

Importance of Life Insurance in India

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Abstract

A well developed and evolved insurance sector is a boon for economic development of a country. It provides long-term funds for infrastructure development and concurrently strengthens the risk-taking ability of the country. India's rapid rate of economic growth over the past decade has been one of the most significant developments in the global economy. The growth in insurance industry has been spurred by product innovation, vibrant distribution channels, Coupled with targeted publicity and promotional campaigns by the insurers. Innovation has come not only in the form of benefits attached to the products, but also in the delivery mechanism through various marketing tie-ups. All these efforts have brought insurance closer to the customer as well as made it more relevant.

Key words: *Infrastructure, Rapid Growth, Spurred.*

Introduction

Indian Insurance industry has big opportunity to expand, given the large population and untapped potential. 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. Saturation of markets in many developed economies sector in India through calibrated policy initiatives.

Overview of Insurance Sector

The Indian Insurance Industry has undergone several changes in trends and policies in the year 2010. The US\$ 41 billion industry is considered the fifth largest life insurance market, and is growing at a rapid pace of 32-34% annually, according to the Life Insurance Council. State-Owned Life Insurance Corporation (LIC) of India has recorded about 37% growth in its new business premium to US\$ 15.1 billion during April to January FY 2010, the data from IRDA stated. Overall, 23 life insurers in the

country collectively mopped US\$ 21.35 million as new first year premium during the period, a 26% increase from US\$ 17 billion during April-January 2009-2010.

Out of this, the 22 Private life insurers together accounted for US\$ 6.26 billion worth of new business in April-January 2010-11, compared to US\$ 5.91 billion in the year ago period, a growth of about 6%. Among the private life insurance players, SBI Life saw its premium collections from new business grew by 9% to US\$ 1.1 billion during the period, while ICICI Life's premium collections from new businesses grew to US\$ 1.15 billion April-January 2010-11, from US\$ 964 million during the same period last year.

Health Insurance

The Health insurance business in India has witnessed increased focus and attention from all stakeholders; not only from insurers and IRDA, but also from healthcare providers and other entities associated with the ecosystem. This increasing attention and awareness was due to rising healthcare costs. Recent de

tarriffing of the general insurance business forced the insurance companies to focus on health insurance and other personal lines of business. Rationalization of premium rates in respect of individual medi claims policies in 2007 which were unrevised for many years and upward revision of rates in all group health policies have also contributed to growth in premiums. Availability of products for senior citizens and children helped in popularizing health insurance.

The Indian Health insurance market has emerged as a new and lucrative growth avenue for both the existing firms and new entrants. Health Insurance premium collections were US\$ 1750 million in 2009-10 as compared to US\$ 893.76 million in 2008-09, IRDA said in its annual report 2009-10. It should, however, be noted that figures for 2009-10 include policies served by third party administrators (TPAs) as well as those directly served by insurers whereas figures of 2008-09 include policies by TPAs only.

According to Towers Watson India, Bank assurance will play a crucial role in the overall development of the Indian insurance sector with the channel expected to generate 40% of private insurer's premium income by 2012, compared to 25-28%. In general insurance, presently 17% of premium income comes from bank assurance.

Opportunities in Insurance sector in India

Insurance sector in India holds vast untapped potentials in-

- Life Insurance products
- Life covers
- Household insurance policies

- Overseas medical
- Travel insurance policies
- Huge pull of skilled professionals to venture of new product through R&D
- Large branch net work facility by Life Insurance Corporation of India (LIC) & General insurance Corporation of India (GIC)

Foreign Direct Policy in Insurance Sector: FDI up to 26% in the Insurance sector is allowed under the automatic route. This will be subject to the condition that companies bringing in FDI shall obtain necessary license from the Insurance Regulatory & Development Authority (IRDA) for undertaking insurance activities.

India Insurance industry growth in last few years : The life insurance companies have performed the best when it comes to growth with an increase of almost 70% in new premium that has been collected in the initial 5 months of 2012.

As per IRDA data, in April-August 2010 the insurance companies earned \$11.73 billion in new premium – in the corresponding period in the previous year the amount stood at 6.9 billion dollars. LIC, a state held insurer, had been the biggest profit maker at that time with an addition of 88% to their existing business. The privately owned insurers together had seen a leap of 34% to their policy sales.

ICICI Prudential earned 576.60 million dollars at that time. During April – August 2009 SBI Life had earned \$379-20 million in sales of new policies and that figure went up to \$531.87 million in the corresponding period in 2010 making it an increase of 40%. HDFC Standard Life also experienced a good growth of 54% in new sales.

IRDA data shows that between April and October 2010 the general insurance industry experienced a year – on- year growth of 22.76% with regards to underwritten gross premium.

The total value of that premium was 5.29 billion dollars while the same figure stood at \$4.31 billion in April-October 2009. For the public sector companies the year-on-year growth rate was 21.09 percent between April-October 2010 and April-October 2009.

In the same period the privately held insurers saw an increase of 25.19 percent in terms of premium collected. Among the publicly owned entities, New India Insurance was one of the better performers with a premium income of 916.77 million dollars in April-October 2010.

At the same period in 2009 they had earned 770.25 million dollars which implies a growth rate of 19.04%. the IRDA Summary Report of Motor Data of public and private sector insurers 2009-10 states that in the same period almost 28.4 million policies were sold and the aggregate worth of premium collected was \$2.31 billion. The health insurance sector, according to the RNCOS' research report named "Booming Health Insurance in India" posted unprecedented growth rates in 2008-09 and 2009-10. The report also estimates that between the 2009-10 and 2013-14 the sector would see a compound annual growth rate (CAGR) of at least 25%.

India insurance industry contribution to GDP

Experts are of the opinion that around the world the insurance industry contributes around 4.5% to national GDPs. They have questioned the logicity of opinions that in India the contribution can be higher saying that

there are other important sectors like education, defense, and health that cannot be undermined in this context.

They have ruled out possibilities that the sector can contribute 10% to India's GDP. The Chairman of IRDA, HariNarayan has ruled out any such possibility asking if India's GDP growth will be that much in the next few years ahead. The IRDA states that in India land and gold are more preferred as forms of investment. Narayan feels that if the insurance sector is to do well in terms of contribution to GDP then more people should be convinced about its capability to provide good ROI (return on investment).

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