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Knowledge management practices in Indian insurance organizations

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ABSTRACT

The purpose of the study was to bring forword the KM as a competitive tool for life insurance industry. The sample comprised of 3 private life insurance companies and 1 public sector LIC. The KM practices were evaluated using MIT90s framework and Hansen, Nohria, and Tierney's knowledge strategy model of codification versus personalization. The private life insurance companies performed well on all dimensions of KM compared to LIC. However, no insurance company followed codification and personalization knowledge strategy. A quantitative approach has been used to evaluate KM practices. Therefore, it would be very interesting to carry out further research using a larger sample, in major cities of the country and using both quantitative as well as qualitative method to verify the findings. The paper can serve as a roadmap for adoption of KM practices in life insurance industry.

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Key words : Knowledge management, Life insurance, LIC, Personalization, Codification, India

Since the opening of the insurance sector in year 2000, the life insurance sector in India is witnessing a tough competition among both the public and private sector insurers. As on end-September 2010, the number of life insurance companies operating in India has increased from a sole public sector life insurer to twenty two new private life insurers. Of these private life insurers, twenty are in collaboration with established life insurance companies across the globe. The sole public sector life insurer – Life Insurance Corporation of India (LIC)'s market share has declined from 99.5% in year 2001 to 70.1% in year 2010, in terms of total life insurance premium (IRDA, 2011). The life insurance market in India offers a huge business potential as there lies a large untapped market. Measured in terms of insurance penetration [Insurance penetration is defined as the ratio of premium under written in a given year to the gross domestic product (G.D.P.)] and density [Insurance density is defined as the ratio of premium under written in a given year to the total population (measured in USD for convenience of comparison)], the figures stand at USD 47.7 (USD 9.1 in year 2001) and 4.6% (2.15% in year 2001), respectively (IRDA, 2011).In life insurance business, India ranked 12th (in 2009) among the 156 countries, as per the Global Insurance Review 2010 published by reinsurance major Swiss Re (December, 2010).

A key challenge for any life insurance organization is to maintain and improve performance, and how this can be done under conditions of radical changes is not clear. The new and unpredictable business environment puts a premium on innovation and creativity much more so than it has in past (Award and Ghaziri, 2004). It is "obsoleting what you know before others obsolete it and profit by creating the challenges and opportunities others haven't even thought about"(Malhotra, 2003). The more developed and efficient a country's insurance market, the greater will be its contribution to economic prosperity (Skipper, 2001).

Of all the financial services industries, the life insurance industry is most knowledge-intensive industry. Few industries like insurance etc. gather the amount of information in the course of doing business that the insurance industry does (Zolkos, 2005). In a life insurance organization, KM would be imperative for life insurance companies to enhance performance and gain a competitive edge, for instance, in retaining old customers and launching new schemes to them.(Wang, 2005).

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