

A STUDY ON INDIAN INSURANCE INDUSTRY OVERVIEW & MARKET DEVELOPMENT ANALYSIS.

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Abstract

Insurance industry contributes to the financial sector of an economy and also provides an important social security net in developing countries. The growth of the insurance sector in India has been phenomenal. The insurance industry has undergone a massive change over the last few years and the metamorphosis has been noteworthy. There are numerous private and government insurance companies in India that have become synonymous with the term insurance over the years. Offering a diversified product portfolio and excellent services the many insurance companies in India have managed to make their way into almost every Indian household.

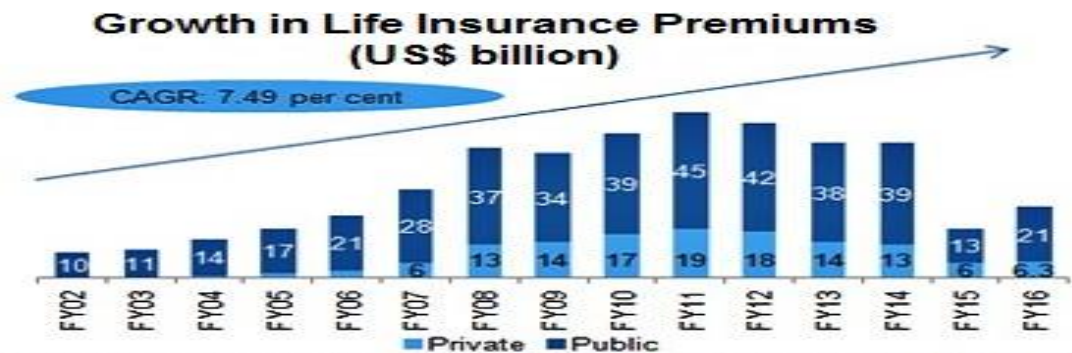
Keywords: Life Insurance, Substandard, Competitiveness, GDP, Product Portfolio,

INTRODUCTION

The insurance industry of India consists of 53 insurance companies of which 24 are in life insurance business and 29 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

Out of 29 non-life insurance companies, five private sector insurers are registered to underwrite policies exclusively in health, personal accident and travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specialized insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance.

Indian Insurance Industry Analysis -Life Insurance Market Appears Vibrant



Source: Insurance Regulatory and Development Authority, TechSci Research
 Note: CAGR - Compound Annual Growth Rate, Figures as per latest data available

- The life insurance market grew from US\$ 10.5 billion in FY02 to US\$ 27.5 billion in FY16
- Over FY02–FY16, life insurance premiums expanded at a CAGR of 7.5 per cent.
- The life insurance industry has the potential to grow 2-2.5 times by 2020 in spite of multiple challenges supported by long-term trends and fundamentals underlying household savings.

OBJECTIVES OF THE STUDY

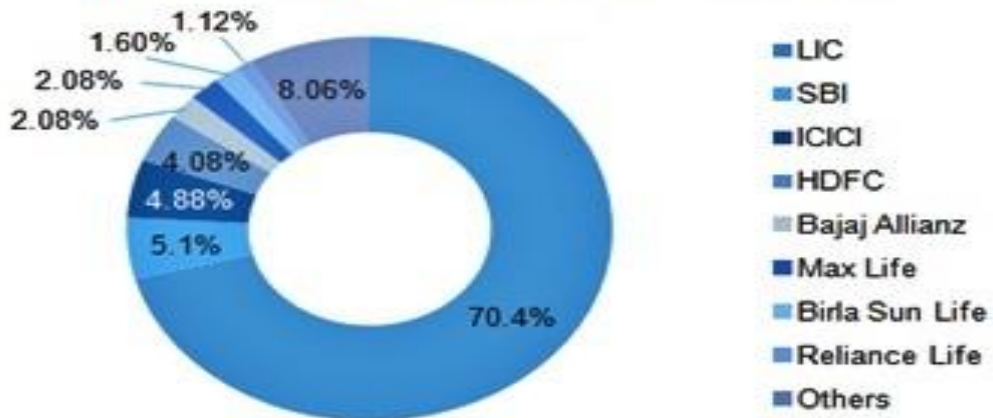
- To know the Indian insurance industry
- To study the Indian Insurance industry development analysis

INDIAN INSURANCE INDUSTRY OVERVIEW & MARKET DEVELOPMENT ANALYSIS

Market Size

- Government's policy of insuring the uninsured has gradually pushed insurance penetration in the country and proliferation of insurance schemes are expected to catapult this key ratio beyond 4 per cent mark by the end of this year, reveals the ASSOCHAM latest paper.
- The number of lives covered under Health Insurance policies during 2015-16 was 36 crore which is approximately 30 per cent of India's total population. The number has seen an increase every subsequent year as 28.80 crore people had the policy in the previous fiscal.
- During April 2015 to March 2016 period, the life insurance industry recorded a new premium income of Rs 1.38 trillion (US\$ 20.54 billion), indicating a growth rate of 22.5 per cent. The general insurance industry recorded a 12 per cent growth in Gross Direct Premium underwritten in April 2016 at Rs 105.25 billion (US\$ 1.55 billion). The life insurance industry reported 9 per cent increase in overall annual premium equivalent in April-November 2016. In the period, overall annual premium equivalent (APE)- a measure to normalise policy premium into the equivalent of regular annual premium- including individual and group business for private players was up 16 per cent to Rs 1,25,563 crore (US\$ 18.76 billion) and Life Insurance Corporation up 4 per cent to Rs 1,50,456 crore (US\$ 22.48).
- India's life insurance sector is the biggest in the world with about 360 million policies which are expected to increase at a Compound Annual Growth Rate (CAGR) of 12-15 per cent over the next five years. The insurance industry plans to hike penetration levels to five per cent by 2020.

Major companies market share in terms of life insurance premium collected (FY16)



Source: TechSci Research, LIC - Life Insurance Corporation of India

Investments

The following are some of the major investments and developments in the Indian insurance sector.

- New York Life Insurance Company, the largest life insurance company in the US, has invested INR 121 crore (US\$ 18.15 million) in Max Ventures and Industries Ltd for a 22.52 per cent stake, which will be used by Max for investing in new focus areas of education and real estate.
- New York Life Investments, the global asset management division of New York Life, along with other investors like Jacob Ballas, will own a significant minority ownership in Centrum Capital by being one of the leading global investors in buying the available 30 per cent stake worth US\$ 50 million of Centrum Capital.
- Max Life Insurance Co Ltd and HDFC Life Insurance Co Ltd have signed a merger agreement, which is expected to create India's largest private sector life insurance company once the transaction is completed.
- Aviva Plc, the UK-based Insurance company, has acquired an additional 23 per cent stake in Aviva Life Insurance Company India from the joint venture (JV) partner Dabur Invest Corporation for Rs 940 crore (US\$ 141.3 million), thereby increasing their stake to 49 per cent in the company.

Government Initiatives

The Union Budget of 2017-18 has made the following provisions for the Insurance Sector:

- The Budget has made provisions for paying huge subsidies in the premiums of Pradhan Mantri Fasal Bima Yojana (PMFBY) and the number of beneficiaries will increase to 50 per cent in the next two years from the present level of 20 per cent. As part of PMFBY, Rs 9,000 crore (US\$ 1.35 billion) has been allocated for crop insurance in 2017-18.

- By providing tax relief to citizens earning up to Rs 5 lakh (US\$ 7500), the government will be able to increase the number of taxpayers. Life insurers will be able to sell them insurance products, to further reduce their tax burden in future. As many of these people were understating their incomes, they were not able to get adequate insurance cover.

The Government of India has taken a number of initiatives to boost the insurance industry. Some of them are as follows:

- The Union Cabinet has approved the public listing of five Government-owned general insurance companies and reducing the Government's stake to 75 per cent from 100 per cent, which is expected to bring higher levels of transparency and accountability, and enable the companies to raise resources from the capital market to meet their fund requirements.
- The Insurance Regulatory and Development Authority of India (IRDAI) plans to issue redesigned initial public offering (IPO) guidelines for insurance companies in India, which are to looking to divest equity through the IPO route.
- IRDAI has allowed insurers to invest up to 10 per cent in additional tier 1 (AT1) bonds, that are issued by banks to augment their tier 1 capital, in order to expand the pool of eligible investors for the banks.
- IRDAI has formed two committees to explore and suggest ways to promote e-commerce in the sector in order to increase insurance penetration and bring financial inclusion.
- IRDAI has formulated a draft regulation, IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, 2015, in pursuance of the amendments brought about under section 32 B of the Insurance Laws (Amendment) Act, 2015. These regulations impose obligations on insurers towards providing insurance cover to the rural and economically weaker sections of the population.
- IRDAI has given initial approval to open branches in India to Switzerland-based Swiss Re, French-based Scor SE, and two Germany-based reinsurers namely, Hannover Re and Munich Re.

CONCLUSION

Where almost all the industries in the world trying hard for survival due to the major economic meltdown, Indian life insurance industry is one of the sectors that is still observing good growth. It is the changing trends of Indian insurance industry only that has made it to cope with the changing economic environment. Indian insurance industry has modified itself with the passage of time by introducing customized products based on customers' need, through innovative distribution channels, Indian life insurance industry searched its path to grow. Changing government policy and guideline of the regulatory authority, IRDA have also played a very vital role in the growth of the sector. Move from non-linked to unit linked insurance policies is one of the major positive changes in Indian life insurance sector. Similarly, opening on the sector for private insurer broke the monopoly of LIC and bring in a tough competition among the players

Though the sector is growing fast, the industry has not yet insured even 50% of insurable population of India. Thus the sector has a great potential to grow. By adopting appropriate strategy along with proper government support and able guidance of IRDA, India will certainly become the new insurance giant in near future

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