
INSURANCE SECTORS IN INDIAN ECONOMY

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Abstract

In the past several years, the insurance industry in India has grown rapidly. Here, we look at the insurance industry in India from the beginning to the present, and chart its progress. Some of the critical problems in today's business have been uncovered through our investigation. Low penetration and density rates; "lack of investment" in insurance products; the dominance of government insurers; and the degradation of those businesses' financial health are some of the challenges mentioned in the study on the insurance industry. The growth of India's economy depends on the country's ability to absorb shocks; hence the creation of an insurance market is essential.

Keywords: Insurance Industry; Business; Lack of Investment; Indian economy.

Introduction

The insurance industry's importance to a country's economic growth is widely known. One of the first acknowledgments of the significance of insurance operations in macroeconomic development may be found in the UNCTAD proceedings. Economic development is dependent on the existence of a robust "national insurance and reinsurance market".

In the recent decade, India's insurance business has grown tremendously, with the launch of a large number of new and innovative products. As a result, there has been a lot of healthy competition. The Indian insurance industry is vital to the country's economic health. Individuals are better able to save for the future, and the insurance industry is better able to build up a large pool of money as a result. Great-scale infrastructure projects in India are made possible thanks in large part to the insurance industry. (Madhavi, 2014)

The Indian Insurance Sector

"Life insurance and non-life insurance" make up the bulk of the Indian "insurance market". Generally speaking, the non-life insurance industry is known as "General

Insurance." "The Insurance Regulatory and Development Authority of India (IRDAI)" oversees both life and non-life insurance ("Insurance Regulatory and Development Authority of India").

It is the job of the "Insurance Regulatory and Development Authority of India" (IRDA) to monitor and protect the interests of insurance consumers in India. This is why the IRDAI's rules and regulations apply to all insurers.(Pant & KC, 2017)

There are a total of 57 insurance firms in India. "Life insurance" providers make up 24 of the 33 non-life insurance firms. In contrast to non-life insurance firms, which provide coverage for our day-to-day activities such as travel, health care and automobile insurance, and life insurance companies provide coverage for our lives. In addition, the non-life insurance providers cover our industrial equipment as well. Farmers in India may now purchase crop insurance, as well as mobile phone and pet insurance policies from general insurers in India.

The Performance Highlights of the Indian Insurance Industry

Table 1 Life Insurance Performance Table

Life Insurance Business Performance:	Public Sector 2015-16	Private Sector 2015-16	Public Sector 2014-15	Private Sector 2014-15
Premium Underwritten (Rs in Crores)	266444.21	100499.02	239667.65	88433.49
New Policies Issued (in Lakhs)	205.47	61.92	201.71	57.37
Number of Offices	4892	6179	4877	6156
Benefits Paid (Rs in Crores)	141201.05	60565.05	144125	67054
Individual Death Claims (Number of Policies)	761983	114697	755901	121927
Individual Death Claims Amount Paid (Rs in Crores)	9690.17	2946.49	9055.18	2733.49
Group Death Claims (Number of lives)	247504	297833	273794	192989
Group Death Claims Amount Paid (Rs in Crores)	2494.03	2303	2037.27	1483.55
Individual Death Claims (Figures in percent of policies)	98.33	91.48	98.19	89.4
Group Death Claims (Figures in percent of lives covered)	99.69	94.65	99.64	91.2
No. of Grievances reported during the year	64750	139951	80944	198048
Grievances resolved during the year	64750	145125	80944	193119
Grievance Resolved (in percent)	100	103.69	100	97.51

Source: <https://www.acko.com/articles/general-info/insurance-sector-india/>

Table 2 Non-Life Insurance Performance Table

Life Insurance Business Performance:	Public Sector 2015-16	Private Sector 2015-16	Public Sector 2014-15	Private Sector 2014-15
Premium Underwritten (Rs in Crores)	47691	39694	42549.48	35090.09
New Policies Issued (in Lakhs)	8414	2389	8207	2200
Number of Offices	4892	6179	4877	6156
Net Incurred Claims (Rs in Crores)	38104.27	21764.44	31567.75	19430.46
No. of Grievances reported during the year	17808	41802	15860	44828
Grievances resolved during the year	17718	42493	16105	43318
Grievance Resolved (in percent)	9.49	101.65	101.54	96.63

Source: <https://www.acko.com/articles/general-info/insurance-sector-india/>

The Past of Insurance Sector in India

LIC was the only life insurance provider in India a decade ago. Non-life insurance, sometimes known as "general insurance," was provided by a few public sector organizations in India, including "New India Assurance (NI) and the National Insurance".

Insurance in India started to take off in 2000, despite the introduction of private sector businesses in the industry. 24 life insurance companies and 30 nonlife insurance companies dominate the Indian insurance market.

Several more insurers are still waiting for "IRDAI" approval before they may enter the Indian insurance market. (Jayakumar & Almeida, 2018)

The Present of Insurance Sector in India

"LIC, New India, National Insurance, United Insurance, and Oriental" are the only government-controlled insurance firms in India that have a considerable market share and contribute considerably to the sector. Both crop and credit insurance are offered by "Agriculture Insurance Company Ltd". In addition, foreign insurers have created partnerships with "Indian private insurers (both life and general)". (Bhatia et al., 2018)

Life Insurance Companies Private Sector Companies

- Aegon Life Insurance Co. Ltd.
- Aviva Life Insurance Co. India Ltd.
- Bajaj Allianz Life Insurance Co. Ltd.
- Bharti AXA Life Insurance Co. Ltd.
- Birla Sun Life Insurance Co. Ltd.
- Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.
- DHFL Pramerica Life Insurance Co. Ltd.
- Edelweiss Tokio Life Insurance Co. Ltd.
- Exide Life Insurance Co. Ltd.
- Future Generali India Life Insurance Co. Ltd.
- HDFC Standard Life Insurance Co. Ltd.
- ICICI Prudential Life Insurance Co. Ltd.
- IDBI Federal Life Insurance Co. Ltd.
- IndiaFirst Life Insurance Co. Ltd.
- Kotak Mahindra Old Mutual Life Insurance Ltd.
- Max Life Insurance Co. Ltd.
- PNB MetLife India Insurance Co. Ltd.
- Reliance Life Insurance Co. Ltd.
- Sahara India Life Insurance Co. Ltd.
- SBI Life Insurance Co. Ltd.
- Shriram Life Insurance Co. Ltd.
- Star Union Dai-ichi Life Insurance Co. Ltd.
- Tata AIA Life Insurance Co. Ltd.

General Insurance Companies Private Sector Companies

- Aditya Birla Health Insurance Co. Ltd.
- Bajaj Allianz General Insurance Co. Ltd.
- Bharti AXA General Insurance Co. Ltd.
- Cholamandalam General Insurance Co. Ltd.
- Future Generali India Insurance Co. Ltd.
- HDFC ERGO General Insurance Co. Ltd.
- ICICI Lombard General Insurance Co. Ltd.
- IFFCO-Tokio General Insurance Co. Ltd.
- Kotak General Insurance Co. Ltd.
- L&T General Insurance Co. Ltd.
- Liberty Videocon General Insurance Co. Ltd.
- Magma HDI General Insurance Co. Ltd.
- Raheja QBE General Insurance Co. Ltd.
- Reliance General Insurance Co. Ltd.

- Royal Sundaram Alliance Insurance Co. Ltd
- SBI General Insurance Co. Ltd.
- Shriram General Insurance Co. Ltd.
- TATA AIG General Insurance Co. Ltd.
- Universal Sompo General Insurance Co.Ltd.

Health Insurance Companies

"The Insurance Sector" in India has grown considerably and now has a significant market share as a result of this partnership with global markets. FDI was limited to 26% in 2000 and was raised to 49% in 2014 when India permitted for the entry of private insurance businesses. The Insurance Laws (Amendment) Act, 2015, according to IRDAI, increases the foreign investment cap in Indian insurance companies from 26% to a specifically composite limit of 49% while still guaranteeing Indian ownership and control of the company in question.

Private insurers like HDFC, ICICI, and SBI have been fierce rivals in India's insurance market for both life and non-life insurance products.(Bala & Verma, 2013)

The Future of Insurance Sector in India

It is expected that both the life and non-life insurance industries would develop strongly in 2017 as the launch of new private insurers takes place. Existing insurance plans with large deductibles and low premiums are in great demand. There is a limit on the expansion of the insurance business in India because of the country's limited economic growth.(Mall, 2018)

Insurance in India will introduce new trends, such as product innovation and multi-distribution, as well as enhanced claims administration, into the Indian's market as income and purchasing power grow tremendously.

As a result of these efforts, the government is also working hard to ensure that those who fall below the poverty level have access to health insurance:

- "Pradhan Mantri Suraksha Bima Yojana (PMSBY),"
- "Rashtriya Swasthya Bima Yojana (RSBY)" and
- "Pradhan Mantri Jeevan Jyoti Bima Yojana" (PMJJBY).

Lower and cheaper-middle-income Indians would benefit from lower rates under these new insurance if they were made available.

The life insurance market in India has a bright future because to a slew of recent legislative developments. As a result, insurers would have to rethink how they do business and interact with their real customers.

The rising middle class and youthful, insurable population, as well as increased insurance knowledge and retirement planning, are all contributing to the insurance industry's expansion in India. (Ahmed, 2018)

Background of Insurance Sector

Many changes have occurred in the insurance industry over the years, including:

Challenges in India's Insurance Sector

Prevalence of Insurance Gap: At 3.69 percent and US\$ 73, respectively, in FY18, the "insurance penetration (ratio of total premium to GDP) and density (ratio of total premium to population)" were lower than the worldwide averages.

- These "low penetration and density rates" reflect the uninsured state of huge sectors of the population in India and the existence of an insurance gap.

Public Sector Dominated: However, public-sector insurers still have a larger part of the insurance industry, despite the fact that the number of public-sector insurers has decreased.

Nascent Non-life Insurance: 74.7 percent of the market is dominated by life insurance, with non-life insurance making up the remaining 25.3 percent.

- Motor, health, and crop insurers are driving non-life insurance market development. Non-life insurance in India has a penetration rate of less than 1%.
- In addition, the country's insurance products for disasters and cyber security are still in their infancy.

Rural-Urban Divide: In India, there is a lack of insurance penetration and density. In spite of this, rural insurance enrollment remains low, and life insurers, particularly private ones, tend to focus on metropolitan populations.

Capital Starved Insurers: India's insurance market is in a perilous situation because of a shortage of financial and the capital health of the public sector insurers.

- In addition, the banking and NBFC (non-banking financial firms) crises reduced investment in the insurance business.

Way Forward

Increased "insurance coverage" for rural and urban poor populations is needed to increase penetration and density. "Long-term commitment" to the rural sector and policies tailored to the needs of rural residents are critical for Indian insurance companies. Insurance companies need to rethink their distribution strategy in rural areas in order to succeed. Low-cost insurance products, particularly those that may be sold online, are becoming more popular in the sector. An effort to promote awareness and improve financial literacy, particularly around the need of insurance, may also be useful in this regard. "Pradhan Mantri Jan Arogya Yojana," "Pradhan Mantri Fasal Bima Yojana," "Pradhan Mantri Suraksha Bima Yojana," and "Pradhan Mantri Jeevan Jyoti

Bima Yojana" are all examples of government insurance programmes that have contributed to the expansion of insurance coverage among the population in this context.

The now-cancelled merging of "India's three public general insurers" could have substantial repercussions for the general insurance of country business. The issue of inadequate capital and the implementation of a capital framework based on risk must be addressed. First, the dangers of public-sector general insurer's finances must be addressed, and the new regime must strike the right balance between expanding the insurance industry and preserving the interests of policyholders.

Additionally, the use of technology in insurance requires regulatory oversight. Examples include the rise of "Insur Tech," meant to make the claims process easier to understand. To put it another way, if a complete structure for the Indian insurance industry is put in place, the correct use of technology and innovation may benefit the sector. The sector's expansion is projected to be fueled by demographic considerations, as well as increased awareness and financial literacy. Improved government oversight with an emphasis on expanding insurance coverage would also be beneficial.

1. Extra grants are those that are needed by the government to cover additional costs. Prior to the conclusion of the fiscal year, the Parliament presents and passes these measures.
2. The price of non-life general insurance has been left to the open market since 2007, with the exception of motor third-party insurance. Companies have had to lower rates in order to retain market share and keep premiums competitive.
3. Third, big private insurers are concentrating in areas such as crop and car insurance, rather than investigating new options like house insurance or appliance insurance.
4. Crop insurance is rife with controversy about the superiority of public vs private insurers. Private and public insurance companies may and should coexist.
5. However, new channels, such as internet and point of sale, are being established, although their market share is small. Indian insurance penetration and density rates may be increased by enhancing distribution channels.
6. There is a 30% cap on bank stakes in insurance businesses set in place by the Reserve Bank of India (RBI).
7. Based on a reporting entity's size and risk profile, IRDAI recommends using risk-based capital to calculate the minimum amount of capital required to support the reporting entities complete business activities (2017). (Mall, 2018)

Conclusion

There should be a push for insurance policies that may increase insurance penetration in various states of India, as shown by this finding According to the

correlation between physical capital and economic development; greater expenditures should be made in the policies of infrastructure, such as health facilities and road networks. This research might help state governments in their attempts to promote economic growth. According to the results, a number of macro-economic parameters are critical markers of "economic development" in the states, which ultimately contributes to India's economic growth. The findings are also important for the growth of India's insurance industry.

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