

IDEES – International Multidisciplinary Research Journal**(Peer Reviewed)**

Research Paper

on

Development of Life Insurance Industry in India

By

Prof. Chirag K. Sidhpuria

MBA, NET (Commerce & Management)

Assistant Professor

J.Z SHAH ARTS & H.P DESAI COMMERCE COLLEGE

AMROLI-SURAT

Email: chiragmba39@gmail.com

Mob: 9909001534

and

Mr. Shishir A Siddhpuria

Assistant Professor

Ambaba Commerce College, MIBM & DICA, Sabargam, Surat

E-Mail ID: sai_kalash9@gmail.com**Abstract**

A well-developed insurance industry is necessary for the economic development of any countries. It provides a long term fund for physical and social infrastructure with strengthens the risk taking ability of the country. The Insurance market in India has witnessed dynamic changes as the Govt. of India liberalized the insurance Sector in March-2000 with the passage of the Insurance & Development Authority (IRDA) Bill, lifting all entry restriction for private companies allowing foreign players to enter the market with some limits on direct foreign ownership. Indian Insurance industry has big opportunities to expand, given the large population and untapped potential. Indian parliaments recently passed Insurance amendment bill that allowing 49% of FDI for foreign companies. There are 24 Life insurance companies working in India.

Key words: Life insurance, IRDA**Insurance**

The business of insurance is related to the protection of the economic value of the asset. Every human being has the tendency to save to protect him from risks or event of future. Insurance is a form of risk management used to primarily transfer risks. It means transferring risk from one entity to another. Insurance is transfer the risk from an individual to a group. It provides an

important means of ensuring risk from interfering with a client achieving his/her financial objectives.

According to American Risk and Insurance Association insurance is “pooling of fortuitous losses by transfer of such risks to insurers, who agree to indemnify insured for such losses, to provide other pecuniary benefits on their occurrence, or to render services connected with the risks.”

Insurance can be used as a tool to shield an individual against potential risks like travel accidents, death, unemployment, theft, property, destruction by natural calamities, fire mishaps etc.

TYPES OF INSURANCE

Insurance is broadly divided in two segments, based on the nature of insurance, those are:

1. Life Insurance &
2. Non-Life Insurance or General Insurance.

It can be again subdivided into the following categories:

- Fire Insurance.
- Marine Insurance.
- Social Insurance
- Miscellaneous Insurance. (Health insurance, Liability Insurance etc....)

Objectives

- The present study is attempted to study the overview of Life insurance industry in India. For this purpose various indicators like growth of premium collection, new policies issued, total number of offices, market share, profits to be analysed.
- Examine the structure and review of Indian Life insurance industry.
- To study the performance of life insurance industry in India during the study period

Data Collection

The study is based upon secondary data which has been collected from annual reports of IRDA (2001-2017), IRDA journals, and various magazines and website to be used.

Table 1.1 Growth of Indian Life Insurance System – Major Historical Events

1818	Establishment of the Oriental Life Insurance Company in Calcutta.
1870	Bombay Mutual Life Assurance Society started its business.
1912	The Indian Life Assurance Companies Act was enacted as the first Statute to regulate the life insurance business.
1914	The Government started publishing returns of insurance companies in India.
1928	The Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about life and non-life Insurance business.
1938	Earlier legislation was consolidated and amended by the Insurance Act, 1938 with

	the objective of protecting the interests of the insuring public.
1950	The Insurance Amendment Act, 1950 abolished Principal Agencies.
1956	245 Indian and foreign insurers and provident societies were taken over by the Central Government and the insurance business was Nationalized. LIC was formed by an Act of Parliament, i.e. LIC Act, 1956.
1968	The Insurance Act was amended to regulate investments and set Minimum solvency margins. The Tariff Advisory Committee was also Set-up.
1983	An Amendment Bill to the LIC Act, 1956 was drafted to split the LIC. Different Committees constituted by the Government were not in favour Of the split.
1997	Government of India cleared proposals for giving greater autonomy to LIC.
1998	Union Budget announced the opening up insurance sector
2000	IRDA was given statutory recognition
2014	49% FDI allowed in insurance

Table 1.2
Registered Insurers in India
(As on 31st March-2017)

Type of Business	Public Sector	Private Sector	Total
Life Insurance	01	23	24
Non-Life Insurance	06	23	29
Re-Insurance	01	08	09
Total	08	54	62

REGISTERED INSURERS INCLUDING FOREIGN REINSURERS' BRANCHES /LLOYD'S INDIA

The number of life insurance companies in India in the year 2001 is total 5 out of which one in public sector and 4 in private sector. The government opened the doors for private players for entering in the insurance business in the year 2000, as a result, many private players entered in it. The number of private players increased day by day from 5 in the year 2001 to 24 in the year 2017. At present, there are 24 life insurance companies in India, 29 non life insurance companies and 09 Re-insurance companies including branches of Lloyd's India.

Table 1.3 Total Life insurance premium

YEAR	Public Insurer	PRIVATE INSURER	INDUSTRY TOTAL
2005-06	90992.22 (20.85)	15083.54 (95.19)	105875.7 (27.78)

2006-07	127822.84 (40.79)	28253.00 (87.31)	156075.84 (47.41)
2007-08	149789.99 (17.19)	51561.42 (82.50)	201351.41 (29.01)
2008-09	157288.04 (5.01)	64497.43 (25.09)	221785.47 (10.15)
2009-10	186077.31 (18.30)	79369.94 (23.06)	265447.25 (19.69)
2010-11	203473.40 (9.35)	88131.60 (11.04)	291605.00 (9.85)
2011-12	202889.28 (-0.29)	84182.83 (-4.52)	287072.11 (-1.57)
2012-13	208803.58 (2.92)	78398.91 (-6.87)	287202.49 (0.05)
2013-14	236942.30 (13.48)	77359.36 (-1.33)	314301.66 (9.44)
2014-15	239667.65 (1.15)	88433.49 (14.32)	328101.14 (4.39)
2015-16	266444.21 (11.17)	100499.02 (13.64)	366943.23 (11.84)
2016-17	300487.36 (12.78)	117989.26 (17.40)	418476.62 (14.04)

Note: 1. “ _ ” indicates the company has not started its operation.

2. Figure in brackets indicates the growth over the previous year in percentage.

The table showed the total life insurance premium underwritten by both LIC and private life insurance companies from 2001-2017. The total premium underwritten by the life insurance sector in 2016-17 was Rs. 418476.62 Cr.

Table 1.4 Market share in terms of Total Premium (in Percentage)

Year	Public Life Insurer	Private Life Insurer
2001-02	99.46	0.56
2002-03	97.19	2.01
2003-04	95.29	4.71
2004-05	90.67	9.33
2005-06	85.75	14.25
2006-07	81.90	18.10
2007-08	74.39	25.61

2008-09	70.92	29.08
2009-10	70.10	29.90
2010-11	69.78	30.22
2011-12	70.68	29.32
2012-13	72.70	27.30
2013-14	75.39	24.61
2014-15	73.05	26.95
2015-16	72.61	27.39
2016-17	71.81	28.19

Source: Compiled from IRDA Annual Reports from 2000-01 to 2016-17.

It has been revealed out that the market share of the entire private players has sharply risen from 0.56% in 2001-02 to 28.19% in 2016-17. Contrary to this, the market share of LIC has been decreasing year by year with the entry of private Players in life insurance market. This indicates that the private players are doing quite well and are improving year by year, thus affecting the performance of LIC.

Table 1.5 New Policies Issue Number of New policies Issued (In Lakhs)

YEAR	Public sector	Private Sector	Total
2002-03	245.46 (96.75)	8.25 (3.25)	253.71
2003-04	269.68 (9.87)	16.59 (101.1)	286.27 (12.83)
2004-05	239.78 (-11.1)	22.33 (34.62)	262.11 (-8.44)
2005-06	315.91 (31.75)	38.71 (73.37)	354.62 (35.29)
2006-07	382.29 (21.01)	79.22 (104.6)	461.52 (30.14)
2007-08	376.13 (-1.61)	132.62 (67.40)	508.74 (10.23)
2008-09	359.13 (-4.52)	150.11 (13.19)	509.23 (0.10)
2009-10	388.63 (8.21)	143.62 (-4.32)	523.25 (4.52)
2010-11	370.38 (-4.70)	111.14 (-22.6)	481.52 (-9.53)
2011-12	357.51	84.42	441.93

	(-3.47)	(-24.14)	(-8.22)
2012-13	367.82 (2.88)	74.05 (-12.28)	441.87 (-0.01)
2013-14	345.12 (-6.17)	63.60 (-14.11)	408.72 (-7.50)
2014-15	201.71 (-41.55)	57.37 (-9.79)	259.08 (-36.61)
2015-16	205.47 (1.86)	61.92 (7.92)	267.38 (3.20)
2016-17	201.32 (-2.02)	63.24 (2.13)	264.56 (-1.05)

It is another important indicator of growth and performance of the insurance companies. It is a pointer towards the spread of message of insurance among those people who have never availed of the benefits of life insurance as well as the existing policyholders. The following table shows the number of new policies issued by life insurance industry during the study period. However, the number of insurance policies issued by the private sector shows highest Growth rate as compared to the public sector. This indicates the growth rate of private sector companies in the industry.

Table 1.6 Number of Life Insurance Offices in India* (As on 31st March 2017)

YEAR	LIC	PRIVATE INSURER	TOTAL
2005-06	2220	1645	3865
2006-07	2301	3072	5373
2007-08	2522	6391	8913
2008-09	3030	8785	11815
2009-10	3250	8768	12018
2010-11	3371	8175	11546
2011-12	3455	7712	11167
2012-13	3526	6559	10285
2013-14	4839	6193	11032
2014-15	4877	6156	11033
2015-16	4892	6179	11071
2016-17	4897	6057	10954

*Offices opened after seeking approval of the Authority
(*Secondary data: IRDA Report 2005-2017)

The number of offices of the life insurers has increased dramatically in the year 2007-08 from 5373 at the beginning of the year to 8913 by end of the year, showing growth of over 65%. A

major portion of this expansion was in the private sector whose offices more than doubled from 3072 to 6391. But after 2008-09 due to economic slowdown first time negative growth has been observed in number of branches from 8785 to 6559 in 2013-14. LIC's offices increased at a more modest rate every year even due to economic slowdown.

Profits of Life Insurers

During the financial year 2016-17, the life insurance industry reported a profit after tax of 7727.89 crore as against 7415.43 crore in 2015-16. Out of twenty-four life insurers in operations during 2016-17, eighteen companies reported profits. They are Bajaj Allianz Life, Birla Sun Life, Canara HSBC Life, DHFL Pramerica Life, EXIDE Life, HDFC Standard Life, ICICI Prudential Life, IDBI Federal Life, India First Life, Kotak Mahindra Life, Max Life, PNB MetLife, SBI Life, Sahara India Life, Shriram Life, Star Union Dai-Ichi Life, Tata AIA Life and LIC of India. LIC of India reported a profit after tax of 2231.74 crore i.e. a decrease of 11.36 percent over 2517.85 crore in 2015-16.

Conclusions

From the above discussion it is evident that life insurance industry expanded with good pace from 2000 onwards in terms of number of insurance companies, total premium collections, new policies issued, number of offices but data shows that from 2009-10 growth rate become slow and even negative in new policies issued and in premium. During this economic slowdown LIC has performed well compared to private life insurer. The companies will have to come up with new plans for its revival. Private players started increasing their business and they covered every nook and corner of the society to attract the customers. As a result, the number of life insurance offices increased from 2199 in the year 2001-02 to 10954 in the year 2016-17. The market share of the entire private players has sharply risen with the entry of private players in life insurance market. This indicates that the private players are doing quite well and are improving year by year, thus affecting the performance of LIC. There is a need to increase the penetration of life insurance. Insurer should emphasis on providing good service quality to customer so the existing customer feel satisfied and continue to remain affiliated with the company and new customer feel attracted to the company.

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