

PERFORMANCE OF INSURANCE OMBUDSMEN AND ITS EFFECT ON NUMBER OF POLICIES ISSUED IN LIFE AND NON-LIFE INSURANCE SECTOR IN INDIA.**Ritu Priya****Assistant Professor in Commerce****Guru Nanak Khalsa College for Women, Ludhiana, Punjab, India****ABSTRACT**

Insurance sector is playing a very important role in the development of India. India is the fifteenth largest insurance market in the world in terms of premium. But there are some common perceptions about the insurance company from people point of view which leads to emergence of various types of complaints (Grievance). People are of the opinion that insurance companies always create hurdles at the time of claims which creates lots of disturbance and it can be the main reason of downfall in the number of policies issued in future. In order to remove various hurdles Insurance Regulatory and Development Authority (IRDA) has set up proper grievance redressal procedure and insurance ombudsman scheme. So in this research paper we will study the performance of insurance ombudsmen set up in different areas by IRDA. We will take the data related to complaints and number of policies issued after liberalization of Indian economy. And we will apply the statistical tool like growth rate and correlation in order to find out the results.

Keywords : Complaints, Life Insurance, Non-Life insurance, Policies, Ombudsman.

INTRODUCTION

As we all know that growth in insurance sector symbolizes the development of an economy. And as far as India is concerned insurance sector along with the banking sector contributes to the total GDP of India. Both these sectors add around 7% of the total GDP of India. India's life insurance sector is the biggest in the world in respect of number of policies issued which is expected to increase at a compound annual growth rate (CAGR) of 12-15 per cent over the next five years. The insurance industry plans to hike penetration levels to five per cent by 2020. The country's insurance market is expected to quadruple in size over the next 10 years from its current size of US\$ 60 billion. During this period, the life insurance market is expected to cross US\$ 160 billion. The general insurance business in India is currently at US\$ 11.7 billion premium per annum and industry is growing at a healthy rate of 17 percent. India currently accounts for less than 1.5 percent of the world's total insurance premiums and about 2 percent of the world's life insurance premiums. The country is the fifteenth largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially in the coming years.

LITERATURE REVIEW

Johri, Govind (2007), Ex Chief Regional Manager, Bhopal Region, United Insurance Company suggested in his paper a critical look at grievance redressal mechanism in Indian insurance industry. He suggested an 'Alternative Dispute Resolution' mechanism which is available and being supported by legislation and judicial system. This will be hopefully an efficient, speedy and inexpensive mechanism. He has also reviewed the law commission recommendations and KPN committee report in regard to grievance redressal machinery.

Sharma, Deepa (2002), has revealed that a relatively large number (more than 80%) of consumer complaints handled at all three levels of consumer courts (District, State and National) pertained to

'deficiency in services' and that the insurance industry was one of the top five industries accounting for the largest number of consumer grievances coming before these courts.

Yadav, Rajesh K, Mohania, Sarvesh (2014), concluded that in grievance management role of insurance ombudsman is very important and constant increase in number of complaints received by various Ombudsman all across the India shows that the policyholders are gaining their confidence and trust in the institution of Insurance Ombudsman.

OBJECTIVES OF THE STUDY

The main objectives of the paper is to study

1. The growth rate in number of complaints filed and pending before insurance ombudsmen.
2. The growth rate in number of policies issued by Life and Non-Life Insurers.
3. The comparative performance of Insurance Ombudsmen in Life and Non-Life Insurance Sector in India.
4. The relationship between complaints and number of policies issued or we can say impact of complaints on number of policies issued with the help of correlation.
5. Suggest some measure for improvement if there is any inefficiency.

RESEARCH METHODOLOGY

In order to conduct the empirical research, secondary data from the website of IRDA is taken into consideration. This data is related to complaints filed, complaints resolved and complaints pending before insurance ombudsmen and number of policies issued by life and non-life insurers in India. According to available data on the website of IRDA, 12 ombudsmen from various areas (Ahmadabad, Bhopal, Bhubaneswar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Kochi, Kolkata, Lucknow and Mumbai) are considered which will take into consideration the complaints related to both life and non-life insurers. Number of policies issued by Life and Non-Life insurers include both public and private sector. Statistical tools like growth rate and karl pearson's coefficient of correlation is used in order to find out the results. In order to find out the correlation following factors will be considered. Data will be related to post liberalization and analysis on the basis of correlation will consider 11 years i.e. from 2003-04 to 2013-14.

Selected Factors	Symbols
Growth rate in complaints outstanding (Pending) at the beginning of the respective year in Life Insurance	X1
Growth rate in total number of policies issued in the respective year in Life Insurance	Y1
Growth rate in complaints outstanding (Pending) at the beginning of the respective year in Non-Life Insurance	X2
Growth rate in total number of policies issued in the respective year in Non-Life Insurance	Y2

INTERPRATATION OF PERFORMANCE OF INSURANCE OMBUDSMEN AND NUMBER OF POLICIES ISSUED IN LIFE INSURANCE SECTOR

Following table will show the performance of insurance ombudsmen and number of policies issued in life insurance sector.

Year	Complaints outstanding at the beginning of the year	Growth Rate in outstanding complaints (in %age) (X1)	Reported during the year	Resolved during the year	Number of individual new policies issued (in lakhs)	Growth Rate (in %age) (Y1)
2001-02	NA	NA	1967	1506	NA	NA
2002-03	461	NA	2479	1915	253.71	NA
2003-04	1025	122.34	3404	3289	286.27	12.83
2004-05	1140	11.22	4893	5020	262.11	-8.44
2005-06	1013	-11.14	4980	4926	354.62	35.29
2006-07	1067	5.33	5433	5418	461.52	30.14
2007-08	1082	1.41	5565	5778	508.74	10.23
2008-09	869	-19.69	5753	5586	509.23	0.10
2009-10	1036	19.22	8967	8636	532.25	4.52
2010-11	1367	31.95	11017	9551	481.52	-9.53
2011-12	2833	107.24	12353	11850	441.93	-8.22
2012-13	3336	17.76	15711	14673	441.87	-0.01
2013-14	4374	31.12	17512	15672	408.72	-7.50
2014-15	6214	42.07	NA	NA	NA	NA

Table 1 Growth rate in outstanding complaints and number of policies issued life insurance

Source : IRDA Handbook 2013-14. (www.irda.gov.in)

Above table shows the growth rate in outstanding complaints and number of policies issued in life insurance sector. And we can easily see the performance of ombudsman in different years. There is highest growth rate in the number of outstanding complaints in the year in 2003-04 followed by the year 2011-12. We can ignore the performance of the earlier year as it was just a starting period of ombudsman. But the performance of the year 2011-12 is a serious issue. This can be the main reason of the downfall in the number of policies issued in the same year or in the next coming years. Position can be more cleared with the help of following diagram.

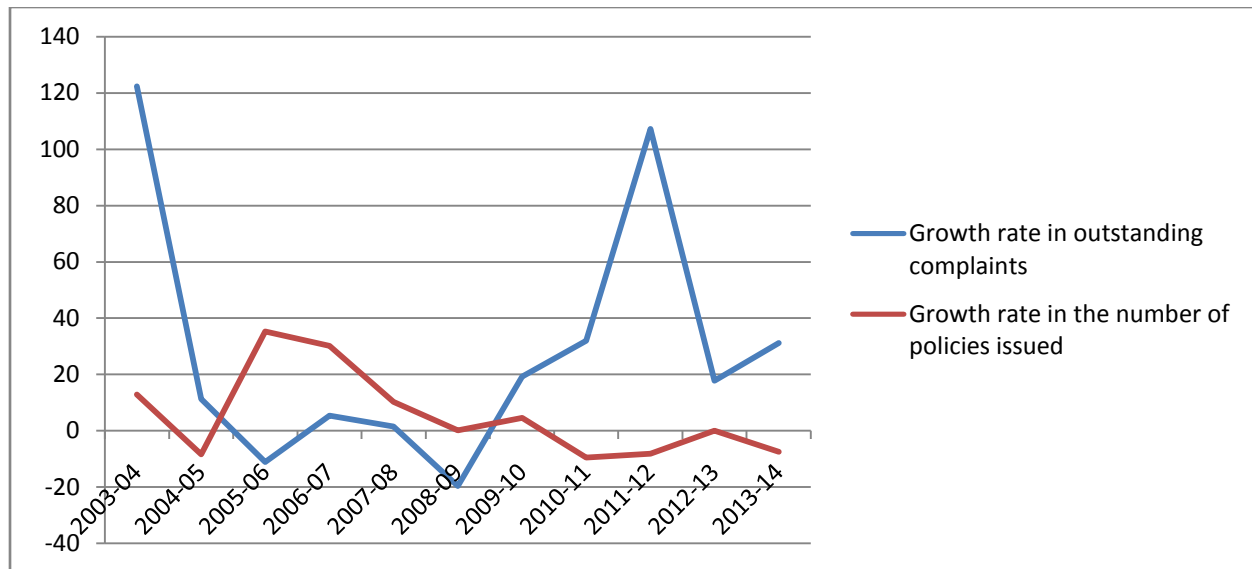


Diagram 1. Showing growth rate in outstanding complaints and number of policies issued in life insurance

INTERPRATATION OF PERFORMANCE OF INSURANCE OMBUDSMEN AND NUMBER OF POLICIES ISSUED IN NON-LIFE INSURANCE SECTOR

Following table will show the performance of insurance ombudsmen and number of policies issued in non-life insurance sector.

Year	Complaints outstanding at the beginning of the year	Growth Rate in outstanding complaints (in %age) (X1)	Reported during the year	Resolved during the year	Number of policies issued (in lakhs)	Growth Rate (in %age) (Y1)
2001-02	NA	NA	2969	2141	NA	NA
2002-03	828	NA	3898	2497	435.62	NA
2003-04	2229	169.20	4311	3528	417.26	-4.21
2004-05	3012	35.13	4534	5173	497.79	19.30
2005-06	2373	-21.22	4094	4290	511.41	2.74
2006-07	2177	-8.26	4756	4752	466.64	-8.75
2007-08	2181	0.18	5300	5615	572.50	22.69
2008-09	1866	14.44	5640	5831	670.60	17.13
2009-10	1675	10.24	7097	6554	674.88	0.64
2010-11	2218	32.42	10048	7688	793.41	17.56
2011-12	4578	106.40	9987	9335	857.44	8.07
2012-13	5230	14.24	9071	8684	1070.24	24.82
2013-14	5617	7.40	8803	9627	1024.52	-4.27
2014-15	4793	-14.67	NA	NA	NA	NA

Table 2 Growth rate in outstanding complaints and number of policies issued non- life insurance

Source : IRDA Handbook 2013-14. (www.irda.gov.in)

Above table shows the data related to growth rate in number of outstanding complaints and number of policies issued by non-life insurance sector. There is a high growth rate in the year 2003-04 and 2011-12

in outstanding complaints which shows the inefficiency of ombudsman. Again the performance of the year 2011-12 is a serious issue which can be the main cause of decreasing growth rate in number of policies issued. Following diagram will clearly depict the picture.

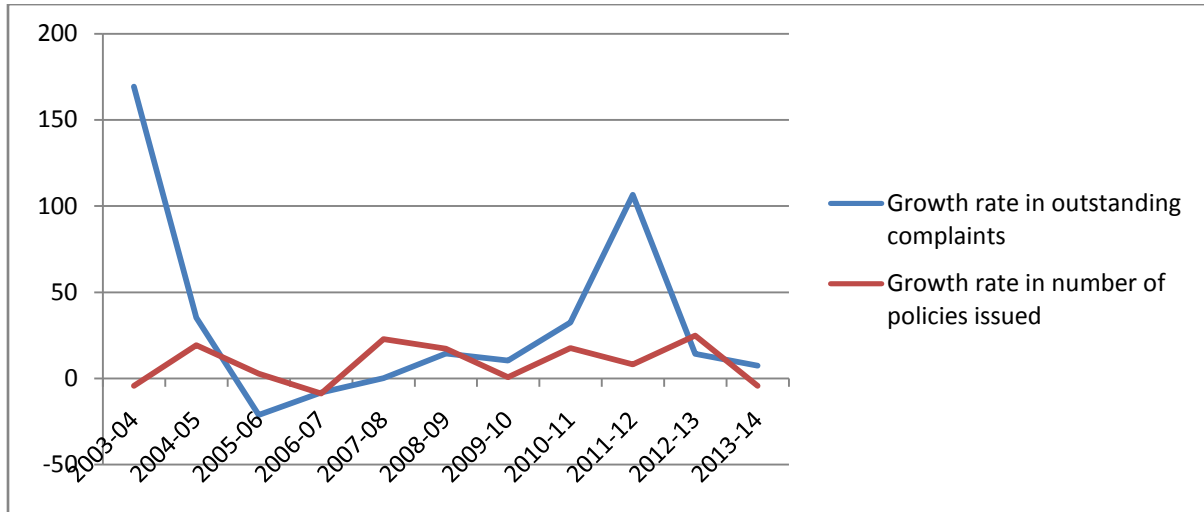


Diagram 2. Showing growth rate in outstanding complaints and number of policies issued in life insurance.

COMPARATIVE PERFORMANCE OF INSURANCE OMBUDSMAN IN LIFE AND NON-LIFE INSURANCE SECTOR

In this objective we will study the comparative performance of insurance ombudsman in life and non-life insurance sector. Again with the help of growth rate in pending complaints i.e. factors X1 and X2. Different years are showing different performances. In starting years performance life insurance's ombudsman is better than other. And in last years performance of non-life insurance's ombudsman is better. And in some years performance of both the factors are same. Following diagram will make the situation clear.

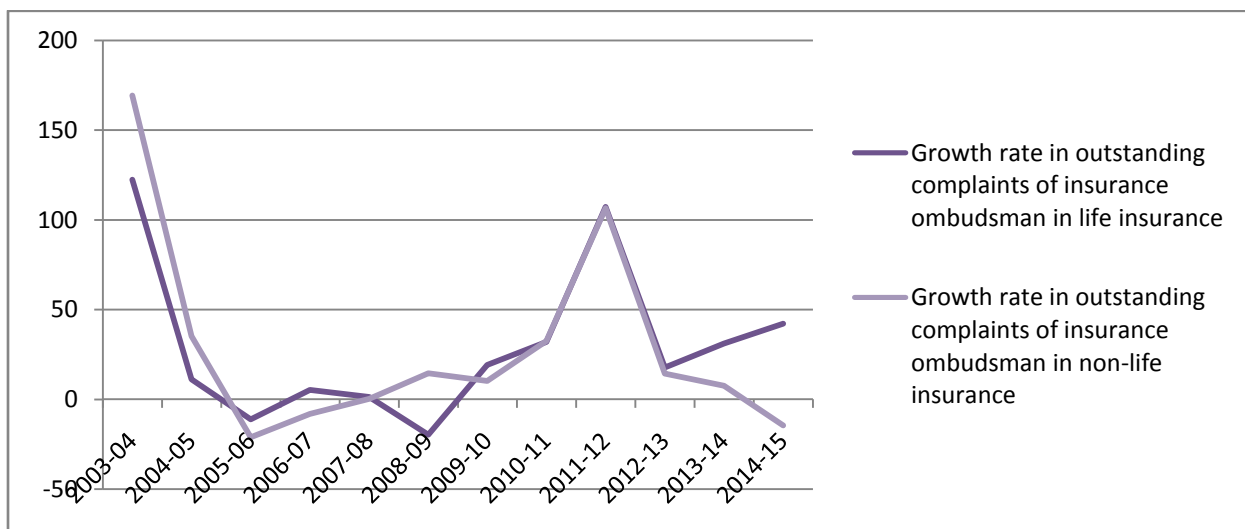


Diagram 3. Showing the performance of ombudsman in both life and non-life insurance sector.

RELATIONSHIP BETWEEN OUTSTANDING COMPLAINTS AND POLICIES ISSUED WITH HELP OF CORRELATION

Variables	Correlation	Degree	Description
X1Y1	-0.2534	Moderate Degree	Negative Correlation
X2Y2	-0.1691	Low Degree	Negative Correlation

FINDINGS OF THE STUDY

1. Above statement shows the moderate and low degree negative correlation between the two factors respectively which means as number of complaints increases, there is a decrease in number of policies issued.
2. But the degree is moderate and low which shows that growth in outstanding number of complaints hardly effect the growth in number of policies.
3. There can be the other reasons like saving of individuals, GDP of economy, other investment opportunities and change in the preferences and taste of consumers which leads to the declining growth rate in number of policies issued.
4. Number of complaints reported is also increasing every year which shows the interest of the policyholders in ombudsman.
5. Data of resolved complaints also shows the efficiency of the ombudsman which is great achievement of the IRDA.

SUGGESTIONS

1. According to the available data just 12 ombudsmen are serving to the whole country. IRDA should try to appoint more ombudsmen at other areas also. So that general public can easily approach to them.
2. More and more awareness campaign should be arranged by IRDA so that people may come to know about the establishment and performance of ombudsmen. And for this purpose it can take the help of advertising, media, pamphlets, magazines and journals.
3. Insurance companies should try to find out the reasons of declining growth rate in number of policies issued. They should conduct surveys in order to find out the expectations of the prospective customers and should try to formulate its policies accordingly.
4. Insurance companies should cut down the rate of their premiums in order to increase its number of policies.

CONCLUSION

At the end we must say that insurance ombudsman is playing a vital role in the insurance industry and it helps the customers by providing them quick decisions. Customers are free to file the complaints at any time as IRDA is providing them round the clock services with the help of online submission of complaints. No doubt maximum complaints related to product leads to dissatisfaction among consumers and they will not purchase the policies again. IRDA and insurance companies both should try to find the methods with the help of which they can satisfy the consumers and make ombudsman as sound as possible.

LIMITATION TO THE STUDY

1. Only secondary data is taken into consideration.
2. At present there are 17 centres of insurance ombudsman in India. But data is related to just 12 centres as mentioned on the website of IRDA as some of the centres are established after 31-03-2014.

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