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## **EMERGING TRENDS IN INSURANCE – A STUDY OF INDIAN INSURANCE INDUSTRY**

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### **Abstract**

Insurance sector constitutes as one of the important pillar of the financial market. 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. In the year 2000, Government reopens the Indian insurance industry to private companies which leads to the remarkable growth in life insurance business.

Even a tremendous growth in life insurance industry, there are still a large portion of population who are remain uninsured. It demonstrates the lot of opportunities. Life insurers required to change their strategies and offered customized product so that the untapped market can be served effectively. This paper is an attempt to study the trends and pattern of Indian life insurance industry.

### **Keywords**

Insurance, Life Insurance, Insurance Industry, Trends, Pattern.

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### **Introduction**

Insurance is one of the demanding financial products in India. Its basic motto is to protect the family of any uncertainty in life. So it is long term investment and need knowledge about that. Indian life insurance is too old. It is there from British Period and after nationalization; it has come fully under Government.

The insurance industry of India consists of 53 insurance companies of which 24 are in life insurance business and 29 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers.

Insurance can be defined as risk management technique used for the purpose of hedging against the risk of a contingent, uncertain loss or unexpected events occurred in the life. It is a protection against the physical and financial loss arising on the happening of an unexpected event or conditions. It is a collective bearing of risk. It is the tools of equitable transfer of the risk of loss from one entity to another, in exchange for payment called premium.

The nationalization of insurance business in the country resulted in the establishment of Life Insurance Corporation of India (LIC) in 1956 as a wholly- owned corporation of the government of India. India's life insurance market has grown rapidly over the past six years, with new business

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premiums growing at over 40% per year. India has 17 life insurers and the state owned Life Insurance Corporation of India dominates the industry with over 70 % market share, though private players have been growing aggressively. Considering the world's largest population and an annual growth rate of nearly 7%.

### **Life Insurance**

A life insurance policy is a contract between the insurer and policyholder that the insurer will pay a certain sum of money if the policyholder dies or any other specified contingency happens. In lieu of this assurance, insurer takes a premium amount from the policyholder.

Section 2(11) of Insurance Act 1938, define the life insurance business as the business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death (except death by accident only) or the happening of any contingency dependent on human life.

A learned author J.H. Maggi define the life insurance is a contract to which the insurer, in consideration of a premium, undertakes to pay to the person for whose benefit the insurance is effected a sum of money on the death of the person whose life is insured or in his attaining a certain age.

Life insurance provides financial security to the family of a policyholder in the event of his/her death. This is the most popular insurance policy, as most people want to ensure that their family members remain financially secure in the event of their death.

The insurance sector is divided in two parts-

- 1 Life and
2. General or non-life Insurance

Life insurance deals with only human lives and non-life deals with other than human life. Insurance is divided into two segments i.e. Life and non-life/general

### **A Historical Review of Indian Insurance Industry**

The existence of insurance in India is not a recent origin. It has been enforce dates back to the Vedic period. In Rigveda the term Yogakshemam has been given which means a sort of social welfare insurance. Manu, the great sage and law giver, who wrote the Manusmriti, a Vedic literature, describe the concept of insurance.

In ancient time, the existence of insurance can be supported in the form of marine trade loans and carriers contracts. But the life insurance in its present form came to India with the establishment of Oriental Life Insurance Corporation, a British firm, in Kolkata by Anita Bhavsar in 1818.

Generally, the company serves European clients. But this company was failed in 1834. In 1829, the Madras Equitable had begun business of life insurance in Madras presidency Afterward, in 1870 the British Insurance Act was enacted which leads to the development of Bombay Mutual Life Assurance Society (1871), Oriental (1874) and Empire of India (1897) in last three decades of nineteenth century. These companies began their activities in Bombay Presidency. Though all this companies were operating in India but insuring the life of European living in India only. Later some of the companies started providing insurance to Indians with approximately 20% higher premium than Europeans as Indians were treated as "substandard". Substandard in insurance parlance refers to lives with physical disability. Bombay Mutual Life Assurance Society was the first company established in 1871 which started selling policies to Indians with "fair value".

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Insurance business was subjected to Indian company act 1866, without any specific regulation. In 1905, the slogan “Be Indian-Buy Indian” declared by Swadwshi Movement gave birth to dozens of indigenous life insurance and provident fund companies. In 1937, the Government of India setup a consultative committee and finally first comprehensive ‘insurance act’ was passed in 1938.

In 19th January, 1956, the finance minister C. D. Deshmukh announced the nationalization of life insurance by passing an ordinance in the Parliament. As the result of ordinance, Life Insurance Corporation of India (LIC) came into an existence on September 1, 1956 by absorbing 154 Indian insurer, 16 foreign insurer and 75 provident societies (total 245 companies) which were engaged in life insurance business in India. The LIC had the monopoly in insurance businesses till the insurance sector was reopened to the private players in 2000.

Due to the following reasons the Government decided to nationalize the life insurance industry w.e.f 1/7/1956.

1. No full guarantee to the Policyholders (who are insured).
2. The concept of trusteeship (confidence) was lacking.
3. Many insurance companies went into liquidation (bankrupt).
4. There was malpractice in the business.
5. Non-Spreading of life insurance.
6. No insurance in rural areas.
7. No group insurance.
8. No social security.

Keeping in view these problems the Indian Govt. started the liberalization process in 1991. Though the liberalization, privatization and globalization (LPG) has taken place in many sector but the insurance sector was liberalized, privatization and globalized in the year 2000. Liberalization: means abolition of industrial licensing, removal of the limit on industrial investment & a more welcoming approach to foreign investment. Globalization means opening of the Indian economy for global cooperation in economic activities. This would involve foreign direct investment in industry and foreign institutional investors investing in the securities market by way of mutual funds etc., removal of quantitative restrictions on imports and reduction of import tariff. Privatization: means refers to allowing private sector to invest in government companies as well as invest in areas earlier reserved for the public sector. It also implies greater participation of private sector in areas exclusively reserved for public sector.

## **Review of Literature**

Krishnamurthy S, Mony S V and et al (2005) in his paper “Insurance Industry in India: Structure, Performance and Future Challenges” stated about the status and growth of Indian insurance industry after liberalization and discuss the future challenges and opportunities faced by the insurance sector. Ray, Subhashish and Pathak, Ajay. (2006) opined that ever since the privatization of the insurance sector in India in 2000, the industries has been witnessing the birth of numerous private players, mostly joint ventures between foreign insurance giants and Indian diversified conglomerates and each one is trying to make an inroad into the huge untapped market.

Sinha, Ram Pratap. (2007) revealed that the public sector insurers dominate the private sector insurers in terms of mean technical efficiency in constant returns to scale, while the private sector insurers have a slightly higher mean technical efficiency than the public sector insurers in variable returns to scale.

Nanda R (2007) in his paper “Being an Insurance Agent, the pride and the prejudice”, stated that there is a huge potential of life insurance in Indian market because India is second fastest growing economy and fourth largest economy in term of purchasing power.

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Basavanthappa C and Rajanalkar L (2009) in his paper stated that the private insurance companies have performing well over the year. The market share of private life insurance companies were increasing over the year which create a lot of opportunity for them. There was a cut throat competition in this sector which would be beneficial to all. To get the competitive advantage over the competitor, companies bring out the innovative products and provide various facilities to the customer.

Shendey B K and Neelkant Rao (2010), in his paper titled “Trends in Insurance Industry in India since 21st Century” opined that the privatization of insurance industry increases the growth of this sector and the monopoly of LIC has been overcome. The total life insurance premium has increased four-folds since liberalization of insurance industry. He also stated that the life insurer continuously focuses on the product innovation and new schemes to increase its policyholder base.

Venkatesh M (2013) in his paper “A Study of Trend Analysis in Insurance Sector in India” discusses the history of insurance and analyzes the life insurance industry in India. The study reveals that Indian insurance sector is increasing rapidly and trend percentages are increasing over the year. The author also focuses on insurance density and stated that in spite of higher insurance growth rate India has less insurance density as compared to world density.

Kumari Hymavathi T (2013), in their paper “Performance Evaluation of Indian Life Insurance Industry in Post Liberalization” stated that the life insurance industry has achieved a tremendous growth in the amount of premium collected after the opening of it for private sector. On the basis of financial performance analysis of insurance industry, it can be concluded that the performance of insurance business shows a favourable growth. Further, the study suggests that for sustainable growth of life insurance industry, it is necessary to provide innovative product and better facilities to policy holder. The study also reveals that liberalization has a significant impact on the growth of Indian life insurance business.

### **Objective of The Study**

1. To know the trends and pattern of life insurance industry in India.
2. To have a deep insight of insurance sector.
3. To suggest feasible measures for improvement in the sector

### **Research Methodology**

A research methodology may be defined as a science of methods which will be used for conducting the research. To carry out this study descriptive research design has been used. The study is purely based on secondary data which has been collected from IRDA annual reports, IRDA journals, LIC reports, websites, Insurance Chronicle (ICFAI), publications, journal, books, published works, Internets etc. Apart from this, I have visited different websites and professional magazines related to insurance.

### **Understanding Insurance**

Insurance is a financial products and quite popular in India. It is simply a contract between insurer and insured. The insurer is the company and the insured are the customers. It compensates our financial loss due to any uncertain death or other situations. This long term products need a careful planning in both design and implementation.

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Insurance in broad is divided into two; life and general insurance. Later on health insurance has come out of general insurance. The products of insurance are normally termed as plans or policies. The money we charge from customers is known as premiums and the duration is referred as term of plan. The products are various types and in nature starting from term insurance to unit linked plans.

### Indian Life Insurance at a Glance

Life insurance is an important financial product like banking, pension and others. Life insurance provides protection to life and non-life areas. It is one of the fastest growing industries in India. The growth of Indian life insurance sector is divided into two main periods. One from 2001 to 2010 and other from 2012 to onwards. The first 10 years was high growth with compound annual growth rate (CAGR) of approximately 3.1% new business premium. Most of the players were in good condition due to the emergence of unit linked insurance plans.

**Table-1 Major Insurance Companies**

S.No	Name Of The Company	Head Office
1	IDBI Federal Life Insurance Co. Ltd.	Mumbai
2	India First Life Insurance Company Limited	Mumbai
3	Edelweiss Tokyo Life Insurance Co. Ltd	Mumbai
4	Tata AIA Life Insurance Company Ltd.	Mumbai
5	Star Union Dai-ichi Life Insurance Company Limited	Mumbai
6	Shriram Life Insurance Co. Ltd	Hyderabad
7	SBI Life Insurance Co. Ltd	Mumbai
8	Sahara India Life Insurance Co, Ltd	Lucknow
9	Reliance Life Insurance Company Limited	Mumbai
10	PNB MetLife India Insurance Company Limited	Bengaluru
11	Max Life Insurance company Ltd	Gurgaon
12	Life Insurance Corporation of India	Mumbai
13	Kotak Mahindra Old Mutual Life Insurance Limited	Mumbai
14	ING Vysya Life Insurance Co. Ltd	Bengaluru
15	AEGON Religare Life Insurance Company Ltd	Mumbai
16	Aviva Life Insurance Co. India Ltd.	Gurgaon
17	Bharti AXA Life Insurance Company Ltd.	Mumbai
18	Bajaj Allianz Life Insurance Company Limited	Pune
19	Birla Sun Life Insurance Co. Ltd	Mumbai
20	Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited	Mumbai
21	DHFL Pramerica Life Insurance Company Limited.	Mumbai
22	Future Generali India Life Insurance Co. Ltd.	Mumbai
23	HDFC Life	Mumbai
24	ICICI Prudential Life Insurance co. Ltd.	Mumbai

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## Summary and Conclusion

Indian life insurance industry is one of the sectors that is observing good growth. It is the changing trends of Indian insurance industry only that has made it to cope with the changing economic environment. Indian insurance industry has modified itself with the passage of time by introducing customized products. Changing government policy and guideline of the regulatory authority, IRDA have also played a very vital role in the growth of the sector. Insurance is a universal phenomenon which has existed in India dated back to the Vedic period. Establishment of Oriental Life Insurance Corporation in Kolkata by Anita Bhavsar in 1818 was the starting point of present form of life insurance business in India. On the recommendation of Malhotra committee, Government of India established Insurance Regulatory and Development Authority (IRDA) in April 2000, to regulate the insurance industry and also allow the entry of private players in Indian insurance industry. Now, insurance industry become one of the pillars of Indian financial market and performs a very crucial role in economic development. After opening the life insurance industry to private sector, it expanded tremendously as such that it got the wings to fly up to the sky.

Indian insurance industry has modified itself with the passage of time by introducing customized products based on customers' need, through innovative distribution channels, Indian life insurance industry searched its path to grow. Changing government policy and guideline of the regulatory authority, IRDA have also played a very vital role in the growth of the sector.

The sector witnesses a multi-fold growth in most of the insurance parameters. Even a tremendous growth in life insurance industry, there are still a large portion of population who are remain unserved. So there is an opportunities to life insurer to tapped this untapped market through customized and innovative product and better facilities. To achieve this objective, this sector requires more improvement in the insurance density and insurance penetration. Development of products including special group policies to cater to different categories should be a priority, especially in rural areas. The life insurers should conduct more extensive market research before introducing insurance products targeted at specific segments of the population so that insurance can become more meaningful and affordable. By adopting appropriate strategy along with proper government support and able guidance of IRDA, India will certainly become the new insurance giant in near future.

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