

An India's Insurance Sector : A Current Scenario

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ABSTRACT - Insurance is an essential financial service. India has adopted the policy of LPG from 1991. It opens insurance market to private players also. As a result, the business of private sector players spreads to entire country. Enforcement of Insurance Regulatory and Development Authority Act, 1999 gave boost to insurance sector. In India, insurance literacy is very low as a result the insurance penetration is just 3.69% which is not satisfactory. The private sector reported higher growth rate as compare to public sector companies. In this paper attempt has been made to review the overall performance of insurance companies. This descriptive research was done by collecting data from secondary sources like books, articles, annual reports, websites etc.

KEYWORDS - Insurance Players, Insurance Sector, Life Insurance Corporation of India, IRDA, Premium, Policies.

I. INTRODUCTION

The financial services are backbone of economic condition of any country. Not only industrial development but social development is also depends on the effectiveness of financial services in the country. Insurance is one of the important financial services. In India, insurance sector is divided in two parts i.e. private sector and public sector. Insurance sector noticed significant development after the introduction of policy of Liberalisation, Privatisation and Globalisation. Before 1999 there was monopoly of public sector giant company Life Insurance Corporation of India in insurance sector in India. After 1999 many private companies commenced their insurance business in India. Government has increase the Foreign Direct Investment limit from 26% to 49% in 2014 for Insurance sector. This improvement leads to increase in private insurance players. There are total 24 insurance companies provides life insurance services in India. Out of 24 companies, LIC is only company from Public sector and remaining 23 companies are from private sector. The LIC is market leader in Life insurance category on the basis of market share. The market share of private sectors insurance companies also increasing gradually. In 2018, the market share of LIC fell down to 69.4% in Financial Year 2018. The public sector and private sectors companies both playing good job and it results in increase in competition. Therefore there is need to evaluate the performance of insurance companies by using various parameters. In this paper, attempt is made to evaluate the performance of insurance companies in India.

OBJECTIVE OF STUDY

This study was undertaken with following objectives :

1. To understand current scenario of insurance sector in India
2. To analyse the performance of insurance companies.
3. To compare and analyse the growth of insurance sector in India.

II. RESEARCH METHODOLOGY

Descriptive and Exploratory research method has been used for this research purpose. Data has been collected through secondary sources like newspapers, books, magazines, websites and annual reports published by various institutions like IRDA.

INSURANCE INDUSTRY IN INDIA

In 1818, a British insurance company Oriental Life Insurance company has started their business in India. It was first insurance company on Indian Soil. But, this company has closed down its business in 1834. In 1870, an Indian insurance company Bombay Life Assurance Society has commenced their business as first Indian insurance company. In 1912, then British Government passed Life Assurance Insurance Act to regulate the insurance business in India.

On 19 January 1956, Indian Government passed ordinance to nationalized 245 private insurance companies and accordingly government incorporated Life Insurance Company of India on 1st September 1956. With view to make reform in insurance sector government appointed Malhotra Committee. On the basis of recommendations given by this committee government passed new Act Insurance Regulatory Development Authority (IRDA) Act 1999. Currently, IRDA is regulatory authority for insurance sector in India.

OVERVIEW OF INSURANCE SECTOR IN INDIA

Criteria	Detail
Regulatory Authority	Insurance Regulatory and Development Authority (IRDA)
Regulatory Act	Insurance Regulatory Development Authority (IRDA) Act, 1999
Insurance Players (Nos.)	Life Insurance – 24 (Public Sector 01, Private Sector 23) Non-Life Insurance – 21 (Public Sector

	04, Private Sector 17) Re-Insurer – 02 (Public Sector 01, Private Sector 01)
Largest Insurance Player	Life Insurance Corporation of India (Public Sector)
FDI Limit	49% (From December 1914. Earlier it was 26%)

PREMIUM COLLECTED BY THE INSURANCE COMPANIES (Amt. in US\$ Billion)

Year	Life Insurance			Non-Life Insurance
	Renewal Premium	New Business Premium	Total Premium	Total Gross Premium
2011-12	26.3	13.4	39.7	9.28
2012-13	27.3	17.7	45	11.05
2013-14	30.1	18.6	48.7	12.03
2014-15	33.3	17.6	50.9	13.14
2015-16	35.3	21.5	56.8	14.95
2016-17	37.7	27.2	64.9	19.89
2017-18	41.0	30.1	71.1	23.38
2018-19 (Upto Sept. 2018)	8.6	13.1	21.7	8.94

Renewal Premium (Life Insurance) increased from 26.3 US \$ Billion (2011-12) to 41.0 US \$ Billion in 2017-18. Premium collection increased by 155% as compare to 2011-12.

New Business premium (Life Insurance) increased from 13.4 US \$ billion (2011-12) to 30.1 US \$ billion in 2017-18. Premium collection increased by 224% as compare to 2011-12.

Total premium (Life Insurance) increased from 39.7 US \$ billion (2011-12) to 71.1 US \$ billion in 2017-18. Premium collection increased by 179% as compare to 2011-12.

Gross premium (Non-Life Insurance) increased from 9.28 US \$ billion (2011-12) to 23.38 US \$ billion in 2017-18. Premium collection increased by 252% as compare to 2011-12.

SHARE OF VARIOUS INSURANCE TYPES IN NON-LIFE INSURANCE

Insurance Type	% of share in Premium of Non-Life insurance
Health Insurance	27.50
Motor Insurance	39.70
Fire Insurance	8.20
Marine Insurance	2.30
Other	22.3

Source : General Insurance Council (IRDA)

Non-Life insurance includes Health Insurance, Motor Insurance, Fire/Marine Insurance and other.

Motor insurance reported 39.7% share in total non-life insurance premium collected, followed by health insurance with 27.50% share. The share of marine insurance premium is 2.30% which is lowest in this sector.

Out of total premium, share of private sector players is 51.38% and share of public sector players is 48.62%. The share of private sector has been increased from 15% in 2003-04 to 51.38% in 2017-18 whereas the share of public sector players has been reduced from 85% to 48.62%.

MARKET SHARE IN LIFE INSURANCE AND NON-LIFE INSURANCE

Year	Life Insurance		Non-Life Insurance	
	Public Sector	Private Sector	Public Sector	Private Sector
2002-03	98.00%	02.00%	87.70%	12.30%
2017-18	69.40%	30.60%	53.40%	46.60%

The only one public sector company, Life Insurance Corporation of India has major market share in life insurance segment. Its market share reduced from 98% (2002-03) to 69.40% (2017-18). Whereas, private sectors share were increased from 2% (2002-03) to 30.6% (2017-18). As far as non-life insurance is concern, Private sector’s market share is increasing rapidly. It increased to 46.6% from 12.30% in 2002-03.

INSURANCE PENETRATION AND DENSITY

Year	Insurance Penetration (%)			Insurance Density (US \$)		
	Life Insurance	Non-Life Insurance	Total	Life Insurance	Non-Life Insurance	Total

2013 -14	2.60	0.70	3.30	44.00	11.00	56.0 0
2014 -15	2.72	0.72	3.44	43.20	11.50	54.7 0
2015 -16	2.72	0.77	3.49	46.50	13.20	59.7 0
2016 -17	2.76	0.93	3.69	55.00	18.00	73.0 0

Insurance Penetration is the ratio of insurance premium to GDP. India was ranked 41st in 2017 on the basis of Insurance penetration. Insurance penetration reported very slow increase from 3.30% to 3.69%.

Insurance density is the ratio of premium (in US \$) to the total population (per capita premium). Insurance density rose from 56% to 73%.

III. CLAIM SETTLEMENT RATIO

The claim settlement ratio is the ratio of total claim received by the insurance company to total claim paid out by the company. Claim settlement ratio is one of the key parameter considered by the customers while choosing life insurance companies. The below chart shows CSR of Top 5 companies and Bottom 5 companies for the year 2017-18.

S.N.	Insurance Company	No. of Policies	Premium Received (Rs. In Crores)	No. of Plocies	Claim Paid (Rs. In Crores)	Claim Settlement Ratio
1	Max Life	10332	370.99	10152	353.39	98.26%
2	Life Insurance Corporation of India	739082	11379.40	724596	10747.53	98.04%
3	TATA AIA Life	2850	140.25	2793	131.84	98.00%
4	ICICI Prudential Life	11459	777.00	11216	715.11	97.88%
5	HDFC STD Life	12566	544.70	12289	482.78	97.80%
6	IDBI Federal	1161	50.51	1068	45.15	91.99%
7	PNB Met Life	4089	217.97	3726	179.60	91.12%
8	India First	1810	57.62	1626	45.97	89.83%
9	Sahara Life	672	6.62	556	5.41	82.74%
10	Shriram Life	3146	101.75	2524	69.80	80.23%

For the first time in history, a private insurance player has recorded higher claim settlement ratio as compare to public sector giant LIC. CSR of LIC reduced to 98.04% from 98.31 (2016-17). But, CSR of LIC (98.04%) is yet higher than average CSR of private player (95.24%). Overall industry CSR is marginally decreased to 97.68% (2017-18) from 97.74% (2016-17)

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IV. CONCLUSION

Insurance sector is spreading all over the country. Insurance companies consistently launching new product in insurance field to attract more and more customers. Though LIC is market leader in insurance sector, the private sector players creating tough competition to public sector giant LIC. The market share of the Life Insurance Corporation of India is reducing year by year. It is alarming situation for LIC. Total insurance penetration is increasing but at very slower rate. Insurance penetration settled at 3.69% (2017-18) which is very low as compare to the western countries. Insurance players have large opportunities in crop insurance, health insurance, micro insurance, pension market.

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