



## Life Insurance Industry in India –An Assessment

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### **Abstract**

*Life insurance had its origins in ancient Rome, Where citizens formed burial clubs that would meet the funeral expenses of its members as well as help survivors by making some payments. There is a probability of a spurt in employment opportunities. A number of web-sites are coming up on insurance, a few financial magazines exclusively devoted to insurance and also a few training institutes being set up hurriedly. Many of the universities and management institutes have already started or are contemplating new courses in insurance. Life insurance has today become a mainstay of any market economy since it offers plenty of scope for garnering large sums of money for long periods of time. A well-regulated life insurance industry which moves with the times by offering its customers tailor-made products to satisfy their financial needs is, therefore, essential progress towards a worry-free future, is desired.*

**Key words:** *Individual policies, essential , progress*

### **Introduction**

The Insurance Act was passed in 1912, followed by a detailed and amended Insurance Act of 1938 that looked into investments, expenditure and management of these companies' funds. By the mid —1950s, there were around 170 insurance companies and 80 provident fund societies in the country's life insurance scene. However, in the absence of regulatory systems, scams and irregularities were almost a way of life at most of these companies' funds. As a result, the government decided to nationalize the life assurance business in India. The Life Insurance Corporation of India was set up in 1956 to take over around 250 life assurance companies. After the R.N Malhotra Committee report of 1994 became the first serious document calling for the re-opening up of the insurance sector to private players — that the sector was finally opened up to private players in 2001.

policies serviced by all life companies in India are around 270 millions of which LIC alone has around 250 million and the total premium of all life companies is only about 4% GDP and it still has a lot of potential for the life companies to grow and prosper in India. Many major international players are operating in collaboration with Indian partners. The Joint Ventures are backed by strong capital base and latest technology. The sector was opened up for private players in the year 2000. Currently there are 21 companies operating in India in addition to LIC of India. After opening up of the sector the life insurance industry has grown leaps and bounds. The industry has earned \$ 45 billion total premium income during the F.Y 2007-08. The life insurance companies are the largest institutional investors in India which have brought in huge capital for investment and expansion.. They have generated good employment opportunities, both direct and in-direct.

Life Insurance is a sun rise industry in India as the total individual



Table-1 Life Insurance Companies Operating In India

Sl.No.	Name of the Company	Nature of Holding
1	Life Insurance Corporation of India (LIC)	Public
2	Aviva Life Insurance (AVIVA)	Private
3	Birla Life Insurance Company	Private
4	Bajaj Allianz Life Insurance Co. Ltd.	Private
5	HDFC Standard Life Insurance Co. Ltd. (HDFC STD LIFE)	Private
6	ICICI Prudential Life Insurance Co. Ltd. (ICICI PRU)	Private
7	ING Vysya Life Insurance Co. Ltd. (ING VYSYA)	Private
8	Max New York Life Insurance Co. Ltd. (MNYL)	Private
9	MetLife India Insurance Co. Pvt. Ltd. (METLIFE)	Private
10	Kotak Mahindra Old Mutual Life Insurance Co. Ltd.	Private
11	SBI Life Insurance Co. Ltd. (SBI LIFE)	Public
12	TATA AIG Life Insurance Co. Ltd. (TATA AIG)	Private
13	Reliance Life Insurance Company Ltd.	Private
14	Sahara India Life Insurance Co. Ltd. (SAHARA LIFE)	Private
15	Shriram Life Insurance Co. Ltd (SHRIRAM LIFE)	Private
16	Bharti AXA Life Insurance Co. Ltd. (BHARTI AXA)	Private
17	Future General India Life Insurance Co. Ltd.	Private
18	IDBI Fortis Life Insurance Co. Ltd.	Private
19	Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd	Private
20	Aegon Religare Life Insurance Company Limited.	Private
21	DLF Pramerica Life Insurance Co. Ltd.	Private

Source: IRDA Annual Report 2009-10

### Indian Insurance Industry — Present Scenario

The fiscal 2008-09 witnessed global financial meltdown. Despite it, the Indian insurance industry, which has big opportunity to expand, given the large population and untapped potential, grew satisfactorily. While life insurance

business registered a growth of 10.15 per cent, general insurance business recorded a growth of 9.09 per cent in 2013-14. With this, Insurance penetration (premium volume as a ratio of GDP) in rupee terms for the year 2012-13 stood at 4.74 per cent; 4.17 per cent for life insurance and 0.57 per cent for non-life insurance.

Table-2: Name of the major Life insurance player and market share in the year

Name of the Player	Market share (%)
LIFE INSURANCE CORPORATION OF INDIA	82.3
ICICI PRUDENTIAL	5.63
BIRLA SUN LIFE	2.56
BAJAJ ALLIANZ	2.03
SBI LIFE INSURANCE	1.80
HDFC STANDARD	1.36
TATA AIG	1.29
MAX NEW YARK	0.90
AVIVA	0.79
OM KOTAK MAHINDRA	0.51
ING VYSYA	0.37
MET LIFE	0.21
LIC has the largest market share (82% while Metlife is the least	(0.21%)



Table-3:

Life Insurance Offices as on March 31										
Insurer	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Private Insurers	13	116	254	416	804	1645	3072	6391	8785	8768
LIC	2186	2190	2191	2196	2197	2220	2301	2522	3030	3250
Industry Total	2199	2306	2445	2612	3001	2865	5373	8913	11815	12018

Source: IRDA Annual Report 2013-14

Table-4: New Policies Issued (in lakh) : Life Insurers

Insurer	2012-13	2013-14
LIC	359.13	388.63
Pvt. Sector	150.11	143.62
Total	509.24	532.25

The level of penetration, particularly in life insurance, tends to rise as income levels increase. India, with its huge middle class households, has exhibited growth potential for the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance market in India has witnessed dynamic changes including entry of a number of global insurers. Most of the private insurance companies are joint ventures with recognized foreign institutions across the globe.

### Life Insurance

The total capital of the life insurers at end March 2009 stood at Rs.18253.04 crore, with additional infusion of capital to the extent of Rs.5956.62 crore. There had been no fusion of capital in the case of LIC, which continued to be Rs.5 crore. The infusion of additional capital of Rs. 5956.62 crore comprised of Rs. 987.05 crore from new companies and remaining Rs. 4969.57 crore from existing private insurers.

### Premium

Life insurance industry recorded a premium income of '2,65,450 crore during 2009-10 as against '2,21,785 crore in the previous financial year, registering a growth of 19.69 per cent. While private sector insurers posted 23.06 per cent growth (25.09 per cent in previous year) in their premium income, LIC recorded 18.30 per cent growth (5.01 per cent in previous year).



Table-5: Individual New Business Performance of Life Insurers for 2009-10 Channel Wise (in percent):

Life Insurer	Individual Agents	Corporate Agents		Brokers	Direct Selling	Total Individual	Referrals
		Banks	Others*				
Private	41.85	22.02	9.34	3.16	23.63	100.00	6.57
LIC 7	1.14	1.17	0.46	0.37	26.86.	100.00	0.12
Total	60.91	8.46	3.56	1.34	25.73	100.00	2.37

Source: IRDA Annual Report 2009-10

### Performance of Life insurance in the first quarter of 2010-11

The life insurers underwrote new business of '25,522 crore during the first quarter in the current financial year, 2010-11 as against '14,456 crore in the corresponding first quarter in 2009-10, recording growth of 76.55 per cent. Of the new business premium underwritten, LIC accounted for '18,740 crore (73.43 per cent market share) and the private insurers accounted for '6,782 crore (26.57 percent market share). The market share of these insurers were 62.45 per cent and 37.55 per cent respectively in the corresponding period of 2009-10.

The non-life insurers underwrote a premium of '10,755 crore during the first quarter of the current financial year recording a growth of 21.83 per cent over '8,827 crore underwritten in the same period in 2009-10. The private sector non-life insurers underwrote a premium of '4,361 crore in April-June, 2010 as against '3,586 crore in April-June, 2009, reporting a growth of 21.61 per cent. The public sector non-life insurers underwrote a premium of '6,391 crore which was higher by 21.88 per cent ('5,244 crore in the first quarter of 2009-10). The market share of the public and private insurers stood at 59.44 and 40.56 per cent at the end of the quarter (59.36 and 40.64 at the end of June 2009).

On the basis of total premium income, the market share of LIC declined marginally from 70.92 per cent in 2008-09 to 70.10 per cent in 2009-10. Accordingly, the market share of private insurers had gone up marginally from 29.08 per cent in 2008-09 to 29.90 per cent in 2009-10. The market share of private insurers in first year premium was 34.92 per cent in 2009-10 (39.11 percent in 2008-09). The same for LIC was 65.08 percent (60.89 per cent in 2008-09). However, in renewal premium, LIC had a much higher share of 73.64 percent (77.43 per cent in 2008-09) when compared to 26.36 per cent (22.57 per cent in 2008-09) share of private insurers.

**New Policies:** During the year 2009-10, life insurers had issued 532 lakh new policies, out of which, LIC issued 389 lakh policies (73.02 per cent of total policies issued) and the private life insurers issued 144 lakh policies (26.98 per cent). While LIC reported an increase of 8.21 percent (-4.52 per cent in 2008-09) in the number of policies issued over the previous year, the private sector insurers reported a decline of 4.32 per cent (13.19 per cent increase in 2008-09) in the number of new policies issued.



## **Public grievances**

The Grievance Cell of IRDA receives complaints from policy-holders, insurance intermediaries and from other sources against different insurance companies. The Grievance cell plays a facilitative role by registering the complaint and tracking down the same with the insurer for its early resolution. In case of dispute on any issue between the insurer and the complainant, the cell informs the complainant to take up the matter with quasi judiciary (insurance ombudsman/consumer forums) or judiciary bodies, since IRDA does not have the power of adjudication.

## **Life Insurance Grievances**

The Grievances Cell of the Authority receives grievances from the policyholders against insurance companies. Such complaints are forwarded to the companies for resolution at their end. The insurance companies are required to keep the Grievances Cell of IRDA informed about the status of respective grievances and whether the same have been resolved or otherwise. As on 31st March, 2010, there were 395 complaints pending with the Authority pending resolution by life insurance companies. During the year 2009-10, the Authority received 2,449 complaints (1,794 in 2008-09), out of which, 606 related to LIC (481 in 2008-09) and 1,843 to private sector insurers (1,313 in 2008-09).

During 2009-10, the insurance companies resolved 86.4 per cent of the complaints (83.70 percent in 2008-09). While the private life insurers resolved 88.4 per cent of the complaints registered (83.0 per cent in 2008-09), LIC resolved 81.0 per cent of the complaints (84.0 per cent in 2008-09) filed against them with the Authority. As on 31st March, 2010, 395 complaints are still pending with the insurance companies, out of which 245 pertain to private sector and 150 to LIC.

## **Challenges for Life insurance companies**

- Professionals and experts are in short supply. Man power requirement has increased manifold.
- Increase in salaries to employees leading to high levels of attrition. Retention of employees is a major challenge.
- India being a vast country and with huge population, is a challenge for the life companies.
- Designing products for the people of various economic strata is a daunting task indeed.

## **Conclusion**

There is a probability of a spurt in employment opportunities. A number of web-sites are coming up on insurance, a few financial magazines exclusively devoted to insurance and also a few training institutes being set up hurriedly. Many of the universities and management institutes have already started or are contemplating new



courses in insurance. Life insurance has today become a mainstay of any market economy since it offers plenty of scope for garnering large sums of money for long periods of time. A well-regulated life insurance industry which moves with the times by offering its customers tailor-made products to satisfy their financial needs is, therefore, essential progress towards a worry-free future, is desired.

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