



Development of Insurance Companies in India

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Abstract

The Indian economic development got a boost through its Economic reforms in 1991 and again through its renewal in the 2000. Insurance serves a number of valuable economic functions that are largely distinct from other types of financial intermediaries. Insurance contribution materially to economic growth by improving the investment climate and promoting a more efficient mix of activities then would be undertaken, in the absence of risk management instrument. Insurance sector in India is one of the most booming sectors of the economy and is growing at the rate of 15-20 percent per annum. In India, insurance is a flourishing industry, with several national and international players competing with each other's and growing at rapid rates. Indian insurance companies offer a comprehensive range of insurance plans, a range that is growing as the economy matures and the wealth of the middle classes increases. Due to the growing demand for insurance, more and more companies are now emerging in the Indian insurance sector. The economy of India is the eleventh largest in the world by nominal GDP and the fourth largest by Purchasing Power Parity (PPP).

Key words: *Economic development, premium,*

Introduction

For economic development investments are necessary. Investments are made out of savings. Life Insurance Company is a major instrument for the mobilization of savings of people, particularly from the middle and lower group. All good life insurance companies have huge funds accumulated through the payments of small amounts of premium of individuals. The economic reform of 1991 played a pivotal role in the economic development of India. Reaping its benefit the growth of the country reached around 7.5% in the late 2000s. Insurance is a risk transfer mechanism whereby the individuals or the business enterprise can shift some of the uncertainties of life on the shoulder of other. In peace the insurance provide trade industry which ultimately contribution towards human progress. Thus, insurance is the most lending force

contribution towards economic, social and technological progress of man.

The Indian insurance market is the 19th largest globally and ranks 5th in Asia, after Japan, South Korea china and twain. In 2003, total gross premiums collected amount to USD 17.3billion representing just under 0.6%of world premiums. Similar to the pattern observed in other regional market and reflecting the country's high savings rate, life insurance business accounted for 78.5% of total gross premiums collected in the year, against 21.5 for non-life insurance business.

Another measure of insurance development is per capita spending on insurance, i.e insurance density. By this measure India is among the lowest-spending nations in Asia in respect of purchasing insurance. An average Indian spent USD16.4 on insurance products



comprising USD 12.9 for life insurance and USD 3.5 for non-life insurance products. One factor that has been slowing down the improvement of insurance density is India’s relatively high population growth rate, which has averaged 1.7% over the past ten years.

LIC is one of the largest families in India consisting of over 1 lac employees and 11 lac agents. LIC as a responsible corporate citizen has been fulfilling its social responsibilities from time to time. Infact, most of their investments are geared towards industrial growth, infrastructure growth and national infrastructure growth and national development. With a view to channelize their social responsibilities and give a formal shape to the same they have formed a public Trust named, ” LIC Golden Jubilee Foundation”.

Objectives and Methodology

This paper examines the role of insurance in economic development of India and also the changes occurred till day by differentiating the developing and developed economic growth of India. The

present study is based on secondary data and information the sources of which have been compiled from different government records publication and related books and articles.

Indian Life Insurance

Life insurance companies in India have their history dating back to 1818. The first life insurance company in India was oriental life insurance company in Kolkata. It was started by the Europeans to provide insurance cover to the Europeans .

The life insurance companies work in close association with the life insurance agents and brokers. Special training and education is provided to each insurance agent or broker about of Life Insurance, how it works, industry info, insurance leads, types of Insurance leads, types of insurance policies on offer, claims settlements, Life Insurance laws in India, knowledge about the return of premium procedure of the life insurance company and the tax savings the insurance policy would provide.

Table – 1 Milestone’s In the Life Insurance Business in India

Year	Milestone’s in the Life insurance Business in India
1912	The Indian life Assurance Companies Act enacted as the first statute to regulate the life insurance business.
1928	The Indian life Assurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance business
1938	Earlier legislation consolidated and amended to by the insurance Act with the objective of protecting the interest of the insuring public.
1956	245 Indian and foreign insurance and provident societies taken over by the central government and nationalized LIC formed by an Act.

Market Share of Indian Insurance Industry

Notwithstanding the rapid

growth of the sector over the last decade insurance in India remains at an early stage of development .At the end of 2003 the Indian insurance



market was the 19th largest in the world only slightly bigger than that of Denmark and comparable to that of Ireland. The Indian insurance market is the 19th largest globally and ranks 5th in Asian after Japan ,south, Korea china and Taiwan .In 2003 total gross premiums collected amount toUSD 17.3 billion representing just under 0.6%of world premiums.

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The introduction of private players in the industry has added value to the industry. The initiative taken by the private players are very competitive and have given immense competition to the on time monopoly of the market LIC. The new players have improved the service quality of the insurance. As a result LIC down the years have seen the declining phase in its career. The market share was distributed among the private players LIC market share has decreased from 95 %(2002-03) to 81 %(2004-05).The following companies has the rest of the market share of the insurance industry.

Table -2, Mane of the some Players in the Market

Name of the company	Nature of holding
Allianz Bajaj Life Insurance Co.	Private
Aviva Life Insurance	Private
Birla Sun Life Insurance Co	Private
HDFC standard Life Insurance	Private
ICICI Prudential Life Insurance	Private
ING Vysya Life Insurance	Private
Life Insurance Corporation of India	Public
Max New York Life Insurance Co	Private
Met Life Insurance Co	Private
Om Kotak Mahindra Life Insurance	Private
Reliance Insurance	Private
SBI Life Insurance Co	Private
TATA –AIG Life Insurance Co.	Private

There are total of 13 Life Insurance companies operating in India, of which one is a public sector

undertaking and the balance 12 are private sector Enterprises. List of companies are indicated below:



Scenario of Insurance Industry in 2008

India with about 200 million classes household shows a huge untapped potential for players in the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance sector in India has come to a position of very high potential and competitiveness in the market. Consumers remain the most important centre of the insurance sector. This is a evolutionary change in the technology that has revolutionized the entire insurance sector. The insurance companies today must meet the need of the hour for more and more personalized approach for handling the customer.

Current scenario: The Indian Government opened up this sector for the private players in 1999, and also allowed for foreign Direct Investment up to 26% after which it began to thrive and Boom. Currently a \$ 41 billion industry, India is the world's 5th largest Life Insurance market and growing at rapid space of 32-34% annually as per Life Insurance Council Studies. The reach of this sector can be gauged by the taking a look at the following statistics.

Future Trends: The prospects of this industry look promising by way of growth as for as one can judge from the present statistics and the general environment prevailing in the economy. In terms of new product and sources Health insurance and Banc assurance are very likely to dominate the insurance scene in the coming few years. Also, IT is expected to play a big in the growth of this sector in the coming year. The growth of sector in the coming year

Conclusion: It is very much apparent

that the insurance sector is poised for huge growth by way of number of policy holders, policy premium, new product, and increased technology focus. This would in turn play an important role in facilitating and sustaining growth. Life insurance has today become a mainstay of many market economies 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 if we desire to progress towards a worry free future.

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