

An overview of Indian insurance industry

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Insurance is the backbone of a country's risk management system. Risk, that can be insured, has increased enormously in every walk of life. This has led to growth in the insurance business and evolution of various types of insurance covers, that provides protection from risk and ensure financial security. The insurance sector acts as a mobilizer of savings and a financial intermediary and is also a promoter of investment activities. It can play a significant role in the economic development of a country (Arora, 2002).

The life insurance industry in India has come a long way since its liberalization in the year 2000. The industry has had its own ups and downs, driven by a multitude of factors including: the scale and frequency of regulatory changes; the global financial meltdown; evolving consumer awareness; emergence of dominant channels like bancassurance; and changed market dynamics. Despite the progress made by the industry since the year 2000, India remains grossly underinsured as compared to other developed economies both in terms of penetration and density ((IRDA Annual Report, 2011-12)). Overall insurance penetration (premiums as % of GDP) in India reached 3.69 per cent in 2017 from 2.71 per cent in 2001. The opportunity for the industry is immense and hence the model of distribution of life insurance continues to evolve daily.

➤ Insurance can be classified broadly into:

- (a) Life insurance
- (b) General or non-life insurance.

(a) Life insurance: life assurance is a contract between the policy owner and the insurer, where the insurer agrees to pay the designated beneficiary a sum of money upon the occurrence of the insured individual's death or other event, such as terminal or critical illness. In return, the policy owner agrees to pay a stipulated amount at regular intervals or in lump sums

(b) General insurance: General insurance or non-life insurance policies, including automobile and homeowners' policies, provide payments depending on the loss from a particular financial event. General insurance typically comprises any insurance cover that is not deemed to be life insurance. Some categories of general insurance policies are: vehicle, home, health, property, accident, sickness and unemployment, casualty, liability, and credit (R.V. Naik 2018).

Until the early 20th century, the Indian life insurance industry was completely in the hands of LIC. In the 1950s, the industry had been nationalized in order to increase the penetration of insurance in the country and to make it available to less privileged segments of society. But even after 40 years of nationalization, only 25% of the insurable population was covered under insurance. This was one of major reasons for opening up the sector to allow private players to work towards extending the reach and coverage of insurance all over the country.

➤ **History of Indian Insurance Company:**

➤ **Phase I - Pre- Liberalization (1818–1972)**

- During the Pre-liberalization phase the first insurance company the “Oriental Life Insurance” was established in 1818 Kolkata.
- The Indian Life Assurance Companies Act 1912 and amendments 1928, 1938 and General Insurance Council 1957 were passed to regularize the insurance sector in India.
- In order to increase penetration and protect policy holders from mismanagement all life insurance companies were nationalized to form LIC in 1956.
- The non-life insurance business was nationalized to form GIC in 1972.

➤ **Phase II – Liberalization (1973-1999)**

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- Malhotra Committee recommended opening up the insurance sector to private players.
- IRDA, LIC and GIC Acts were passed in 1999, making IRDA the statutory regulatory body for insurance and ending the monopoly of LIC and GIC.

➤ **Phase III - Post- Liberalization (1999 - present)**

- Post liberalization, a significant growth was recorded in the insurance industry; the number of private players increased from 5 to 46 in 2017.
- In December 2014, Government increased FDI limit in Insurance sector from 26 per cent to 49 percent, resulting in increased penetration of insurance in the country.
- Pradhan Mantri Suraksha Bima Yojna and Pradhan Mantri Jeevan Jyoti Bima Yojana were launched by government in 2015.
- In 2015 Atal Pension Yojana and Health insurance Government were introduced.
- In 2018-19 National Health Protection Scheme was launched under Ayushman Bharat.

➤ **The players in the life Insurance sector in India**

As per now, there are forty-nine insurance companies operating in India; of which twenty four are in the life insurance business and another thirty four in general insurance business. In addition, GIC and ITI Reinsurance Limited are the national re-insurer (IRDA 2018).

Life Insurance Corporation of India (LIC) is the only public sector insurance company among all other private insurance companies.

(1) Life insurance companies:

As per today, IRDAI has recognized 24 life insurance companies. Following is the list:

S.NO.	Company	Sector	Founded
1	Life Insurance Corporation of India	Public	1956
2	HDFC Standard Life Insurance Co. Ltd.	Private	2000
3	Max Life Insurance Co. Ltd.	Private	2000
4	ICICI Prudential Life Insurance Co. Ltd.	Private	2000
5	Kotak Mahindra Life Insurance Co. Ltd.	Private	2001
6	Aditya Birla Sun Life Insurance Co. Ltd.	Private	2000
7	TATA AIA Life Insurance Co. Ltd	Private	
8	SBI Life Insurance Co. Ltd.	Private	2001
9	Exide Life Insurance Co. Ltd.	Private	2001
10	Bajaj Allianz Life Insurance Co. Ltd.	Private	2001
11	PNB MetLife India Insurance Co. Ltd.	Private	2001
12	Reliance Nippon Life Insurance Company	Private	
13	Aviva Life Insurance Company India Ltd.	Private	2002
14	Sahara India Life Insurance Co. Ltd.	Private	
15	Shriram Life Insurance Co. Ltd.	Private	
16	Bharti AXA Life Insurance Co. Ltd.	Private	
17	Future Generali India Life Insurance Co. Ltd.	Private	2007
18	IDBI Federal Life Insurance Co. Ltd.	Private	2008
19	Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.	Private	2008
20	Aegon Life Insurance Co. Ltd.	Private	2008
21	DHFL Pramerica Life Insurance Co. Ltd.	Private	
22	Star Union Dai-Ichi Life Insurance Co. Ltd.	Private	
23	IndiaFirst Life Insurance Co. Ltd.	Private	2009
24	Edelweiss Tokio Life Insurance Co. Ltd.	Private	

(2) Non-life insurance companies:

IRDAI has recognized 34 non-life insurance companies.

S.No.	Company	Sector	Founded
1	Acko General Insurance	Private	2016
2	Aditya Birla Health Insurance	Private	2015
3	Agriculture Insurance Company of India	Public	2002
4	Apollo Munich Health Insurance	Private	2007
5	Bajaj Allianz General Insurance	Private	2001
6	Bharti AXA General Insurance	Private	2008
7	Cholamandalam MS General Insurance	Private	2001
8	Cigna TTK	Private	1918
9	DHFL General Insurance	Private	2016
10	Digit Insurance	Private	2017
11	Edelweiss General Insurance	Private	2017
12	Export Credit Guarantee Corporation of India	Private	1957
13	Future Generali India Insurance	Private	2007
14	HDFC ERGO General Insurance Company	Private	2002
15	ICICI Lombard	Private	2001
16	IFFCO TOKIO General Insurance	Private	2000
17	Kotak Mahindra General Insurance	Private	2015
18	Liberty General Insurance	Private	2013
19	Magma HDI General Insurance	Private	2009
20	Max Bupa Health Insurance	Private	2008
21	National Insurance Company	Public	1906
22	New India Assurance	Public	1919
23	Raheja QBE General Insurance	Private	2007
24	Reliance General Insurance	Private	2000
25	Reliance Health Insurance Limited	Private	2017
26	Religare Health Insurance Company Limited	Private	2012
27	Royal Sundaram General Insurance	Private	2000
28	SBI General Insurance	Private	2010
29	Shriram General Insurance	Private	2008
30	Star Health and Allied Insurance	Private	2006
31	Tata AIG General Insurance	Private	2001
32	The Oriental Insurance Company	Public	1947
33	United India Insurance Company	Public	1938
34	Universal Sompo General Insurance Company	Private	2007

(3) Reinsurance companies:

IRDAI has recognized two reinsurance companies.

S.No.	Company	Sector	Founded
1	General Insurance Corporation of India	Public	1972
2	ITI Reinsurance Limited	Private	2016

➤ **Prominent Initiatives Insurance sector**

➤ **Emergence of new distribution channels**

- Bancassurance, online distribution and NBFCs has emerged as innovative distribution channels, that has widened the reach and reduced costs.
- Joint venture between insurance companies and local NGOs to target lucrative rural markets.
- Tie-ups between, Indian e-commerce majors with insurance companies to provide a safe and better experience to consumers.
- In September 2018, India Post Payments Bank (IPPB) also partnered with Bajaj Allianz to distribute their products.

➤ **Growing market share of private players**

- Over the years, share of private sector in life insurance segment has grown from around 2 per cent in FY03 to 31.8 per cent in FY19 (up to September 2018).
- In the non-life insurance segment, share of private sector increased to 46.6 percent in FY18 from 14.5 percent in FY04.

➤ **Launch of innovative products**

- The life insurance sector has witnessed the launch of innovative products such as Unit Linked Insurance Plans (ULIPs).
- Other traditional products have also been customized to meet specific needs of Indian consumers.
- In September 2018, HDFC Ergo launched 'E@Secure' a cyber insurance policy for individuals.

➤ **Mounting focus on EV over profitability**

- Large insurers continue to expand, focusing on cost rationalization and aligning business models to realize reported Embedded Value (EV), and generate value from future business rather than focus on present profits

➤ **Growth Drivers For Insurance In India:**

India's robust economy is expected to sustain the growth in insurance premiums written. Higher personal disposable incomes would result in higher household savings that will be channeled into different financial savings instruments like insurance and pension policies. Per capita GDP of India is expected to reach Rupees 2,25,940 in 2023 from Rupees 1,47,347 in 2018.

❖ **Growth in Financial Industry**

- Overall growth in the financial industry, increasing working population with higher disposable income.
- Increasing awareness about financial products including insurance.

❖ **Innovation and Efficiency**

- Increase in potential insurance customers— individuals and companies across different industries, small and medium enterprises, multinational companies.
- Expansion due of insurance universe due to professionalization of companies

❖ Competition

- Increasing number of insurance providers with various sophisticated products at competitive prices.
- Regulations which are conducive for growth of the industry.

❖ Growth in specific segments

- Increase in micro insurance due to increased focus of government on financial inclusion.
- Increase in demand of motor insurance as a by-product of rapidly expanding auto industry.
- Increase in health insurance due to focus on improvement in healthcare.
- Group insurance has also been a big driver of insurance growth in the country. Number of lives covered under private life insurance companies reached 36.20 million upto June 2018, showing year-on-year growth rate of 27.48 percent.

❖ Tax incentives

- Insurance products are covered under the exempt, exempt, exempt (EEE) method of taxation. This translates to an effective tax benefit of approximately 30 percent on selected investments (including life insurance premiums) every financial year.
- In 2015, Tax deduction under Health Insurance Scheme has been increased to US \$ 409.43 from US \$ 245.66 and for senior citizens tax deduction has been increased to US \$ 491.32

❖ Union Budget 2018-19

- The government will merge three of the public sector insurance companies-The Oriental Insurance Co. Ltd, National Insurance Co. Ltd and United India Insurance Co. Ltd and list the merged entity.
- In September 2018, National Health Protection Scheme was launched under Ayushman Bharat to provide coverage of up to Rs500,000 (US\$ 7,723) to more than 100 million vulnerable families. The scheme is expected to increase penetration of health insurance in India from 34 per cent to 50 per cent, according to a report by Crisil.

❖ Life insurance companies allowed to go public

- IRDAI recently allowed life insurance companies that have completed 10 years of operations to raise capital through Initial Public Offerings (IPOs). Companies will be able to raise capital if they have embedded value of twice the paid up equity capital.
- SBI Life has already raised funds through its IPO.

❖ Approval of increase in FDI limit and revival package

- Revival package by government will help companies get faster product clearances, tax incentives and ease in investment norms. FDI limit for insurance company has been raised from 26 percent to 49 percent, providing safe guard and ownership control to Indian owners

➤ CONCLUDING REMARKS

At present, the insurance industry is in a nascent stage. With the liberalization and entry of private companies in insurance, the Indian insurance sector has started showing signs of significant change. Within a short span of time, private insurance has acquired 13 per cent of the life insurance market. However, there is still a huge untapped demand for insurance. The penetration of insurance still remains at low levels and a lot needs to be done to develop this sector.

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