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Business Performance Analysis of Distribution Channels of Life Insurance Industry in India

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Abstract

Although, genesis of insurance are found in our mythological books and in Arthshastra written by Kautilya between 2nd century BCE and 3rd century CE. The modern age insurance industry in India has completed one and a half century, during this journey it has gone through number of structural and regulatory changes. Its' journey in India may be described as privatisation-nationalisation-privatisation. Insurance is a subject matter of persuasion so individual agents has played significant role in the early establishment of insurance industry in India, but due to passage of time new channels like bancassurance and corporate agents have emerged. But since 2014 number of other agents like micro agents, insurance marketing firms, common service centre and point of sale have been allowed by the regulators to sell insurance products. In the present study performance of the distribution channels have been analysed on the basis of first year premium collected for individual and group and policies or schemes sold through these channels for the period from 2015-16 to 2020-21. Further, the performance have been analysed with the help of compounded annual growth rate for premium and policies sold over the period of time and to test the level of significant between the distribution channel and the time, statistical tool two way ANOVA conducted and resultantly, it is found that there is no significant difference between all the distribution channels in their performance over the time measured with respect to first year individual and group premium as well as policy and schemes issued, Individual Agents has remained as one of the major channel in terms of premium collection as well as policy issued both for individual and group business.

Keywords: Century, Premium, Policies, Compounded, Performance, distribution, channel.

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Introduction

In India, insurance plays significant role in the economy, it protects the future earning of individuals and companies; it enables risk transfer and smooths out the risk patterns to protect the gross domestic product of the country as well as potential savings of the individuals. The last two decades have been interesting for the Indian insurance industry as it has gone through number of infrastructural and regulatory changes, these changed phases may be divided into three different time span namely 2000-2008, when majority of the private life insurance companies were entered in the market and emerged as loss making companies; most of the private companies were also accumulating losses in the second phase from 2008-2014, this phase is also witnessed the global financial meltdown and represented a period of uncertainty and indecision; the third phase from 2014 onwards has seen renewed confidence in growth, with digital revolution that has pushed life insurers to automate and seek out opportunities to digitalize every part of the organization. Listing of insurance companies on the stock exchange has opened up their black boxes to analysts, thereby introducing further competition in the race for digitizing customer interfaces; as a result number of other distribution channels have been emerged in the insurance market, because the performance of any business organization highly depends on the proficiency and efficiency of the intermediary network that executes the business and carry out the operational activities, in the era of globalization and liberalization a competitive scenario has also been emerged in the insurance market, therefore, it is the need of the day to maintain effective distribution channels. Further, from 2017-18 there is increase in insurance penetration as well as insurance density in India. Indian Life Insurance Industry is low performing as compared to the world, developed countries, specially Asian and emerging countries. Life insurance penetration is the ratio of life insurance premium and the gross domestic product of the country. Presently, although the world is going through the recession, but Indian economy is depicting the growth. The insurance penetration in life insurance sector during the year 2001-02 was 2.15 percent as compared to insurance industry penetration of 2.71 percent. In 2005-06 it rose up to 2.53 percent in life insurance sector as compared to total of 3.14 percent. It further rose to 4.40 percent in 2010-11 in comparison of the total 5.10 percent. Figure 1 below is representing the insurance penetration in India and its comparison with world from the year 2013-14 to 2021-22.

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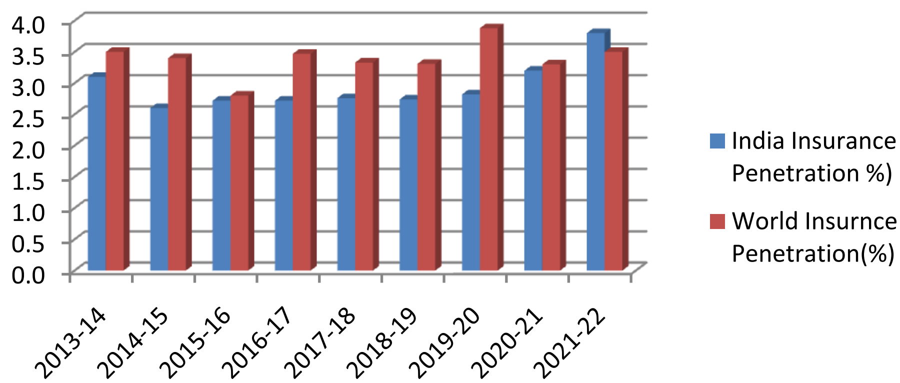
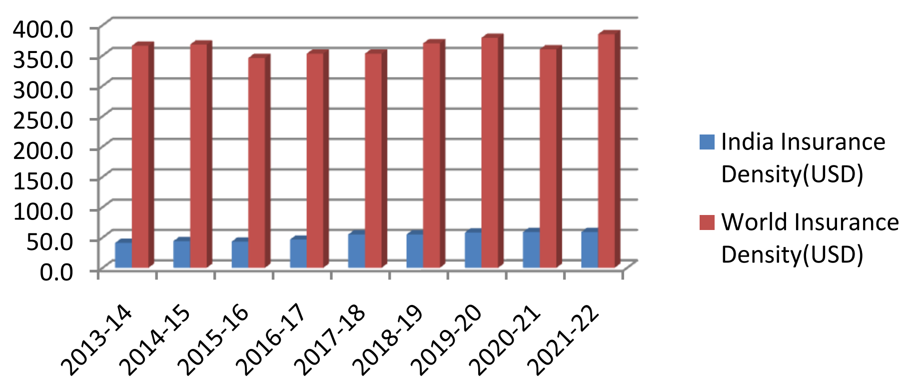
Figure 1 showing Life Insurance Penetration in India and World



The economic slowdown which was prevailing globally in the last decade did not spared India, 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 from financial year 2020-21, during 2021-22 insurance penetration in India is 3.8 percent as compared to the 3.5 percent of the world. (Report of Swiss Re Sigma) Household's spending on life insurance product has increased during the year this may be the due to the covid-19 pandemic.

Figure 2 Showing Comparative Life Insurance Density of India to the World



Insurance density in India during 2001-02 was 9.10 USD against Industry total of 11.5 USD; it rose up to 18.30 USD in 2005-06 and 55.70 USD in 2010-11 as compared to total of 64.40 USD. Thereafter it started decreasing and remained at 41 USD in 2013-14 against total insurance density of 52 USD, it started rising again from accounting year 2014-15 and it was 69 USD against total insurance density of 91 in 2021-22 as compared to world's life insurance density of 382 USD in the same financial year. (Source: Report of Swiss Re Sigma)

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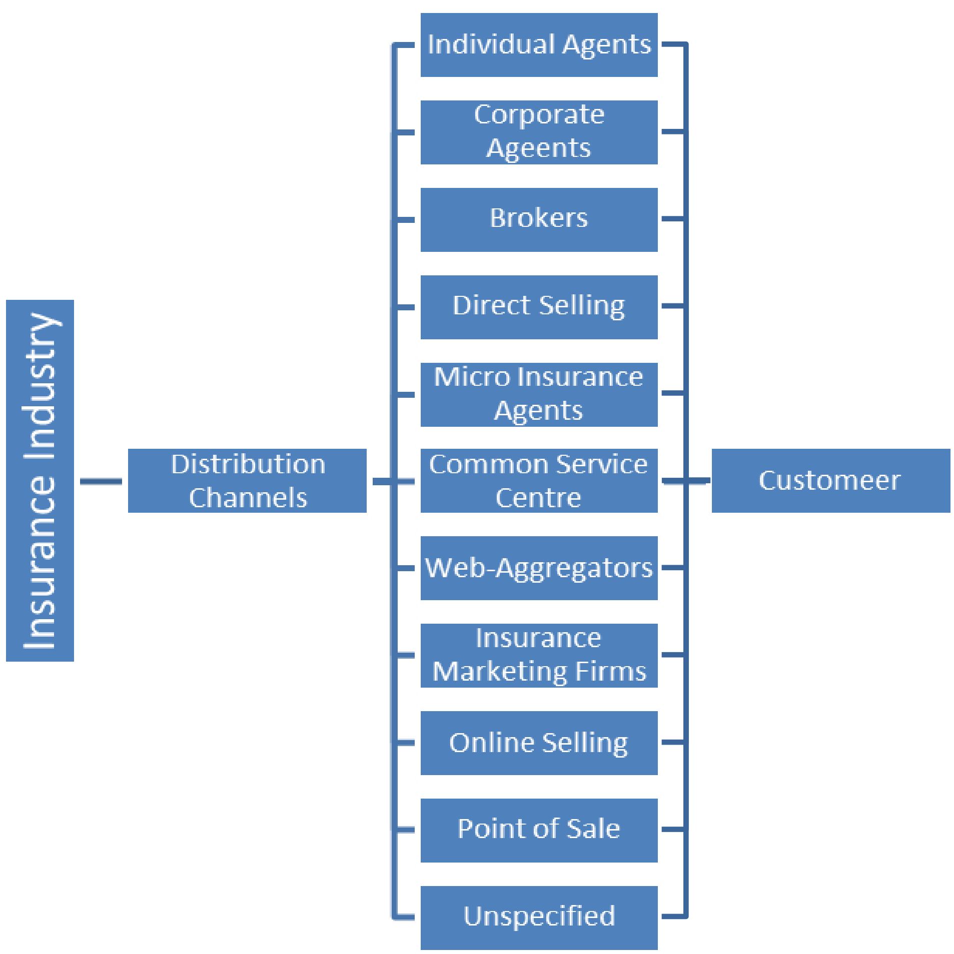
Distribution Channels of Life Insurance Industry

Presently, insurance industry is going through fundamental changes, some of the key factors affecting the insurance industry are rising awareness, accessibility, affordability, regulatory reforms and economic growth, some insurers are considering it as a phase of re-establishment whereas for others it is critical for their survival. Recently, government has permitted 74 percent foreign direct investment from the present 49 percent ceiling in the direct insurance sector where insurance companies write insurance cover; and for insurance intermediaries like brokerage and others, who bring together customers and insurance firms 100 percent foreign investment; which is likely to make the insurance business more lucrative to foreign investors, further insurers who have been in business for at least 10 year are allowed to raise capital through initial public offerings.

Figure 3 Showing Distribution Channels Functional in Insurance Industry in India



Internet penetration has sharply increased in India during the last two decades, presently internet penetration is 47 percent in 2022, and it was 43 percent in 2020, 14.9 percent in 2015 and 7.5 percent in 2010. This digital revolution has been a game changer for all industries and insurance industry is no exception. This digital technology has break the traditional barriers of the insurance sector like product awareness level, limited customer touchpoints, access to knowledge, service availability and payments, the business environment is bound to become more dynamic and competitive. Now, insurers have been compelled to ensure their competitive pricing, value for money, transparency in product features, cost and services. The new paradigm in the insurance business has given birth to number of new distribution channels.

From the distribution point of view customers can be classified into three different categories on the basis of their buying behaviour; traditional, who want their involvement in purchase decisions, prefer human touch, apprehensive about digital mode, trust and highly responsive insurers, these type of customers prefer traditional distribution channels; second type of customers are transitionalists, they believe in value for money, price conscious, not rigid against digitalization, these customers are ready to accept traditional as well as modern channels; and thirdly digital native, who have recently entered in the working force in urban, technologically advance, demand flexibility, highly receptive to innovative models and not comfortable with complex terms and conditions or benefits, these customers prefer modern distribution channels.

In the language of business, distribution related to the allocation of goods and services to the recipients. In general terms distribution of all activities refer to the transfer of material or economic power over tangible or intangible goods from one economic unit to another (Wirtschaftsleyikon24.net). It encompasses a system of all activities that relates to the transfer of economic goods between manufacturers and consumers. It includes coordinated preparation of manufactured goods according to their type and volume, space and time, so that supply deadlines can be met or estimated demand can be efficiently satisfied (Domschke & Schield). Present day information technology enabled distribution channels have underline its specific role in sensitivity, simplification of distribution system, increase in the number of channel, market size, wider use of e-commerce, access to global market, change in distribution channels, application of technological systems and hierarchical structures (Sabansua & Alabay).

The performance of any entity depends how proficiently its inter-mediatory network executes the business. In todays' competitive scenario the working of intermediate channels and maintaining a strong distribution network is an important constituents of sustaining growth. The scenario of Indian Insurance Industry reveals that it is one of the massive sectors of the economy and especially life insurance domain has set up the bancassurance in its growth (Chaudhary et.el 2011)

Since the establishment of insurance business agency is the distribution channel for selling insurance products in India, even today maximum share of business is carried on by agents, because these agents establish personal contact and relationship with the customers and provide presale and post sales services as well as valuable source of feedback about the need and expectation of consumers. However, now-a-days this channel is not fully updated with latest technologies. Corporate Agents are authorised and qualified persons or institutions who can provide advice on financial products; these are commissioned agents whose primary business is the sale of property and casualty insurance for several insurers. Technically, independent financial advisors who sell insurance policies usually do so as broker. Brokers are professionals who assess risk on behalf of a client, advice on mitigation of that risk, identify the optional insurance policy structure that brings together the insured and insurers and carry out preparatory to insurance contracts. They represent the customer and sell the products of more than one company and seek to determine the best fit for the client. Direct Selling refers to the type of channel vide which company sell its products directly to the customers either through their website or direct contact.

Micro Agents work for the untapped market in rural and social sector, they work for protection of low income households against specific perils for a premium proportionate to the likelihood and cost of the risk involved. Common Service Centres are the shops of multiple companies that provide the facility of selling policies as well as work as premium collectors, claim settlement and all other allied matters. Web Aggregator is an insurance intermediary who maintains a website for providing interface to the insurance prospects for price comparison and information of products of different insurers and other related matters. Insurance Marketing Firms (IMF) is the new distribution channels who have multiple tie-ups with insurers. Online Selling is the selling policies by setting up website and watching the sales notification roll in. It is one of the lead generation method and also gaining momentum for selling insurance products. Point of Sale is the selling point established by the company concerned to sell policies.

Review of Literature

Lakshmikutty and Baskar (2006), ‘Insurance Distribution in India’ found that ultimate success of marketing of insurance channels depends on matching the right segment of customer with the right products at the right distribution channel.

Govardhan (2008), ‘Relevance of Distribution Channels’ published in IRDA Journal specified that an effective growth of business ultimately depends on the performance of various distribution channels. The study asserted that channel had been performing at its best in one way or another. Among the array of distribution channels, time tested channel had a long way to achieve success in emerging markets of insurance business.

Majumdar (2010), 'Increasing life Insurance Penetration in the next decade' published in IRDA Journal made a conceptual analysis of different situation where the performance of distribution channels could be profitable. The study disclosed that although agents had brought maximum business to the life insurance industry through the business underwritten, but the banc assurance channel was regarded as an upcoming channel in terms of its growth and productivity.

Parekh (2011) and Bashir et al (2013), 'Current Issued in Life Assurance' published on the website of Actuaries India,concluded that in order to gain long term competitive advantages of the business, players were required to redesign their strategies and propose innovative and alternative channels to capture the potentials of untapped market and to sustain in the market. The insurers need to adopt the particular channel that offers better customer service and comprehend their needs.

Gulati and Jain (2011), in their study 'Comparative Analysis of the performance of all the players of the India life insurance industry' published in International Journal of Business and Management Research concluded that distribution channels have been playing a vital role in the significant growth of an insurance industry. Prior opening of insurance industry to the private sector, it was linked with only tied agency channel, But after liberalization and privatization in year 2000, the emphasis revolved around creating alternative channels like brokers, bancassurance, direct marketing, telemarketing, net marketing and worksite marketing.

Rajeshwari and Christy (2012), 'Agents as an Architect of Life Insurance Industry' published in Asian Journal of Research in Social Sciences and Humanities, examined the performance of individual agents in the Indian Life Insurance industry by studying a number of individual agents performing in the industry, individual business underwritten in terms of premium and policies and their spread over; in the few Indian states and union territories. The study showed that agents were abiding by the rules and regulations of IRDAI, but competent advisory services of the agents and building vast customer base were considered the major aspects for enhancing insurance business.

Bhardwaj (2013), 'Distribution Compliance Framework-Hub of wheels' published in IRDA Journal enumerated that distribution channels were considered an essential constituent of the insurance sector and they had to follow certain guidelines to fulfil the regulations in their true spirit in order to sustain in the industry.

Bawa and Chattha (2016), 'Performance Evaluation of the Intermediary Channels of Life Insurance Industry in India' published in Eurasian Journal of Business and Economics, concluded that individual agent is the foremost performing channel in terms of generating business, direct selling is showing highest growth rate both in terms of premium and policies, but the study concluded that innovative and customized products can be offered to customers through multiple channels. Also the insurance markets offer extent for better penetration and accessibility through channels.

From the above reviews it is concluded that most of the research conducted is theoretical in nature and focussing on impression in the course of role performed by various distribution channels except Bawa and Chattha who concluded their study by considering premium and policies issued. But now with the emergence of digital era the distribution channels have changed their shape and also new channels have been emerged in the market so there is dearth in the empirical evidence for the concerned phenomena. There is hardly any study conducted with respect to performance of newly emerged intermediary channels in Life Insurance Sector in India. In order to contribute to the closing of this gap, the present study made an attempt to analyse the pursuance of distribution channels in life insurance domain. The end result of the study would help to know that the momentous growth of insurance sector is owned to the performance of the distribution network and the impact of digital revolution on the sales of life insurance business and impact on other distribution channels.

Objectives of the Study

1. To examine the performance of distribution channels of Life Insurance Industry in India such as individual agents, corporate agents including bancassurance and others, brokers, direct selling, micro agents, common service centres, online selling, insurance marketing firms and others including referrals and peer to peer over the time with respect to business parameters.

Span of Study

The span of study is eight year from 2015-16 to 2020-21.

Data Collection

The study is based on secondary data collected from the handbook of insurance published by Insurance Regulatory and Development Authority of India for the year 2015-16 to 2020-21. Since the study is based on historical data, hence it is not free from limitation of secondary data.

Research Methodology

In the present study the performance of the distribution channels have been measured on the basis of two variables i.e. distribution channel wise business premium of Individual and Group for first year and channel wise policies and schemes issued by all life insurance companies for the period from 2015-16 to 2020-21. Two way ANOVA have been applied using Excel software at 5 percent level of significance and 95 percent level of confidence. The Premium and Policy or scheme variables have been taken as dependent, whereas time period and distribution channels have been taken as independent variables. The assumptions of the technique viz homogeneity of variance and normality by taking log of the premium and policies have been considered. To test the growth in various parameters, compound annual growth rate is calculated by applying regression model in its exponential form.

Research Problem

Whether there is any difference between the channels of distribution with respect to collection of premium and policies or schemes issued by the life insurance industry in India?

Framing of Hypothesis

Insurance Regulatory and Development Authority of India stated that performance of industry shall be determined by the premium it generates by selling policies. The selling of policies and collection of premium depend on the factors such as the complexity and terms of contract, structure of distribution and method of payment. The insurers are taking lead on the basis of new channels which is evident from the increased percentage share of premium mobilized through various channels during the time period of the study (Sethi, 2008: 29-31). Therefore, the following hypotheses have been framed:-

H_{01}=The amount of premium does not vary significantly with respect to the type of distribution channel.

H_{11}= The amount of premium vary significantly with respect to the type of distribution channel.

H_{02}=The amount of premium does not vary significantly during the period of study within the distribution channel.

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H_{12}=The amount of premium vary significantly during the period of study within the type of distribution channel.

H_{03}=The issuance of policies/schemes does not vary significantly with respect to the type of distribution channel.

H_{13}=The issuance of policies/schemes vary significantly with respect to the type of distribution channel.

H_{04}=The issuance of policies/schemes does not vary significantly with respect to distribution channels during the time period of study.

H_{14}=The issuance of policies vary significantly with respect to distribution channels during the time period of study.

Data Analysis and Interpretation

Data pertaining to life insurance premium of first year for individual and group collected as well as number of policies sold by different distribution channels is analysed on the basis of two parameters namely growth rate (CAGR) and analysis of variance and comparison in the performance of channels during the study period which is tested through two way ANOVA and Post Hoc if needed.

For the purpose of determining growth rate in the performance of distribution channels over the period of time, the following CAGR model has been used:

Y= abt

After computing its log

Log Y = log a + t log b

CAGR % = antilog (log b-1) *100

Log Y = Parameter whose CAGR is calculated

a = constant term

t = time period

Log b = Regression Coefficient

New Business Premium Collected by Distribution Channels

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Table 1 Channel-wise Individual New Business Performance of Life Insurers (Figure in Crore)

Year/ Agents	Individual agents	Banc Assurance	Corporate agents-Others	Brokers	Direct selling	MI Agents	CSC	Web-Aggregator	IMF	On-line	Point of sale	Misc
2015-16	39,816.46	13891.9	809.56	934.18	2543.97	21.26	1	0.03	0.03	302.83	0	13.48
2016-17	53,465.34	18250.4	1011.41	972.08	3529.18	17.96	1.54	46.36	14.52	418.06	0	24.71
2017-18	60,709.05	23204.8	1214.61	1182.1	5163.31	18.88	2.24	68.48	40.67	498.91	30.81	4.6
2018-19	60,822.12	26410.4	1386.63	1390.7	6270.84	22.04	2.28	161.7	62.76	1105.6	54.93	30
2019-20	61,067.75	27893.4	1564.08	1712.1	7309.08	223.14	1.26	270.06	68	1470	41	20.43
2020-21	66,259.50	33027.3	1959.5	1661.2	8080.16	353.84	7.41	384.48	160.9	1794.9	55.92	144.1
CAGR	4.46	4.17	2.24	2.00	3.21	1.63	0.36	1.70	1.33	2.38	1.93	1.29

(Source: IRDAI)

Premium is the source of income for the insurance company and reflect the financial position; therefore, survival of the company is dependent on it; therefore, growth in receipt of premiumreflects the chances of survival and soundness of the company. The Compounded Annual Growth Rate of individual agents during the six year period is 4.46 percent followed by, bancassurance (4.17), direct selling (3.21), online selling (2.38) corporate agents (2.24) and brokers (2.00), point of sale (1.93), web-aggregators (1.70), micro insurance agents (1.63), insurance marketing firms (1.33), miscellaneous channels like referrals and peer to peer and telemarketing etc (1.29) and common service centre (0.36). All these distribution channels are showing positive CAGR during the period of study. Individual agents are the prime source of selling insurance products in India followed by bancassurance, direct selling, corporate agents and brokers. To promote the insurance sector in India regulators have allowed some new distribution channels to work as marketing agents, all these channels are termed as Modern Distribution Channels and most of these are IT enabled. Out of the new distribution channels, online selling is effective followed by POS, web-aggregators and micro agents. Other channels are also gaining momentum slowly. The channels which have emerged after the regulations of IRDA after 2014 have shown low receipt of premium in the initial year of their establishment but later on in the late period of study these channels gain momentum and all of these are showing positive compounded annual growth rate. First year premium received by the life insurance industry through individual agents depicts highest of all the other distribution channel which is 68.27 percent during 2015-16 and 58.18 percent during the year 2020-21, it is observed that share of individual agents is continuously decreasing over the period of time. The share of first year premium contributed by Corporate Agents-Banks is 23.82 percent during the year 2015-16 and 29 percent during 2020-21, this channel shows increasing trend during the study period. The

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share of other corporate agents has also increased from 1.39 percent to 1.72 percent from 2015-16 to 2020-21. Share of Brokers have decreased from 2015-16 to 2018-19 from 1.60 percent to 1.42 percent. Business through Information Technology based distribution channels is also increasing. Newly emerged distribution channels such as CSC, Web-Aggregators, POS,online selling, MI agents and IMF are showing continuously increasing trend.

Table 2 Distribution Channel wise number of Policies Issued (in 0000)

Year/ Agents	**Individual agents**	**Banc Assurance**	**Corporate agents**	**Brokers**	**Direct selling**	**MI Agents**	**CSC**	**Web-Aggregator**	**IMF**	**On-line**	**Point of sale**	**Misc**
2015-16	2209.96	271.38	31.84	246421	25.32	54.84	0.8	**.0019**	**0.0001**	20.52	0	1.16
2016-17	2153.65	288	30.24	227614	61.07	57.54	0.6	1.86	0.27	26.02	0	1.55
2017-18	2248.89	319.92	43.76	236381	78.55	61.92	2.43	5.97	0.51	29.24	1.40	0.35
2018-19	2252.72	339.37	47.3	278462	78.24	67.17	2.71	13.2	0.96	31.72	3.58	1.51
2019-20	2261.49	323.73	43.85	310835	74.37	94.26	1.66	14.3	0.12	30.45	8.31	0.94
2020-21	2140.77	366.17	44.22	277967	80.38	101.68	2.9	14.3	2.03	29.87	2.28	0.37
CAGR	-	8.91	6.06	4.62	8.05	7.81	4.3	6.23	4.22	5.74	19.6	1.29

(Source: IRDAI Reports)

However, individual agents are the major source of first year premium and their share is continuously decreasing therefore, policy issued by them are showing negative CAGR, whereas all other channels are showing positive CAGR, among all Point of Sale channel is having highest CAGR of (19.6), followed by banc assurance (8.91), direct selling (8.05), MI agents (7.81), web-aggregators (6.23), corporate agents (6.06), online selling (5.74), brokers (4.62) and IMF (4.22). Individual agent’s share in policy issued decreased from 82.76 percent to 76.11 percent in 2020-21. However, individual agents are the major source of selling insurance policies and essential for survival of insurance industry. Share of policy issued by Corporate Agents-Banks showed continuous growth from 10.16 percent in 2015-16 to 1302 percent in 2020-21. Share of new distribution channels has increased continuously during the study period.

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Table 3 showing First Year Premium in Group Insurance Scheme by Insurance Industry (Figure in Crore)

Year/ Agents	Individual agents	Banc Assurance	Corporate agents	Brokers	Direct selling	MI Agents	CSC	Web-Aggregator	IMF	On-line	Point of sale	Misc
2015-16	1,359.32	1361.4	772.48	507.47	76426.9	0.01	0	0	0	0	0	0
2016-17	1,518.47	1798.94	324.19	785.82	92922.56	2.26	0	0	0	0	0	0
2017-18	997.40	2394.68	1338.57	948.12	96085.61	34.31	0	0	0	0	0	0
2018-19	2,217.43	4940.65	2388.43	1112.7	106205.6	124.37	0	0	0	0	0	0
2019-20	2,314.20	6920.84	2337.2	1158.6	144417.0	236.16	0	0.06	0	0	0	0
2020-21	3,407.45	8068.79	1855.78	1492.1	149429.7	200.58	0	0	0.06	0.04	0	0
CAGR	**2.56**	**3.34**	**2.20**	**2.15**	**5.46**	**1.42**		**-**		**-0.42**	**-1.00**	**0**

(Source: IRDA Reports)

Old distribution channels are the major source of receiving premium under the group insurance business out of the channels direct selling is the highest channel showing 5.46 percent CAGR during the study period followed by banc assurance (3.34), individual agents (2.56), other corporate agents (2.15) and micro insurance agent (1.42). Among the new distribution channels only MI is found working for group insurance policies.

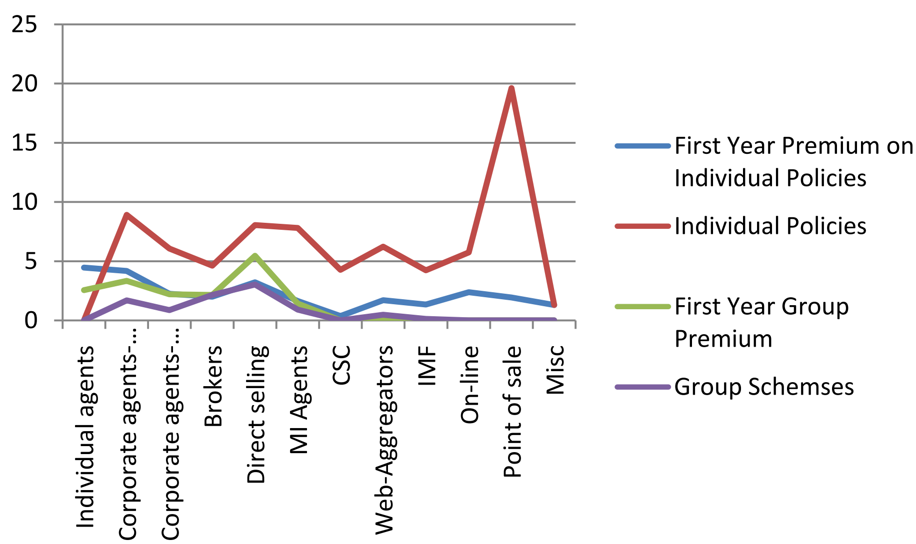
Table 4 Number of Schemes Issued Under Group Insurance by Insurance Industry

Year/ Agents	Individual agents	Banc Assurance	Corporate agents	Brokers	Direct selling	MI Agents	CSC	Web-Aggregator	IMF	On-line	Point of sale	Misc
2015-16	4,762	300	109	1976	28727	1	0	0	0	0	0	0
2016-17	4,298	331	89	2462	28226	6	0	0	0	0	0	0
2017-18	4,276	486	172	2314	27359	34	0	0	0	0	0	0
2018-19	3,326	591	121	2573	29904	80	0	0	0	0	0	0
2019-20	2,862	678	168	2455	30611	78	0	6	0	0	0	0
2020-21	2,383	676	151	2953	32980	48	0	10	2	1	0	0
CAGR	**-**	**1.69**	**0.86**	**2.15**	**3.03**	**0.90**	**-1.00**	**0.47**	**0.12**	**0.00**	**-1.00**	**0**

(Source: IRDAI Reports)

In terms of policies issued in Group Insurance by Direct selling distribution channels is showing highest CAGR of 3.03 followed by brokers (2.15), banc assurance (1.69), MI Agents (0.90) and corporate agents (0.86). The share of direct selling during 2015-16 is 80.08 percent in selling group insurance policies.

Chart showing First Year Premium and Policies Issued Compounded Annual Growth Rate



(Source: Excel)

The above graph depicts the growth rate for policies issued and first year premium collected for individual and group schemes and policies and schemes respectively by distribution channels during the period from 2015-16 to 2021-22. The growth rate shown by traditional channels like direct selling individual agents, corporate agents including bancassurance, brokers etc are showing slow growth rate, whereas modern distribution channels are showing effective growth rate during the study period. The average CAGR over the period of time between the channels is 1.95 percent for first year premium and -0.4 percent for policies issued. First year premium is showing increasing trend whereas policies issued showing decreasing trend over the period of study. The business contributed by distribution channels is showing very less but there is an augmentation in their respective performance over the time period resulting in growth in terms of premium growth for individual policies as well as group premium.

Analysis of Two Way ANOVA for Premium collected and Policies issued by all Distribution Channels over the Time Period.

Univariate Tests of Group Differences Time Period and Distribution Channels

To evaluate the performance of the distribution channel data have been adjusted channel wise over the period of time from 2013-14 to 2021-22. The table below illustrates that there are differences in the performance across the channels. Further to know these differences are statistically significant in the performance across the channels, to achieve the target two way ANOVA test has been used. The channel and time period are taken as independent variable and premium and policies sold are taken as dependent variable.

Table 5 Premium Collected and Policies Sold by Distribution Channel during 2015-16 to 2020-21

Two Way ANOVA						
Indicator/	Source of Variation	Sum of Square	Degree of Freedom	Mean Sum of Square	F-Ratio	Table Value
Individual Premium	Channel	19037312148	11	1730664741	0.006	2.05
	Time	160225597.4	5	32045119.48	0.308	2.41
	Residual/Error	543042093.2	55	9873492.603		
Individual Policies	Channel	2.61648E+15	11	2.37861E+14	0.0002	2.05
	Time	4.92348E+11	5	98469696508	0.3663	2.41
	Residual/Error	1.98383E+12	55	36069636916		
Group Premium	Channel	66795203659	11	6072291242	0.0118	2.05
	Time	482715993.1	5	96543198.62	0.7394	2.41
	Residual/Error	3926228764	55	71385977.53		
Group Scheme	Channel	4723463925	11	429405811.3	0.0010	2.05
	Time	1037529.236	5	207505.8472	2.1211	2.41
	Residual/Error	24207844.26	55	440142.623		

(Source: Author's Calculations)

ANOVA is a powerful technique used to test whether the difference between the mean of three or more population is significant or not. It is developed by F.A. Fisher. In life insurance industry, it is used to test whether there is significant difference in the average premium collected and policies sold by different distribution channels engaged by the insurance industry. The analysis of variance is essentially a procedure for testing the difference between different groups for homogeneity. (Yule and Kendell). Therefore, in the present study It is used to test the tenability of the assumption of equal variances i.e. homogeneity of variances. It looks at whether there is any significant difference between different distribution channels as well as within the type of distribution channel within the time period. The calculated value of F is 0.006 whereas table value is 2.05 with respect to different distribution channel and the F value is highly significant ($P<P_{05}$), or ($0.006 < 2.05_{05}$) calculated value is less than table value, since the calculated value is less than the critical value, hence it is found that premium (dependent variable) is not differing in its mean score for various categories of distribution channels. Hence the H_{01} is accepted and H_{11} is rejected, it is found that the amount of premium does not vary significantly with respect to the type of distribution channel. Similarly no difference is found in the mean scores for the various period of time, because ($P<P_{05}$), or ($0.308<2.41$) i.e. calculated value is less than table value, therefore H_{02} is accepted and H_{12} is rejected and it is found that the amount of premium does not vary significantly with respect to the period time within the type of distribution channel. Further regarding policies sold it is founds that policies are also not differing in its mean score for various categories of distribution channels, hence H_{03} is accepted and H_{13} is rejected (because ($P<P_{05}$), ($0.002<2.05$), it is found that number policies sold by different distribution channels not vary significantly because calculated value of F is less than the table value, further P value at 5 percent level of significant, P value .05 is more than the calculated value, but difference is found in the mean scores with respect to time period. In this case F ratio is not significant ($P>P_{05}$), hence concluded that the number of policies sold by different distribution channels over the period of time differ significantly. The calculated value of F-Ratio for group insurance premium channel wise is 0.118 which is less than the critical value of F, which is 2.05, therefore H_{01} is accepted and alternative Hypothesis is rejected and it is found that there is no significant difference between the channels for group insurance premium received. In case of group insurance schemes issued by different distribution channel is also not found significant because calculated value of F-Ratio is 0.001, which is less than the critical value of F= 2.05. The Group Insurance Premium and Policies issued with respect to time is also not found significant because calculated F-Ratio for Group Premium over the time is 0.739 and schemes issued is 2.12, these calculated values are less than the critical values of channels and time 2.05 and 2.42 respectively.

Findings

1. The average CAGR for all distribution channel is 1.83 percent for first year individual and group premium received remain positive over the period of study, whereas it is showing -0.4 percent negative CAGR for policies issued both in individual business as well as group business by life insurance industry. The CAGR of distribution Channel in case of individual business is the Compounded Annual Growth Rate of individual agents during the six year period is 4.46 percent followed by, bancassurance (4.17), direct selling (3.21), online selling (2.38) corporate agents (2.24) and brokers (2.00), point of sale (1.93), web-aggregators (1.70), micro insurance agents (1.63), insurance marketing firms (1.33), miscellaneous channels like referrals and peer to peer and telemarketing etc (1.29). The study observed that due to increase in the internet penetration ratio in the last decade insurance customers have now started relying on either direct purchase from the website of the company or in online mode. Therefore, share of direct selling and online sales have increased during the period of study both in terms of CAGR, premium collected and policies issued in case of individual business premium but in case of group insurance newly emerged distribution channels are not performing well both in term of premium collected and schemes issued. All other mode of selling policies and collecting premium are also equally important and performing at its best in one way or the other and having their unique significance in the life insurance market.

2. In spite of the introduction of number of new channels of distribution in life insurance sector, Individual Agents, Bancassurance, Corporate Agents, Brokers and Direct Selling contributed 94 percent of the total first year individual business and 99 percent of group insurance business, whereas other distribution channels like Micro Agents, Common Service Centre, Web-Aggregators, Insurance Marketing Firms, Online Selling Point of Sale and other miscellaneous channels contributed the rest share in both the type of life insurance busiess.
3. There is no significant difference between the distribution channels and time period with respect to first year premium both in individual and group business in the present study. Further, it is found that there is no significant difference between the policies issued through different distribution channels as well as policies issued over period of time.
4. Although, newly emerged life insurance distribution channels called the modern channels of distribution are having only 6 percent share in the first year business of life insurance industry, but over the period of study it is found that these channels are showing positive growth rate of increase both in terms of premium as well as policies issued.

Limitation

The present study is based on historical data; therefore, it is not free from limitations of secondary data.

Conclusion

Distribution channels are the effective source of enhancement of sales and revenue from operation of business and so as for life insurance industry; managing the channels is the key to successful business. Effective distribution system results efficiency in managerial operations as well as performance of the company. The present study intends to measure the performance of distribution channels namely, individual agents, bancassurance, corporate agents, brokers, direct selling, micro agents, common service centre, web-aggregators, insurance marketing firms, online selling, point of sale and other miscellaneous channels such as referrals and peer to peer, telemarketing etc. The study reveals that each channel plays precious role in life insurance industry and helps the citizens to mitigate their risk at low cost and further help insurance market to function effectively. The CAGR for first year premium both for individual business and group business is showing mild positive growth rate, whereas for policies issued it is showing negative growth rate over the period of study. This reflects that although the life insurance industry issued less policies but their value is high, therefore, first year premium is showing increasing trend but policy issued showing decreasing trend both for individual policies as well as group policies. The study shows that in the context of premium as well as policy variables, it is found that there is no significant difference with respect to channels of distribution. The study also found that there is no significant difference with respect to first year premium for individual and group business over the period of time and the study do not differs with respect to policies or schemes issued over the time period. Modern channels have showed positive growth rate over the period of time as well as channels of distribution. Coelho and Easingwood (2004: 1-3) determine that in order to achieve expedition for further growth, insurers need to implement their strategies to shift from using a single channel sales approach towards adopting a multiple channel distribution. Further it is suggested that since the internet penetration is increasing over the time period in India and in 2022 it is 47 percent followed by the digitalization of the office work and new digital channels of marketing have emerged in the Indian market, therefore, life insurance companies have also to adopt such marketing strategy particularly in rural areas and in the field of micro insurance. Life insurance products are not only tax saving instruments, but these are the source of mitigating risk and value of investment, therefore, the customers awareness program should also be initiated particularly in semi urban and rural areas of the country. Newly emerged distribution channels are having very few share in group insurance business, therefore, they need to increase their share for better growth of life insurance business in the country.

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