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Evolution of Insurance Marketing Firms in India - Growth and Performance

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Abstract:- After the liberalization of the Insurance business in India, private insurance companies have to incur the heavy losses in the first decade of the millennium; therefore, IRDAI in 2007 constituted a committee headed by Mr. N.M. Govardhan to suggest to the regulators, the changes to be made in the existing distribution channels, to make them to provide services all over the country in a cost-effective manner and to make them more professional and accountable. Hence, on the recommendation of the committee Insurance Marketing Firms came into existence in 2015 and presently working as a distribution channel in the life, non-life, and health insurance sectors in India. Therefore, the present study has been planned to assess the growth and performance of the IMF in all the three sectors and to compare the same with the performance of the Insurance Industry. The Growth and Performance of the IMFs have been measured in terms of new premium on first year business in all the sectors and policies issued. At last it is found that IMFs are showing the highest growth in terms of both premium collection and policies issued during the study period from 2016-17 to 2021-22 for life, non-life, and health insurance sectors.

I. INTRODUCTION

Before the liberalization, insurance business was carried on through individual agents, tied agents, telemarking, and directly by company concerned; but after the privatization of insurance business in August 2000, Insurance Regulatory and Development Authority was incorporated as a statutory body to regulate and develop the insurance industry in India; keeping in view to increase insurance penetration in the country; the IRDAI enlarged the scope of the intermediary channels from the tied individual agents to Broker, Corporate Agents banks and non-banks, Micro Insurance Agents, Direct Sales, Point of Sale, Online Selling, and Referral System. Private Insurance Companies in their infancy stage, almost all were making losses; therefore, in 2007, the IRDAI constituted a committee under the Chairmanship of Sri N.M. Govardhan to study the existing system of distribution channels and to make recommendations on the changes necessary to make the distribution channels effective, professional, accountable to insured, and cost-effective even for the low prices insurance products. The Committee on 13th May 2008 submitted its exhaustive report on 'Distribution Channels' expressing therein its concern about insurance penetration and further to increase it; the committee recommended multiple tie-ups of a Corporate Agents with insurers, the committee further recommended that 'Independent Financial Advisors' may be considered in future.

Keeping in view the idea of multiple tie-ups with insurers; the regulators on 20th January 2014 constituted a Working Group that started working on the idea of 'Insurance Marketing Firm' (IMF). Consequently, on 21st January 2015, the IRDAI issued the 'Registration of Insurance Marketing Firm Regulations, 2015' with the objective to increase Insurance Penetration in India through an area-wise registration approach. The new distribution channel-IMF was given the exclusive privilege of distributing Insurance Products as well as other financial products, under one roof along with conducting back-office activities for the insurers. Therefore, the present study has been planned to access the regulations issued by the IRDAI for regulating the IMFs, their growth after enactment of regulations, and their business performance in terms of first year individual business premium collected for life, non-life and health insurance and number of policies issued during the period from 2016-17 to 2021-22.

A. *Objectives of the Study*

- To access the regulations relating to Insurance Marketing Firms prevailing in India since 2015 and their impact on the growth.
- To compare the insurance penetration and density in India after issuance of the IMF guidelines.
- To measure the performance of Insurance Marketing Firms for their contribution in life, non-life, and health sector for the period from 2016-17 to 2021-22, and to find out in which sector the role of IMFs is more significant.
- To make suggestion and recommendations for betterment of IMFs in insurance sector.

B. *Data Collection*

The study is based on secondary data, which has been collected through the IRDAI Reports pertaining to the year of study and the regulations issued from time to time either by Reserve Bank of India as well as other regulatory bodies. Further the data have also been collected from the websites, magazines, journals, and newspapers to arrive at the desired objectives.

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C. Span of Study

Span of study is 2016-17 to 2021-22.

D. Statement of Problem

Whether Regulations issued by IRDAI for Insurance Marketing Firms play significant role in the growth of insurance penetration and density in India?

II. RESEARCH DESIGN AND METHODOLOGY

The present study is explanatory as well as analytical, we did not found any study which has been conducted on the related objectives as present study is; therefore, we have analysed the literature on evolution of Insurance Marketing Firm in India and their Regulatory framework and their impact on the growth of insurance, in the second part of the paper we have analysed the business performance of IMF in relation to life, non-life, and health insurance sector since financial year 2016-17 to 2021-22 on the basis of first year premium collected and number of policies issued in all the three sectors. Further of insurance penetration in life, non-life and insurance industry have been tested by framing a null hypothesis. To evaluate the business performance of the IMFs, the premium collected and policies issued by them for life, non-life and health sectors have been taken as dependent variable whereas time has been taken as independent variable.The data have been analysed with the help of statistical tool like mean, mean square and ANOVA. Further, the data have been tested as 1 percent level of significance.

A. Need for the Study

In spite of the number of amendments in the IMF regulations since their inception in 2015, but still the performance of these entities is low in the insurance sector, this is due to the lack of awareness about the concept of Insurance Marketing Firms and acceptance by the entities to take up this idea. Therefore, the present study has been entitled, which will communicate the concept of IMFs, its functioning in the insurance market, regulatory framework and performance of this channel.

B. Hypothesis

IRDAI states that performance of marketing channel can be determined with the growth in first year business premium collected through the channels and policies issued. Therefore, the following Hypothesis has been framed:-

- H_0 = There is no significance difference in mean value of life, non-life and insurance industry with respect to insurance penetration and density in India and over the time period of study.
- H_1 = There is significant difference in mean value of life, non-life and insurance industry with respect to insurance penetration and density and over the time period of study.
- H_{0a} = There is no significance difference in mean value of premium collected in life, non-life, and health insurance collected by Insurance Marketing Firms and the industry and also over the time period of study.
- H_{1a} = There significance difference in mean value of premium collected in life, non-life, and health insurance by Insurance Marketing Firms and the industry and also over the time period of study.

III. LITERATURE AND DATA ANALYSIS

A. Regulatory Framework

Insurance Marketing Firm is a professionally managed organization that wants to offer financial protection that may be a company, limited liability partnership, cooperative society, or any other type of organization that the authority may choose to recognize and has been permitted to make a contract with insurers for selling their insurance products or act as a surveyor or loss accessor may be referred as an IMF or Insurance Marketing Firms. This type of organization came into existence after the notification issued by IRDAI.

On 21st January 2015, the IRDAI issued regulations on Insurance Marketing Firms called the Registration of Insurance Marketing Firms Regulations 2015 to increase the insurance penetration in India, vide which, the net worth requirement for registration as IMF is Rs. 10 lakhs (5 lakhs for not more than two insurers) and an area of operation was limited to one district per Insurance Marketing Firm; it has now been allowed to solicit and procure insurance products of the maximum of six life, six non-life, and six health insurers through its trained and certified 'Insurance Sales Persons (ISPs). It is also allowed to sell financial products of banks, mutual funds, post offices, etc. through certified 'Financial Service Executives (FSEs) and to take up back-office activities of the insurance companies with whom they have tied up along with working as an 'Approved Person for Insurance Repository'. The IRDAI issued regulations for amending the IMF's existing regulations in January 2017 vide which provisions for training of Principal Officer (PO) and Insurance Sale Person (ISP) operating in state capitals, and distance marketing activities of IMFs were inserted.

The IRDAI observed the performance of the IMF channel and in 2018 it was found that performance was lower than envisaged while formulating the IMF's regulations in 2015; hence in May 2018, the IRDAI conducted workshops at Chandigarh, Ahmedabad, and Hyderabad with the representatives of the IMFs, insurance companies, and Life and General Insurance Councils to receive feedback on various operational and practical issues regarding the functioning of the IMFs. Taking into account feedback received from various stakeholders, the IRDAI once again review the IMF Regulations to create a more comprehensive and robust framework for the functioning of the IMF entities. Consequently, on 24th July 2019 the IRDAI issued the "IRDAI (Registration of Insurance Marketing Firm) Amendment Regulations, 2019, the silent features of which is given below:

- A company, Limited Liability Partnership (LLP), Co-operative Society, or any other entity as specified in the IMF Regulations can be registered by the Authority as an IMF subject to the fulfilment of the criteria given in the regulations with the following conditions:-

- The IMF registration is valid for 3 years, which can be renewed 90 days before its expiry.
- The Principal Officer of an IMF is the overall in-charge of an IMF and is responsible for regulatory compliance of the IMF. The PO can be a Director, partner, any officer, or employee so designated and approved by the Authority to exclusively carry out the functions of the IMF and who possesses the requisite qualifications and practical training and who has passed the examination as required under the regulations.
- An insurance Sales Person (ISP) is an individual resident of the district opted for by the IMF and employed by the IMF to solicit and market the Insurance products. An ISP should possess the requisite qualification and training as specified and get a fixed minimum monthly salary from the IMF as per the law of the land. The IMF may give him additional variable pay depending on arrangements between the IMF and the ISP
- Financial Service Executives (FSE) is an individual having the necessary qualification and training and is employed by an IMF to market financial products other than insurance and of the entities controlled by the other regulators in the Financial Market. The FSEs hold valid Licenses/ Certificates/Authorizations issued by the respective financial authorities for the marketing of such products. The FSEs get remuneration from the financial entities as per the applicable guidelines of the respective Regulators.
- Initially, an IMF can start its operations in one district. At the time of Renewal, it can expand to a maximum of three districts provided one of the districts is an 'Aspirational District' designated as such by the National Institution for Transforming India (NITI Aayog).
- The IMF should maintain a Net worth of Rs. 5 lakhs if opting only for one Aspirational District and Rs. 10 lakhs in all other cases.
- The IMF should maintain specified 'Professional Indemnity Insurance' at all times

As a consequence of the above IMF guidelines issued by the regulators; the IMFs have been increased from 212 in 2018 to 569 in November 2022. The performance in terms of registration is that the IRDAI issued No Objection Certificates to 2451 IMFs since inception and particularly 352 during the year 2021-22 and the total registered IMFs till 31st March 2022 is 524 which have been increased to 569 till November 2022. Further 8 life insurance companies and 23 general and health insurance companies are doing business with IMFs in India.

B. Scope of Insurance Marketing Firms in the Insurance Sector

Insurance Marketing Firms can sell a maximum of six life, six general, and six health insurer all-type products through their Insurance Sales Persons (ISPs) on an individual or retail basis. In addition to this, it has also the option to engage with Agriculture Insurance Company of India Ltd and Export Credit Guarantee Corporation Ltd. It can further sell the following products:-

- Mutual fund products of Mutual Fund Companies regulated by SEBI
- Pension products regulated by PFRDA
- Other financial products distributed by SEBI licensed Investment Advisors
- Banking/ financial products of Banks/ NBFC regulated by RBI
- Any other financial product or activity permitted by IRDAI from time to time.

IMF can provide the following insurance servicing activities

- Tied up activities of insurers as allowed in the IRDAI.
- Can become an approved Person of Insurance Repositories.
- Positioning of Insurance Marketing Firms in the Indian Insurance Market

Although in the Indian insurance market, various distribution channels are catering to the insurance needs of people from various segments, IMFs occupy a dominant position, they can sell all individual or retail, property, group personal accident, group health, Group Single Life Insurance, term insurance plans for Micro Small and Medium Enterprises. The limitation of the product defines the boundaries and focus of the Insurance Marketing Firms business. This model equipped with insurance products as well as financial products is supposed to take root and expand in every district of India.

C. Insurers Tie-Ups with Insurance Marketing Firms

Table 1: Number of Life Tie-Ups with IMFs

Sr. No.	Name of Life Insurer	No. of tie ups
1	Max Life Insurance Company Ltd	239
2	Life Insurance Corporation of India	78
3	PNB Metlife Insurance Company Ltd	38
4.	HDFC Standard Life Insurance Company Ltd	49
5	AVIVA Life Insurance Company Ltd	14
6.	ICICI Prudential Life Insurance Company Ltd	55
7	SBI Life Insurance Company Ltd	15
8	Future Generali Life Insurance Company Ltd	11
9	Kotak Mahindra Life Insurance Company Ltd	5

(Source: IRDAI Website)

Out of 24 life insurance companies only 9 companies have tie-ups with IMF for selling their insurance products, out of these 9 companies, Max life has maximum number of tie-ups followed by Life Insurance Corporation of India, PNB Metlife (38), HDFC life (49),Aviva life (14), ICICI Prudential life (26), SBI Life (17), Future Geneali (11) and Kotak Mahindra Life (5).

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Table 2: Showing Tie-Ups of Non-Life Insurers with IMFs

Sr. No.	Name of Life Insurer	No. of tie ups
1	New India Assurance	61
2	ICICI Lombard	62
3	National Insurance	12
4.	TATA AIG	60
5	Bajaj Allianz	25
6.	United India Insurance	17
7	Reliance General	4
8	HDFC ERGO General	43
9	IFFCO Tokio	16
10	SBI General Insurance Co Ltd.	10
11	Future Generali	01
12	Universal Sompo	01
13	Sriram General Insurance Company Ltd	01
14	Oriental Insurance Company Ltd	06
15	Magna HDI General Insurance Company Ltd	03
16	Liberty Videocon General Insurance	02
17	Royal Sundaram General Insurance Co Ltd	07
18	Go Digit General Insurance Company Ltd	04
19	Raheja QBE General Insurance Company Ltd	01

(Source: IRDAI Reports)

There are 33 General Insurance Companies in Indian general insurance market, out of these 6 are in public sector and 27 are in private sector. Out of the 6 public sector companies 4 public sector companies have tie-up with Insurance Marketing Firms, whereas out of the 27 private companies 15 companies have tie-up with IMFs for selling their general insurance products. ICICI Lombard has highest number of tie-ups followed by New India Assurance and TATA AIG.

Table 3: IMF Tie-Ups with Health Insurance Companies

Sr. No.	Name of Health Insurance Company	Number of Tie-ups
1.	Aditya Birla GIC	12
2.	Appolo Munish Health Insurance Company Ltd	17
3.	Care Health Insurance Company Ltd	48
4.	Manipal Cigna	17
5.	Cigna TTK Health Insurance Company Ltd	10
6.	HDFC Ergo Health Insurance Company Ltd	04
7.	Star Health Insurance Company Ltd	44
8.	Max Bupa	25
9.	NIVA Bupa	13
10.	Religare Health	17
11.	TATA AIG	01

(Source: IRDAI)

There are 30 insurance companies in India, which are offering health products, out of these 5 companies are standalone health insurance companies, whereas rest are general insurance companies offering health products along-with other general products. A standalone health insurance company Care Health has highest number of tie ups (48), followed by Star Health (44), Max Bupa (25), Manipal Cigna (17) and NIVA Bupa (13). It is pertinent to mention here that Apollo Munich has been merged with HDFC ERGO General Insurance Company and Religare Health has been merged with Care Health. To sum up the IRDAI issued registration certificates to 569 insurance marketing firms till November 2022 to start their operation in the country, it is also found that 159 IMFs either surrender their registration or cancelled by the IRDAI on completion of their tenure. They showed no interest in renewal of their licenses.

D. Insurance Penetration

Insurance penetration and density are the two major yardsticks for measuring the development of insurance in an economy. Insurance penetration is calculated by dividing the total insurance premium with gross domestic product. So for this purpose life and non-life sector's insurance penetration has been calculated separately. Similarly insurance density is calculated by dividing the insurance premium by total population of a country. In the present circumstances to calculate life and non-life insurance density, the premium has been bifurcated into the life and non-life sectors and then divided by the population of the country.

Table 4 Insurance Penetration and Density

Year/Sector	Penetration (%)			Density (USD)		
	Life	Non-Life	Total	Life	Non-Life	Total
2016-17	2.72	0.77	3.49	46.50	13.20	59.70
2017-18	2.76	0.93	3.69	55.00	18.00	73.00
2018-19	2.74	0.97	3.70	55.00	19.00	74.00
2019-20	2.81	0.94	3.76	58.00	19.00	78.00
2020-21	3.20	1.00	4.20	59.00	19.00	78.00
2021-22	3.2	1.00	4.20	69.00	22.00	91.00
Maximum	**3.20**	**1.00**	**4.20**	**69.00**	**22.00**	**91.00**
Minimum	**2.72**	**0.70**	**3.30**	**41.00**	**10.50**	**52.00**
Mean	**2.91**	**0.94**	**3.84**	**57.08**	**18.37**	**75.62**

(Source: IRDAI Reports and Author's Calculations)

After the liberalization of the insurance business number of private companies came into existence in the life and non-life insurance sector, and it is estimated that insurance penetration and density in India will increase. The span of twenty-23 years of insurance business in India has been divided into three phases, namely the first phase from 2000 to

2008, the second phase from 2009 to 2014, and the third phase refers to the period from 2015 onwards. This implies that after the liberalization of the insurance business in India the insurance penetration continue to increase in the first phase and initial period of the second phase of the life insurance business. The economic slowdown which was prevailing globally in the last decade did not spare India and the insurance business as well as after 2010-11 insurance penetration started declining and during the accounting year 2019-20 it was at bottom of 2.81 percent, thereafter, it started rising again and the report of Swiss Re Sigma depicts that during the financial year 2020-21 and 2021-22 it was 3.20 percent as compared to average insurance penetration throughout the world that remain at 3.00 percent in 2020-21 and 2021-22.

The mean life insurance penetration is 3.12 (Source Swiss Re Sigma Report). Life insurance penetration in the USA is poor than in India, whereas in comparison to other nations like Hong Kong, South Africa, and Japan India's life insurance penetration is poor. The insurance industry needs to explore the life insurance business in India.

After the enactment of the regulations for Insurance Marketing Firms non-life insurance penetration increased from 0.77 percent to 1 percent, whereas the mean non-life insurance penetration is 0.94 percent, the insurance industry penetration is 3.84, it is clear from the above analysis that after the enactment of IMF regulations, both life insurance penetration and non-life insurance penetration has increased along with the increase in insurance industry penetration.

Table 5: Descriptive Statistics for Two-Way ANOVA for Life, Non-Life and Industry Penetration

Source of Variation	**Sums of Squares**	**DF**	**Mean Squares**	**F**	***p*-value**
Between Time	0.57	5	0.11	7.1683	0.0043
Between Penetration	26.39	2	13.19	825.49	0
Error (residual)	0.16	10	0.02		
Total	27.12	17			

(Source: Author's Calculation)

The ANOVA analysis depicts that table value of F at 5 percent level of significance is 4.1 and the calculated value of F is 825.49 which is greater than the table value V_1 is 2 and V_2 is 10, critical value of p is 0 which is less than 0.05, F=825.49>4.1, hence H_0 is rejected and it is found that mean value of life insurance, non-life, and insurance industry penetration differ significantly.

From the above table, it is found that at 5 percent level of significance the table value of F is 3.33 and the calculated value is 7.1683, FR=7.17>3.33, which is greater than table value, further critical value of p is 0.0043 which is less than 0.05 hence H_0 is rejected, it is concluded that insurance penetration of life, non-life, and industry differ significantly over the time period.

It is concluded that after enactment of Insurance Marketing Firms Regulations 2015 the life Insurance, non-life insurance and insurance industry penetration differs from each other and over the time period of study. The IMFs regulations help to increase in life, non-life, and insurance industry penetration in India.

E. Insurance Density

The ANOVA analysis depicts that sum of square between the time period of study is 678.18 and mean square between the time period is 135.64, degree of freedom is 5 i.e. V_1 = 5 and V_2 is 10; the calculated value of F is 9.62, table value of F is 3.33 i.e. $9.62>3.33_{05,}$ critical value of P is 0.0014 which is less than 0.05; therefore, H_0 is rejected and it is found that life insurance density, non-life insurance density and insurance industry density differ significantly with mean value.

Further, with respect to life insurance density, non-life insurance density and insurance industry density, it is found that sum of square is 10240; degree of freedom is i.e. V_1 = 5 and V_2 is 10, mean square between the insurance penetration is 212.03, the residual error is 141.07, so the calculated value of F is 362.94, the table value is 4.1, the critical value of p is 0, which is less than 0.05, hence it is concluded that the insurance penetration of life, non-life and insurance industry differ significantly.

Table 6: Showing Descriptive Statistics for Life, Non-Life and Insurance Industry Density.

Source of Variation	**Sums of Squares**	**DF**	**Mean Squares**	**F-Value**	***p*-value**
Between Time	678.18	5	135.64	9.6146	0.0014
Between Penetration	10240.05	2	5120.03	362.94	0
Error (residual)	141.07	10	14.11		
Total	11059.3	17			

(Source: Author's Calculation)

From the above analysis, it is found that life, non-life and Insurance Industry density differ significantly between themselves and over the time period; therefore, it is concluded that performance of the IMF business help to increase life insurance density in the country.

F. Growth of Insurance Marketing Firms

The indicators for growth of IMFs have been taken namely their geographical spread and their business performance in life, non-life and health sector since inception. The IMFs were introduced in January 2015 by the IRDAI, but their registration started and commenced business from the year 2016, therefore, the data have been derived from financial year 2016-17 onwards.

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Table 7: State-wise Growth of Insurance Marketing Firms

STATE WISE NUMBER OF INSURANCE MARKETING FIRMS AS ON 31-03-2022									
S. No.	**State**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**CAGR**
1	Andhra Pradesh	-	3	6	7	8	12	15	130.77
2	Assam	-	-	-	-	-	-	2	--
3	Bihar	-	3	5	6	8	8	16	132.18
4	Chandigarh	-	1	5	6	7	7	7	138.31
5	Chhattisgarh	-	-	2	2	3	3	4	114.87
6	Gujarat	-	9	20	26	32	36	38	127.13
7	Haryana	1	6	8	10	13	19	30	162.56
8	Himachal Pradesh	-	-	2	2	3	3	4	114.87
9	Jammu & Kashmir	-	-	2	4	5	5	7	128.47
10	Jharkhand	-	-	1	1	4	4	6	143.10
11	Karnataka	-	4	5	5	12	16	20	130.77
12	Kerala	-	3	5	10	11	13	15	130.77
13	Madhya Pradesh	-	2	2	3	3	7	11	132.86
14	Maharashtra	5	24	38	48	61	76	87	150.39
15	New Delhi	4	18	31	36	45	55	74	151.71
16	Orissa	-	-	1	3	4	4	7	147.58
17	Punjab	-	6	12	13	14	16	18	120.09
18	Rajasthan	-	1	3	7	7	12	14	155.25
19	Tamil Nadu	1	5	5	7	9	13	20	125.99
20	Telangana	-	6	16	18	25	27	32	132.18
21	Uttar Pradesh	3	19	32	40	43	53	61	121.46
22	UttraKhand	-	-	2	5	6	7	8	131.95
23	West Bengal	-	4	9	13	16	21	27	137.47
	Total	**14**	**114**	**212**	**272**	**339**	**417**	**523**	128.90

(Source: IRDAI Reports)

In terms of geographical growth of IMF, the state of Haryana showing highest CAGR of 162.5 percent during the study period, followed by Rajasthan (155.25 percent), New Delhi (151.71 percent), Maharashtra (150.39 percent) and Orissa (147.58 Percent), whereas average geographical growth of IMFs is 128.90 percent in India. IMFs are doing business in 21 states and 2 Union Territories. IMFs have shown tremendous geographical growth over the span of 8 years from the date of issue of registration regulations.

Table 8: Premium Collected through IMF(Figure in Lakhs)

Year/Sector	**Life Insurance**	**Non-Life Insurance**	**Health Insurance**
2016-17	1452	368.07	62.6
2017-18	4067	1037	316
2018-19	6276	3795	602
2019-20	6800	4280	892
2020-21	16081	5242	1833
2021-22	20727	4896	3273
Mean	**9233.83**	**3269.68**	**1163.10**
Minimum	1452	368.07	62.6
Maximum	**20727**	**5242**	**3273**
CAGR	55.75	53.93	93.37

(Source: IRDAI Reports and Author's Calculations)

The above table reveals that premium collected by IMF from life insurance business is continuously increasing during the study period; it shows CAGR of 55.75 percent for the period from 2016-17 to 2021-22. The mean premium collected in life insurance sector is 9233.83 lakhs. The minimum premium collected by IMFs in 2016-17 and maximum was in 2021-22. It reveals that quantum of premium collected by the channel is continuously increasing. The non-life sector is showing some slower CAGR of 53.93 percent as compared to life sector. The mean premium collected is also lower in this case. However, the health sector is showing highest CAGR of 93.37 percent during the study period, but the mean premium collected is Rs. 1163.10 lakhs in the health insurance sector.

Table 9: Descriptive Statistics for Two way ANOVA Calculations for Premium Collected by IMFs

Source of Variation	**Sums of Squares**	**DF**	**Mean Squares**	**F-Value**	**p-value**
Between Sectors	210291107.35	2	105145553.68	8.14	0.0027
Between Time	180228021.55	5	36045604.31	2.79	0.0785
Error (residual)	129127291.49	10	12912729.15		
Total	519646420.39	17			

(Source: Author's Calculations)

The sum of square of the premium collected from all the sectors by the IMFs is Rs. 210291107.35 lakhs, sum of square of SSE is 129127291.49 lakhs, mean square of premium is 105145553.68 lakhs, value of V_1 is 2 and V_2 is 10, therefore the table value at 1 percent level of significance is 7.56, but the calculated value of F is 8.1428 , the calculated value is greater than the table value, hence $F>F_{01}$ ($8.1428>7.56_{01}$), further the critical value of p is 0.0027 which is less than 0.01, hence the H_0 is rejected and alternative hypothesis is accepted. This indicates that premium collected by IMFs from life insurance, non-life insurance and health insurance differs significantly.

Further, the sum of square of the premium collected over the time period from 2016-17 to 2021-22 by the IMFs is Rs. 129127291.49 lakhs, sum of square of SSE is 129127291.49 lakhs, mean square of premium over the time period is 105145553.68 lakhs, value of V_1 is 5 and V_2 is 10, therefore the table value at 1 percent level of significance is 5.64, but the calculated value of F is 2.7915, the calculated value of F is less than the table value, hence $F<F_{01}$ ($2.7915<5.64_{01}$), further the critical value of p is 0.0785 which is greater than 0.01, hence the H_0 is accepted . This indicates that premium collected by IMFs from life insurance, non-life insurance and health insurance over the time period do not differs significantly.

Analysis on the basis of Policies Issued by Life, Non-Life and Health Insurance Companies

Table 10: Number of Policies Sold by IMF

Year/Sector	**Life Insurance**	**Non-Life Insurance**	**Health Insurance**
2016-17	2609	5015	520
2017-18	5099	13134	2243
2018-19	9801	14061	4336
2019-20	11533	34232	6973
2020-21	20284	41926	15288
2021-22	27767	44480	20112
Mean	**12849**	**25475**	**8245**
Minimum	**2609**	**5015**	**520**
Maximum	**27767**	**44480**	**20112**
CAGR	**40.75**	**42.46**	**75.68**

(Source: IRDAI Reports and Author's Calculation)

The above table reveals that mean policies issued by Life Insurance, Non-Life, and Health Insurance Industry through Insurance Marketing Firms are 12849, 25475 and 8245 respectively. The life, non-life, and health insurance industry issued more than mean during the year 2020-21 and 2021-22, whereas in rest of the years policies issued are less than the mean. The minimum policies issued by Life Insurance, Non-Life, and Health Insurance sector are 2609, 5015, and 520 respectively during the year 2016-17. The maximum policies issued by IMFs are 27767, 44480, and 20112, during the year 2021-22 for the life, non-life, and health industries respectively. All the sectors show positive CAGR of 40.75 percent by life, 42.46 percent by non-life and 75.68 percent by health insurance sector. It is concluded that health insurance sector has highest growth rate during the period of study. The Insurance Marketing Firms are more significant in the Health Insurance Sector as compared to life and non-life sector of insurance industry as during the study period and on the basis of CAGR. Whereas highest mean is in case of non-life insurance sector followed by life and health sectors.

Table 11: Descriptive Statistics and ANOVA Analysis for Policies Issued by Life, Non-Life and Health Insurance

Source of Variation	**Sums of Squares**	**DF**	**Mean Squares**	**F**	***p*-value**
Between Sectors	954907613.44	2	477453806.72	15.68	0.0002
Between Time	1862067538.94	5	372413507.79	12.23	0.0005
Error (residual)	304429852.56	10	30442985.26		
Total	3121405004.94	17			

(Source: Author's Calculation)

The sum of square of the policies issued by all the sectors by the IMFs is 954907613, sum of square of SSE is 304429852, mean square of premium is 477453806.72, value of V1 is 2 and V2 is 10, therefore the table value at 1 percent level of significance is 7.56, but the calculated value of F is 15.6835, the calculated value is greater than the calculated value, hence F>F01 (15.6835>7.5601), further the critical value of p is 0.0002 which is less than 0.01, hence the H0 is rejected and alternative hypothesis is accepted. This indicates that policies issued by IMFs in life insurance, non-life insurance and health insurance differ significantly.

Further, the sum of square of the policies issued over the time period from 2016-17 to 2021-22 by the IMFs is 1862067538, sum of square of SSE is 129127291.49 , mean square of premium over the time period is 372413507.79, value of V_1 is 5 and V_2 is 10, therefore the table value at 1 percent level of significance is 5.64, but the calculated value of F is 12.2331, the calculated value of F is greater than the table value, hence F>F01 (12.2331>5.6401), further the critical value of p is 0.0005 which is less than 0.01, hence the H0 is rejected . This indicates that policies issued by IMFs from life insurance, non-life insurance and health insurance over the time period differ significantly.

IV. FINDINGS

- There is a need for skilled and experienced personnel from the insurance field who can work for IMFs in the insurance field. Individual Agents presently working for Insurance Industry do not want to be part of IMFs because by doing so they will lose their agency benefits.
- There is no provision for reimbursement of expenses towards recruitment, training, and mentoring of the ISPs except in life insurance business.
- Although, the IRDAI has amended the policy regarding the registration of IMFs for selling a maximum of 6 life, 6 non-life, and 6 health insurance company products from 2021, but no IMF is found registered for more than two companies in either of the sectors.
- There are 24 life insurance companies registered in India for doing life insurance business, out of these one public sector company and 23 are private sector companies, one company Excide Life has been merged with HDFC Standard Life insurance, so there are presently 22 private companies functional in India. Out of these 23 companies, there are 336 tie-ups with IMFs for selling life insurance products. Life Insurance Corporation of India has 78 tie-ups as on November 2022 and private company Max life is having highest tie-ups of 239; there are 8 private life insurance companies having tie-ups with IMFs.
- There are 33 General Insurance Companies in India, out of these 6 are in the public sector and 27 are in the private sector. Four public sector companies and 15 private sector companies are having 489 tie-ups with IMFs for selling their general insurance products.
- There are 30 insurance companies which are selling health insurance products in India, out of these 30 companies 5 are standalone companies and the rest are general insurance companies. These companies are having 208 tie-ups with IMFs for selling health insurance products.
- There are 569 registered IMFs in India as on November 2022 out of which registration of 159 IMFs has been cancelled either on expiry of three years period or surrendered by the concerned company. This is indicative that IMFs are not finding a favourable environment for doing insurance business in India.
- Life and Non-Life Insurance penetration and density increased after the enactment of IMFs regulation, this is indicative that the scope of the insurance business has increased during the period of study. It is further found that the mean value of life, non-life insurance, and density differ from the mean value at 1 percent level of significance. This implies that the insurance business is growing over the time period and there is further scope for growth.
- The number of IMFs in India is growing year after year at a CAGR of 128.90 percent. The state of Haryana is showing the highest CAGR of 162.56 percent. Maharastra, Telangana, Uttrakhand, West Bengal, Rajasthan, Orissa, New Delhi, Madhya Pradesh, Kerala, Karnataka, Jharkhand, Bihar, and Andhra Pradesh have depicted their growth higher than the IMFs average growth. Hence IMFs grow geographically significantly over the study period.
- In terms of business performance for premium collected by IMFs for life, non-life, and health insurance sector showed a positive CAGR of 55.75 percent for life, 53.93 percent for non-life, and 93.37 percent for the health insurance sector. Whereas the CAGR for policies issued is 40.75 percent for Life, 42.46 percent for non-life, and 75.68 percent for health insurance. It is further found that all three sectors differ significantly concerning premium collected, policies issued, and over the time period of study at 1 percent level of significance. It means all three sectors have grown independently of each other and without making any impact over the time period. The highest CAGR for premium collected and policies issued is indicative that the IMFs have grown significantly during the period of study and the impact of regulations issued by IRDAI can be easily observed.

V. CONCLUSION AND SUGGESTION

In the present eco-system of IMFs, if the individual agent joins another company or IMF, the said individual agent loses all benefits derived from the previous agency or vice versa; therefore, it is suggested that the benefits that have already occurred should be carried forward in case of shifting of agency to other company and such rules should be framed by the IRDAI to make uniformity in case of all insurance companies.

There should be uniform guidelines to be issued by IRDAI regulating the minimum wages of ISPs working for IMFs. There is no provision for reimbursement of expenses incurred for the training of ISPs in general and health insurance, so the regulators should change this provision, and general and health insurance should be at par with life insurance. To spread awareness about the IMFs, the insurers need to create a space where all the policies, procedures and documentation may be found by the prospective IMFs. Further to popularize the concept of IMF as a distribution channel amongst the target population and entities besides conducting seminars and conferences, help from retired personnel, educated youngsters and existing business entities may be taken. The insurers need to have a well-developed software system that supports the IMFs and need to make modifications as soon as possible. Despite the increase in the span of business of IMFs, no IMF has been found doing business for more than 2 companies in the life, non-life, and health sector; therefore, it needs to propagate the government policy so that maximum benefit may be derived from the amended regulations. Finding more products in one place will raise the goodwill of the organization and benefit the customers; this is what IMFs are meant for.

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