

## **Growth and Performance of Insurance industry in India**

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### **Introduction**

Life is a full of risks. Man always tries to reduce risk. Insurance is a form of risk management which spreads risk of many people in exchange for small payments from each. Insurance is a promise of compensation for any potential future losses. It facilitates financial protection by reimbursing losses during crisis. The primary function of insurance is to provide protection against future risk, accidents and uncertainty. There are two main types of insurance, namely life insurance and general insurance. Life Insurance is a contract providing for payment of a sum of money to the person assured or, following him to the person entitled to receive the same, on the happening of a certain event. It is a good method to protect your family financially, in case of death, by providing funds for the loss of income. The main products of life insurance include whole life, Endowment, Term, Investment-linked, Life annuity plan, Medical and health insurance. General insurance covers insurance of property against fire, burglary, theft. This category of insurance virtually covers all forms of insurance except life.

The Indian Life Insurance industry is one of the strongest growing sectors in the country. 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.

In the period following post liberalization, the Indian life insurance sector witnessed an unprecedented growth of business while there was massive transformation in other functional areas as well.

### **Growth of Life Insurance Business Post-liberalization**

<b>Year</b>	<b>Premium (Rs Crore)</b>	<b>Growth % (YoY)</b>
2000-01	9,707.43	61.57
2001-02	19,857.28	104.56
2002-03	16,942.45	-14.68
2003-04	19,788.32	16.80
2004-05	26,217.64	32.49
2005-06	38,785.54	47.94

2006-07	75,649.21	95.04
2007-08	93,712.52	23.88
2008-09	87,331.08	-6.81
2009-10	109,893.91	25.84
2010-11	1,26,398.18	15.02
2011-12	1,13,966.03	-9.84
2012-13	1,07,361.08	-5.80
2013-14	1,20,325.22	12.08
2014-15	1,13,329.52	-5.82
2015-16	1,38,862.31	22.53

**Source : IRDA Annual Report 2015-16**

### **Insurance Penetration and Density In India**

Globally, the share of life insurance business in total premium was 55.6%. The share of life insurance business in India was at 79% while that of non- life insurance business was 21%. In life insurance business, India is ranked 10<sup>th</sup> among the 88 countries. India's share in global life insurance market was 2.24% during 2015 where as it was 2.08% in 2014. However, during 2015, the life insurance premium in India increased by 7.8% when global life insurance premium increased by 4%. Insurance penetration and Insurance density reflects the country's level of development of insurance. Insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population (per capita premium) sector in a country. In 2011 first time in India insurance density had fall down since the opening of the sector to private participation

### **Insurance density in India**

(In US Dollar)

<b>Year</b>	<b>Total</b>	<b>Life</b>	<b>Non-life</b>
2001	11.5	9.1	2.4
2002	14.7	11.7	3.0
2003	16.4	12.9	3.5
2004	19.7	15.7	4.0
2005	22.7	18.3	4.4
2006	38.4	33.2	5.2
2007	46.6	40.4	6.2
2008	47.4	41.2	6.2
2009	54.3	47.7	6.7
2010	64.4	55.7	8.7
2011	59	49	10
2012	53.2	42.7	10.5
2013	52	41	11
2014	55	44	11
2015	55	43	12

Source: Swiss Re, Sigma various volumes

### Insurance penetration in India

(In percent)

Year	Total	Life	Non-life
2001	2.71	2.15	0.56
2002	3.26	2.59	0.67
2003	2.88	2.26	0.62
2004	3.17	2.53	0.64
2005	3.14	2.53	0.61
2006	4.80	4.10	0.60
2007	4.70	4.00	0.60
2008	4.60	4.00	0.60
2009	5.20	4.60	0.60
2010	5.10	4.40	0.70
2011	4.10	3.40	0.70
2012	3.96	3.17	0.78
2013	3.9	3.1	0.8
2014	3.3	2.6	0.7
2015	3.4	2.7	0.7

Source: Swiss Re, Sigma various volumes

Insurance penetration in India has risen partially to 3.4% in financial year 2015-16 compared to 3.3% in 2014-15, according to Swiss Re's latest sigma report.

### Intermediaries associated with the Insurance Business- Corporate Agents-banks

When a bank becomes the corporate agent of an insurance company it is referred to as a banc assurance arrangement or partnership. Banks offer insurance policies to their customers based on their knowledge of their situation and needs. Corporate Agents can represent one life insurer, one non-life insurer and one standalone health insurer. Corporate agents provide various types of banking services for corporate clients. Banks act as corporate agents in order to generate additional revenue.

### Individual New Business performance of life insurers

The share of Banks in total new business had gone up from 20.84 per cent in 2014-15 to 23.82 per cent in 2015-16. The total number of policies issued in total new business had gone up from 9.3 per cent in 2014-15 to 10.16 per cent in 2015-16.

During the financial year 2015-16, the life insurance industry reported a profit after tax of Rs.7414.97 crore as against Rs. 7611.31 crore in 2014-15. Out of twenty-four life insurers in operations during 2015-16, nineteen companies reported profits. They are Aviva Life, Bajaj Allianz, Birla Sun Life, Canara HSBC, DHFL Pramerica, EXIDE Life, HDFC Standard, ICICI Prudential, IDBI Federal, India First, Kotak Mahindra, Max Life, PNB MetLife, Sahara India, SBI Life, Shriram Life, Star Union, Tata AIA and LIC of India. LIC of India reported a profit after tax of Rs.2517.85 crore i.e. an increase of 38.06 percent over Rs. 1823.78 crore in 2014-15.

### Government Initiatives

There are a number of initiatives taken by the government to boost the insurance sector in India in the year 2015-16.

1. The Union Budget has made a provision, which states that the foreign investment will only be allowed up to 49% through the automatic route.
2. Service tax on particular premium annuity policies has been decreased from 3.5% to 1.4% of the premium paid in some cases.
3. Service tax on the business of life insurance, offered by means of the annuity, based on National Pension Scheme, which is managed by Pension Fund and Regulatory Development of India, managed being exempted, with effect from April 2016.

4. The Indian Regulatory and Development Authority of India (IRDAI) has created two committees to explore and suggest ideas to promote e-commerce in the insurance sector in order to raise the insurance penetration and get the financial inclusion.
  5. IRDA has formulated a regulation, which imposes obligations on insurance providers towards offering insurance coverage to the rural and financially weaker sections of the societies in
  6. The government of India has also designed two insurance schemes in the year 2015-16.
    - Pradhan Mantri Suraksha Bima Yojana, which is a Personal Accident Insurance plan
    - Pradhan Mantri Jeevan Jyoti Bima Yojana, which is the government's Life Insurance plan.
- Both the plans offer basic coverage at nominal premium rates and can be easily brought through various government and private insurance firms.

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