A STUDY OF THE PERFORMANCE OF THE LIFE INSURANCE SECTOR IN INDIA FROM 2013 TO 2016

Percy Dastur
Research Scholar, Faculty of Management
Pacific Academy of Higher Education and Research University,
Udaipur, India
Email: percydastur@gmail.com

Dr. A.A Attarwala
Pacific Academy of Higher Education and Research University,
Udaipur, India
Email: abbasi.attarwala@kbs.ac.in

ABSTRACT

The present study deals with the performance of the Indian life insurance sector. The conceptual part cover how the Indian life insurance sector has evolved after the liberalization of the sector. There has been an effort to compare how private players have been able to catch up to LIC in recent years. Data was obtained from secondary sources such as books, reports, articles and websites. The most reliable and resourceful data for the Indian life insurance sector has been from the IRDA Handbook.

Qualitative research was used to analyze data collected through the IRDA handbook. In the analysis we have studied data from 2013-14, 2014-15 and 2015-16 understanding how the life insurance sector has performed.

The study results indicate the life insurance sector is going through a period of stagnation with slowdown in the number of new policies. The initial growth post liberalization has seen a slowdown. The year 2014-15 was a year of consolidation with the industry having to work hard to maintain profits.

Keywords: Life Insurance, performance Evaluation, IRDA, LIC

INTRODUCTION

There is no value that can be attached to human life. It is the most important asset and today in India life insurance is considered the most important category in the various available insurance products. The reason why life insurance is so very important is that it provides financial protection to a person and his family at the time of uncertain risks or damage. Life insurance has now become both a tool for saving as well as a way to provides both safety and protection to individuals. In India the Life insurance of India plays an important role in human well-being by providing insurance to millions of people against life risks such as uncertain death or accident.

The Indian economy

The India’s economy has bounced back up in 2014-15 increasing by 7.3 percent on top of a growth of 6.9 percent in 2013-14. This is in terms of new series of estimates (at market prices) which has been released by the Ministry of Statistics & Programme Implementation (MOSPI) that also seen the revision of the base year from 2004-05 to 2011-12. The firming up of growth during 2014-15 was
driven mainly by private consumption and supported by fixed investment, even as government consumption and net exports slackened considerably.

The quickening of activity in 2014-15 was largely led by industry and services. Within industry, higher growth was observed in manufacturing and electricity generation. The service industry has also seen considerable growth. The Indian Insurance industry has also benefited from being part of one of the world’s fastest growing economies

The setting up of the Insurance Regulatory and Development Authority (IRDA) was a clear signal of the end of the monopoly in the insurance sector. It has become imperative for LIC to face the competition posed by the entry of new private players. If under this pressure, Life Insurance Corporation of India improves its performance, the whole economy will be benefited.

**Insurance sector**

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

Out of 29 non-life insurance companies, there are six public sector insurers, which include two specialized insurers namely Agriculture Insurance Company Ltd for Crop Insurance and Export Credit Guarantee Corporation of India for Credit Insurance. Moreover, there are 5 private sector insurers are registered to underwrite policies exclusively in Health, Personal Accident and Travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd.

In addition to 53 insurance companies, there is sole national re-insurer, namely, General Insurance Corporation of India. Other stakeholders in Indian Insurance market include approved insurance agents, licensed Corporate Agents, Brokers, Common Service Centres, Web-Aggregators, Surveyors and Third Party Administrators Servicing Health Insurance claims.

Insurance Laws (Amendment) Act, 2015 provides for enhancement of the Foreign Investment Cap in an Indian Insurance Company from 26% to an Explicitly Composite Limit of 49% with the safeguard of Indian Ownership and Control.

Insurance penetration of India i.e. Premium collected by Indian insurers is 3.44% of GDP in FY 2015-16. Per capita premium underwritten i.e. insurance density in India during FY 2015-16 is US$ 54.7

**OBJECTIVES OF THE STUDY**

1. The main objective of the study is to determine how the Indian Life Insurance sector has performed over the last three years.
2. To study the present trends in life insurance sector

**STATEMENT OF THE PROBLEM**

The study is indicated briefly to analyze the recent trends of the life insurance and its impact to the entire insurance Industry

**RESEARCH METHODOLOGY**

Exploratory research methodology is used here to analyze the data. Data was collected from multiple sources such as books, journals to understand the Life insurance industry. In this paper, we have referred previous research articles. Apart from this, we have visited different websites and professional magazines. So it is purely based on available secondary data.

**LIMITATIONS OF THE STUDY**

1. The researchers could cover only the Life Insurance Industry.
2. The study does not contain detailed comparison of LIC of India with other insurance company.
3. The area of the study is kept limited due to the short time and financial position. Three years.
4. Since the study is based upon secondary data, hence the result will depend of these data.

**LITERATURE REVIEW**

T. Venkateswara Rao (2004), in his paper titled “Alternative Distribution Channels in India” in Global Conference of Actuaries. This research points out that a distribution channel means a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer by creating place utility & the value of having the products where the customer wants them, when they want them. The research said that in Distribution in Life Insurance requires the intermediaries. The current insurance market depends heavily on Individual Agency channel but it concluded that Alternative distribution channels can give competitive edge for the Insurers, a statistics of Alternative Distribution channels of LIC suggest that corporate agencies including banks are garnering 82% and the rest 18% is coming from Brokers.

Selvavinayagam, K. and Mathivanan, R. (2010)96 article has revealed that the competitive climate in the Indian insurance market has changed dramatically over the last few years. At the same time, changes have been taking place in the government regulations and technology. The expectations of policyholders are also changing. The existing insurance companies have to introduce many new products in the market, which have competitive advantage over the products of life insurance companies.

Sonal Nena (2013), in her study “Performance Evaluation of Life Insurance Corporation (LIC) of India” has tried to analyse growth and performance of LIC. She analysed the major source of income (Premium Earned) of the LIC, as well as the significant heads of expenses of LIC to measure the performance. This study has proved that LIC has been success in terms of creating value for its policyholders.

Simona Laura Dragos (2014), in the research article, “Life and non-life insurance demand: the different effects of influence factors in emerging countries from Europe and Asia”, Economic Research. Many previous researches have shown that urbanisation, incomes and their distributions, and the population degree of education are relevant factors for the development of insurance sector in any nation. This present paper tried to test the above said variables using econometrics of panel data on 17 emerging economies from Asia and Europe over a 10-year period from 2001 -11. This research brought out findings that urbanisation influenced significantly the life insurance demand in Asia countries so it pointed out that the main insurance opportunity will be in emerging Asia (especially China and India), where the urbanisation rate is lower than it is in Central and Eastern Europe. It also highlighted that tertiary education as a proxy for risk aversion is not appropriate for the life insurance sector because of the complexity of wealth accumulation and distribution of wealth products so a reliable solution for this could be the high level of financial literacy.

**Summary of the performance of the Indian life insurance sector**

**General**

The number of companies form the year 2013-14 to 2015-16 has remained constant however the no of branch offices has seen a marginal increase from 11032branches in 2013-14 to 11071 branches in 2015-16. In terms of Insurance penetration (ratio of premium to Gross Domestic Product) in per cent the number fell from 3.1 to 2.72 and Insurance density (ratio of premium to population).increased from US $ 41 to US $ 43.2.
Business figures

Although the Indian Economy has been increasing rapidly the number of new policies has seen a dip from 409 to 267 which is a drop by 35%. However the total premium has increased from Rs. 314301 to Rs 327065.

During 2014-15, life insurers issued 259.08lakh new policies, out of which LIC issued 201.71 lakh policies (77.86 per cent of total new policies issued) and the private life insurers issued 57.37 lakh policies (22.14 per cent of total new policies issued). While the private sector registered a decline of 9.79 per cent with a slight improvement (against the decline of 14.11 per cent in 2013-14) in the number of new policies issued against the previous year, LIC registered a significant decline of 41.55 per cent (6.17 per cent in 2013-14) in the number of new policies issued.
Abhinav National Monthly Refereed Journal of Research In
Commerce & Management

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<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
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<tbody>
<tr>
<td>Number of new policies issued</td>
<td>409</td>
<td>259</td>
<td>267</td>
</tr>
<tr>
<td>First year premium (Including single premium)</td>
<td>120325</td>
<td>113330</td>
<td>138862</td>
</tr>
<tr>
<td>Total Premium</td>
<td>314301</td>
<td>328102</td>
<td>366943</td>
</tr>
<tr>
<td>Market share of LIC (based on Total Premium)</td>
<td>75.39</td>
<td>73.05</td>
<td>72.61</td>
</tr>
<tr>
<td>Individual Business in Force (Number of policies)</td>
<td>334802</td>
<td>326297</td>
<td>327065</td>
</tr>
<tr>
<td>Individual Business in Force (Sum Assured)</td>
<td>6646516</td>
<td>7553045</td>
<td>8494501</td>
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</tbody>
</table>

Policyholders' services

In terms of policyholder services the total benefits paid has seen a fall of 6% from 2013-14 to 2015-16 this points to a slowdown in the activities of the insurance companies. The number of claims as also sown a downward trend.

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<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
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<tbody>
<tr>
<td>No of claims submitted (Individual)</td>
<td>885361</td>
<td>877828</td>
<td>876680</td>
</tr>
<tr>
<td>No of claims submitted (Group)</td>
<td>425978</td>
<td>466783</td>
<td>545337</td>
</tr>
<tr>
<td>Amount Claimed (Individual)</td>
<td>11958</td>
<td>12968</td>
<td>13858</td>
</tr>
<tr>
<td>Amount Claimed (Group)</td>
<td>3230</td>
<td>3651</td>
<td>4947</td>
</tr>
<tr>
<td>Total Benefit Paid (Net)</td>
<td>216312</td>
<td>210915</td>
<td>201766</td>
</tr>
</tbody>
</table>

Apart from the above trends, the assets under management of Life Fund has seen a growth from 1288225 in 2013-14 to 1697453 in 2015-16.

Total Life Insurance Premium
NUMBER OF INDIVIDUAL NEW POLICIES ISSUED (Life)

The number of new policies issued for LIC saw a decline of 6.17% in 2013-14, a decline of 41.55% in 2014-15 which was the most drastic and finally an increase of 1.86% in 2015-16. On the other hand the new policies issued for private companies fell by 14.11% in 2013-14 and 9.79 in 2014-15 and saw a recovery by 7.92% in 2015-16. The year 2014-15 was rather dim in terms of growth in new policies.

<table>
<thead>
<tr>
<th>INSURER</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIC</td>
<td>345.12</td>
<td>201.71</td>
<td>205.47</td>
</tr>
<tr>
<td>Private</td>
<td>N.A</td>
<td>63.6</td>
<td>57.37</td>
</tr>
<tr>
<td>Total</td>
<td>408.72</td>
<td>259.08</td>
<td>267.38</td>
</tr>
</tbody>
</table>

ANALYSIS AND CONCLUSION

During the first decade of insurance sector liberalization, the sector has reported consistent increase in insurance penetration however, the numbers have now seen a slowdown. The number of companies has remained constant at 24 which may not be a problem as these companies need to grow and mature before more companies can be added to the system. The main issue is the slowdown in the increase in no of branch offices especially since India has a low Insurance penetration. Intact the drop in insurance penetration may be due to the lack of new branches opening across the country. Insurance density has seen an increase, which is, may lead to better penetration and performance for the years to come.

Although there has been a total growth in Premiums however the growth is on existing policies as new policies are not adding at a rapid pace. The number of new policies issued for LIC saw a decline. This was the same situation for the policies issued for private companies fell.

India is the world fastest growing major economy however if the growth needs to be sustainable the financial sector needs to strengthen. The study shows that the Insurance sector is heavily dependent on LIC for its growth and penetration.
REFERENCES