The policy sale through banks direct selling revived in 2020-21. This clearly indicate the shaken trust of new policy holder for other channels. The new policy holder inclination towards Bancassurance is due to reason of trustworthy banking service during pandemic. Further the original amount of premium have increased for all the channels during pandemic signifies the growing importance of insurance.

9. REFERENCES

1. Arora, N., & Gaur, A. (2016). Bancassurance: An Empirical Study On Customer Satisfaction Towards Public And Private Sector Banks In Haryana. *International Journal of Innovative Research and Studies*, 5(4), 1-10.
2. Bawa, S. K., & Chathha, S. (2016). Distribution channels of Indian life insurance industry: understanding customers' awareness. *Business Analyst*, 37(1), 63-80.
3. Dumm, R. E., & Hoyt, R. E. (2003). Insurance distribution channels: markets in transition. *Journal of Insurance Regulation*, 22(1), 27-48.
4. Grazy, L. T., & Parimalarani, G. (2020), 'Life Insurance Policyholders Perception towards Insurance Distribution Channels', *South African Journal of Economic and Management Sciences* 23(10). <https://doi.org/10.4102/sajemsin.v23i2.7124>
5. Grazy, L. T., & Parimalarani, G.(2020). Insurance Distribution Channels: The Propeller For Insurance Penetration in India. https://www.researchgate.net/profile/L-Grazy/publication/344410235_Insurance_Distribution_Channels_The_Propeller_For_Insurance_Penetration_in_India/links/5f729aff458515b7cf564321/Insurance-Distribution-Channels-The-Propeller-For-Insurance-Penetration-in-India.pdf
6. Kulkarni, S. M. (2015). Life insurance distribution at crossroads. *IOSR Journal of Business and Management*, 16-22.
7. Kumar, S. (2008). BANCASSURANCE: DISTRIBUTION CHANNELS AND STRATEGIES IN AN EMERGING MARKET. *GLOBAL JOURNAL OF BUSINESS MANAGEMENT*, 13.
8. Mehr, R. I. (1969). Channels of Distribution in Insurance. *The Journal of Risk and Insurance*, 36(5), 583. doi:10.2307/251164
9. Pahuja, A., & Verma, R. (2006). Reinventing Insurance Distribution through Bancassurance. *Journal of IMS Group, IMS, Ghaziabad*, 2(1), 89-98

10. Patel, K., & Patel, P. (2021). Performance of Selected Life Insurance Companies–Comparative Analysis. *International Journal of Finance and Banking Research*, 7(2), 51-57.
11. Sing, L. G., & Kumar, N. J. (2015). Distribution of Life Insurance Products in India: A Case Study of LIC in Mizoram. *International Journal of Management and Social Sciences Research (IJMSSR)*, 4(11)..
12. Satsangi, R. (2014). An analysis of effectiveness of bancassurance as a distribution channel in India. *Delhi Business Review*, 15(1), 41.
13. Seth, P., & Sahay, A. (2016). Distribution Channel Conflict in the Life Insurance Industry of India. In *Conference Paper*.
14. Sharma, R. P., & Saxena, K. (2013, January). Life Insurance Marketing In India: Leveraging the Strengths of Multi-Channel Distribution. In *Journal of Marketing trends*, 8th Marketing trends congress.
15. Trigo-Gamarra, L. (2008). Reasons for the coexistence of different distribution channels: An empirical test for the German insurance market. *The Geneva Papers on Risk and Insurance-Issues and Practice*, 33(3), 389-407.
16. <https://agentsync.io/blog/insurance-101/the-insurance-distribution-channel-overview>
17. <https://www.duckcreek.com/blog/insurance-distribution-channels/>
18. <https://www.hdfcergo.com/blogs/general-insurance/importance-of-insurance>
19. https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_List.aspx?DF=SWDL&mid=3.1.10
20. <https://economictimes.indiatimes.com/definition/new-business-premium>
21. https://www.google.com/search?q=life+insurance+penetration+in+india&rlz=1C1CHWA_enIN609IN609&oq=life+insurance+penetration+in+india&aqs=chrome..69i57.7732j0j15&sourceid=chrome&ie=UTF-8
22. <https://www.ibef.org/industry/insurance-sector-india>

