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Innovations In Insurance

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ABSTRACT:
The fact that technology and innovations have created a new world of opportunity for individuals, business and society is obvious. Only slightly less obvious is that the future will be shaped by only those who are innovating today. For insurance sector this is not just a fact, it is an imperative.
The reality is that customers and investors demand innovation. Indeed they expect it, not only from technology providers and manufacturers, but also from insurance organizations. Insurance providers can no longer do 'more of the same' and expect to grow. Striking the path for innovations needn't mean starting from scratch. Instead, It is like leveraging wins and experiences, including the ideas of others, to create new propositions and approaches to delight customers and create values. It is about learning from both traditional competitors and new destructors. And this innovation imperative is not a simple equation. This is no ''silver bullets'' to create a more innovative organism, no ''of the shelf'' package that drives new ideas. Instead, insurers and intermediaries will need to navigate their own path through this new world of opportunities, developing new products in order to out-compete and out-innovate their peers
Hence, innovation is the need of the day of insurance industry and customers are expecting that these insurance should reach the untouched area of risk indemnity. In our present study we will see what are the recent innovations in the field of insurance like burial insurance, dog bite insurance, bottom line insurance, flood insurance, Hoosier daddy policy and the like. And also give an over view of a number of such new insurance products

Keywords: innovation, imperative, silver bullet, off the shelf package.

Introduction:

The vast nation, filled with nooks and crannies, with giant cities and remote villages with disparities of wealth is one of the fastest growing and is one of the prized markets for most industries, insurance is no different. The Indian government liberalized the insurance industry in 1999 leading to a period of great growth. This growth is expected to continue with insurance market, expected to grow by about 20% per year to approximately $28 billion dollars by 2016 and $ 50 billion by 2020.

There has been a clear shift in the mind set over the past few years. Insurance providers increasingly recognize that they need to be customer-centric rather than product-centric and interestingly, large organizations have linked innovations to success in this new world of opportunity.

It would be appropriate to say that insurance has become an imperative in today's age and day as it plays an important role in one's life as it reduces the anxiety one holds against the valuable things which you hold in life. So, insurance plays major role not only in one's life but also in the economic development of the nation. As it has become the backbone of trade and commerce. With the increase in insurance awareness and increase in insurance providers and development in technology, innovation in insurance has become the need of the day. The insurers and intermediaries have understood the direct link between innovation and insurance is undeniable.

The objectives of innovation should be to derive growth by delighting customers either through improved efficiency or more customer-centric products and services, or through new channels or approaches.

The insurance sector is growing at a rapid rate and so is the competition in the sector, new entrants, new technologies and new business models are emerging at a rapid pace. Hence, insurers need to focus on both short term and long term opportunities, scanning the horizons for potential risk and disruption while focusing on innovation to deliver long term value.

On the other hand innovations in insurance also means to penetrate the market that the consumers have low income, creating a product that contains a value added elements not only a profit for the insurance company, but also finding a social element in their products.

Review of literature:

There has been limited research undertaken in the field of innovation in insurance. Michael Raynor, leading innovation researcher and Delloite research distinguished fellow said in his book Innovators manifesto:- " trade off's define the limit of what is possible at a point in time, not what is possible for all time…… all innovations is about breaking trade off's." Raynor's mentor- Harvard business school's Kim B Clerk, professor of Business Administration and Fellow innovation Guru Claytnon M. Christensen argue that there are three types of innovations- empowering, sustaining, efficiency. Professor David Gann, head of innovation and entrepreneurship at the Imperial College London Business School, observed; "in a rapidly changing world, innovations is no longer an option, it is a necessity. Companies that innovate have a higher survival during downturns and are more profitable, and outpace the competitors in the period of economic growth success depends upon the aligning innovation with your firms strategy and using the most modern approaches to innovations management"- innovations in insurance the path to progress.

Howard Mills and Bernard Tubiana wrote in insurance, path to progress:- insurance is, in many ways, a prisoner of the past. The industry relies on data to assess and manage risks and to create new products. Insurers are very good at expanding the models of current business model. A quick look at some of the new products over the past few decades shows numerous examples of sustaining innovation. "- innovations in insurance, path to success-Howard Mills and Bernard Tubiana. Mark Collier and Puneet Singh wrote in their article, Finding New Insurance Ideas In Unlikely Places- "most western insurance products are designed to serve the needs of majority of potential buyers, which is to say they may not match every consumers precise need. In contras, the focus in developing countries is micro-insurance products. These hyper-targeted offerings are created to meet precise customer needs while reflecting the realities of poorer populations and their limited purchasing power." Mary Trussel and Gary Reader have written in their article, the insurance innovation imperative- "The reality is that customers, investors, and employees demand innovation. Indeed they expect it, not only from technology providers and device manufacturers, but also from insurance organizations. Insurance providers can no longer do 'more of the same' and expect to grow."

IBM Global Business Service have written in their article, Insurance 2020-"The idea for insurance carriers is not necessarily be the first to use a new technology or invent a product, but to encourage the thinking and actions that allow innovations to take place. Innovation means taking control risks- something insurance is supposed to be good at. Still, projects or activities such as the innovation jam are seldom seen in the insurance industry- surprising as the risk involved is low and the insight gained is high. Insurance will have to overcome its sluggishness if there is to be a culture of innovation within the industry."

Objectives:

1. To give an overview of innovative insurance products
2. To provide an overview of recent trends in insurance sector
3. To give suggestions to insurers.

Methodology:

Secondary data has been used in this study. Several national and international journals have been referred. Information is also collected from different websites.

Innovations in insurance;

1. Personal electronic equipment insurance:

   This kind of insurance covers expensive TV'S, speakers or other home electronics. This type of coverage is broader than what a standard home insurance policy will cover for damage or loss, including those that take place during an installation on stereos, computer equipment, full screen televisions and audio equipments. Depending on the policy it may even cover the repair and replacements of items.

   This insurance policy covers sudden and unforeseen physical damages including break down to the electronic equipment covered under this policy.

   The new India assurances Co. ltd, Bharati AXA, Bajaj Allianz, raheja QBE, Sun general insurance, are few companies who offer such a insurance.

2. Burial insurance:

   Burial insurance or funeral insurance is a type of life insurance where an individual pays for his funeral service in advance in an insurance company and that company executes this funeral this funeral services with the help of some trusts. The payment of insurance can be either monthly or even full payment can also be made. In this policy the insured person can specify to the funeral insurance company what all the things that are needed to take place at the time of funeral service and all these costs are to be given by the company to the funeral director. Even though if you have life insurance, you cannot depend on that to pay for your funeral service.

   Funeral insurance strictly pays the amount at the time of your death and this amount will not be given for any other reasons to your family. The average age to join in this policy can be between 15 to 60 years and there will not be any blood check or any other check up. As insurance is the sentimental condition of every one's life, it is very difficult to marketize the concept of funeral insurance. India is multi religious and multi caste and community nation, again it will create many problems to implement funeral insurance policy.

3. Dog bite insurance:

   Dog bite insurance is a kind of insurance which protects you against the damages or loss caused, if your dog bites or injures someone. It pays for that person, medical bills up to a certain limit. This also provides additional coverage for torn clothing, broken glasses and other property damage losses sustained by the victim.

4. Fidelity insurance;

   Fidelity or employee dishonesty insurance provides coverage when a business has a loss caused by the dishonest acts of its employees. The dishonest act can involve the theft of cash, the theft of the other property such as parts inventory and vehicles and cheque and credit card forgery. This policy is intended to cover the value of the cash, securities inventory or other property that was taken. Any loss of income that resulted from the theft or fraud is not covered under a fidelity policy. For example: if your employee stole cash from your dealership as a result, you were unable to earn interest income on stolen amount in your bank account, hence the lost interest income cannot be claimed under your fidelity policy.

Fidelity policy does not cover any loss that result from accounting errors or mistakes. The losses claimed must be the direct result of a fraud or theft by an employee. To prove that the loss is due to fraud or theft you can demonstrate a pattern of transactions that are unusual, or don't follow normal policies and procedures. Also, evidence that theft has been concealed by the employee, though the destruction or alteration of documents or by entering fraudulent journal entries in the accounting system can also support your fidelity claim.

For fidelity coverage to apply the fraud or theft must be committed by an employee of the business. This means that any fraud committed by an outsider party without the involvement of an employee is not covered. Fidelity policy will always define what an employee is. So care should be taken when reading the policy to understand the types of individuals that may not be covered.

5. Body part insurance:

Body part insurance provides financial cover against risk or serious injury to the insured body part. If the insured body part gets damaged, resulting in a loss of earnings, the insurer is protected by the insurance policy. This policy also covers charges for any kind of medical treatment.

It is a completely customizable policy, depending upon the individual requirement and will cover every body part right from your nail to hair and even your moustache. There is no limit defined for this type of insurance, it can be taken for any value. Understandably, celebrity body parts are insured for huge amounts.

This is a yearly insurance policy with a renewal option, and the premium amounts are also fairly high. It covers both temporary as well as permanent disability of the insured body part. The conditions of claim are slightly stringent compared to other policies. The banks or general insurance companies will consider various factors while providing this kind of an insurance like: health of a person, lifestyle, popularity of the applicant, type of severity of risk involved for the insured body part. This type of insurance is offered as a premium service by general life insurance companies like ICICI, Bajaj Allianz, and new India Insurance Company. Body part insurance in India is mainly popular among the celebrities, sportsmen etc. it is not popular with the middle class or general public as it involves huge amount of money. Some of the Indian celebs who have got their body insured are; Prinkaya Chopra, Amitabh Bachchan, Sania Mirza.

6. Kidnap and ransom insurance:

This kind of insurance is designed to protect individuals and corporations operating in high risk areas around the world. Locations most often named in policies include Mexico, Venezuela, Haiti, and Nigeria, certain other countries in Latin America as well as some parts of the Russian Federation and Eastern Europe.

Central Asia is also seeing increasing numbers of incidence, particularly in Afghanistan and Iraq.

Kidnap or ransom insurance policies typically cover the perils of kidnap, extortion, wrongful detention and hijacking. Kidnap and ransom insurance policies are indemnity policies, they reimburse a loss incurred by the insured. The policies do not pay ransom on the behalf on the insured. Typically, the insured must pay the ransom, thus incurring the loss, and then seek reimbursement under this policy. Losses typically reimbursed by this insurance include: ransom moneys, or loss due to destruction, disappearance, confiscation or wrongful appropriation of ransom monies being delivered to a covered kidnapping or extortion, accidental death or dismemberment death or permanent physical disablement occurring during a kidnapping, judgmental and legal liability resulting from any claim or suit brought by any insured person against the insured. It also covers additional expenses like medical care, PR counsel, wage and salary replacement, relocation and job retraining and other expenses related to a kidnapping incident. The policy also pays for the fees and expenses of crisis management consultants. These consultants provide advice to the insured on how to best respond to the situation. Even the most basic training to the people traveling to most dangerous places is not easily provided or is not obtained by small to mid-sized companies. The policies may be written to cover high-profile families, non-government organizations and multi-national organizations. The major factors insurance underwriters weigh when considering a kidnap and ransom insurance policy include the country of residence for the insured, the type o industry of the insured, revenue of the insured and the travel pattern of the employees who may be covered by the policy.

7. ATM theft insurance:
   A recent spate in theft of cash from ATMs and vans that deliver money to the kiosks has promoted companies that ferry the funds and are liable for them to seek insurance. Managed service providers and cash replacement agencies are both being covered, claim insurance providers. "White label ATMs are now covered under packaged policies, under which we provide several covers that are customized for these providers including insurance for carrying cash to machines from bank vaults, said Sunil Vidhate, business head, financial institutions group, alliance insurance brokers.

   Non life insurance companies provide coverage against theft and other contingencies to companies that mange cash and ATM machine. Banks also take cover for ATM machines against theft or damage due to natural disaster and other causes.

8. Relationship breakdown coverage:
   Hartford stream coverage is triggered after two lovers break up and remain separated for more than three months. Pays 50 per cent of the cost of the unreturned gifts including rings and other jewelry, moving expenses, temporary housing, damaged or lost goods, up to a certain specified amount for reputational damage, it also covers damages to reputation and ego due to erectile dysfunction. This type of insurance is not yet popular in India.

9. Wedding insurance;
   Though one may not want to think about it, disasters can strike your wedding day, from a sudden cancellation to stolen gifts

to a damaged gown. Wedding insurance can help one against the unforeseen, and can also afford you great peace of mind.

Basically wedding insurance protects a couple's investment from circumstances beyond their control and reimburses the expenses incurred. For example, what if your limo driver does not show up and you have to book another one the morning of wedding-for three times the price? Or what if the grooms custom's made tuxedo is lost in airport baggage, and he has to buy a new one the day before the wedding? What if your reception space goes out of business a month before the wedding, and you lose your deposit and have to book another space? These are the types of wedding day financial losses that a wedding insurance can help to protect. It is basically the insurance policy that covers loss of photos, videos, attire, presents, rings, and deposits usually cost anywhere between $ 155 and $ 550, depending upon the amount of coverage you want. Generally liability insurance, which covers up to $ 1000000 for accidents, costs around $ 185. Before you buy wedding insurance, one should check with each o your vendors to see how well they are covered-your reception site or caterer may have their own insurance, so one wouldn't want to pay for overlapping coverage out of your own pocket. One can ask the vendors for a copy of their policy, and then figure out where you aren't fully covered. Wedding insurance covers all the risk related to the site of the wedding, weather conditions which prevent the bride or the groom, any relative whose presence at the wedding is essential, it also covers rescheduling the wedding and all the details involved, including ceremony flowers, tent rental and reception food. It also covers sickness or injury to the bride, groom or anyone essential to the wedding. Every insurance policy and every wedding scenario is different. So, one should be sure to talk to your insurance agent and have him or here explain the nuts and bolts to you.

10. Hoosier daddy policy:

    An Indiana insurance company has launched a policy that protects a family's income while the bread winner is imprisoned for financial crimes. This type of insurance is not very popular in India, it is popular among the western countries specially U.S.A, Canada Great Britain etc.

11. Home workers compensation;

    The Harmfort has developed injured workers specific to hazards of the home based workplace. Includes injuries related to solitary workers syndrome(where individuals exhibit reduced social skills) excessive weight gain, unnatural pet attachment, and deterioration of driving skills and the like.

12. Pradhan mantri suraksha bima yojana.

    This insurance was introduced by the Prime Minister Modi; it offers accidental death and disability cover o Rs 200000. It is a kind of insurance policy which is in reach of lower income group of people. The premium o this insurance policy is Rs 12 per year. And anybody who has a savings account in the banks that offer this scheme is eligible for this kind of insurance coverage. Although this policy is for everybody, this scheme suits drivers, security guards, newspaper vendors, vegetable vendors, and others who are exposed to the risk of accidental death or disability.

13. Atal pension yojana:

    This type of insurance was introduced by Prime Minister Narender Modi, it offers pension between Rs 1000 to Rs 5000 a month. For a monthly pension of Rs 1000, a 40 year old subscriber will have to invest Rs 291 per month for 20 years, while an 18 year old will have to contribute Rs 42 per month for 40 years. All individuals between 18 to 40 years are eligible to contribute till they turn 60. This kind of insurance can be made by the employer on behalf of the domestic staff who may not have anyone to look after them once they stop working.

14. Tuition insurance:
    This is an insurance protecting students attending cost-intensive educational institutions-schools, colleges, or universities, form the financial loss that may result from student's involuntary withdrawals from his or her studies. It usually covers withdrawals due to medical reasons or death of the student's legal guardian(s) by either refunding or covering the costs associated with attending the student's institution. Tuition insurance may also cover student's loan. This kind of insurance policy can be obtained through educational institutions or from the insurance provider, it can also be obtained as a part of student loan. Most tuition insurance policies cover the cost of tuition in whole or partly if a student has to withdraw from his or her studies due to medical reasons, however, this may be limited to the first weeks of the semester. If the withdrawal is due to mental reasons the reimbursement rarely exceeds 60%.
    Tuition insurance has existed since 1930, it benefits both students and educational institutions since it may cover the money a student's owes to the educational institution in case the tuition payer can no longer cover these costs.

15. Kaun Bnaega Crorepati insurance:
    If you thought the makers of India's most best loved game show gave way corers in prize money just because they were altruistic, you couldn't have been more wrong. Kaun banega crorepati, much like the show it is adapted from who wants to be a millionaire, has its expenditure on prize money covered under insurance. So whenever a Sushil Kumar wins Rs 5 crore, it is not the producers who bleed their hearts while giving away the cheque, but the shows insurance agency that cries copious amounts of tears over the money they will have to later give to producers.

16. Cyber insurance: cyber insurance is an insurance product used to protect business and individual users from the internet-based risks, and more generally from risk relating to information relating to information technology infrastructure and activities. Risks of this nature are typically excluded from traditional commercial general liability policies or at least are not specifically defined in traditional insurance products. Coverage provided by cyber-insurance policies may include first-party coverage against losses such as data destruction, extortion, theft, hacking, and denial of service attacks; liability coverage indemnifying companies foe losses to others caused, for example, by errors and omissions, failure to safeguard data, or defamation; and other benefits including regular security-audits, posts-incident public relations and investigative expenses and criminal reward funds. Allianz Global & Specialty is a global provider of such insurance.

SUGGESTIONS:

Through this study we have come to know that insurance sector is the most blooming and promising sector of the economy. There is a huge scope of development. And there is increase in insurance awareness among the masses, people now a days have a broader prospective and outlook towards insurance. More over there are many changes taking place in the economy like economic development, education, employment, increase in trade and commerce, technological changes, increase in competition and the like. We firmly believe that the insurance sector is ripe for disruption. Insurers must understand the fundamental changes in demographics and arm themselves with knowledge- not only of their policyholders, applicants and claimants, but also of their employee and service populations. Here are few suggestions to the policy providers:

1. Define the need for a formal innovation programme
2. Define leadership responsibilities
3. Create a culture that fosters innovation.
4. Set up a dedicated innovation team
5. Leverage the right technology
6. Invest in innovation
7. Measure the impact of innovation.
8. Micro insurance products should be developed for under privileged people and for rural areas population products designed according to their need.

Conclusion:

Through the study it is been found that India serves as a huge market for insurance due to its momentous untapped potential. This sector is said to improve the standard of living of the people in an economy as it leads to risk free lives, promotes entrepreneurship, mobilizes savings and leads to protection of trade and industry which contributes in human progress. The prospectus of Indian insurance look optimistic and promising, the decision of liberalizing the insurance sector and allowing private participation has enabled its consistent growth over the years. Hence, the need to tap new areas in insurance was felt and innovation became the need of the day for insurance sector. Over a period of time insurance industry has come up with new products or new coverage areas which are not only for higher income groups but also for lower income groups of the society.

Innovation in insurance means not only to penetrate the market but it also should try to improve trust of insurance sector. Create a product that contains value added elements not only profit for the company, but also to find a social element in their product. Therefore innovation in the insurance has a lot in common with improving trust in the society. Moreover, more than 2/3rd of India's population lives in rural areas which are untapped when it comes to insurance products. Micro insurance can be focused upon to ensure coverage in these areas.

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