

An Overview of Life Insurance in India

Sridevi Jonnalagadda, Kalyani Narayana,

Research Scholar, Dravidian University.

Research Scholar, Osmania University.

Abstract: *Insurance is a charge paid to cover the risk in the business or risk evolved in any distinct field. Insurance industry provides an important social security to the people in developing countries. In India LIC is the major insurance company which works as cost effective and very transparent. It is increasing enormously in the country since 1999 with the help of various insurance acts passed by government to help the business houses and general public. After nationalisation of Insurance industry, government modified and introduced well defined method of investments and securities in providing social security to public. During the LPG policy, IRDA initiated more LIC, GIC and health insurance companies. The Insurance markets in India include stakeholders, agents, brokers, and third party administrators servicing health insurance claims. The public at large are enjoying the tax benefits out of premium paid by them. This paper deals with overview of changing competitive environment of insurance industry, product innovations and changing trends in life insurance policy since 1999 IRDA act to 2016. Various policies introduced have given huge opportunities to the public and contributes in large to the GDP of the country. The paper discusses about progress of both life insurance business and non life insurance business contributing to economic sustainability. Various insurance policies introduced helped the market to improve financial adequacy, supervision of risk and independent regulatory authority of institutions. The insurance company established throughout the country expands the investments in the form of bonds, shares and long term investments. The growth of insurance industry increased the savings mobilisation of households in the country.*

Key words: *Life Insurance, Competitive environment, GDP, market trends.*

I. Introduction:

The concept, Life insurance is very old and profound in India. Insurance was active since olden days as an instrument to protect and reallocate the resources during need times of people. But as time changing the insurance concept underwent modifications in terms of various products introduced by government through regulations and acts to counter the risk faced by human beings in their life. This research tries to collect and review few important concepts such as Life Insurance, Competitive environment of Life insurance, GDP contribution and market trends of life insurance. This study is based on the facts and findings of various articles which were selected for review and to bring out the importance of life insurance in the country. There are many life insurance companies in India, but LIC plays a major role in this field. So, the researchers have chosen to study the overview of Life Insurance Industry and its trends. The paper is based on secondary data which is analyzed by statistical tools like percentage, changes in growth rate and the contribution. The insurance industry was able to get successful results with alignment of foreign insurance companies over three decade's period of time. The findings disclose that LIC faced a tough competition to increase its business by adopting new marketing strategies and by issuing various new policies to increase its market share in the competitive scenario.

History Of Life Insurance In India:

The Life insurance in India is primarily known as a social device of deep rooted history. It established with the initiation Oriental Life Insurance company, in Calcutta in 1818. Before 1912 India had no legislation to regulate Insurance Business. Therefore Life Insurance Act of 1912 was passed to regulate the insurance business. The 1914 was a boot start for Insurance in India and constitutional changes were made to regulate life business. In continuation to it in 1928 the insurance act was passed to transact both life and non life Insurance business between Indian and foreign insurance. This was amended by 1938 Insurance Act to regulate and control the activities of Insurers. After independence the government of India decided to nationalise the Insurance business and abolished the principal agencies to reduce the number of Insurance companies. In 1956 an ordinance was passed to nationalise the sector. This resulted in absorbing more than 150 Indian Insurers and less than 80 provident societies. Life Insurance Company enjoyed monopoly till 1990. (Road to private sector) In 1990's the sector was reopened. In 1993 Government of India has set up a committee under the chairman ship of R.N. Malhotra, former governor of RBI. The objective of the committee is to evaluate and recommend the

reforms in the Insurance sector and encourage the private sector to participate the insurance business. This continued with the establishment of IRDA a Statutory body in April, 2000.

The IRDA recommended LIC to initiate the joint venture with foreign collaboration to ensure the financial security of insurance market. The above recommendation was made to strengthen the key objectives of IRDA which includes the promotion of competition, customer satisfaction with increased consumer choice and low premiums. Since, LIC of India has able to continuously manage to work in updating according to the changing trends of the society.

Meaning Of Life Insurance:

In simple sense the meaning of Life insurance is said as protecting the individual lives of public in terms of financial security to meet their contingencies. The financial benefits in the form of risk management are given to both the individual insurers and business houses. This is monitored and regulated under a statutory body known as IRDA. Basically the Indian insurance sector is classified into two categories. They are Life Insurance and Non Life Insurance. Both are regulated by IRDA to mobilise the people savings without losing the sight of the interest of economy as whole keeping in view of the National priorities and smart returns as per changing scenario. It is observed that less than 20% of the total insurable population are only roofed under diverse life insurance schemes.

Insurance is not only a hazard management provided to protect oneself from the circumstances of monetary thrashing but also useful to people during different phases of life. Insurance is the risk coverage against the financial loss for business houses and helps them to be in the market by protecting their investments. Therefore insured can be an individual person or group of people. The insurance industry in India is one of the most significant sectors of liberalised Indian economy. In India, since economic reforms are introduced the Life Insurance gave importance to cater the customer needs and preferences.

Objectives Of The Study:

1. To study the overall changes and growth pattern of LIC in Life Insurance Industry.
2. To observe the GDP contribution of LIC in Indian Life Insurance Industry.

Limitations Of The Study:

1. The research article deals only the overview of LIC of India in Life Insurance Industry.
2. The article is not a comparative study between LIC and other insurance companies.
3. The area of the study is limited to the short period only.
4. As the study is based on secondary data, the findings and conclusions are given based on the data.

II. Research Methodology Of The Study:

To fulfil the objectives of the present study, the following research methodology has been used:-

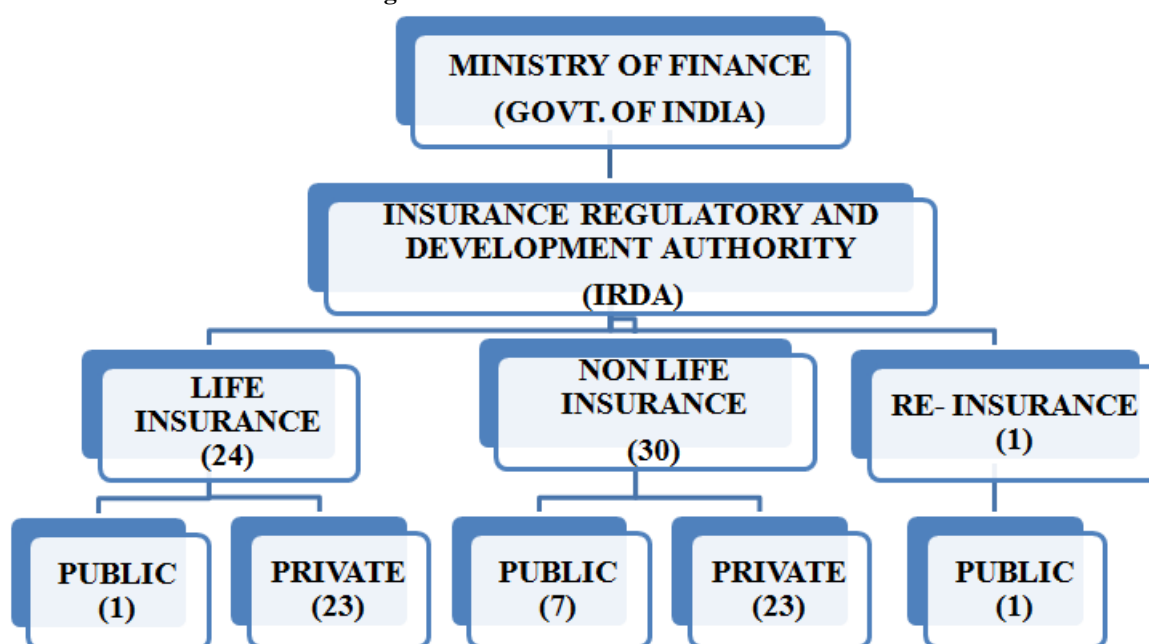
1. The topic was chosen to study the overview of LIC and its trends in the present scenario.
2. **Collection of data:** The main sources of secondary data are published annual reports, manuals, news papers, books, journals, articles, business magazines and other research papers.
3. **Analysis of data:** The collected data has been analyzed to the objectives in the form of tables and diagrams by using statistical tools such as percentage and growth rates.

III. Life Insurance In India:

In India there are 54 Insurance companies. These consist of both life insurers (24) and non life insurers (30). Non life insurers are also known as General Insurers. Life Insurers are exclusive public sector companies. In total 30 non Life insurers, 7 are public sector insurers.

In addition to this there are also National re-insurers (GIC), stakeholders, agents, brokers and corporate. The Life Insurance companies provide risk coverage to the life of individuals. The non Life Insurance companies provide risk coverage for travel, health, vehicles (both two wheelers and four wheelers) and housing insurance. It also provides insurance for industrial houses, farmers (crop insurance), gadget insurance, etc. Therefore the structure of LIC in India is shown below in the figure 1. With these emerging economies in life insurance sector the global premium increased in the country. The Indian Life Insurance Industry is leading with around 360 million policies. This made to raise the hope on 'Compound Annual Growth Rate' (CAGR) at 12 to 15 percent in next five years.

Figure: 1- Indian Insurance in the market



As per the records India is the fifteenth largest insurance market in the world in terms of premium amount and has the impending change in the coming years. The government provided huge subsidies in the premium of Pradhan Mantri Fasal Bhima Yojana (PNFBY) through budget. Hence we can predict that beneficiaries are more and can increase to 50% in the next two years from current period. The IRDA is aimed to serve the customers as it is a service based organisation. The key success of IRDA is based on the regulations and control policies made to help the customers for their claim settlements, handling grievances and customer satisfaction. The Insurance Industry faces challenges to create awareness and explain the benefits to poor people as most of them being uneducated. The country being diversified in culture, densely populated, various languages and savings pattern it will be difficult for the insurance industry to aware about the schemes and financial benefit. So, the promotional policies and advertisement to the insurance industry has become important to develop awareness about 'where' and 'how' across the country. Therefore the IRDA become serious about the performance of agents and other companies in meeting their targets.

Market Share Of Lic In India:

The market share of life insurance companies in India widened with the entry of private life insurance companies from 2000 year. This major change was possible because of the tie up of international insurance companies with private insurers. In spite of multiple challenges faced in the country the 24 insurance companies covered 73% of market in the country and 55% of market is covered by the non life insurance companies. The market share of Life Insurance in India in both public and private sectors are shown in below Table 1 for a period of 15 years, i.e., from 2000 to 2015.

From the below table we observe that the market share based on total premium income of Life Insurance industry India is 99.98% and 99.46% in the 2001 & 2002 respectively. Since 2003 to 2015 there is a continuous decline in the market share of public sector at 26.46%. This reveals that the 100% contribution of public sector reduced after the regulations of IRDA, aiming for financial structural changes and reorganising the insurance industry in collaborating with private and foreign companies. The same is depicted in Figure 2 in the form bar diagram showing the market share of public sector based on total premium income.

Table: 1 Market Share Based On Total Premium

YEAR	PUBLIC SECTOR (%)	PRIVATE SECTOR (%)
2000 - 01	99.98	0.02
2001 - 02	99.46	0.54
2002 - 03	97.99	2.01
2003 - 04	95.29	4.71
2004 - 05	90.67	9.33
2005 - 06	85.76	14.24
2006 - 07	81.90	18.10
2007 - 08	74.40	25.60

2008 – 09	70.92	29.08
2009 – 10	70.10	29.90
2010 – 11	68.70	31.30
2011 – 12	62.31	37.69
2012 – 13	60.04	47.04
2013 – 14	72.03	48.05
2014 – 15	73.00	55.61

Source: Annual Report of IRDA 001 - 15

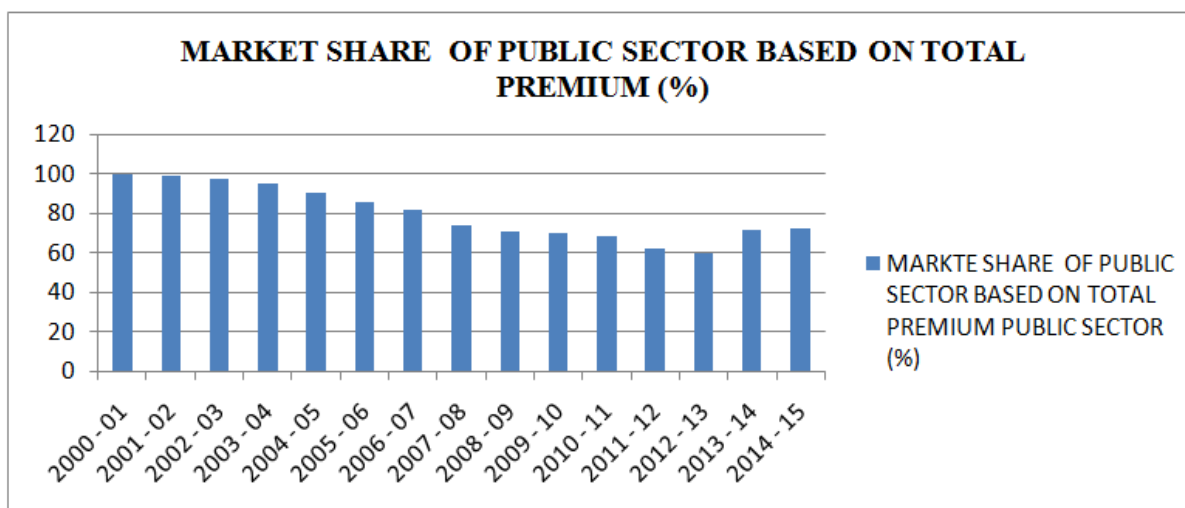


Figure: 2 Graphical representation of Table: 1

Similarly the market share of private sector based on total premium income in insurance industry is given in the table I. we observe that there is a considerable growth in the private insurance industry from 2001 to 2015. In 2001 the market share was 0.02% which increased to 9.33% in 2005 and further increased to 55.61%.

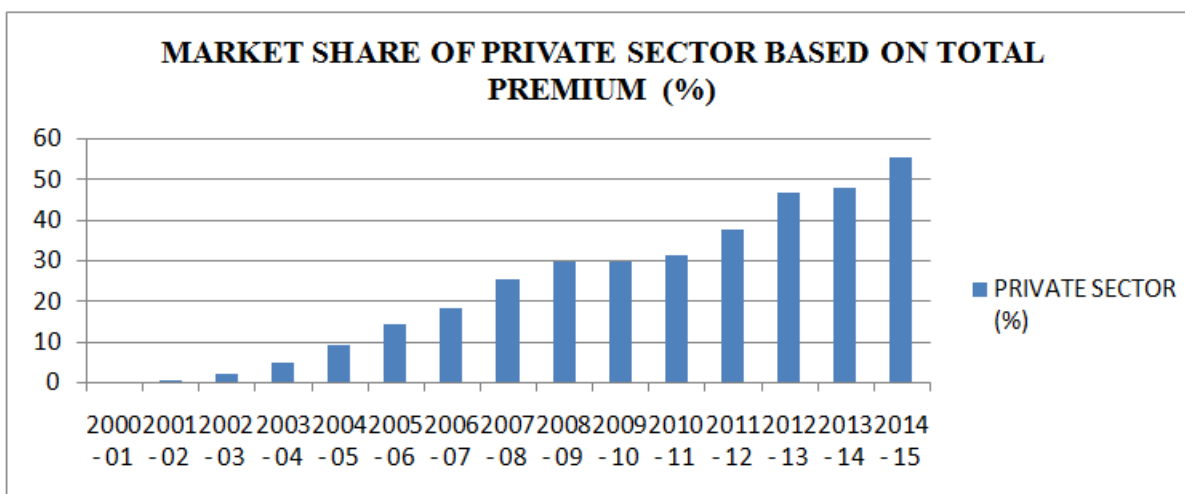


Figure: 3 Graphical representation of Table 1

The concurrent rise of 55.59% is randomly observed over these 15 years in the private insurance industry. The same is shown below in the form of diagrammatic representation in the figure. 2. This is due to the wide marketing strategies, aggressive distribution channels and innovative products introduced by both the foreign partners in collaboration of joint ventures. The new policies introduced by private companies helped the economy in contributing the GDP. Hence the private insurance companies were set as an example for largest private contributors to the life insurance industry in India (For example, ICICI prudential Life insurance, Reliance LIC, Bajaj LIC etc).

The Contribution Of Gdp From Life Insurance Industry:

The growth of LIC is resulted with high contribution of GDP in the country. This helped the country to expand the Insurance sector. The GDP contribution in the country is through increase in the insurance premium. If we observe the total insurance premium in the year 2000 to 2005 is around 3.17% which rose to 4.8% & 5.2% in the year 2009 & 2010. We observe there is a fall in the contribution of LIC GDP from 2011 to 2016 at the rate of 1.8%. The contribution declined from 5.1% in 2011 to 3.3% in 2015. This is because there is a decline in the per capita premium in the country. After post liberalisation due to changes in competitive environment of insurance market the IRDA took all precautionary measures to meet the targets through publicity and various distributional channels. In spite of this the contribution, GDP was low because India has lowest purchasing capacity of insurance in the public. The changes in the market made IRDA to introduce various LIC act in India to provide social security to public and achieve the customer satisfaction as a prior goal. This also helped the government for economic sustainability. Therefore it is been vastly affected by welfare of the population and the poverty elevation programmes in the country. As a result it reduced the density of insurance.

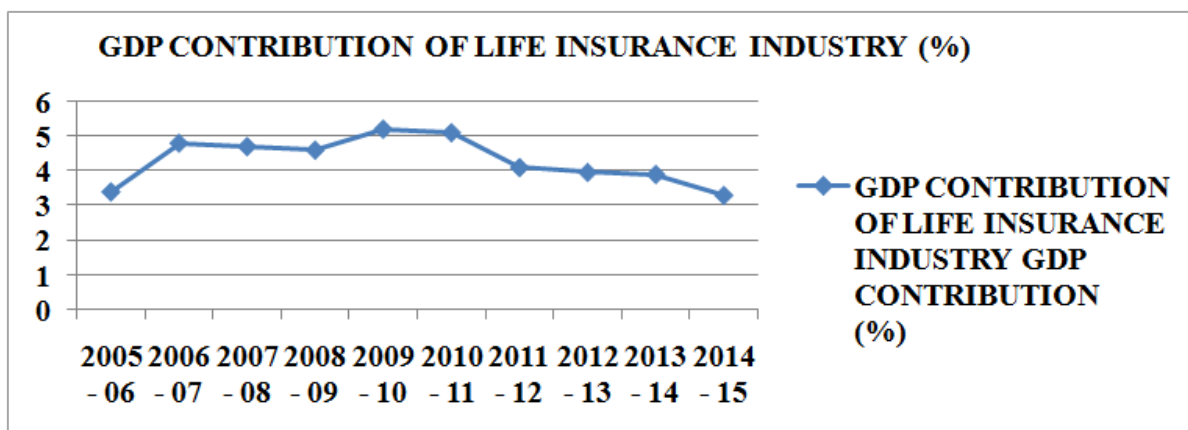
The services provided by the government through LIC helped the households for their savings as a result more number of insurance policies are introduced in the market. The contribution of GDP in the insurance industry from 2005 to 2015 is shown in the form of Table 2.

Table: 2 GDP contribution of LIC

YEAR	GDP CONTRIBUTION (%)
2005 – 06	3.4
2006 – 07	4.8
2007 – 08	4.7
2008 – 09	4.6
2009 – 10	5.2
2010 – 11	5.1
2011 – 12	4.1
2012 – 13	3.96
2013 – 14	3.9
2014 – 15	3.3

Source: compiled from Annual Reports of IRDA

The GDP contribution of Insurance industry in India for 10 years measured in table 2 is depicted below in the form chart as figure 3 we observed that the line diagram indicates the result of the table 2 shown.



Graphical representation of Table 2

IV. Findings:

The study reveals that there is a continuous growth in the market for private insurance industry after 2000. We observed that, healthy competition is created by motivating people and raising the investments in the insurance industry. As money making policy is a key element of IRDA, the insurance industry pooled the business from the individual states as well as rural markets. This made to implement various amendments in from of Indian insurance Act.

After 2000 reforms of IRDA aimed for national priority of insurance industry in serving the obligations of fair returns to the policy holders as well as for economic sustainability. Comparatively the market share

contribution of private sector is considerably high than the public sector market share contribution. These changes helped the public to make savings.

V. Recommendations:

As per the findings of the present paper, there are few recommendations to Life Insurance Industry:-

1. LIC should attempt to boost its business by issuing more products in order to retain its market share in the competitive scenario.
2. LIC should adopt new marketing strategies to aware the customers about their products.
3. LIC have to conduct regular training to agents' with updated techniques which helps in clarifying the customers doubts.
4. LIC must expand its branches throughout the country into the rural areas to spread the life insurance business.
5. In order to compete with private Insurance companies, LIC should launch diverse plans to increase the premium amount and income.

VI. Conclusion:

The Life Insurance Industry in India made a remarkable recognition in providing the customer satisfaction. It is throwing big challenges to banks and mutual funds in channelising financial savings. The LIC also made customers to get aware of introduced various new plans and policies which can cater their needs. The high competitive and management spirit of LIC contributed for raising the security for people and growth of the country. Thus the paper reveals the major contribution of LIC of India. LIC have to increase branches in both urban and rural areas which will help more number of customers with fair services. The industry should concentrate in providing innovative training to the agents according to the changing competitive environment of the market. The agents and other corporate being back bone of the organisation need to be more honest in meeting the needs of customers. This will help the insurance industry to increase the business volume at present and future. The future looks promising for LIC with several changes in regulatory frame work which leads to further change in the way the insurance industry conducts its business and engages with its customers.

References:

- [1]. Annual report of IRDA, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, 2010 to 15.
- [2]. www.irdaindia.org.
- [3]. P. K. Gupta, Insurance & Risk Management
- [4]. www.indiainsuranceresearch.com
- [5]. www.irda.com
- [6]. www.licindia.com
- [7]. Annual Reports of LIC of India since 2001-02 to 2011-12.
- [8]. Annual Reports of IRDA since 2001-02 to 2011-12.
- [9]. [www.ermt.net/docs/papers/Volume 6/4April2017/V6N4-230.pdf](http://www.ermt.net/docs/papers/Volume%206/4April2017/V6N4-230.pdf)
- [10]. www.licindia.com
- [11]. business.mapsofindia.com/insurance
- [12]. www.banknetindia.com
- [13]. [www.knowledgedigest.com-Kundusummit\(2006\)-"what"snext in India insurance market"](http://www.knowledgedigest.com-Kundusummit(2006)-%22what%22snext%20in%20India%20insurance%20market%22)
- [14]. www.irdaindia.omtrg
- [15]. www.irdai.gov.in ADMINCMS.
- [16]. Handbook of an Indian insurance statistics
- [17]. [Economietimes.India times.com/topic/LIC](http://Economietimes.India%20times.com/topic/LIC)