

OUTLOOK OF INSURANCE SECTOR IN INDIA: AN ANALYTICAL STUDY

By
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Abstract

The Insurance industry in India has developed into leap and bounds and has undergone a revolutionary change after the liberalisation of the sector. After 2000, when the insurance sector in India has opened for the private players as well as Foreign Direct Investment was allowed, some of the largest private companies entered into Indian insurance business bringing a sea change. People of India who were once closely associated with supremacy of Public sector insurance companies began to taste the private sector's new and innovative products and began to purchase their products. This paper tries identify the development of Insurance post liberalisation period in India.

The performance wise of life insurance reveals that during the year 2008-09 LIC has sold 359.13 lakhs individual insurance, where as all private insurance companies sold 150.11 policies, whereas during the year 2012-13 the policies sold LIC are 367.12 lakhs and that of private companies reduced to 74.05 lakhs.

Keywords: Insurance sector, India, FDI, private players, public sector.

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1. Introduction

The Indian insurance is mostly dominated by the public sector and because of the state patronage it been flourishing for years, and after allowing of private companies and welcoming the FDI in insurance, the market has been saw a drastic change. The nationalisation of insurance business was taken place during the year 1956 when the Life Insurance Corporation of India was started. India among one of the most sought out market for world's leading companies is currently at fifteenth place as compared to other countries closely following Ireland and Australia¹. During the 2000 the insurance sector has revolution because of entry of private players. The insurance sector in India has a relatively large footprint relative to other forms of financial intermediation given India's income level².

The Insurance Act, 1938 (Insurance Act) provides for and regulates the insurance business in the country. However, with the enactment of the Insurance Regulatory and Development Authority Act, 1999 (the IRDA Act), the insurance business was opened up to the private sector³.

The Private Sector players have maintained a higher growth rate compared to their PSU peers and have seen a gradual increase in their market share to 47% in H1FY14 (40% in FY08). We expect the trend to continue going forward with our forecast of relatively higher growth for Private Sector players⁴.

2. Review of literature

Seema Sharma & Dr. Sujit Sikidar (2014) in their articles identified that the public sector insurance companies do play a major role and having the dominant position, they have identified that the late entrant private insurance companies are creating a niche in market by introducing new product and using innovative marketing strategies.

Vineet Kumar and Poonam Kumari (2012) in their study on a comparison between the public and private sector life insurance sector in India, have noticed that the public sector insurance companies have to be competitive to face the private sector by ensuring effectiveness, and improved performance, after the post reform period they have reassess their present after the insurance reforms, the authors have find that the survival of pubic insurance companies depends upon their performance in profitability.

Bidyadhar Padhi (2013) has studied the performance of private insurance companies in India post liberalisation and his study reveals that during the initial years the performance of private insurance companies was good and they spend huge amount of their premiums on payment of commission. His study also finds that the private companies have stopped the payment of high commission once their business is steady.

3. Objectives of the study

The objectives of the study are

- To study the performance of insurance sector in India.
- To study the comparison of development of insurance in India with other countries.

4. Methodology

The study is purely based upon the secondary data mostly collected from the different reports of Insurance regulatory Authority of India. Simple percentage and average is used wherever necessary for the calculations.

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5. Data Analysis

Table No.1 Life Insurance in India

Year	No. of Life Insurance Companies	No. of New Policies Issued (in lakhs)
2008-09	22	509.23
2009-10	23	532.25
2010-11	23	481.52
2011-12	24	441.93
2012-13	25	441.87

Source: Handbook on Indian Insurance Statistics 2012-13, Insurance Regulatory and Development Authority, India

The development of insurance has been in increasing trend since liberalisation of insurance sector and the govt. has opened the sector for private participation and even foreign direct investment was also allowed. The above table depicts the development of insurance companies, which was once upon a time dominated by LIC, GIC, national Insurance and Oriental insurance. During the year 2008-09 the total No. of companies in India was 22 and increased to 25 during the year 2012-13 and still so many new companies are in the queue to start business. The total number of policies both life and non-life was also changed from year to year with some variations in each year.

Total No.02 claims submitted and amount cleared - Life Insurance

Year	Individual claims	Amt. Cleared (in lakhs)	Corporate claims	Amount cleared (in lakhs)
2008-09	6,40,620	5,279	2,64,138	1,383
2009-10	7,62,435	6,541	3,09,151	1,679
2010-11	8,51,534	8,286	4,36,201	1,679
2011-12	8,54,200	9,158	4,02,407	2,458
2012-13	8,78,482	10,275	3,65,437	2,740

Source: Handbook on Indian Insurance Statistics 2012-13

As per the above table is considered the total number of individual claims stand at 6,40,620 during the 2008-09 and an amount of Rs 5,279 for life insurance and it increased to 8,78,482 claims with an amount cleared of for such claims stand at Rs.10,275 during the year 2012-13.

Whereas the total claims of non life insurance stood at 2, 64,138 during 2008-09 and an amount of Rs.1, 383 lakhs was cleared as claims and during the year 2012-13 the total number of claims increased to 3, 65,437 and amount of claims paid was Rs.2, 740 lakhs.

Table No. 03 Total Non-life Insurance policies issued and premium collected

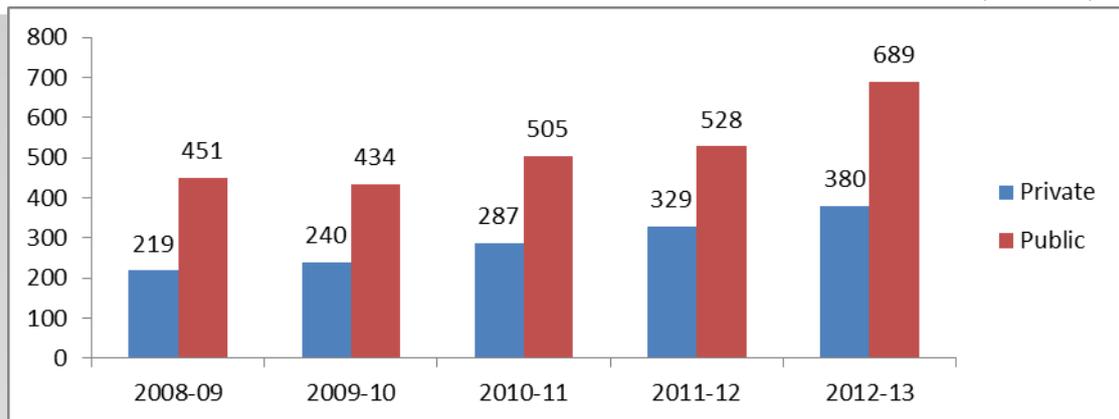
Year	No of companies	No of policies issues(lakhs)	Gross Direct Premium (Within & Outside India) Rs. in cores
2008-09	21	671	31,428
2009-10	23	675	65,816
2010-11	25	793	43,842
2011-12	25	857	54,578
2012-13	28	1,041	65,023
Total		4037	260687

Source: Handbook on Indian Insurance Statistics 2012-13.

The total number of policies issued in general insurance during the year 2008-09 is 671 lakhs with an amount of Rs.31,428 crores of premium had been collected from within India as well as outside India, where as during the year 2012-13 the number of policies increased to 1,041 and Rs.65,023 crores of premium had been collected.

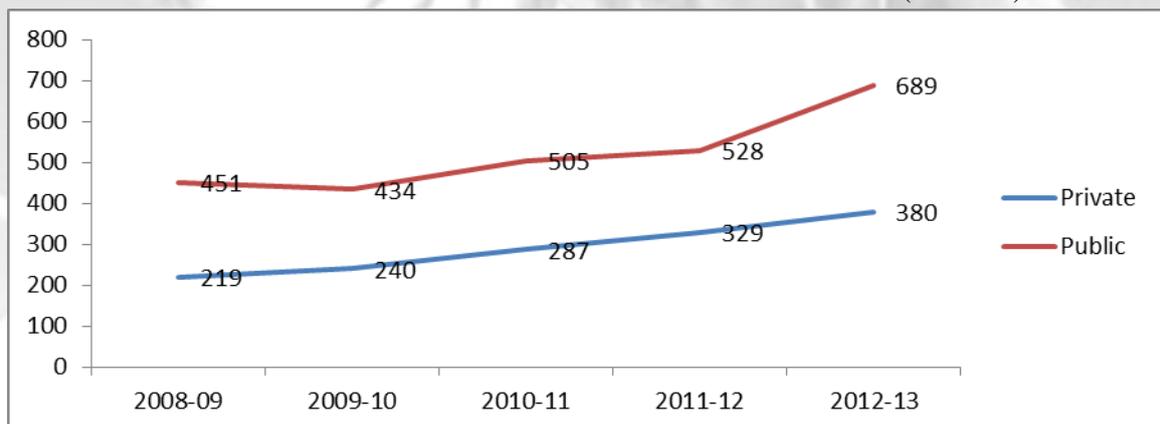
Ho: There is no association between number of companies and premium received by them. The chi-square analysis shows that Pearson Chi-square is 15.00 and associated significance is 0.241 (which is more than 0.05). Therefore, Ho should be accepted, which means there is no relationship between number of companies and premium collected.

Chart. No. 01 Number of Individual New Policies Issued in Life Insurance (in Lakhs)



The above chart shows that the new policies issued by LIC have little variation and that of private insurance companies it is in negative trend. The total No. of new policies issued by LIC were 359 lakhs during 2008-09 and during the year 2012-13 increased to 367 lakhs. While the same for private insurers total number of new policies sold were 150 lakhs during 2008-09 and decreased to 74 lakh policies.

Chart No. 02 Non-Life Insurers: Number of Policies issued (in Lakhs)



The above chart total number of non life insurance policies issued by both private and public sector insurance companies. The private companies have shown an increasing trend with 219 lakh policies issued during the year 2008-09 and increased to 380 lakhs during the year 2012-13 with an increasing rate of 73.51 percentage taking 2008-09 as base, where as public sector companies have variations in issuing policies during 2008-09 they have issued 451 lakh policies and 689 lakh policies in 2012-13 with an increased rate of 52.77% taking 2008-09 as base.

**Table No. 04 Comparison of Insurance density* among Asian countries
 (Both life and Non-life insurance)**

Country	2008-09	2009-10	2010-11	2011-12	2012-13
Hong Kong	3310.3	3304.0(-0.18)	3635.5(9.82)	3904.0(17.93)	4543.9(37.26)
India	47.4	54.3(14.55)	64.4(35.86)	59.0(24.47)	53.2(12.23)
Japan	3698.6	3979.0(7.59)	4390.0(17.43)	5169.39.770	5167.2(39.74)
Malaysia	345	321.8(-6.95)	421.1(22.02)	502.0(45.50)	514.0(48.98)
Pakistan	6.8	6.6(-2.94)	6.1(-10.29)	8.0(14.63)	8.7(27.94)
China	105.4	121.2(15.23)	158.4(50.47)	163.0(55.23)	178.9(71.42)
Sri Lanka	32.1	29.5(-9.37)	34.7(18.75)	33.0(2.80)	32.9(5.60)
Thailand	142.1	154.4(8.45)	121.9(-14.08)	222.0(56.33)	266.2(87.32)

Source: Handbook on Indian Insurance Statistics 2012-13. *Insurance density is measured as ratio of premium in US (\$) to total population, Figures in brackets shows variations taking 200809 as base.

The above table explains the Insurance density among Asian countries from the years 2008-09 to 2012-13. As far as India is concerned the ratio is 47.4% during the year 2008-09 and shows an increasing trend up to 2010-11 and again shows a negative growth after that and stood at 53.2% during 2012-13. The Republic of China has a increasing trend of insurance density when compared to other countries which are having variations. Japan has the highest insurance density, where as Pakistan has the least density of insurance.

6. Findings of the study

The following are the some of the findings of the study.

- 1) Each year number of new insurance companies are entering into insurance both in life and non-life insurance.
- 2) There are some variations as far as new policies are concerned.
- 3) Numbers of claims are increasing each year along with claims settled in life insurance.
- 4) In non-life insurance new companies are coming and the numbers of policies sold each year are increasing.
- 5) Still even today the public sector companies are dominating in both life and general insurance business.
- 6) The rate of insurance density in India is low when compared to other countries in Asia except Pakistan and Sri Lanka.

7. Conclusion

Life and business are always uncertain; all the situations in life will not always be favourable to any human being. As far life is concerned we don't know what will happen in future and what would be the fate of the people depending upon us. Life is always uncertain and full of risk so as the business. To hedge the risk of life and business people use insurance as risk mitigation tool. The study can be concluded that the penetration of insurance is not satisfactory in India when compared to other countries. Still there lot of scope for insurance business.

8. References

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A. 29, 2001

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