

LIFE INSURANCE INDUSTRY IN INDIA

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Introduction

Indians generally consider insurance as a means of tax saving instrument, and miss out on the primary importance of insurance which is to provide protection and wealth creation opportunity in the long run. Social media can be used as a platform to remind people consistently of the need to be insured rather than waiting for a significant event to occur in their lives.

Till this date, only 20% of the total insurable population of India is covered under various life insurance schemes, the penetration rates of health and other non-life insurances in India .Life Insurance Corporation (LIC) has been losing its market share consistently through 2012-13. During the April-February period, LIC's market share of total premium the sum of individual single and non-single premiums and group single and non-single premiums fell to 61.4% compared with 67.9% in the April-June period.

Objectives of the Study

1. To evaluate the growth of Insurance sector during post privatization period.
2. To analyze the Market Share of Both Life Insurers and Non-Life Insurers
3. To observe the present position of Indian Insurance Industry

Scope of the study

This study is undertaken mainly to highlight the total number of registered insurance sector in India, Life Insurance Premiums in India , Non-Life Insurance Premium in India, Life Insurance Claims in Indian industry and the market share of the life insurance corporation of India.

Data Collection

The present study is based on secondary data. The following information have been collected by the researcher extracted from Annual Reports of IRDA and LIC of India.

Year	Life		Non life		Industry	
	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)
2001	9.1	2.15	2.4	0.56	11.5	2.71
2002	11.7	2.59	3.0	0.67	14.7	3.26
2003	12.9	2.26	3.5	0.62	16.4	2.88
2004	15.7	2.53	4.0	0.64	19.7	3.17
2005	18.3	2.53	4.4	0.61	22.7	3.14
2006	33.2	4.10	5.2	0.60	38.4	4.80
2007	40.4	4.00	6.2	0.60	46.6	4.70
2008	41.2	4.00	6.2	0.60	47.4	4.60
2009	47.7	4.60	6.7	0.60	54.3	5.20
2010	55.7	4.40	8.7	0.71	64.4	5.10
2011	49.0	3.40	10.0	0.70	59.0	4.10

The insurance density of life insurance sector

The insurance density of life insurance sector had gone up from USD 9.1 in 2001 to USD 49.0 in 2011 while reaching the peak at USD 55.7 in 2010. Similarly, life insurance penetration surged from 2.15 per cent in 2001 to 4.60 per cent in 2009, before slipping to 4.40 per cent in 2010 and further slipping to 3.40 per cent in 2011. Over the last 10 years, the penetration of nonlife insurance sector in the country remained steady .

1. Insurance density is measured as the ratio of premium(in US Dollar)to total population
2. Insurance penetration is measured as the ratio of premium(in US Dollar)to GDP (In US Dollar)
3. The data of Insurance penetration is available with rounding off one digit after decimal from 2006

Insurance Companies in India

At the end of September 2012, there are fifty-two insurance companies operating in India; of which twenty four are in the life insurance business and twenty-seven are in general insurance business. In addition, GIC is the sole national reinsurer. Of the fifty two companies presently in operations, eight are in the public sector - two are specialized insurers, namely ECGC and AIC, one in life insurance namely LIC, four in general insurance and one in reinsurance. The remaining forty four companies come under the private sector.

Sectorwise Insurers In India (As on 30th September, 2012)

Sector	Public sector	Private sector	Total
Life insurance	1	23	24
General insurance	6	21	27
Reinsurance	1	0	01
Total	8	44	52

Life Insurance Premiums in India

The total premium income, the market share of LIC increased marginally from 69.77 per cent in 2010-11 to 70.68 per cent in 2011-12. Accordingly, the market share of private insurers has gone down marginally from 30.23 per cent in 2010-11 to 29.32 per cent in 2011-12. The market share of private insurers in first year premium was 28.15 per cent in 2011-12 and the same industry achieved 71.85 percent. Similarly, in renewal premium, LIC continued to have a higher share at 69.91 per cent when compared to 30.09 per cent share of private insurers.

During 2011-12, life insurers issued 442 lakh new policies, out of which LIC issued 358 lakh policies (80.90 per cent of total policies issued) and the private life insurers issued 84 lakh policies (19.10 per cent). While LIC suffered a decline of 3.47 per cent (4.70 per cent decline in 2010-11) in the number of new policies issued against the previous year, the private sector insurers continued the previous year's experience of significant decline and reported a dip of 24.04 per cent (22.61 per cent decline in 2010-11) in the number of new policies issued. Overall, the industry witnessed 8.22 per cent decline (9.53 per cent decrease in 2010-11) in the number of new policies issued.

Market share of life insurers in India

Type of insurers	Regular		Single		First year		Renewal		Total	
	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012
LIC	56.71	64.58	81.26	80.58	68.84	71.85	70.48	69.91	69.77	70.68
PRIVATE SECTOR	43.29	35.42	18.74	19.42	31.16	28.15	29.52	30.00	30.23	29.32
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Life Insurance Claims in India

The claim settlement ratio of LIC appeared to be better than that of the private life insurers. Settlement ratio of LIC increased to 97.42 per cent during the year 2011-12 when compared to 97.03 per cent during the previous year. The percentage of repudiations also went up from 1.21 per cent in the previous year to 1.30 per cent in the year 2011-12. Similarly for private insurers, settlement ratio moved up to 89.34 per cent during the

financial year 2011-12 when compared to 86.04 per cent during the previous year. Private insurers repudiated a higher number of claims when compared to LIC. The percentage of repudiations decreased to 7.82 per cent in 2011-12 from 8.90 percent in 2010-11. Accordingly, the industry's settlement ratio increased slightly to 96.26 percent in 2011-12 from 95.58 percent in 2010-11 and the repudiation ratio went up slightly as well 2.24 percent in 2011-12 from 2.04 percent in 2010-11.

INDIVIDUAL DEATH CLAIMS OF LIFE INSURERS IN INDIA

Insurer	Total claims	Claims paid	Claims Repudiated	Claims Written back	Claims Pending at End of year	Break up of claims pending ..duration wise(polices)			
						<3months	>3to<6 months_	>6to<12 months	>12 months
Private	100	89.34	7.82	0.03	2.82	81.85	8.27	4.45	5.43
LIC	100	97.42	1.30	0.06	1.21	37.36	23.57	22.10	16.97
Industry	100	96.26	2.24	0.06	1.44	49.86	19.27	17.14	13.73

Non-Life Insurance Premium in India

The non-life insurance industry underwrote total premium of `52,876 crore in India for the year 2011-12 as against `42,576 crore in 2010-11, registering a growth of 24.19 per cent as against an increase of 22.98 per cent recorded in the previous year. The public sector insurers exhibited growth in 2011-12 at 21.50 per cent; over the previous year's growth rate of 21.84 per cent. The private non-life insurers registered growth of 28.07 per cent, which is higher than 24.67 per cent ... ICICI Lombard continued to be the largest private sector non-life insurance company, with market share of 9.74 per cent. It reported a marginal decrease in market share in the year 2011-12 down from 9.99 per cent in 2010-11. Bajaj Allianz, the second largest private sector non-life insurance company underwrote a total premium of `3,287 crore, witnessed decline in its market share from 6.74 per cent in 2010-11 to 6.22 per cent during the year under review.

Gross direct premium income in India of non-life insurers

(Rs. in. crores and %)

Insurer	2010-11	2011-12
Private sector	25151.85(21.84)	30560.74(21.50)
Public sector	17424.63(24.67)	22315.03(28.07)
Total	42576.47(22.98)	52875.77(24.19)

The Motor business continued to be the largest non-life insurance segment with a share of 45.84 per cent in 2011-12 (42.68 per cent in 2010-11). It reported a healthy growth rate of 33.38 per cent (20.82 per cent in 2010-11). The premium collection in Health segment continued to surge ahead at `11,777 crore in 2011-12 from `9,944 crore of

2010-11, registering a growth of 18.44 per cent. The market share of Health segment in the year 2011-12 stood at 22.27 per cent against 23.36 per cent share in the year 2010-11. The premium collection from Fire and Marine segments increased by 19.20 per cent and 14.13 per cent respectively in 2011-12, whereas for the previous year the growth rate in the Fire and Marine segments was 17.72 per cent and 16.20 per cent respectively.

Premium (with in India) underwritten by Non Life Insurers-Segment Wise
(Rs.In Crore)

Segment	2010-11	2011-12
Fire	4555 (10.70)	5430(10.27)
Marine	2519 (5.92)	2875(5.44)
Motor	18173 (42.68)	24239(45.84)
Health	9943.93(23.35)	11777(22.27)
Others	7386 (17.35)	8556(16.18)
Total premium	42576(100.00)	52876(100.00)

Conclusion

The Insurance industry in India has been through a cycle involving high growth and more recent moderations. The next wave of growth will be of different nature and complexity, led by players who change the market dynamics through innovation. However, this would require that insurers bring about the fundamental difference in mindset on how they perceive the role of innovation achieving profitable growth of industry to compare with other investment proposals. The insurers will need to align the people strategies to create a culture of generating new ideas and implementing those using optimal resources.