



AN EXAMINATION OF INDIAN LIFE INSURANCE SECTOR

Vikas Sharma

Bareilly College, Bareilly, Affiliated to MJP Rohilkhand University, Bareilly, (U.P), India.

ABSTRACT

Over the past ten years, the insurance sector in India has experienced significant expansion along with the launch of numerous cutting-edge products. This has produced a competitive environment that has produced beneficial results. India's insurance industry is vital to the country's economic health. It significantly expands people's savings options, protects their future, and aids in the formation of a sizable capital pool for the insurance industry. The insurance industry makes a significant contribution to the capital markets with the aid of these funds, which boosts major infrastructure projects in India. The life insurance market has experienced a notable surge in business due to the shift in customer perceptions of the product, as well as increased awareness and penetration. Following globalization in 1991, the Indian life insurance market has become more competitive in every way, with numerous domestic and foreign private insurance companies vying for business. This essay seeks to assess LIC of India's current standing in this fiercely competitive environment, project future trends in the company's insurance division, and assess LIC of India's potential future standing in this fiercely competitive environment.

KEY WORDS: *life insurance, Customer satisfaction, Secondary data, information, LIC, Private Life Insurer, Market share, Insurance premium.*

I . INTRODUCTION

Since 3000 BC, insurance history has been documented in one way or another. Over the ages, a number of civilizations have adopted the idea of pooling and dividing any losses incurred by certain community members among themselves. Around 1800, foreign insurance companies' agencies began offering marine insurance, marking the beginning of modern insurance in India. The Provident Fund Act and the Life Insurance Companies Act were passed in 1912 to control the insurance industry. The Insurance Act 1938 was the initial law passed in India to control the behavior of insurance businesses. On September 1st, 1956, the life insurance industry was nationalized, and the Life Insurance Corporation of India (LIC) was established. In India at the time, 170 businesses and 75 provident fund societies were involved in the life insurance industry. The LIC had the sole authority to conduct life insurance business in India from 1956 to 1999.

The Malhotra Committee was established in 1993 with the goal of investigating and suggesting modifications for the industry's advancement, including the reinstatement of a competitive element. The Insurance regulating and Development Authority (IRDA) was established in April 2000 as a statutory regulating agency for the life and non-life insurance industries as a result of the Insurance Regulatory and Development Act, 1999 (IRDA) being passed.

Life Insurance industry before Nationalization

In the year 1818, life insurance as we know it now was brought to India from England. Europeans founded Oriental Life Insurance Company in Calcutta. Indian lives were first regarded as inferior and were subject to significant additional premiums.

The first Indian life insurance business was established in 1870 with the founding of Bombay Mutual Life Assurance Society, which provided coverage for Indian lives at standard rates. Of these, Bharat Insurance Company (1896) was another company drawn to nationalism. There are now more insurance businesses as a result of the Swadeshi movement of 1905–1907. The Provident Fund Act and the Life Insurance Companies Act were passed in 1912. The requirement for actuaries to certify premium rate tables and firms' periodic appraisals was imposed by the Life Insurance firms Act of 1912. In the first two decades of the 20th century, the insurance industry experienced significant expansion. In 1938, there were 176 firms with total business-in-force of Rs. 298 crore, up from 44 companies with total business-in-force of Rs. 22.44 crore. Many financially questionable ventures were also launched during the insurance industry's explosion, but they all collapsed spectacularly.

Life Insurance industry After Nationalization

The Life Insurance Corporation Act was passed by the Indian Parliament on June 19, 1956, and the Life Insurance Corporation of India was established on September 1. At the time of nationalization, there were 154 Indian insurance companies, 16 non-Indian companies, and 75 provident operating in India. The goal was to expand life insurance significantly, especially in rural areas, in order to reach all insurable individuals in the nation and offer them sufficient financial coverage at an affordable price. Aside from its corporate office, LIC had five zonal offices, thirty-three divisional offices, and two hundred and twenty branch offices in 1956. The corporate office, 113 divisional offices, 8 zonal offices, 1381 satellite offices, and 2048 completely computerized branch offices make up the current operational



structure of LIC. The 113 divisional offices covered by LIC's Wide Area Network are connected to all of the branches via a Metro Area Network. The insurance industry was opened up following the enactment of the IRDA Act in 1999, allowing private insurance companies to participate in international partnerships and offer both general and life insurance. There are now 23 life insurance providers in operation in India.

II. OBJECTIVES

- To evaluate LIC's development and performance.
- To assess LIC of India's business trajectory going forward.

III RESEARCH METHODOLOGY

Secondary data has been used for the study.

IV. REVIEW OF LITERATURE

Kaushal and Ghosh (2018) the results of the analysis clearly show a long-term

relationship between the expansion of the banking and insurance industries and economic growth. The results of the analysis also show that there is bidirectional causality from insurance to economic growth during the post-liberalized period, whereas the demand-following relationship is continuous throughout.

Parida, Tapas Kumar and Acharya, Debashis (2016) in the study, they chart the growth of the life insurance market in India from its founding and evaluate its success over time using several business metrics. Three phases are used to evaluate the evolution and changing characteristics of the Indian insurance industry: the first spans the years 1818–1956, the second spans

the years 1956–2000 (known as the nationalization period), and the third spans the years 2000–present (post liberalization reform). Data envelopment analysis (DEA) is another tool used in the book to assess the productivity and relative efficiency of the Indian life insurance market following the reforms. Insurance companies persisted in their efforts to address the profitability issue, despite the fact that the life insurance industry's compound annual growth rate (CAGR) for total premiums during the post-reform era was 17% and the CAGR for new business premium revenue was 21%.

Nagaraja (2015) in his study tried to vindicate the relationship between the performance of insurance industry and economic development. The study showed a negative trend in the growth rate in terms of number of new policies issued and the insurance premium. Reasons and contributing factors for this state of affairs is highly essential. The document mainly deals with these aspects of the insurance industry, and compares the public and private sectors of the life and non-life insurance industries.

Arif (2015) examined the patterns and trends in the Indian life insurance market. The study included the years 2003–04–2013 as a whole. According to the report, the life insurance business had declining tendencies following privatization, but it did show increasing patterns in terms of total premiums, new policies issued, and offices opened.

V. DATA PRESENTATION AND INTERPRETATION

The data concerned with the life insurance in India is given as under and thereafter the interpretation and conclusion have been given.



Table 1: List of Life Insurers

<u>Sl.No</u>	<u>Name Of the Company</u>
1	AEGON Life Insurance Company Limited
2	Aviva Life Insurance Company India Limited
3	Bajaj Allianz Life Insurance Company Ltd
4	<u>Bharti-Axa</u> Life Insurance Company LTD
5	Birla <u>SunLife</u> Insurance Company Limited
6	<u>Canara</u> HSBC Oriental Bank of Commerce Life Insurance Company Limited
7	Edelweiss <u>Tokio</u> Life Insurance
8	Exide Life Insurance Company Limited
9	Future <u>Generali</u> India Life Insurance Company Limited
10	HDFC Standard Life Insurance Co. Ltd
11	ICICI Prudential Life Insurance Company Ltd
12	IDBI Federal Life Insurance Co Ltd
13	<u>IndiaFirst</u> Life Insurance Company Limited
14	<u>Kotak</u> Mahindra Old Mutual Life Insurance Ltd.
15	Life Insurance Corporation of India
16	Max Life Insurance Company Limited
17	PNB MetLife India Insurance Company Ltd.
18	<u>Pramerica</u> Life Insurance Limited
19	Reliance Nippon Life Insurance Company Limited
20	Sahara India Life Insurance Co. Ltd.
21	SBI Life Insurance Co. Ltd.
22	<u>Shriram</u> Life Insurance Company Ltd.
23	Star Union <u>Dai-ichi</u> Life Insurance Company Limited
24	Tata AIA Life Insurance Company LTD

Source: Handbook on Indian Insurance Statistic



Table 2: New-Business Premium of Life Insurers

(In Rs Crores)

S.No.	Insurer	2017-18	2018-19	2019-20	2020-21	2021-22
Public Sector						
1	Life Insurance Corporation of India	1,34,671.70 (8.10)	1,42,335.96 (5.69)	1,78,276.24 (25.25)	1,84,429.55 (3.45)	1,98,932.18 (7.86)
Private Sector						
2	Aditya Birla Sun Life Insurance Company Ltd.	2,662.80	3,917.07	3,657.22	4,563.68	5,664.95
3	Aegon Life Insurance Company Ltd.	147.05	117.63	91.73	61.78	16.67
4	Ageas Federal Life Insurance Company Ltd.	833.03	806.62	560.50	631.74	816.43
5	Aviva Life Insurance Company India Ltd.	325.57	283.82	217.59	220.11	292.67
6	Bajaj Allianz Life Insurance Company Ltd.	4,291.14	4,922.83	5,179.01	6,313.23	9,136.44
7	Bharti AXA Life Insurance Company Ltd.	730.86	911.02	828.56	782.84	935.23
8	Canara HSBC OBC Life Insurance Company Ltd.	1,227.74	1,460.49	1,527.74	2,301.25	2,795.73
9	Edelweiss Tokio Life Insurance Company Ltd.	342.46	455.88	383.13	455.43	480.45
10	Exide Life Insurance Company Ltd.*	759.90	802.20	888.88	781.05	1,002.09
11	Future Generali India Life Insurance Company Ltd.	582.35	714.94	767.50	522.88	456.97
12	HDFC Life Insurance Company Ltd.	11,349.61	14,971.45	17,238.45	20,106.63	24,154.82
13	ICICI Prudential Life Insurance Company Ltd.	9,211.75	10,364.36	12,487.52	13,226.06	15,502.24
14	IndiaFirst Life Insurance Company Ltd.	1,496.97	2,072.64	1,866.79	2,050.57	2,766.21
15	Kotak Mahindra Life Insurance Ltd.	3,404.21	3,977.11	5,105.77	5,256.51	6,142.77
16	MaxLife Insurance Company Ltd.	4,348.59	5,160.41	5,583.48	6,826.22	7,904.92
17	PNB MetLife India Insurance Company Ltd.	1,427.08	1,681.90	1,778.64	1,996.32	2,468.10
18	Pramerica Life Insurance Company Ltd.	1,455.68	1,221.06	511.77	227.00	304.87
19	Reliance Nippon Life Insurance Company Ltd.	915.62	1,067.00	1,006.11	1,135.00	1,282.32
20	Sahara India Life Insurance Company Ltd.	4.17	0.07	0.01	0.00	0.00
21	SBI Life Insurance Company Ltd.	10,966.14	13,791.98	16,592.49	20,624.25	25,457.35
22	Shriram Life Insurance Company Ltd.	810.33	813.58	700.21	880.18	1,069.59
23	Star Union Dai-ichi Life Insurance Company Ltd.	700.72	676.51	771.02	1,163.91	1,926.31
24	TATA AIA Life Insurance Company Ltd.	1,488.42	2,476.52	3,242.01	4,143.72	5,358.50
	Private Sector Total	59,482.21 (17.51)	72,667.08 (22.17)	80,986.14 (11.45)	94,270.37 (16.40)	1,15,935.64 (22.98)
	Grand Total	1,94,153.90 (10.82)	2,15,003.04 (10.74)	2,59,262.38 (20.59)	2,78,699.92 (7.50)	3,14,867.82 (12.98)

Note: Figures in the brackets represent the growth over the previous year in percent.

Source: Handbook on Indian Insurance Statistics

Due to the country's dual demographic dynamics of a growing working population and rising disposable income, the insurance market in India is still in its early stages of development. Government programs also keep advancing the penetration and reach of insurance. With increased penetration

and the use of micro insurance to explore latent sectors, especially the rural one, the Indian insurance business is experiencing sustainable growth and momentum.



TABLE 3: NUMBER OF INDIVIDUAL NEW POLICIES ISSUED (LIFE)

Insurer	(In Lakhs)				
	2017-18	2018-19	2019-20	2020-21	2021-22
LIC	213.38 (5.99)	214.04 (0.31)	218.96 (2.30)	209.75 (-4.21)	217.19 (3.54)
Private Sector	68.59 (8.47)	72.44 (5.61)	69.5 (-4.05)	71.52 (2.90)	73.94 (3.39)
Total	281.97 (6.58)	286.48 (1.70)	288.47 (0.69)	281.27 (-2.49)	291.13 (3.50)

Note: Figures in brackets indicates the growth (in per cent) over the previous year.

Table 4: Individual Business in Force (Within India)
(Number of Policies) (2020-21 & 2021-22)

(Policies in '000)

Particulars	LIC		All Private Players		Grand Total	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Non Linked Life Business						
Business in force at start of the financial year	2,81,634	2,79,604	29,926	32,119	3,11,560	3,11,723
Additions during the year*	22,277	22,941	5,423	5,386	27,700	28,328
Deletions during the year**	24,307	28,158	3,230	3,378	27,537	31,536
Business in force at end of the financial year (A)	2,79,604	2,74,387	32,119	34,128	3,11,723	3,08,515
Non Linked -General Annuity Business						
Business in force at start of the financial year	2,044	2,292	265	362	2,309	2,654
Additions during the year*	319	255	102	159	420	414
Deletions during the year**	71	168	5	10	75	178
Business in force at end of the financial year (B)	2,292	2,379	362	511	2,654	2,890
Non Linked - Pension Business						
Business in force at start of the financial year	1,516	1,484	286	275	1,802	1,759
Additions during the year*	54	50	16	15	70	65



Deletions during the year**	85	84	27	33	112	117
Business in force at end of the financial year (C)	1,484	1,450	275	256	1,759	1,707
Non linked Health Business						
Business in force at start of the financial year	634	718	536	515	1,170	1,232
Additions during the year*	333	262	117	94	450	356
Deletions during the year**	249	269	138	126	387	394
Business in force at end of the financial year (D)	718	711	515	483	1,232	1,194
Linked Business - Life business						
Business in force at start of the financial year	1,981	1,027	11,732	11,309	13,713	12,337
Additions during the year*	108	215	1,569	1,871	1,678	2,086
Deletions during the year**	1,062	381	1,992	1,934	3,054	2,314
Business in force at end of the financial year (E)	1,027	861	11,309	11,247	12,337	12,108
Linked General annuity business						
Business in force at start of the financial year	-	-	-	-	-	-
Additions during the year*	-	-	-	-	-	-
Deletions during the year**	-	-	-	-	-	-
Business in force at end of the financial year (F)	-	-	-	-	-	-
Linked Pension Business						
Business in force at start of the financial year	1,194	938	707	788	1,902	1,726
Additions during the year*	24	0	210	224	233	224
Deletions during the year**	280	134	129	113	409	247
Business in force at end of the financial year (G)	938	804	788	900	1,726	1,704
Linked Health Business						
Business in force at start of the financial year	162	152	97	94	259	246
Additions during the year*	0	0	0	0	0	0
Deletions during the year**	10	10	4	7	13	17
Business in force at end of the financial year (H)	152	143	94	86	246	229
Non-Linked VIP-Life Business						
Business in force at start of the financial year	24	10	456	394	480	405
Additions during the year*	0	0	1	0	1	0
Deletions during the year**	14	4	63	72	77	76
Business in force at end of the financial year (I)	10	6	394	322	405	329

Source: Handbook on Indian Insurance Statistics

From unit linked investment solutions to pure term (risk) insurance, customers have an enormous array of options. Unbundled products with a range of benefits are presented to customers for selection. A growing number of consumers are selecting goods and services based on their actual needs rather

than solely conventional money-back guarantees, which are thought to be unsuitable for long-term savings and protection. The market is flooded with investing and savings plans. But several important new products, like health products have yet to be released.



VI. CONCLUSION

Furthermore, the life insurance market has grown significantly since the insurance sector underwent changes. This is because the regulations put in place have created an environment that has allowed insurance businesses to thrive in the nation. There are 23 life insurance providers in India. Life insurance accounted for a fairly large 80.2% of all insurance business, placing it 10th out of 88 countries. LIC has been effective in adding value for its clients, or policy holders. The analysis of the pre and after performances indicates a commendable expansion in the company's operations. Life insurance has a lot of promise, and LIC is still quite well-liked in our nation, no doubt. However, private companies also provide fierce competition, so LIC needs to work harder to improve its business in terms of quality, client relationships, technical advancements, and technology distribution network. Therefore, if we want to move forward toward a worry-free future, we need a well-regulated life insurance business that adapts to the needs of the times by providing its clients with specialized products to meet their financial needs.

REFERENCES

1. Arif, Mohd. (2015). "Life Insurance Industries in India: Trends and Patterns", *European Academic Research*, Vol. II, Issue 11, February 2015, pp. 14105-14122.
2. Bodla, S. (2017) *Profitability Performance of Life Insurance Companies. A Study in Indian Context*. IJCRR Vol.7, Issue 3, Pp.39-43. 4.
3. Gairola, V. (2016) *A Comparative Study of Public and Private Life Insurance Companies in Post Liberalization Era*. IJMBS Vol. 6, Issue 4, Pp.15-18.
4. Parmasivan, C. (2015). *A Comparative Study of Public and Private Life Insurance Companies in India*. IJMRR Vol.1, Issue 7, Pp.15-18.
5. Parida, T. K., & Acharya, D. (2016). *The life insurance industry in India: Current state and efficiency*. In *The Life Insurance Industry in India: Current State and Efficiency*. <https://doi.org/10.1007/978-981-10-2233-3>
6. Nagaraja, B. (2015). *Performance of Insurance Industry in India: A Critical Analysis*. *International Journal of Multidisciplinary and Scientific Emerging Research*, 1045-1052.
7. www.licindia.com
8. www.irda.gov.in
9. www.insuranceinstituteofindia.com