Growth and development of insurance in india

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ABSTRACT

The Indian industry has seen sea change activities after economic liberalisation in Insurance sector in India. The changes brought new insurance companies, new products, price differentiation, and improvement in claim settlement, broken the monopoly of government companies and policy holders are protected by statue. The performance of Insurance companies has been improved in terms of premium and claim settlement. It has also created job opportunities in insurance sector. The economic reforms in Indian Insurance are really to be a boon for the Industry. The business of most of the insurance companies has been increasing significantly in the last ten years. The overall performances of all the private insurance companies are very satisfactory and they need to continue this pace to penetrate their market more and more Opening of the market and insurance sector for the private and foreign players has definitely brought in noticeable changes in the insurance industries in India. It has challenged the hegemony of LIC in life insurance and the GIC and its subsidiaries in the non-life insurance sector. Against this backdrop present per purports to examine the growth and development of insurance sector in India.

Introduction

The insurance industry in India has passed through a period of structural changes during the liberalised economy. With the liberalization of insurance sector, the paradigm for Indian insurance industry has witnessed a sea change during the last decade. The privatization of the sector has also contributed in a great way by increasing the insurance density and also penetration in both – life and non-life segments. The economic reforms in the sector have led to the overall improvement in the performance of the insurance industry as a whole The Indian industry has seen sea change activities after economic liberalisation in Insurance sector in India. The changes brought new insurance companies, new products, price differentiation, and improvement in claim settlement, broken the monopoly of government companies and policy holders are protected by statue. The performance of Insurance companies has been improved in terms of premium and claim settlement. It has also created job opportunities in insurance sector. The economic reforms in Indian

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Insurance are really to be a boon for the Industry. The business of most of the insurance companies has been increasing significantly in the last ten years. The overall performances of all the private insurance companies are very satisfactory and they need to continue this pace to penetrate their market more and more Opening of the market and insurance sector for the private and foreign players has definitely brought in noticeable changes in the insurance industries in India. It has challenged the hegemony of LIC in life insurance and the GIC and its subsidiaries in the non-life insurance sector. Market share of these two Government behemoths have also dropped but not as expected. Private players are doing their bit in terms of bringing in professionalism, technology, range of products and the operational efficiency however , it has not reached anywhere near the global standard. Moreover, the professionalism and customer centric approach of the private players is yet to bring in substantial revenue and break the hegemony of LIC and GIC. People still trust the Government companies over private players in India. This is due to the post sale insurance services and too much of profit oriented approach of the existing private players. Therefore, they must also focus on their role and commitment towards the society to have their own space and make the co-existence a reality. Problem of under and inadequate insurance needs to be addressed in a war footing manner to derive the full potential of the insurance which can provide social safety net to the people in particular and liquidity to the nation in general.

Significance of Insurance

The main function of life insurance is to provide protection to the family, by ensuring continuity in income even after the death of the breadwinner. Similarly, non life insurance provides security and safety against loss and damage of property, business and livelihoods. Economists have acknowledged the fact that people are an important part of a nation's wealth. They represent the human capital of the country. In addition to contributing to the economy by preserving human life values and assets and protecting loss, Insurance also aids in economic development. To grow economy, the government needs capital infrastructure development which requires the huge investment. Individual or government is unable to provide such funds. As the life Insurance contracts are long term contacts. Therefore, insurers by investing funds that flow to them from their many policyholders have become the principal source of capital for the economy. Investments are essential ingredients for economic development of any nation. Investments by Insurance companies are in social sector, infrastructure development and government security, papers and bonds. Life insurance plays a major role in mobilization of pubic savings. Savings out of life insurance fund are utilized in investments for growth. Insurance industry in India has come a long way from the days of its inception. The factors that has influenced the trend of insurance companies are (i) a social security and pension system; (ii) catastrophes / risks; (iii) changes in customs and social practices; (iv) disposable income, (v) healthcare systems; (vi) household financial savings; (vii) interest rates; (viii) rapid aging of populations; (ix) rate of growth of population; (x) stronger economic growth /GDP growth; and (xi) the levels of domestic savings. Insurance industry in India has witnessed the private dominance shifting to Government control and finally the co-existence of both the private and public players.

Ever since, insurance sector was opened up to the private and foreign players, there is a sea change in its approach, products availability, agents training and the quantum of revenue generated for the industries and also for the economy. It has established itself as the main intermediary of economic system, risk management tool and also the major social safety net with systemic solutions. But, despite its inherent advantages and growing market potential, its share in the GDP and world insurance market has been negligible. Moreover, In December 2014 the Indian Government announced the increase of Foreign Direct Investment (FDI) from 26 percent to 49 percent for the Insurance industry. Control, including appointing majority of directors, must remain with Indian partner. Reinsurers allowed establishing a branch for reinsurance business. Health insurance is to be treated as a separate category. New regulations are to reduce malpractice and promote a vibrant health insurance sector. Commission's structure to be determined by IRDA based on market conditions. Open architecture model to be developed to encourage penetration. India is one of the fastest growing insurance markets in the world. Hence, because of the increase in FDI cap, there will be lot of opportunities for present insurers, existing Joint Venture partners in India as they can increase their stake. Apart from it, it will be attractive for those new entrants interested in entering the Indian market. Moreover, it leads to more innovation, adopting international best practices and improving standards. This will lead to customer satisfaction. Indian insurance is strong accompanied by varied rising middle class customers with favourable demographics, low penetration levels and macro-economic factors. Hence, the long term prospects for the insurance sector are good. With increase in FDI level, it will bring confidence among the insurance players about the favourable operating environment and supportive regulatory and/or government initiatives. This will change the entire scenario for players in public and private sector in insurance industry. The argument of foreign insurers bringing in healthy competition has simply not happened as the size of the market has largely remained the same. It's because, private players are picking up the creamy sections in the metros. Moreover, the challenges posed by the private and foreign players remain subdued as the dominance of LIC in life and General insurance Corporation (GIC) and its subsidiaries in non-life continues unabated. Liberalization, privatization and globalization have changed the face of Indian economy. Many more changes in Indian economy are also expected with intensified competition, collaborations and creativity from around the world. Opening of the market and insurance sector for the private and foreign players has definitely brought in remarkable changes in the insurance sector in India. It has challenged the hegemony of LIC in life insurance and GIC and its subsidiaries in the non-life insurance sector. Market share of these two Government behemoths have also dropped but not as expected.

The opening of insurance sector to private sector has created the following opportunities (Srichandan, 2013):

- Privatization of Insurance eliminated the monopolistic business of Life Insurance Corporation of India. It helps to introduce new range of products which covered wide range of risks.
- It resulted in better customer services and help improve the variety and price of insurance products.
- The entry of new player has speed up the spread of both life and general insurance. It will increase the insurance penetration and measure of density.
- Entry of private players will ensure the mobilization of funds that can be utilized for the purpose of infrastructure development.
- The participation of commercial banks into insurance business helped to mobilization of funds from the rural areas because of the availability of vast branches of the banks.
- Most important not the least tremendous employment opportunities were created in the field of insurance which is a burning problem of the presence day today issues.

Global Scenario of Insurance

According to the 'World Insurance in 2014' report published by reinsurance major Swiss Re, the economic environment for insurers improved only marginally in 2014, as global real gross domestic product rose by 2.7 percent, near the 10-year annual growth rate average of 2.8 percent . The improvement was driven by the advanced markets, led by the UK. The Growth in UK was based on a recovery in domestic consumption due to lower unemployment and lower than expected fiscal tightening. Growth in the US accelerated slightly to 2.4 percent but was held back by disruptive harsh winter conditions. The growth was also stronger in Western Europe. In Advanced Asia, growth slowed due to ongoing sluggishness in Japan. In contrast, the emerging markets grew at a slower aggregate rate of 4.1 percent in 2014, down from 4.6 percent in 2013. Many countries struggled with domestic difficulties, structural deficiencies and uncertainty about the impact of the US Federal Reserve cutting back its quantitative easing program. Advanced countries' equity markets outperformed their emerging market peers and government bond yields remained very low. As per the report the Total Direct premiums written grew by 3.7 percent in 2014 to $ 4778 billion after a year of stagnation in 2013. There was considerable variation in the growth patterns across regions and countries. Of the advanced markets, Oceania registered strong growth. Western Europe and Japan regained momentum and premium in North America continued to decline. Premium growth in Emerging Asia strengthened but slowed in Lain America and Africa. In Central and Eastern Europe premiums fell again. Notwithstanding the acceleration in 2014, advanced-market life insurance premium growth has generally stagnated since the financial crisis in 2008. Advanced Asia and Oceania are the only regions to have higher average annual premium growth. In the emerging markets, premium growth has been slower after than before the crisis. The recovery in the Non-life insurance sector continued in 2014 with global premiums up 2.90 percent to $ 2124 billion, slightly higher than the 2.7 percent growth of 2013 and also better than the pre-crisis average growth. The advanced markets were the main drivers with regional variations. There was slightly slower but still robust 8.0 percent growth in emerging market premiums, down from 8.6 percent in 2013, but below the pre-crisis average of 10 percent. Globally, the share of life insurance business in total premium was 55.55 per cent. However, the share of life insurance business for India was very high at 79.12 per cent while the share of non-life insurance business was small at 20.88 per cent. As far as India is concerned the ratio is 47.4 percent during the year 2008-09 and shows an increasing trend up to 2010-11 and again shows a negative growth after that and stood at 53.2 percent during 2012-13. The Republic of China has increasing trend of insurance density when compared to other countries which are having variations. Japan has the highest insurance density, where as Pakistan has the least density of insurance (Table 1).

Evolution of Insurance in India

Insurance is a forms of contract or agreement under which one part agrees in return for a consideration to pay an agreed amount of money to another party to make good for a loss, damage or injury, to something of value in which the insured has a pecuniary interest as a result of some uncertain event. The history and development of insurance in India can broadly divided into four periods like early periods, Pre-Nationalization period, Post-Nationalization period and Post-Liberalization period. The history of general insurance dated back to the industrial revolution in the west and the consequent growth of

Table 1
Comparison of Insurance Density among Asian Countries

Country	*2008-09*	*2009-10*	*2010-11*	*2011-12*	*2012-13*
Hong Kong	3310.3	3304.0 (-0.18)	3635.5(9.82)	3904.0(17.93)	4543.9(37.26)
India	47.4	54.3(14.55)	64.4(35.86)	59.0(24.47)	53.2(12.23)
Japan	3698.6	3979.0(7.59)	4390.0(17.43)	5169.39.770	5167.2(39.74)
Malaysia	345	321.8(-6.95)	421.1(22.02)	502.0(45.50)	514.0(48.98)
Pakistan	6.8	6.6(-2.94)	6.1(-10.29)	8.0(14.63)	8.7(27.94)
China	105.4	121.2(15.23)	158.4(50.47)	163.0(55.23)	178.9(71.42)
Sri Lanka	32.1	29.5(-9.37)	34.7(18.75)	33.0(2.80)	32.9(5.60)
Thailand	142.1	154.4(8.45)	121.9(-14.08)	222.0(56.33)	266.2(87.32)

Source: Handbook on Indian Insurance Statistics, 2012-13

sea-faring trade and commerce in the 17th Century. It comes to India as a legacy of British occupation. In 1914, the Government of India started publishing return of insurance companies in India. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about life and non-life business transacted in India by Indian and foreign insurers including provident Insurance societies. The first step towards nationalization of insurance was taken on January, 1956 by the promulgation of Life insurance (Emergency Provisions), Ordinance, 1956. In terms of this Ordinance, the management of the controlled business of insurers was vested in the Central Government. Before nationalization, the insurance industry was organized into 243 autonomous units, each with its own separate administrative structure of offices and field staff, its own separate set of agents and of medical examiners. Their offices concentrated in large cities and their field of operation was confined to the major urban areas. Out of 145, Indian insurance companies, as many as 103 had their head offices in four cities of Bombay, Calcutta, Delhi and Madras. When the corporation was constituted on 1 September, 1956, it integrated into one organization, the controlled business of 243 different units, Indian and foreign, which were engaged in the transaction of life insurance business in India. An Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies-245 Indian and foreign insurers in all. The LIC had monopoly till the late 1990s when the insurance sector was reopened to the private sector. The Congress Government (1991-1996) that introduced reforms in various sectors of the economy could not bring about a change in the insurance sector and it was left to the BJP-led coalition to instate the present liberal structure, despite criticism from some of its left support groups (Padhi ,2013) .The argument behind opening up of the sector was consumer-centric, which claimed that opening up insurance would give better products and services to consumers; the opponents of privatization argued that in poor country like India insurance needs to have social objectives and newcomers will not have that commitment although the insurance sector was opened to completion again in 1999-2000, it still has some way to go before we can gauge its true performance. Following the recommendations of the Malhotra committee report, in 1999, the insurance regulatory and development authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while insuring the financial security of the insurance market. The IRDA opened of the market in August 2000 with the invitation for application for registration. Foreign companies were allowed ownership of upto 26 percent . The authority has the power to frame regulations under section 114A of the insurance act, 1938 and has from 2000 onwards frame various regulations ranging from registration of companies for caring on insurance business to protection of policy holders interest. Presently 24 insurance companies including LIC of India are operating their business in Indian insurance market. The major milestones in the history of insurance in India are shown in Chart 1.

Chart 1
Major Milestones of Insurance Industry in India

Year	Milestones of Insurance Industry
1912	First piece of insurance regulation promulgated—Indian Life Insurance Company Act, 1912.
1928	Promulgation of the Indian Insurance Companies Act.
1938	Insurance Act 1938 introduced the first comprehensive legislation to regulate insurance business in India.
1956	Nationalization of life insurance business in India.
1972	Nationalization of general insurance business in India.
1993	Setting up of the Malhotra Committee.
1994	Recommendations of Malhotra Committee released.
1996	Setting up of an (interim) Insurance Regulatory Authority (IRA).
1997	The government gives greater autonomy to LIC, General Insurance Corporation of India (GIC) and its subsidiaries with regard to the restructuring of boards and flexibility in investment norms aimed at channeling funds to the infrastructure sector.
1999	The Standing Committee headed by Murali Deora decides that foreign equity in private insurance should be limited to 26%. The IRA Act was renamed the Insurance Regulatory and Development Authority (IRDAI) Act.
1999	Cabinet clears IRDAI Act.
2000	President gives assent to the IRDAI Act
2015	FDI have been hiked to 49 percent in Insurance Sector

Source: Dutta and Sengupta, (2011) and The Economic Times (2015).

Economic reform usually refers to deregulation, or at times to reduction in the size of the government, to remove distortions caused by regulations or the presence of the government. The process of economic reforms was born out of the crisis in the Indian economy which occurred in 1991. This mis- happening compelled the government to adopt a new path-breaking economic policy under which a series of economic reform measures were undertaken not only with the objective to deal with the crisis but also to take the economy on a high growth path (Ansari and Rehmani, 2016). Liberalization and deregulation seek to improve economic welfare by bringing more efficient allocation of resources in the long run. As a consequence, dozens of countries have deregulated and liberalized their insurance markets. Insurance sector in India has also gone through the process of reforms following the recommendations of Malhotra Committee's report submitted in 1994. The insurance industry in India has passed through a period of structural changes under the combined impact of financial sector reforms in general and insurance sector in particular. With the liberalization of insurance sector, the paradigm for Indian insurance industry has witnessed a sea change during the last decade. In this paper an attempt has been made to analyze the overall performance of the insurance industry in India. The results show that there has been a tremendous improvement in the overall performance of the insurance sector in India, particularly in terms of insurance density and penetration.

Regulations were persistent since the inception of the State starting from standardized weights and measures, law and order, norms, customs, etc. With the development of the economic activities and privatization the equitable provision of public utilities such as water, electricity, communication, etc also came under the government regulation. Regulations are basically aimed to curb monopolistic tendencies and to protect interest of consumers. Thus regulation can be defined as, the totality of government control on the social and economic activities of its citizens, the rule making process of those administrative agencies charged with the official interpretation of laws (Shafritz and Russell, 1999). Government intervention in the economy can be interpreted in two major categories i.e. Public Interest Theory and Theory of Regulatory Capture. Public Interest Theory postulates that benevolent state intervenes in the market to maximize public welfare (Posner, 1974; Shleifer, 2005). This theory is based on Pigovian welfare economics (Shleifer, 2005). While Theory of Regulatory Capture contends that the state intervention does not promote public interest rather it promotes private interest. Regulator works in accordance with the regulated because regulated have the systematic information on the basis of which the regulator decides (Stigler, 1971; Williams, 2004). Regulators supply regulatory services in exchange of regulatory rents such as political income or personal gains (Stigler, 1971). Developing upon the theory of regulatory capture, Virginia School propagated

Theory of Rent Seeking. It posits that private entrepreneurs try to solicit favors from government in the form of legal concessions that create barriers to the free entry of firms and benefiting the entrepreneur and in the process regulators can maximize their power and revenues (Lane, 2000; Williams, 2004). In the last twenty years there had been transition in world economies from being unregulated (Deregulation) and then mixture of deregulation and regulation (re-regulation) and consecutively emphasis is on improving the effectiveness of regulation (Meloni, 2010). The liberalization of the insurance industry in India has thus emerged as the litmus test for the ability and the willingness of a central government to push through market friendly economic reforms (Chowadhary, 2016). The liberalized insurance market in India has been able to generate considerable interest and awareness among people. Insurance field is creating new horizons of attracting talent and as a result leads to reduced unemployment. Insurance, at present, has become a more complex and a difficult business to do.

Growth of Insurance in India

Gross Domestic Product and insurance penetration in India is shown in Chart 2. There has been fluctuating trend in growth of GDP and insurance penetration in India over the period of 2000 to 2013. India became the 10th largest insurance market in the world in 2013, rising from 15th rank in 2011. At a total market size of $66.4 billion in 2013, it remains small compared to world's major economies, and Indian insurance market accounts for 2 percent of world's annual insurance business. India's life and non-life insurance industry has been growing at double digit growth rates and this growth is expected to continue through 2021. Life insurance: Indian economy retains about 360 million active life insurance policies, the largest in the world. Of the 52 insurance companies in India, 24 are active in life insurance business. The life insurance industry in the country is projected to increase at double digit compounded annual growth rates through 2019, with targets to reach $1 trillion annual notional values by 2021. Insurance penetration was recorded highest in 2009 and lowest in 2000.

There were 53 insurance companies operating business in India at the end of March 2014, out of which 24 are in the life insurance sector and 28 in the non-life sector. In addition to this, General Insurance Corporation (GIC) is the sole national reinsurer. Out of 53 companies that are operating in India, 8 are in the public sector, with two specialized insurers, namely; ECGC and AIC and one in life insurance sector namely; Life Insurance Corporation of India (LIC) and four in the non-life insurance sector and one in the reinsurance business i.e. GIC. The remaining forty five companies operating in the insurance sector in India are in the private sector (Ansari and Rehmani, 2016).

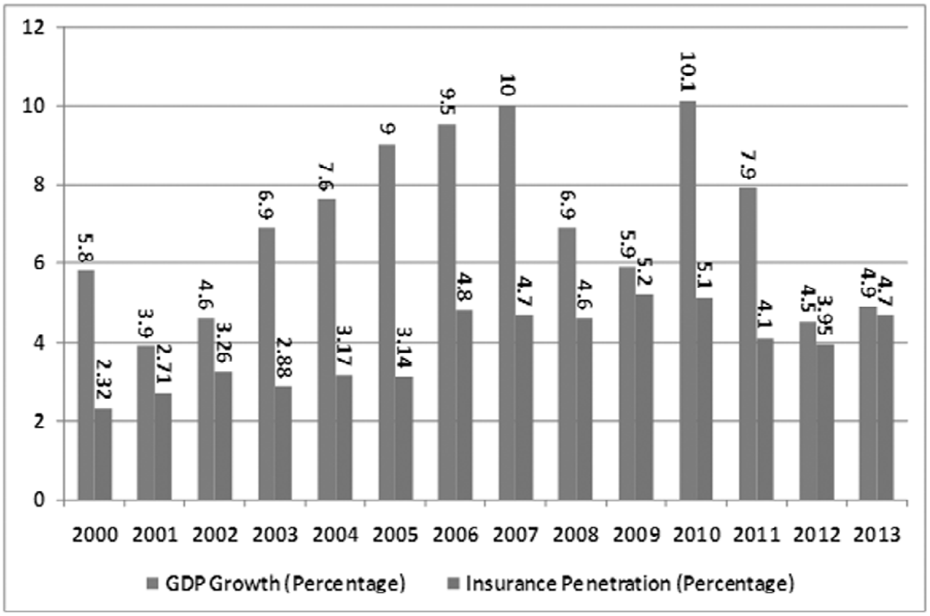

Chart 2: Growth of GDP and Insurance Penetration in India

After the advent of financial sector reforms in 1990s, the insurance industry was opened for private participation and foreign equity in India in early 2000. Insurance Regulatory and Development Authority of India (IRDAI) is a statutory body formed in April, 2000 under an Act of Parliament by Government of India to protect the interests of the policyholders and to regulate, promote and ensure orderly growth of the insurance industry in India. At the time of opening up of the sector, there was only Life Insurance Corporation of India offering life insurance products; four subsidiary companies under the flagship of General Insurance Corporation of India were offering general insurance or non-life products; and ECGC was a specialized insurer. After allowing private sector companies into insurance sector, the industry has so far witnessed the entry of 23 new private companies in the life segment and 22 in the non-life segment

From just four general insurers in the year 2000, there are 28 general insurers operating in India in 2015. Among them, 5 are exclusively for Health Insurance, one is for Agriculture Insurance and one is for Export Credit insurance. Four public sector general insurers and 17 private general insurers are dealing in all types of non-life insurance sales and servicing. The number of employees in non-life industry increased from 77,030 in 2003-04 to 1, 06,776 in 2014-15. There are a number of agents as well as intermediaries servicing the sector. As on 31.03.2015, there are 5,90,479 agents. The number of offices in general insurance sector also increased to 10407 by 31st March, 2015 from 4573 in 2003-04. The non-life insurance industry had underwritten a total premium of Rs 84684 crore in India for the year 2014-15. The number of policies issued stood at 11.83 crore policies in 2014-15 as against 4.77 crore in 2003-04 (IRDA, 2015).

While the insurance sector's journey over the last 15 years has been fast-paced, it hasn't been flawless. During liberalization era, insurers went on an overdrive to ramp-up distribution and operations in a bid to win market share. Rapid economic growth, rising middle class population, and wealth and bullish equity markets enabled 23 percent average rate of growth for the life insurance industry's first year premium between 2002 and 2011, and 16 percent for the non-life sector's gross direct premium between 2002 and 2015 (Table 2). However, as the building scale took precedence over creating a quality business, the regulator stepped in to establish checks at every strata of the business. This led insurers to reflect upon the viability of their operating models in the new product landscape. Insurers were compelled to undertake multiple corrective measures, as efficiency and profitability became paramount for long-term value creation. As a result of these measures, the customer took its rightful place as the central figure and the focus moved towards winning customer trust. The first year premium for life insurers grew from Rs. 262 billion in 2005 to Rs. 1,264 billion in 2011, at a CAGR of 30 per cent on account of growing awareness about life insurance, favorable demographics, buoyant equity markets, rapid distribution expansion and launch of innovative products (E&Y, 2015).

Table 2
Evolution of India's Life Insurance Industry

Year	*Penetration (Rs. Billion)*	*Penetration Gross Premium/GDP*	*Share of Private Players*
2002	199	2.2	1.0
2003	169	2.6	6.0
2004	198	2.3	12.0
2005	262	2.5	21.0
2006	388	2.5	26.0
2007	756	4.1	26.0
2008	937	4.0	36.0
2009	873	4.0	39.0
2010	1099	4.6	35.0
2011	1264	4.4	31.0
2012	1140	3.4	28.0
2013	1076	3.2	29.0
2014	1202	3.1	25.0
2015	1131	2.6	31.0

Source: Life Insurance Council, IRDA

The year 2012 witnessed a fall in the ranking of the Indian insurance industry in the world insurance market by four notches from spot 11 to 15. This has been attributed mainly to the sharp decline in the life insurance business. The non life insurance industry however witnessed robust growth of 23 percent. Among the issues expected to affect the industry are the stricter regulatory requirement which is paving way for the industry to be more customer centric. The Indian non life insurance industry has been forging ahead at a robust growth rate presently at 18 percent in 2013. The significant change in the motor insurance is that the regulator has disbanded the motor pool effective 01st April 2012 and the motor liability premium has seen a rate increase ranging from 6-40 percent in the latter half of the year (Chart 3).

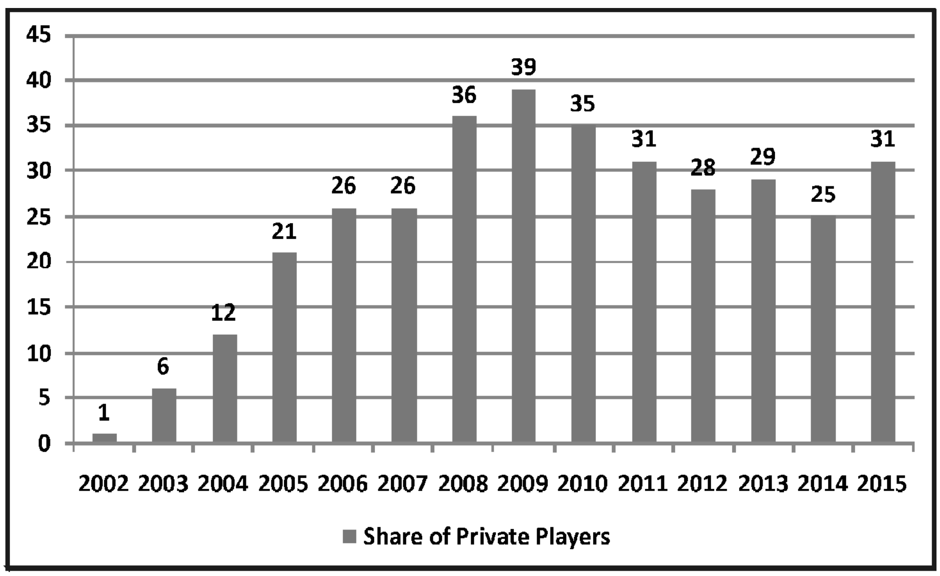

Chart 3: Share of Private Sector in Non-Life Insurance Industry

Non-life insurance sector's volume growth has been more consistent, when compared to life insurance sector's growth. The gross direct premium of the non-life insurance sector stood at Rs. 847 billion in 2015, having grown at a CAGR of 16 percent since 2002. The non-life sector's growth has been largely in line with the nominal rate of GDP growth during this period. The lines of business leading this growth have been motor (CAGR of 18 percent between 2006 and 2014 and health (CAGR of 30 percent between 2006 and 2014). However, steady volume growth didn't materialize into comparable value creation, particularly since 2007, when price deregulation came into effect. Before 2007, insurers could drive profitable growth by altering distributor payouts. Starting 2007, non-life insurers were pulled out of their comfort zone, as profits eroded across lines of business, owing to increased price-led competition. Volume growth too, has come under pressure over the last two years, on account of weaker auto sales and slow execution of infrastructure projects among other factors. Despite the recent slowdown, the non-life sector is projected to grow at a CAGR of 14 percent over the next three years (E & Y, 2015).

Market share of Life Insurance Companies is shown in Table 3. There has been decreasing trend in the share of public sector in life insurance business over the period of 2003-4 to 2012-13. LIC accounted or 95.32 per cent in life insurance business in 2003-04 which decline to 72.70 per cent in 2012-13. This is because of the fact that the policy of globalization and economic liberalization which allowed entry of private sector in life insurance business. The share of private sector increased from 4.68 per cent in 2003-04 to 27.30 per cent in 2012-13 in life insurance business in India. Even share of private sector was recorded significantly high in 2010-11 and 2009-10.

Table 3
Market Share of Life Insurance Companies

(in Percentage)

Year	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*	*2009-10*	*2010-11*	*2011-12*	*2012-13*
Public (LIC)	95.32	90.67	85.75	81.90	74.39	70.92	70.10	69.77	70.68	72.70
Private	4.68	9.33	14.25	18.10	25.61	29.08	29.90	30.23	29.32	27.30

Source: IRDAI, Various Annual Reports

There has been fluctuating trend in market share of life insurers over the period of 2003-04 to 2014-15. LIC accounted for 73.05 per cent in total premium earned in 2014-15 while private sector companies earned business about 26.95 per cent in the year. There has been phenomenal growth in the total premium earned by private sector companies in life insurance over the corresponding period. Private sector accounted for higher share in regular premium as compared to public sector units. However, public sector unit accounted for about half of the share in regular premium of life insurance during 2014-15. The share of LIC was accounted significantly higher in single premium followed by renewal premium.

There has been an increase of 105.49 per cent in number of policies issued by non-life insurers in India during the period of 2003-04 to 2011-12. The growth of policies issued by private sector was recorded 898.18 per cent while policies issued by public sector increased by 37.44 per cent over the corresponding period. Thus, during the globalization and economic liberalization era, the performance of non-life insurers in private sector has shown higher as compared to public sector. There has been decline in share of public sector both in life insurance and non-life insurance sector during the period of 2003-04 to 2014-15. The share of public sector in life insurance was recorded 94 per cent in 2003-04 which declined to 77.86 per cent in 2014-15. Similarly, the share of public sector declined from 92 per cent in 2003-04 to 56.46 per cent in 2014-15. The share of private sector in life insurance increased from 6 per cent in 2003-04 to 22.14 per cent in 2014-15. Similarly, the share of private sector in non-life insurance significantly increased from 8 per cent in 2003-04 to 43.54 per cent in 2014-15.

Conclusion

Insurance industry in India is undergoing a paradigm shift. It is significantly affected by the dynamics in external environment which comprises new regulatory framework, a variety of new products, new marketing and distribution channels, new approaches to underwriting and claims processing and increasing use of latest technology. The insurance liberalization makes the acquisition of insurance business in India an important place and role to play in the financial sector of Indian economy and also globally. Privatization experiences dynamic and versatile changes in the insurance industry. The private insurers have to take measures in expanding their reach to the small and medium urban centers and also a good number of villages as a way to expand their insurance market. Insurance liberalization and reforms have brought about a remarkable change in the Indian insurance market. This has given greater autonomy to life insurance companies as a way to improve their performance and act as independent companies with economic and financial motives. It has put the insurance sector and also the total economy on a path of progress and sustained development. It plays its genuine role in supporting the strongly growing economy. The insurance business during the post-liberalization regime may expect greater variety of products, efficiency in the delivery of service by the new and efficient distribution channels, efficiency in customer service and pro-active regulatory framework. This has shown that India, after China, has significant potential for market expansion. The liberalized insurance market in India has been able to generate considerable interest and awareness among people. Insurance field is creating new horizons of attracting talent and as a result leads to reduced unemployment. Insurance, at present, has become a more complex and a difficult business to do. The occurrence of risks and their outcomes have been magnified significantly because of the large-scale operations of different business organizations due to the globalization, liberalization and privatization policies adopted by the Government. After insurance liberalization, with the entry of private players, the rules of the insurance business have been completely changed. The entire insurance regulation vests with the responsibility of the Insurance Regulator i.e. the IRDA. The outcome of insurance liberalization over a period of ten years has been positive and is identified as the beginning of new era with many heights to reach.

Liberalization of insurance has introduced competition in the industry with the advent of private sector companies promoted by Indian and foreign business groups. Globalization has augured well for the industry and the consumers. The competition may make the life of the insurance customers easier and better in the years to come. A wide-variety of insurance products, professional consultancy to customers and customer-focused service are some of the benefits available to customers. It is also made important to remain in constant touch with the customers' needs and expectations many times a year. The competition among insurance players has created increased insurance awareness and also helped to expand the insurance market. It has increased the efficiency of all insurers.

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