



LIFE INSURANCE INDUSTRY IN INDIA – CURRENT SCENARIO

¹Khan Hina, ²Vazirani Kiran¹Janardhan Rai Nagar Rajasthan Vidhyapeeth University, Udaipur, Rajasthan, India²T John College, Bangalore University, Bangalore, Karnataka, India**ABSTRACT**

Life insurance is a contract between an insurance policy holder and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money (the benefit) in exchange for a premium, upon the death of an insured person (often the policy holder). Depending on the contract, other events such as terminal illness or critical illness can also trigger payment. The policy holder typically pays a premium, either regularly or as one lump sum. Other expenses (such as funeral expenses) can also be included in the benefits. 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 at 21%. In life insurance business, India is ranked 10th among the 88 countries, for which the data was published by Swiss Re. 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 (inflation adjusted) increased by 7.8% when global life insurance premium increased by 4%. This paper will throw light on the current life insurance industry in India, in terms of change of penetration, density, business earned, new products added in the portfolio, distribution channels, etc., from last 5 years.

KEYWORDS: Portfolio, Distribution Channels, insurance policy holder**INTRODUCTION**

Insurance is a risk management technique primarily used to hedge against the risk of a contingent, uncertain loss that may be suffered by those individuals or entities that have an insurable interest in scarce resources, by transferring the possibility of this loss from one interested person, persons, or entity to another. The scarce resources referred to here, fall into three divisions: human resources, financial resources, and capital, or tangible resources.

The business of life insurance in its existing form entered into India from United Kingdom (UK) with the establishment of A Oriental Life Insurance Company (a British firm) in Calcutta in 1818 and followed by Bombay Life Insurance Company in 1823, the Madras Equitable Life Insurance Society in 1829 and Oriental Govt. Security Life Assurance Company in 1874. Prior to 1871 India lives were treated as sub-standard and charged an extra premium of 15 percent to 20 percent. Bombay mutual Life Assurance Society, India insurers which came into existence 1871, was the first to cover Indian lives at normal rates.

In 1912, the first Indian Life Assurance Companies Act was come into force, which was followed by the formation of Indian Insurance Companies Act to enable the government to collect statistical information about life insurance and non-life insurance business. In 1956, 245 Indian and foreign insurers and provident societies were taken over by Central Government and nationalized to form Life Insurance Corporation of India (LIC of India). The major turnaround in Indian Insurance industry happened in 1994, when

Malhotra Committee recommended its report for the development of Indian Financial sector. In 1997, IRDA (Insurance Regulatory and Development Authority) was set up who, in 2000, opened Indian Insurance industry for private players. In 2002, banks were allowed to sell insurance products so as to increase the penetration level of insurance products.

Insurance industry contributes to the financial sector of an economy and also provides an important social security net in developing countries. The growth of the insurance sector in India has been phenomenal. The insurance industry has undergone a massive change over the last few years and the metamorphosis has been noteworthy. There are numerous private and government insurance companies in India that have become synonymous with the term insurance over the years. Offering a diversified product portfolio and excellent services the many insurance companies in India have managed to make their way into almost every Indian household. Currently there are about 24 Life Insurance Players (1 public and 23 private players); 28 Non-Life Insurance Players (6 Public + 22 Private) and 1 Re-insurer in India.

REVIEW OF LITERATURE:

While earlier studies on life insurance sector mainly focused upon LIC, it was only after reforms in this sector that certain studies covering private players have taken place. Among earlier studies, *Arora (2002)* highlighted that LIC was likely to take tough competition from private insurers having large

established network and their trained intermediaries throughout the India. *Verma (2003)* analyzed the various types of products offered by public sector giant and the new global players by the private sector. *Kumar and Taneja (2004)* highlighted the opportunities and challenges before the insurance industry in India due to liberalization, globalization and privatization. *Tapan Sinha (2005)* examined the details of the regulatory regime that existed before independence. It highlights the importance of rural sector – where majority of Indian still alive. Based on the economic estimates, the paper provided projections of segments of the market 2025 as India was among the important emerging insurance markets in the world. The major drivers include sound economic fundamentals, a rising middle income class, an improving regulatory framework and rising risk awareness. *Dr. K. Sudhakara Rao (2015)* has concluded that life insurance expanded tremendously from 2000 onwards in terms of new business policies and premium business. The major drivers include sound

economic fundamentals, a rising middle-income class, an improving regulatory frame work, and rising risk awareness

OBJECTIVES

The present paper is an attempt to study the recent life insurance scenario in the light of changes mentioned above. For this purpose various indicators like growth in total number of offices of life insurers, growth in number of individual agents, growth of life insurance business and premium income, settlement of death claims in Indian life insurance industry have been analyzed.

DATA COLLECTION AND ANALYSIS

The study is based upon secondary data which has been collected from annual reports of IRDA, IRDA Journal and Life Insurance Today. Besides, a few websites have also been consulted. The data used in the paper covers a period from 2010-11 to 2015-16. For the analysis of data, statistical tools like percentages, ratios, growth rates, etc. have been used.

ANALYSIS AND DISCUSSION

Growth of Life Insurance Companies operating in India:

Table 1: Life Insurers operating in India

S. No.	Insurers	Date of Registration	No. of Offices (By 2014-15)
1	Life Insurance Corporation of India	01.09.1956	4877
2	HDFC Standard Life Insurance Co. Ltd.	23.10.2000	414
3	Max Life Insurance Co. Ltd.	15.11.2000	215
4	ICICI Prudential Life Insurance Co. Ltd.	24.11.2000	545
5	Kotak Mahindra Old Mutual Life Insurance Co. Ltd.	10.01.2001	212
6	Birla Sun Life Insurance Co. Ltd.	31.01.2001	507
7	TATA AIA Life Insurance Co. Ltd.	12.02.2001	156
8	SBI Life Insurance Co. Ltd.	29.03.2001	750
9	Bajaj Allianz Life Insurance Co. Ltd.	03.08.2001	750
10	PNB Met Life Insurance Co. Ltd.	06.08.2001	154
11	Reliance Nippon Life Insurance Co. Ltd.	03.01.2002	898
12	Aviva Life Insurance Co. Ltd.	14.05.2002	121
13	Sahara Life Insurance Co. Ltd.	06.02.2004	141
14	Shriram Life Insurance Co. Ltd.	17.11.2005	429
15	Bharti AXA Life Insurance Co. Ltd.	14.07.2006	123
16	Future Generali India Life Insurance Co. Ltd.	04.09.2007	98
17	IDBI Federal Life Insurance Co. Ltd.	19.12.2007	66
18	Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.	08.05.2008	30
19	Aegon Life Insurance Co. Ltd.	27.06.2008	91
20	DHLF Pramerica Life Insurance Co. Ltd.	27.06.2008	67
21	Star Union Dai-ichi Life Insurance Co. Ltd.	26.12.2008	69
22	India First Life Insurance Co. Ltd.	05.11.2009	48
23	Exide Life Insurance Co. Ltd.	02.08.2001	211
24	Edelweiss Tokio Life Insurance Co. Ltd.	10.05.2011	61

Source: IRDA Annual Reports and Insurance Handbook of various years.

Till financial year 2010-11, the total number of life insurance offices operating in India was 12018. But till the end of financial year 2014-15 the number of operating offices of life insurance companies has been decreased to 11033. And the major decrease in the number of operating offices is from private sector (from 8758 in year 2010-11 to 6156 in year 2014-15). And by the end of financial year 2015-16,

Number of Life Insurance Agents in India

Individual agents are the major source for getting new business in life insurance industry. LIC and private life insurers got 88.66 per cent and 66.3 per cent of their total new business respectively through individual agents during the year 2006-07.

Table 2: Life Insurance agents in India

Financial year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Private	1302328	1080651	949774	992584	904303	955005
Public	1337064	1278234	1172983	1195916	1163604	1061560
Total	2639392	2358885	2122757	2188500	2067907	2016565

Source: Various issues of Annual Reports of IRDA from year 2010 to 2016

The above table says that in financial year 2009-10, the total number of active life insurance agents operating in India was approximately 29 lacs. But by the end of financial year 2013, this number has come down to 21 lacs (approximately 8 lacs less than that of the financial year 2009-10). And the reduction continues till the end of financial year 2015-16. The high turnover ratio for private life insurers may be due to wrong recruitment policies or lesser job satisfaction.

Details of Corporate Agents of Life Insurers

To increase the penetration and density of life insurance in India, IRDA has given the permission to enhance the distribution channels of life insurance. These agents have rights to deal in life insurance business for their respective companies.

Table 3: Number of Corporate Agents of Life Insurers (as on March, 31st of every month)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Private	1870	642	532	540	361	297
Public	295	240	207	149	142	119
Total	2165	882	739	689	503	416

Source: Various issues of Annual Reports of IRDA from year 2010 to 2015

In case of LIC of India, in 2009 the number was 510, which decreased to 119 by the year 2016. As far as private life insurance companies, by the end of financial year 2010-11, the number of corporate agents was 1870, which has been decreased to 297 by the end of year 2015-16.

Number of new life insurance policies issued

With the entry of private insurers in life insurance business, it is obvious that some proportion of new business will go in the hands of private life insurers. An attempt therefore has been made to study the growth of new business in terms of policies and premium income of Indian life insurance industry.

Table 4: Number of New Policies sold

(in Lacs)

Financial year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Private	111.14 (-22.61)	84.42 (-24.04)	74.05 (-12.28)	63.60 (-14.11)	57.37 (-9.79)	61.92 (7.92)
Public	370.38 (-4.70)	357.51 (-3.47)	367.82 (2.88)	345.12 (-6.17)	201.71 (-41.55)	205.47 (1.86)
Total	481.52 (-9.53)	441.52 (-8.22)	441.87 (-0.01)	408.72 (-7.50)	259.08 (-36.61)	267.38 (3.20)

Source: Various issues of Annual Reports of IRDA from year 2010 to 2015

Note: Figures in bracket indicates the growth over previous year (in per cent)

Life insurance industry in India – Current scenario

In 2009-10, the sale of life insurance (both public and private) grew by 4.52% over previous financial year. But post that year, it started decreasing till 2014-15. But by the end of financial year 2015-16, the numbers stated on positive side of the number line. In case of private life insurance players, the decreasing trend started from year 2010-11 and continued till year 2014-15. But in case of LIC of India, the decreasing trend continued for two consequent financial years till 2011-12 and again came back to positive side by the end of financial year 2012-13. But it again went on the negative side of profits and continued till financial year 2014-15. But, by the year 2015-16 both public and private sector have positive values as compared to the previous year's figures.

Total life insurance premium underwritten by life insurers

Premium income is the major source of income of life insurance industry. The table states that the total industry premium in financial year 2010-11 was Rs. 291604.99 crore which was 9.85 per cent higher than the previous year. But in 2012-13, that has increased to Rs. 287202.49 crores, which was 8.1% higher than the premium earned in financial year 2009-10. In case of private life insurers, in year 2009-10, the total premium earned was Rs. 79369.64 crores, which increased to Rs. 100499.02 crores in year 2015-16. The growth was better in case of public life insurers, as in 2009-10 the total premium earned was Rs. 186077.31 crores which increased to Rs. 26644.21 crores by the end of financial year 2015-16.

Tab 5: Insurance premium written by Life insurers (In Crores)

Financial year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Private	88131.60 (11.04)	84182.83 (-4.52)	78398.91 (-6.87)	77340.90 (-1.35)	88433.49 (14.32)	100499.02 (13.64)
Public	203473.40 (9.35)	202889.28 (-0.29)	208803.58 (2.92)	236942.30 (13.48)	239667.65 (1.15)	266444.21 (11.17)
Total	291604.99 (9.85)	287072.11 (-1.57)	287202.49 (0.05)	314283.20 (9.43)	328101.14 (4.39)	366943.23 (11.84)

Source: Various issues of Annual Reports of IRDA from year 20010 to 2016

Note:

- Figures in bracket indicates the growth over previous year (in per cent)
- Total premium includes regular premium, single premium, first year premium, and renewal premium

Individual new business performance of life insurers – Channel wise

After the changes in the regulation of Indian life insurance industry, IRDA has allowed the life insurers to opt for more distribution channels. With the motive of increasing their own share, life insurers added corporate agents, brokers, and direct sellers in the bunch of their distribution network. The public life insurer has the highest business earned from the individual agents (i.e., more than 95 per cent) from year

2009-10 to 2012-13. But in case of private life insurers in India, approximately half of the business comes from individual agents and the remaining 40 per cent comes from corporate agents. In case of private life insurers, the brokers, direct sellers and referrals also contributes to the new business every year (between financial years 2009-10 to 2012-13), which is approximately null in case of public life insurer.

Table 6: New Business performance of Life Insurers

(Figures in per cent of premium)

Year	Individual Agents		Corporate Agents		Brokers		Direct Selling		Referrals		Total	
	Private	LIC	Private	LIC	Private	LIC	Private	LIC	Private	LIC	Private	LIC
2010-11	46.89	97.45	41.91	2.4	4.77	0.04	6.43	0.11	2.34	0.23	100	100
2011-12	44.05	96.56	46.53	2.79	5.07	0.04	4.35	0.61	0.16	0.00	100	100
2012-13	39.68	95.86	49.12	3.31	5.05	0.02	6.14	0.82	0.10	0.00	100	100
2013-14	40.08	95.99	47.62	2.87	4.91	0.02	7.38	1.12	0.10	0.00	100	100
2014-15	35.73	95.97	50.72	2.72	4.49	0.02	9.06	1.24	0.04	0.00	100	100
2015-16	31.9	96.50	54.70	2.22	3.64	0.02	8.65	1.03	0.06	0.00	100	100

Source: Various issues of Annual Reports of IRDA from year 2010 to 2015

Note: - Does not include overseas new business.

- New business premium include first year premium and single premium
- The leads obtained through referrals arrangements have been included in the respective channels.

Performance of Corporate agents in new business of life insurers (individual business)

With continuation of the above table, the contribution of corporate agents can clearly understand by the following table.

Tab 7: New business performance by Corporate Agents (Banks and Others) of Life insurers (Figures in per cent of premium)

	2010-11		2011-12		2012-13		2013-14		2014-15		2015-16	
	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public
Banks	33.21	1.81	39.01	2.57	43.08	3.16	43.62	2.77	47.37	2.60	51.70	2.18
Others	8.70	0.59	7.52	0.22	6.04	0.15	4.00	0.10	3.35	0.12	3.00	0.14
Total	41.91	2.4	46.53	2.79	49.12	3.31	47.62	2.87	50.72	2.72	54.70	2.22

Source: Various issues of Annual Reports of IRDA from year 2010 to 2015

- Note:
- Does not include overseas new business.
 - New business premium include first year premium and single premium
 - Any entity other than banks but licensed as a corporate agent.

It is clear from the table that the role of corporate agent is more in case of private life insurers than that of public insurer. Banks contributes for 33.21 per cent of business for private life insurers in year 2010-11, which has increased to 51.70 per cent in 2015-16. And in case of public life insurer, the banks contribution has increased from 1.81 per cent in year 2010-11 to 2.18 per cent in 2015-16.

Death Claim settled

The life industry paid benefits of `201766.10 crore in 2015-16 (210915.03 crore in 2014-15) constitutes 54.99 per cent of the gross premium underwritten (64.28 per cent in 2014-15). The benefits paid by the private insurers was 60565.05 crore (`66789.28 crore in 2014-15) constituting 60.26 per cent of the premium underwritten (75.52 per cent in 2014-15). LIC paid benefits of 141201.05 crore in 2015-16,

constituting 52.99 per cent of the premium underwritten (144125.75 crore in 2014 - 15, 60.14 percent of the premium underwritten). The benefits paid on account of surrenders / withdrawals decreased at 80356.75 crore, of which LIC accounted for 37292.24 crore and private sector 43064.51crore. The comparative previous year statistics were 100389.57crore, of which LIC accounted for 46537.61crore and private sector paid 53851.96 crore. In the current year, in case of LIC, out of the 37292.24 crore surrenders, ULIP policies accounted for 8960.57crore (24.03 percent) as against 23224.49 crore, (49.90 percent) in 2014-15. In case of the private insurance industry, the ULIP surrenders accounted for 37489.04crore (87.05 percent) in 2015-16 as against 48724.32 crore (90.48 per cent) in 2014-15.

Table 8: Individual Death Claims Of Life Insurers During 2015-16

(Figures in Percent of Policies)

Life Insurers	Total Claims	Claims Paid	Claims Rejected	Claims written	Claims pending at the end of the year
Private	100.00	91.48	6.67	0.00	1.85
Public	100.00	98.33	0.98	0.17	0.51
Total	100.00	97.43	1.73	0.15	0.69

Number of New Products and Riders got issued

Marketers try to satisfy their customers by providing the products which they require. Since customer's needs vary, a wide variety of products is generally made available to suit

their specific requirements. Further, the requirement of customers change overtime which necessitates the introduction of new products and deletion of unsuitable products from the product mix.

Table 8: Number of New products and riders got approved

	Life insurance products and Riders (Group and individual)	Micro insurance products	
		Individual	Group
2014-15	152	16	8

Source: IRDA Annual Report 2014-15

Social and Rural Obligation

The Regulations framed by the Authority on the obligations of the insurers towards rural and social sector stipulated targets to be fulfilled by insurers on an annual basis. In terms of these regulations, insurers are required to cover year wise prescribed targets (i) in terms of number of lives under social obligations; and (ii) year wise prescribed targets in terms of percentage of policies to be underwritten and percentage of total gross premium income written direct by the life and non-life insurers respectively under rural underwrite business in these segments based on the year of commencement of their operations and the applicable targets are linked to the year of operations of each insurer.

Rural Sector Obligation

During 2013-14 and 2014-15, all the twenty three private sector life insurance companies had fulfilled their rural sector obligations. The number of policies underwritten by them in the rural sector as a percentage of the total policies underwritten in the year 2013-14 was as per the obligations applicable to them. The life insurers had underwritten 103.98 lakh policies in the rural sector, viz., 25.5 per cent of the new individual policies (408.34 lakh policies) underwritten by them in 2013-14. LIC had underwritten 25.4 per cent of the new policies and private insurers underwrote 25.6 per cent of their new individual policies in the rural sector. Whereas in 2014-15, the life insurers underwrote 65.34 lakh policies in the rural sector, viz., 25.3 percent of the new individual policies (258.74 lakh policies) underwritten by them in 2014-15. LIC underwrote 25.65 per cent of the new policies and private insurers underwrote 23.9 per cent of their new individual policies in the rural sector. By the end

of financial year 2015-16, the life insurers underwrote 68.99 lakh policies in the rural sector, viz., 25.8 percent of the new individual policies (267.08 lakh policies) underwritten by them in 2015-16. LIC underwrote 25.70 per cent of the new policies and private insurers underwrote 26.3 per cent of their new individual policies in the rural sector.

Social Sector Obligations

Among the 23 private life insurers 21 insurers had fulfilled their social sector obligations during 2013-14. The number of lives covered by them in the Social Sector was above that stipulated in the IRDA (Obligations of Insurers to Rural or Social Sectors) Regulations 2002. LIC was compliant with its social sector obligations, having covered more number of lives (118.87 lakhs) than the prescribed 20 lakh lives as obligations for 2013-14. Private life insurers had covered 109.07 lakh social lives. As by the end of financial year 2014-15, all the 23 private life insurers had fulfilled their social sector obligation. LIC was compliant with its social sector obligations, having covered more number of lives (205.96 lakhs) than the prescribed 20 lakh lives as obligations for 2014-15. Private Life insurers had covered 97.40 lakh social lives. In year 2015-16 LIC was compliant with its social sector obligations, having covered more number of lives (226.04 lakhs) than the prescribed number as obligations for 2015-16. Private Life insurers had covered 111.13 lakh social lives.

Life Insurance Penetration and Density

Life insurance penetration is measured as the ratio of premium (in US Dollars) to GDP (in US Dollars). Life insurance density is measured as ratio of premium (in US Dollars) to the total population.

Table 9: Life insurance penetration in India

	Penetration level (Figures in per cent)						Density level (Figures in US Dollars)					
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
India	4.4	3.4	3.17	3.10	2.6	2.72	55.7	49.0	42.7	41.0	44	43.2
World	4.0	3.8	3.7	3.5	3.4	3.5	364.3	378.0	372.6	366	368	346

Source: Swiss Re, Sigma Volumes 2010 to 2016

Note: Insurance penetration is measured as ratio of premium (in US Dollars) to GDP (in US Dollars)

Insurance density is measured as ratio of premium (in US Dollars) to total population

It is clear from the table that the life insurance penetration in India has been started decreasing from year 2010-11. In financial year 2009-10, the penetration was 4.6 per cent, which has come down to 2.6 by the end of financial year 2014-15. But in case of Indian life insurance density, it was 47.7 dollars in 2009-10 increased to 55.7 dollars in 2010-11. But post that, it showed a decreased figures of 49 dollars in 2011-12 and 42.7 dollars in 2012-13. But by the end of year 2014-15, the life insurance density has increased to 44 USD and decreased up to 43.2 dollars by the end of financial year 2015-16.

CONCLUSIONS

From the above discussion it is evident that life insurance industry expand tremendously from year 2000 (after allowing private companies in the industry) in terms of number of offices, number of agents, new business policies, premium income, etc. further many new products like ULIPs, pension plans etc. and riders were provided by life insurers to suit the requirements of various customers. However, the new business of such companies was more skewed in favor of selected states and union territories. Private life insurers used the new business channels of marketing to a great extent when compared with LIC. Investment pattern of LIC and private insurers also showed some differences. Solvency ratio of private life insurers was

much better than LIC in spite of big losses suffered by them. Lapsation ratio of private insurers was higher than LIC and servicing death claims was better in case of LIC as compared to private life insurers.

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