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## **A comparative study on the growth of Public and Private sectors in the Indian Insurance Industry for the period 2001-2021**

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### **Abstract**

Insurance is an effective risk management tool that protects life, health, and home businesses etc. which are precious. Insurance is a means of protection from financial loss. Insurance is a legal contract between two parties- the insurance company (insurer) and the individual (insured), wherein the insurance company promises to compensate for financial losses. An individual or entity receives financial protection or reimbursement against losses from an insurance company. It is an arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium. It is a risk transfer mechanism, wherein risk get transferred to the insurance company and get the cover for financial loss for unforeseen events. The insurance industry has an important socio-economic function to discharge and it plays a vital role within the financial systems and promotes individual welfare.

The Indian Insurance Industry has evolved over the years prominently especially after the formation of IRDAI. Both the public and private sectors have expanded tremendously and spread their wings. It is therefore necessary to critically evaluate the growth of industry with respect to the sector wise development. With the coming of the private players into the play, the public sector experienced a tough competition. In the present study, the changes and progress in public and private sectors in insurance companies has been pursued critically by analysing the following parameters: companies, offices, policies and premiums.

Keywords: IRDAI, insurance, Life, Non-Life, public, private, growth indicators, growth percentage, CAGR



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## 1.1 Introduction

Insurance is a financial and legal contract between an insurance policy holder and an insurance company. It is an effective risk management tool that protects life, health, and home businesses etc. which are precious. Given the Indian scenario with its huge population, the Insurance Industry

does definitely influence the growth and development of an economy in several ways by reducing the risks of impact on individuals to organizations as well. This can be realized only when the industry utilizes the situation very cleverly and takes care of the risk management of all types within its realistic reach. Large section of Indian market still remains untapped and there exists an opportunity for the insurance industry to get benefit out of it and simultaneously become instrumental in strengthening the Indian economy. Planning of innovative strategies to penetrate the huge market available in the country with more confidence, fresh ideas and incorporating the new technological tools are essential which not only ensures the customer satisfaction but also enhances the business growth finally resulting in insurance sector providing the required support to the structural changes in nation's economy. Establishing IRDA, through Insurance and Regulatory Development Authority Act 1999, India has opened the doors for competition for the insurance industry with certain rules, regulations and conditions. The monopoly enjoyed by the public sector companies started receiving considerable competition from the foreign based companies. The private players, even though slow, have definitely penetrated in to the market by adopting better products and latest technological advances to make the business customer oriented and convenient. May be low, but the rise of private companies' market share from mere 2% in 1990s up to about 28% -2016 in a conservative environment is definitely an appreciable achievement in spite of the global economic recession.



## 1.2 Review of the Literature

The work of Randhey and Ahuja [1999<sup>1</sup>] justified the need of entry for private sector based anticipating the enhancement of operating efficiencies, achieving a greater density and penetration of life insurance. Whereas, the work of TS Rama Krishna Rao [2000<sup>2</sup>] concluded that 1999-2000 was a landmark year in the history of Indian industry. Basis for the privatization of insurance industry, as forecasted by Rao, Tripti [2000<sup>3</sup>], is the fact that competition enhances the efficiency in general and also benefits the customers as well.

Reading the effects of entry of private parties in the industry during last couple of years, Arora [2002<sup>4</sup>] forecasted a tough competition ahead for LIC and also observed the increasing use of IT-enables services such as policy status, payments, product data, premium calculators etc in the insurance industry [2003<sup>5</sup>].

In his on line article, Deepak Yoannan [2010<sup>6</sup>] while discussing the role of insurance sector in any country with increasing avenues for savings of individuals and protecting their future, visualized a a number of new players awaiting the regulatory clearances/ approvals to start their business in India both in life and non-life sectors. Majority of the the private players have started their business in India with partnership of established insurance players in the world whose expertise will help the Indian insurance industry to perform better.

Sonal Purohit [2013<sup>7</sup>] in a critical study on the performance of LIC of India in the pre and post liberalization, commending the changes adopted by it in order to withstand the aggressive marketing strategies of the private industry and retain the image and the leadership in the market, observed the same to be fruitful.

Bhagabat Barik and Rakesh Patra [2014<sup>8</sup>] studying the emerging trends in Indian insurance industry, predicted many more challenges down the line due to changes in economy and employment followed by severe competition from private players. There is no time to re-engineer the business model and probably understanding the customer expectation and attitude for a product plays an important role in securing market and growth performance.

In their comprehensive report on ‘India Insurance Perspective’, Joydeep K Roy et al [2017<sup>9</sup>] presented an overview of the insurance industry until 2016. The phenomenal growth of



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private players from 2% market share in FY 2003 to 28% in FY 2016 is an indicator of the impact of liberalization. However, the LIC of India still continues to be the market leader 725 stake. It shows clear openings for the private players to tap the market with better products and customer satisfaction.

**1.3 Aim of the study:** To study the growth of Public and Private sectors in the Indian Insurance Industry for the period 2001-2021

#### **1.4 Sources of Study:**

- The study is based on purely secondary data
  - Data is collected from annual reports of IRDAI
  - Data is also collected from reports of IBEF, LIC, GIC, SwissRe and other official websites
- Information from available journals and books

#### **1.5 Methodology of the study**

The methodology adopted for the present study includes analysis of the data pertaining to the important growth indicators of the insurance industry such as:

- No. of companies
  - No of offices
  - Premiums
- The above indicators were critically analyzed and compared for both public and private sectors in Life and Non-Life segments.
  - The analyzed data has been presented in the form of tables, graphs, bar charts.
  - The annual average growth rates, the changes in percentages are also calculated for the above indicators wherever possible and utilized to interpret and draw the final conclusions.

$$\text{Average Annual Growth Rate} = \frac{(\text{Present value} - \text{Previous value})}{\text{Previous value}} * 100$$



## 1.6 Findings and Results

The changes and progress in public and private sectors in insurance companies has been pursued by critically analysing the following parameters

1. **Offices**
2. **Policies**
3. **Premiums**

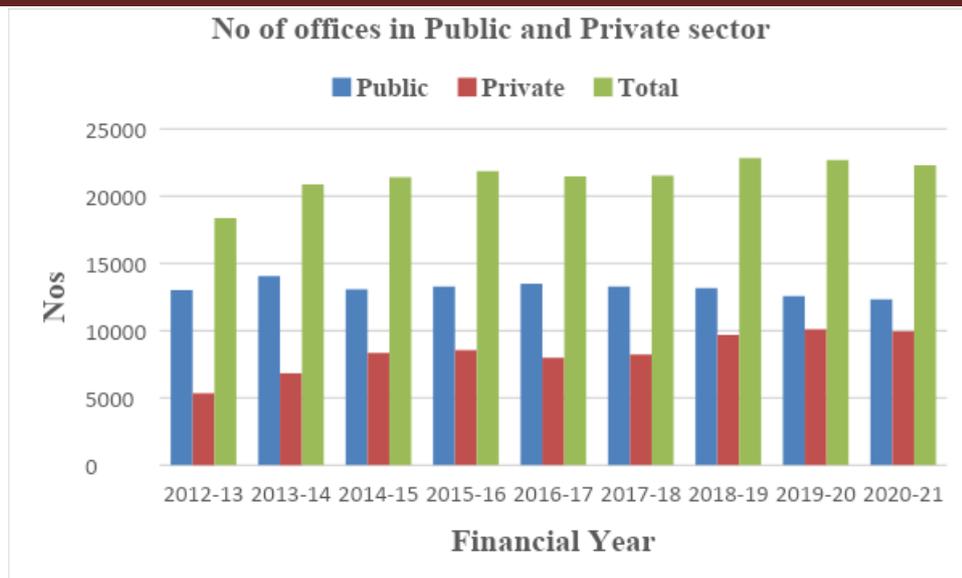
With the inception of IRDDAI, the Indian Insurance industry began expanding impressively with just **22** companies in FY2000 to reach 70 in FY2018. However, there has been a slight drop to **67** in the past 2 years which can be attributed to the economic instability and more recently to the Covid-19 pandemic which hit the world across.

The raise in the number of public companies rose was from **6** to **8** in the last two decades while the private expanded to **59** in FY 2020 from **16** in FY 2000 indicating the thrust given by IRDAI for the growth of private sector.

### 1.6.1 No of offices

**Table.1.6.1.1** Overall No. of offices with a break up of public and private in both the sectors from FY 2012 to FY 2020

Year	life	Non-Life	<u>Public</u>	Life	Non-Life	<u>Private</u>	Total
2012-13	6759	6272	<b>13031</b>	3526	1827	<b>5353</b>	<b>18384</b>
2013-14	6193	7869	<b>14062</b>	4839	2003	<b>6842</b>	<b>20904</b>
2014-15	4877	8120 (87*)	<b>13084</b>	6156	1742 (458)	<b>8356</b>	<b>21440</b>
2015-16	4892	8331 (83*)	<b>13306</b>	6179	1869 (520)	<b>8568</b>	<b>21874</b>
2016-17	4896	8518 (83*)	<b>13497</b>	6057	1946	<b>8003</b>	<b>21500</b>
2017-18	4908	8296 (86*)	<b>13290</b>	6204	2043	<b>8247</b>	<b>21537</b>
2018-19	4932	8150 (86*)	<b>13168</b>	6347	2459 (883#)	<b>9689</b>	<b>22857</b>
2019-20	4955	7546 (86*)	<b>12587</b>	6355	2655 (1107#)	<b>10117</b>	<b>22704</b>
2020-21	4970	7281 (86*)	<b>12337</b>	6090	2731 (1150#)	<b>9971</b>	<b>22308</b>



**Fig.1.6.1.1** The total number of new offices opened every year in public and private sectors from FY 2000 – FY 2020 represented in bar diagram

**1.6.1.2 Growth % of No. of offices (Public & Private)**

**Table.1.6.1.2** The growth % data of No. of offices in public and private sectors

Year	Public	Private	Total
2012-13	N.A	N.A	N.A
2013-14	-8.37402	37.23766	7.263004
2014-15	-21.2498	27.21637	0.009065
2015-16	0.307566	0.373619	0.344421
2016-17	0.081766	-1.97443	-1.05682
2017-18	0.245098	2.426944	1.442395
2018-19	0.488998	2.304965	1.50288
2019-20	0.466342	0.126044	0.274847
2020-21	0.302725	-4.169945	-2.21043

The past decade has witnessed a significant rise in the number of offices with 12,337 in FY 2012 to 22,308 in FY2020. Although negligible, a decline was seen in the offices of public sector by 794 branches/offices. However, the private sector recorded a positive trend with 5353 in FY2012 to 9971 in FY 2020 despite a nominal drop of 136 offices from FY 2019-20 which can be attributed to the Covid-19 pandemic affecting overall global economic growth. The FY2013 started with total growth rate of 7.26% in number of offices but over the years showed further decline to reach -2.21% in FY2020 rather than improving. The private sector

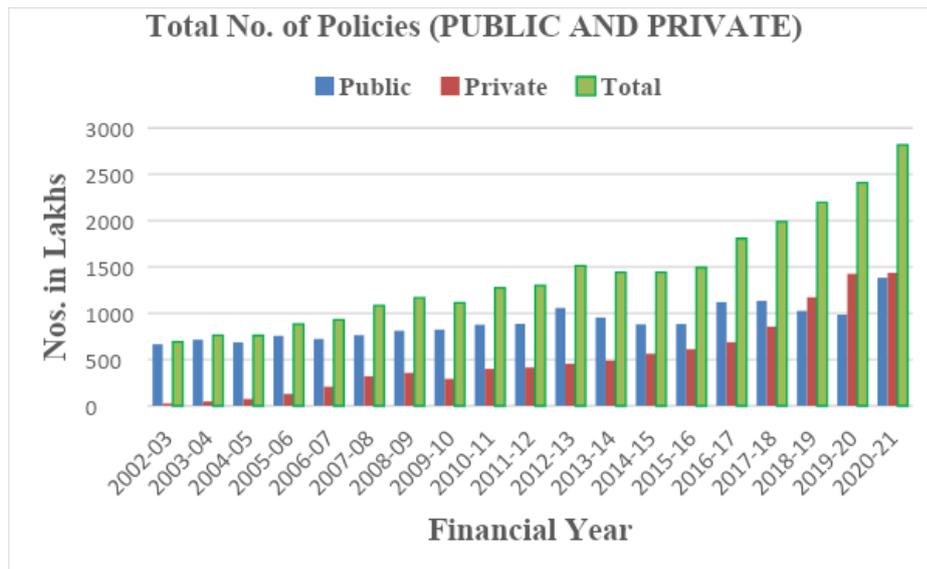


though recorded 37.23% in FY2013, it gradually declined over the years and scored -4.16% in FY2020. The Public sector despite starting from -8.37% in FY2013 managed to just 0.30% in a span of 7 years.

### 1.6.2 No of policies (Lakhs)

**Table.1.6.2.1** The total number of new policies issued every year in public and private sectors from FY 2000 – 20 in both Life and Non-Life sector

Year	life	Non-life	Public	Life	Non-Life	Private	Total
2000-01	N.A	N.A	N.A	N.A	N.A	N.A	N.A
2001-02	N.A	N.A	N.A	N.A	N.A	N.A	N.A
2002-03	245.45	418.85	<b>664.3</b>	8.25	16.76	<b>25.01</b>	<b>689.31</b>
2003-04	269.68	444.52	<b>714.2</b>	16.5	31.11	<b>47.61</b>	<b>761.81</b>
2004-05	239.78	446.34	<b>686.12</b>	22.33	51.44	<b>73.77</b>	<b>759.89</b>
2005-06	315.90	439.45	<b>755.35</b>	38.71	89.46	<b>128.17</b>	<b>883.52</b>
2006-07	382.29	339.72	<b>722.01</b>	79.22	126.92	<b>206.14</b>	<b>928.15</b>
2007-08	376.12	386.72	<b>762.84</b>	132.61	187.03	<b>319.64</b>	<b>1082.48</b>
2008-09	359.13	451.37	<b>810.50</b>	143.62	212.22	<b>355.84</b>	<b>1166.34</b>
2009-10	388.63	434.04	<b>822.63</b>	50.11	240.84	<b>290.95</b>	<b>1113.58</b>
2010-11	370.38	505.76	<b>876.14</b>	111.14	287.65	<b>398.79</b>	<b>1274.93</b>
2011-12	357.51	528.14	<b>885.65</b>	84.42	329.30	<b>413.72</b>	<b>1299.37</b>
2012-13	367.82	689.68	<b>1057.5</b>	74.05	380.56	<b>454.61</b>	<b>1512.11</b>
2013-14	354.12	600.06	<b>954.18</b>	63.60	424.47	<b>488.07</b>	<b>1442.25</b>
2014-15	201.71	677.82	<b>879.53</b>	57.37	504.97	<b>562.34</b>	<b>1441.87</b>
2015-16	205.47	677.32	<b>882.79</b>	61.92	549.44	<b>611.36</b>	<b>1494.15</b>
2016-17	201.32	852.62	<b>1119.5</b>	63.24	624.45	<b>687.69</b>	<b>1807.19</b>
2017-18	213.38 ,	803.12 117.46*	<b>1133.96</b>	68.59	787.13	<b>855.72</b>	<b>1989.68</b>
2018-19	214.04	733.02 78.49*	<b>1025.55</b>	72.44	1021.23 79.04#	<b>1172.71</b>	<b>2198.26</b>
2019-20	218.96	733.50 32.50*	<b>984.96</b>	69.50	1263.91 92.18#	<b>1425.59</b>	<b>2410.55</b>
2020-21	281.27	684.27 417.93*	<b>1383.47</b>	71.52	1259.72 105.41	<b>1436.65</b>	<b>2820.12</b>



**Fig.1.6.2.1** The total number of new policies issued every year in public and private sectors from FY 2000 – FY 2020 represented in bar diagram

The constant growth in the number of new policies being issued every year, by the Insurance Industry as a whole can be visualised from the Table.5.3.11 and the same is reflected in the Fig.5.3.11. With a few policies of 16.76 lakhs in the FY 2002, as against the 664.3 lakh policies by the public sector, the private sector expanded and has spread its wings in the past two decades to secure 1436.65 lakh policies by FY2020, on par or slightly higher than those issued by the public sector, that is 1383.47 lakhs. This throws the light not only the growth of the private insurers but also on the subtle growth recorded by the public sector which once was a key, directive of the insurance industry’s growth. This can be attributed to the increase in FDI’s from 26 % to 49% and then to 74% in 2021.

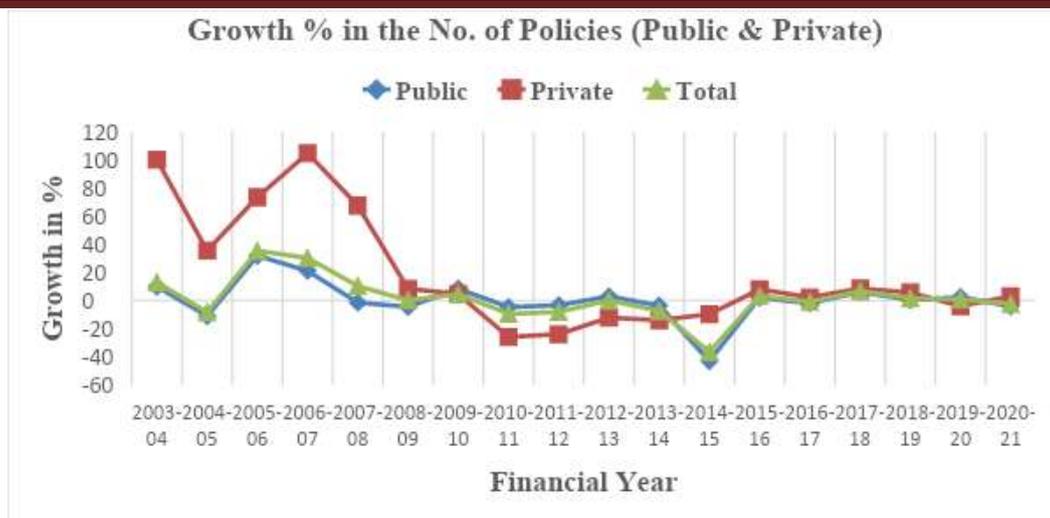


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### 1.6.2.2 Growth % in the No. of Policies (Public & Private)

**Table.1.6.2.2.** The growth data in % of No of New Policies issued in public and private sectors including Life and Non-Life FY 2000 – 20

<b>Year</b>	<b>Public</b>	<b>Private</b>	<b>Total</b>
2002-03	N.A	N.A	N.A
2003-04	9.87	100.00	12.84
2004-05	-11.09	35.33	-8.44
2005-06	31.75	73.35	35.29
2006-07	21.02	104.65	30.14
2007-08	-1.61	67.39	10.23
2008-09	-4.52	8.30	0.10
2009-10	8.21	4.52	4.52
2010-11	-4.70	-25.96	-9.53
2011-12	-3.47	-24.04	-8.22
2012-13	2.88	-12.28	-0.01
2013-14	-3.72	-14.11	-7.50
2014-15	-43.04	-9.80	-36.61
2015-16	1.86	7.93	3.20
2016-17	-2.02	2.13	-1.05
2017-18	5.99	8.46	6.58
2018-19	0.31	5.61	1.60
2019-20	2.30	-4.06	0.69
2020-21	-4.21	2.91	-2.50



**Fig.1.6.2.2** The growth profile of No of new policies issued in public and private sectors including Life and Non-Life FY 2000 – 20

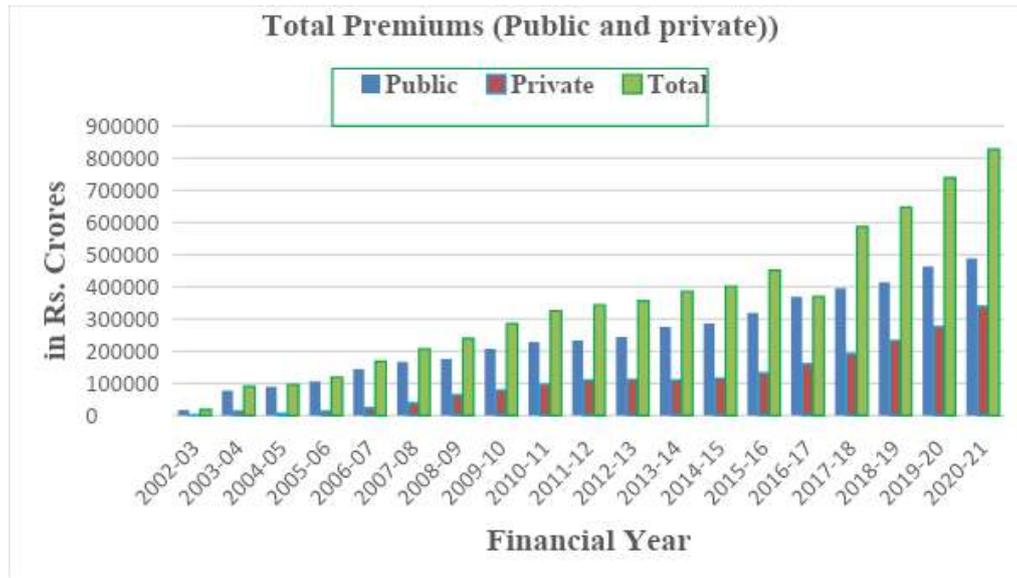
With a few policies of 16.76 lakhs in the FY 2002, as against the 664.3 lakh policies by the public sector, the private sector expanded and has spread its wings in the past two decades to secure 1436.65 lakh policies by FY2020, on par or slightly higher than those issued by the public sector, that is 1383.47 lakhs. This throws the light not only the growth of the private insurers but also on the subtle growth recorded by the public sector which once was a key, directive of the insurance industry’s growth. This can be attributed to the increase in FDI’s from 26 % to 49% and then to 74% in 2021. The public market gradually showed a decline in the growth rates from 9.87 % in FY2003 to -4.21% in FY 2020. This downward trend is not drastic as it witnessed negative growth rate of -43.04% in FY 2014. The private players though started on a high note of 100% growth rate in FY 2003, recorded negative growth rate in FY 2010 and slowly recovered to 2.91% in FY 2020 despite the COVID 19 pandemic and the overall total growth rate of the industry standing at -2.50% in FY 2020.



### 1.6.3. Premiums

**Table.1.6.3.1** The increase profile of total premiums (crores) in Public and Private fields each covering the Life and Non- Life sectors FY 2000 – 20

Year	life	Non-life	Public	Life	nonlife	Private	Total
2000-01		10079.89			7.13		
2001-02	4982.19	11917.59			467.65		
2002-03	54628.48	13520.44	<b>16899.78</b>	272.54	1349.80	<b>1622.34</b>	<b>18522.12</b>
2003-04	63167.61	14284.65	<b>77452.26</b>	11190.61	2257.83	<b>13448.44</b>	<b>90900.70</b>
2004-05	75127.28	13972.96	<b>89100.24</b>	3120.32	3507.62	<b>6627.94</b>	<b>95728.18</b>
2005-06	90792.22	14997.06	<b>105789.28</b>	7727.50	5361.53	<b>13089.03</b>	<b>118878.31</b>
2006-07	127822.84	16258.90	<b>144081.74</b>	15083.53	8646.6	<b>23730.13</b>	<b>167811.87</b>
2007-08	149789.99	16831.85	<b>166621.84</b>	28253.01	10991.89	<b>39244.90</b>	<b>205866.74</b>
2008-09	157288.04	18030.75	<b>175318.79</b>	51561.42	12321.09	<b>63882.51</b>	<b>239201.30</b>
2009-10	186077.31	20643.45	<b>206720.76</b>	64503.22	13977.40	<b>78480.62</b>	<b>285201.38</b>
2010-11	203473.40	25151.83	<b>228625.23</b>	79373.06	17424.63	<b>96797.69</b>	<b>325422.92</b>
2011-12	202889.28	30560.74	<b>233450.02</b>	88165.24	22315.03	<b>110480.27</b>	<b>343930.29</b>
2012-13	208803.58	35022.12	<b>243825.70</b>	84182.83	27950.53	<b>112133.36</b>	<b>355959.06</b>
2013-14	236942.30	38599.71	<b>275542.01</b>	78398.91	32010.30	<b>110409.21</b>	<b>385951.22</b>
2014-15	239667.65	42551 4102*	<b>286320.65</b>	77340.90	35090 2943#	<b>115373.90</b>	<b>401694.55</b>
2015-16	266444.21	47691 4842*	<b>318977.21</b>	88434.35	39694 4153#	<b>132281.35</b>	<b>451258.56</b>
2016-17	300487.36	60218.36 8247.19*	<b>368952.91</b>	100499.02	53804.96 5857.83#	<b>160161.81</b>	<b>369114.72</b>
2017-18	318223.20	67794.23 9133.81*	<b>395151.24</b>	117989.26	65419.82 8314.28#	<b>191723.36</b>	<b>586874.60</b>
2018-19	337505.07	68658.85 8148.42*	<b>414312.34</b>	140586.24	81287.15 11354.03#	<b>233227.42</b>	<b>647539.76</b>
2019-20	379389.60	73263.08 10436.71*	<b>463089.39</b>	170626.96	90743.94 14472.89#	<b>275843.79</b>	<b>738932.79</b>
2020-21	403286.55	71843.72 13114.85*	<b>488245.12</b>	225444.48	98000.96 15755.19#	<b>339200.15</b>	<b>827445.27</b>



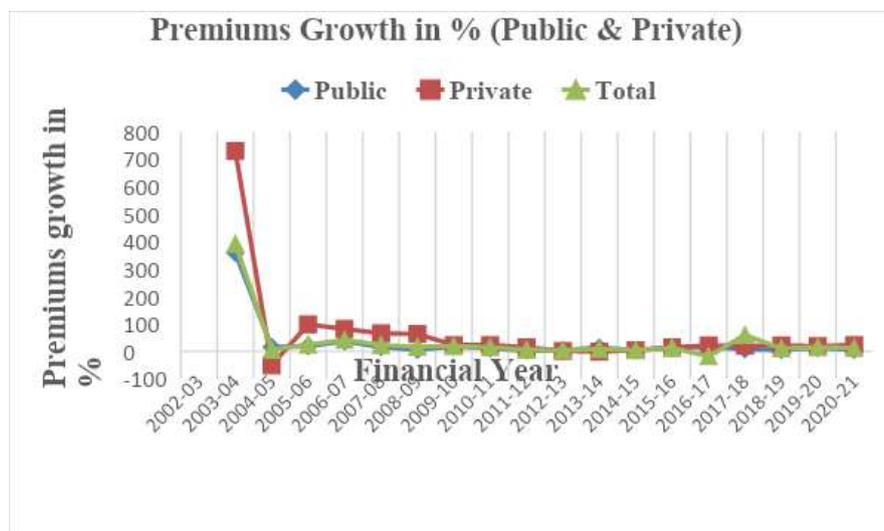
**Fig.1.6.3.1** The increase profile of total premiums in Public and Private fields each covering the Life and Non- Life sectors FY 2000 – 20

**1.6.3.2. Industry Growth percentage (Public & Private) PREMIUMS**

**Table.1.6.3.2.** The industry growth percentage data covering Public and Private sectors during FY 2000 – 20

Year	Public	Private	Total
2002-03	N.A	N.A	N.A
2003-04	358.30	728.95	390.77
2004-05	15.04	-50.72	5.31
2005-06	18.73	97.48	24.18
2006-07	36.20	81.30	41.16
2007-08	15.64	65.38	22.68
2008-09	5.22	62.78	16.19
2009-10	17.91	22.85	19.23
2010-11	10.60	23.34	14.10
2011-12	2.11	14.14	5.69
2012-13	4.44	1.50	3.50

2013-14	13.01	-1.54	8.43
2014-15	3.91	4.50	4.08
2015-16	11.41	14.65	12.34
2016-17	15.67	21.08	-18.20
2017-18	7.10	19.71	59.00
2018-19	4.85	21.65	10.34
2019-20	11.77	18.27	14.11
2020-21	5.43	22.97	11.98



**Fig.1.6.3.2** The year profile of the industry growth percentage covering Public and Private sectors during FY 2000 – FY 2020

The number of premiums underwritten in the industry has been increasing over the past two decades from 18522.12 crores in FY 2002 to 827445.27 crores in FY 2020. Though the private players occupied a good stand in the market and expanding their stance over the years, it is the public sector that still contributed to the majority of the industry’s premium with 488245.12 crores in FY 2020 and private sector amounting to 339200.15 crores. The growth of the industry premium witnessed a high spike after opening the doors to FDIs in 2000 by recording a total growth rate of 390.77% in 2003 and the insurance sector began its new journey with the support of the just born IRDAI. The private players managed to achieve a growth rate of 728.35% in FY 2002, giving a tough competition to the existing public sector that has recorded an annual growth rate of 358.30%. Despite beginning the decade with high



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growth rate both the public and private sectors were unable to keep up the same surge and in the immediate financial year with the whole industry inclusive of public and private players saw a significant drop in the premiums growth rate to 5.31%. The private sector saw negative growth rate of -50.97% in the same year. The private sector recorded a growth of 97%, the very next year, which is in fact a positive indicator for the growth. But their premiums growth rates steadily followed a downward trend, with a gradual fall to negative value of -1.54% in FY2013, yet recovered over the years to reach 22.97% in FY2020. On the other hand, the public sector continued its journey steadily with subtle changes from 15.04 % in FY 2003 to 5.4% in FY2020. The private sector contributed a major share to the growth of the industry indicating its impact.

### 1.7 Conclusions

- With rapid urbanization and expansion of population, especially middle-income groups, many new companies have been established in both public and private sectors. The number of companies in the public sector showed a subtle change from 6 to 8 in the past 20 years. But it is the private sector that has made its existence felt by the customers and the market players by increasing its companies from 16 to 59 gradually.
- The number of offices in the public sector showed a decrease of about 694 offices during period FY2012 - FY 2020. On the contrary the private players ensured a positive growth by reaching a number of 9971 in FY2020 from 5353 in FY2012. The growth in number of offices in the industry as a whole is subtle with a raise to 22308 in FY2020 from 18384 in FY 2012.
- The public players registered a growth rate of 9.87% in the number of new policies issued during FY 2002, but with an overall decline and experiencing several negative annual growth rates it stood at a negative value of -4.21 % in FY 2020. While the private players experienced similar downward trend from 100% growth rate in FY 2002 to 2.91% in FY2020, still exhibited a commendable positive trend when compared to public sector in the given FY.



- While coming to the case of gross premiums, both the public and private sectors as well recorded tremendous raise from the tremendous increase in the number of gross premiums in the private sector from a mere 16900 crores & 1622.34 crores in FY2002 to 488245,12 crores & 339200.15 crores in FY2020 respectively.
  - Overall observation is that in spite of the entry of the new private players giving a tough competition, the public companies continued to contribute major chunk of the total premiums.
  - The current covid-19 pandemic, that has caused loss of employment for many and resulted in decreased ability of paying premiums or uncertain /untimely health issues including deaths causing the insurer to pre terminate his existing policy affecting the insurance industry negatively.
  - However, the Government also played its role for boosting the insurance sector by increasing the FDI's from 26% to 49% in 2015 and finally to 74% in 2021 which is expected drive the industry for expand in a larger way for the benefit of the people in specific and the country's economy in general.

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