

A

Project Report

On

LIFE INSURANCE MARKET IN INDIA

In

Managerial Economics



IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF THE AWARD
FOR THE DEGREE OF

Master of Business Administration

UNDER

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LIFE INSURANCE MARKET IN INDIA

ABSTRACT:

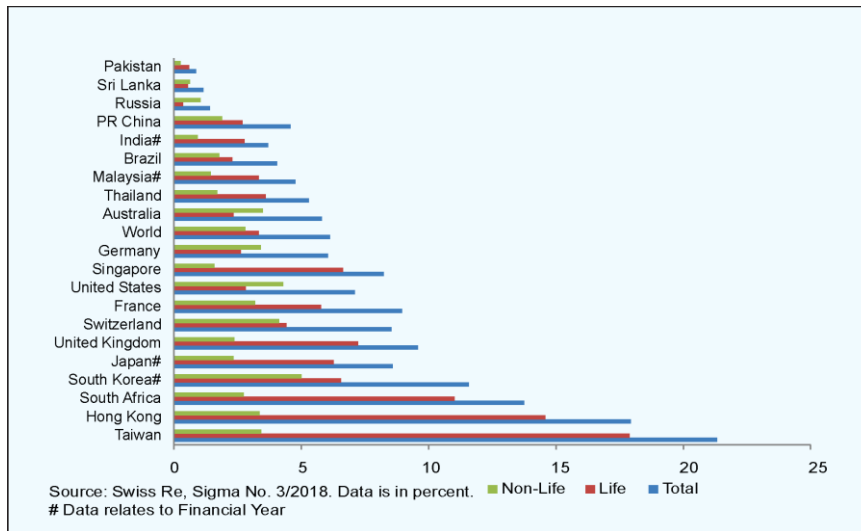
A Life insurance policy is basically a contract between the insurance company and the person who take the insurance. The person has to pay premium amount and in Exchange Company provide his relives and beneficiaries a large amount also known as death benefits. Since last 20 years, after private life insurers entered the market Indian Life Insurance Industry drastically grew. It comes among 10 insurance markets in term of total collected premium in the World. The Indian insurance market has a great potential of growth and can overcome the challenges get the opportunity which it provides. The study focus on nature of life insurance the major contributors and challenges and opportunity of this industry in India.

Introduction:

Insurance industry India has come long way since the time in 1818, when Oriental Life Industry was establishing by Anita Bhavsar in Kolkata to help the European people in their needs. Then after Bombay Mutual Life Insurance Society became the first Indian insurer in 1870. After that 20TH century Money Insurance Company were established. In 1912 provident funds act were passed for the growth of insurance industry. LIC was founded on 19th January 1956 and had monopoly till 2000's. In Early 2000, the sector was opened for private company as well. After that Insurance Regulatory and Development Authority (IRDA) was introduced and it was a clear signal for the end of monopoly in insurance sector. By 2012, Indian insurance industry became US \$72billion industry including 2 million people.

In 2017, India's share in global insurance market was 2.0 %. But total insurance premium increased by 10.1% in 2017.

The share of life insurance business in India was 74.73%. India is ranked among top 10 in life insurance business.

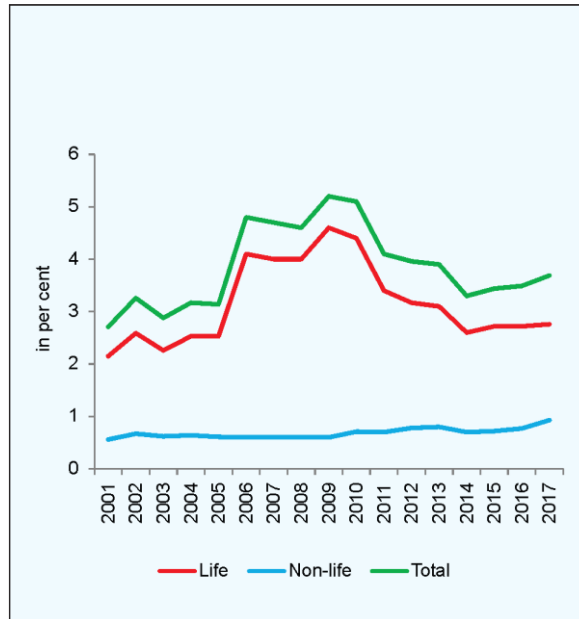


Insurance Penetration and Density in India:

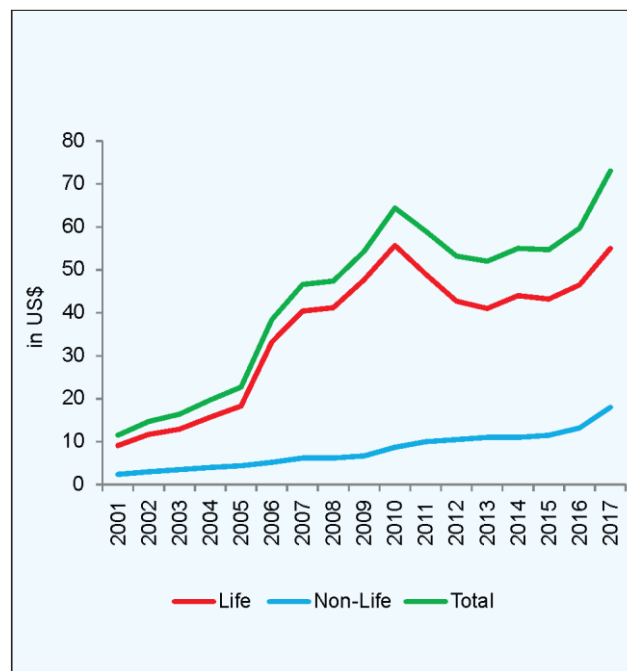
Insurance penetration refers to the level of development in among 88 countries according to date by Swiss Re.

insurance sector and it measured as the % of insurance premium to GDP. While Insurance density is calculated as ratio of premium to population.

Since liberalization, the insurance penetration has seen a consistent growth from 2001 to 2009 as (2.71% to 5.20). After that it started declining in 2014 to 3.30%. But since 2015 its penetration has seen a rise and is growing since then.



The insurance density of life instant rose from \$ 9.1% to \$55.7 in 2010. In 2017, it was \$55.



Registered insurers in India :

As per the report of insurance regulatory and development Authority of India , at the end of March 2018, there were 68 insurer operator in India among 24 are general insurers , 6 are stand with health insurer & 11 are re – insurer.

Among these 68 insurers, 8 are in public sector & rest is in private sector.

- ECGC and AIC are 2 specified insurer.
- LIC is a Life Insurer.
- 4 are general insurer.
- GIC Re is re-insurer.

**Table I.8
REGISTERED INSURERS INCLUDING
FOREIGN REINSURERS' BRANCHES /
LLOYD'S INDIA**

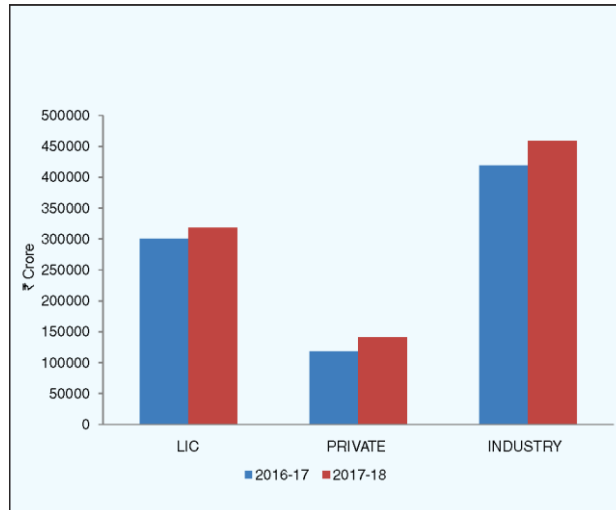
| Type of Insurer | Public Sector | Private Sector | Total |
|---|---------------|----------------|-----------|
| Life | 1 | 23 | 24 |
| General | 6 | 21 | 27 |
| Health | 0 | 6 | 6 |
| Re-insurers (including Foreign Reinsurers Branches/ Lloyd's India) | 1 | 10 | 11 |
| Total | 8 | 60 | 68 |

Note: List of registered insurers is given in Annexure 1

During 2018, Life insurance industry recorded as premium income of rate 458809.44 crores. The private sector insurer observed a growth of 19.15%.

Some of Life insurance companies in India are: -

- Bajaj Alliance & Life Insurance Company Limited.
- Birla Son Life Insurance Company Limited.
- Life Insurance Corporation of India.
- HDFC standard Life Insurance Corporation Ltd.
- Max New York Life Insurance Corporation Ltd.
- SBI Life Insurance Corporation Ltd.
- Tata AIG Life Insurance Company Ltd.
- Kodak Mahindra Old Mutual Fund Insurance Ltd.



Market Share: -

The LIC market share decreased from 71.81% in 2017 to 69.39% in 2018. Moreover, for Private insurers, the market share was 30.64% in 2018.

During 2017-2018, number of policies issued by life insurance was 281.97 lacs and LIC was a major contributor among its policies accounted to 213.38 lakh in number.

| TABLE I.10 MARKET SHARE : LIFE INSURERS | | |
|--|----------------|----------------|
| <i>(in percent)</i> | | |
| Insurer | 2016-17 | 2017-18 |
| First Year Premium (1) | | |
| LIC | 44.31 | 42.82 |
| Private Sector | 55.69 | 57.18 |
| Total | 100.00 | 100.00 |
| Single Premium (2) | | |
| LIC | 84.83 | 82.95 |
| Private Sector | 15.17 | 17.05 |
| Total | 100.00 | 100.00 |
| New Business Premium (3 =(1+2)) | | |
| LIC | 71.11 | 69.36 |
| Private Sector | 28.89 | 30.64 |
| Total | 100.00 | 100.00 |
| Renewal Premium (4) | | |
| LIC | 72.31 | 69.35 |
| Private Sector | 27.69 | 30.65 |
| Total | 100.00 | 100.00 |
| Total Premium [5 =(3+4)] | | |
| LIC | 71.81 | 69.36 |
| Private Sector | 28.19 | 30.64 |
| Total | 100.00 | 100.00 |

METHODOLOGY AND OBJECTIVES:

The main aim of this paper is to enlighten people about the challenges and opportunities of life insurance industry.

This study's methodology is based on the secondary data sources from various IRDAI journals, its 2017-18 report, working papers, published books, websites etc.

CHALLENGES OF LIFE INSURANCE INDUSTRY:

1. **Customer Motivation:** Insurance is a promise made on contingency for the long term. Motivating clients to buy and get valid and useful information is a unique task in itself. In terms of gathering consumer information about the product, insurance firms have a great challenge and sell other needed products accordingly.
2. **Awareness:** Although the number of insurers has risen, financial literacy and awareness of consumers ' comprehension of products and services is a huge challenge. Early years of private life insurers brought great hopes and plenty of consumer disappointments. The consumer curiosity must be addressed innovatively.
3. **Persistence:** Different distribution channels are used to acquire customers but persistence ratio, which means customers stay with the company, remains a challenge in terms of loyalty and collection of renewal premiums until the end of the expiry period as per contract.
4. **Right Selling Method:** Many insurance advisors ' lack of knowledge and unethical behaviour, the same depicted in public in a negative way, plays a major stumbling block to resolve sceptic customers. Nonetheless, insurance regulator and industry are taking various measures to curb mis-selling, selling insurance is a big challenge relative to other sales of financial services.

5. **Factor for People:** It plays a crucial role in the industry. Although there is a large eligible and skilled population, it has been a huge task to lack the right talent and attract committed and high-quality talent for each management level for this fast-growing sector. The existence of different jobs in different sectors and the need for different mind sets for this industry to be self-motivated and perseverant.
6. **Diversified Population:** It is a big challenge to market insurance products to diverse populations with different lifestyles. Mostly the consumer does not engage in buying insurance on a voluntary basis, besides the evolving economic sector with new careers, short market cycles, shifting food habits and people's confidence are the key factors the industry needs to cope with.
7. **Digital Age:** People discuss social media reviews of products and services and comments about businesses and their workings. Now businesses are at risk of having a single negative review which can have a huge impact on the image of their company. Because information is easily available at the customer's end, any insurance company has to be fair with the business and its employees to reassure the customer all the way this is a challenge.
8. **Rating:** Rating agencies still have to rate any of the Indian life insurers, for the consumer to choose one of them is a challenge. Nonetheless, reputed rating agencies are used by individual insurance firms to test on various criteria. It may take some more time for this long-term, focused industry to offer ratings on par with developed markets.
9. **Advisors:** Many advisors are part-time timers, encouraging them to become true professionals is a huge challenge for this field. Recent changes and independence granted to insurance firms in the procurement of consultants, the evolving position of consultant from the corporate and consumer perspectives in addition to continuing to generate business is a regular challenge for him.

OPPORTUNITIES FOR LIFE INSURANCE INDUSTRY: -

India is one of the top 10 life-insurance markets. Insurance penetration in single digit gives the customer ample scope to penetrate and serve.

1. **Youth Dominated:** By 2025 India will have a majority of working population of 795.5 million. An increase in the number of workers, the growth of a wealthy middle class and a rise in awareness lead to an increase in insurance demand. Rising per capita GDP is an immense opportunity for insurers in every sector with their varied items.
2. **Lot of Potential:** Growing rural urbanization and growth in new bankable households provide insurers with a tremendous opportunity to offer personalized life insurance products. Although the number of insurers has increased over the past 18 years but to cover more than 50 percent of India's insurable population, there is still a lot to do.
3. **Variety of Products:** Increasing individual life expectancy, attractive savings and job prospects in the private sector offer increased demand for pension schemes. There is no formal pension system for the majority of employees to choose from thus greater opportunities for the insurers.
4. **Rising income levels:** The country's globalization and economic reforms have elevated income levels for the people and Indians are obviously good at saving for future needs, giving insurers a great opportunity. The insurers channelize the savings into innovative annuity and insurance plans.
5. **Technology:** Innovation has provided a boon for the growth, scalability and scope of the insurance industry in every sphere. New generation employees are keen to debate products and services on articles and feedback about businesses and their products on social media. Through this network, businesses have a great deal of opportunities to offer their present and future customers.

6. **Consumer Expectations:** Competition between different distribution networks leads to a reduction in premium and contributes to an economic improvement in customer service quality. In terms of customer service, insurance companies have a lot to do, as the networks grow, consumer expectations rise.
7. **Distribution Channels:** Spreading more networks of distribution will allow the life insurance industry to extend its footprint. The traditional way in which insurance is offered is slowly changing. Today most of these companies use data collected from these channels and are exchanged with other financial service providers to supply customized products.
8. **Innovative Procedure:** After 15 years of private life insurers in the market, there is drastic change in the perceptions of people regarding insurance companies and their services. Joint ventures with experienced insurers will help share their knowledge, and processes will help bridge the huge insurance penetration gap.

Recommendations

The Indian government took an adventurous decision by inviting private insurance companies to subsequently pass the Insurance Regulatory and Development Authority Act in 1999 and IRDA listed regulations for the operations of life insurance organizations. Instead of so many legislative measures including reforms such as downsizing the mediator board, tightening the process of hiring advisors and mandating examples of incentives for the scheme, the sector is dealing with a lot of problems to this day. Such measures cannot bridge the gap between customer expectations and processes within the Insurance Company. Regulator has to take strong steps to restore customer trust in life insurance.

- **Professional Expertise level:** Expertise levels of insurance consultants are not properly measured on a periodic basis. To Advisors, very few firms implement regular training interventions. It is an irony to think that certain life insurance companies have no training department at all. IRDAI must define strict advisory education program guidelines. Because of this fact even mis-selling can be controlled.

- **Policies should be Simple:** People are confused and unable to understand the difference between standard financial services and life insurance policies even today.
- **Standard Operating Processes:** Each company has its own way of formulating proposals. This leads to confusion about the plan to fill in and even to understand. Regulator can design standard format for the businesses to overcome this problem.
- **Use Technology:** Such firms must use digital distribution channels to market life insurance products. Tab-based purchases and online sales by applications are some of the innovative ways forward. Use of technology can aid in curbing mis-spelling.
- **Moving to Rural Areas:** Nearly all India live in and touch villages, insurance companies need to create simple, suitable and affordable plans for rural segments. Today, most companies are only running behind big premiums and rural business is limited to compliance with regulator's mandatory laws.
- **Women Should Concentrate On:** According to the 2017-18 IRDA Insurance Survey, 32% of women insured. There's a lot of vacuum in the women's segment and they need to build detailed women's plans. This will allow financial empowerment for women too.

| Top 5 States/UT with highest share in number of policies bought by women to the total number of policies in that State/ UT | | Bottom 5 States/UT with the least share in number of policies bought by women to the total number of policies in that State/ UT | |
|--|------------|---|------------|
| State | Percentage | State | Percentage |
| Lakshadweep | 55% | Jammu & Kashmir | 24% |
| Puducherry | 43% | Haryana | 27% |
| Kerala | 43% | Gujarat | 27% |
| Mizoram | 41% | Uttar Pradesh | 28% |
| Sikkim | 40% | Jharkhand | 28% |
| All-India Average | 32% | All-India Average | 32% |

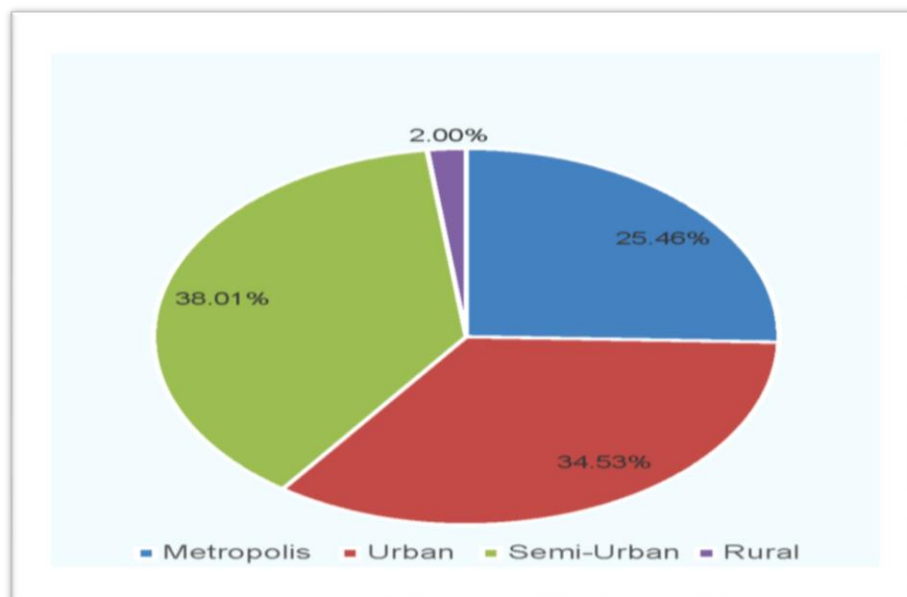
| Male Female proportion analysis of Population & Individual Life Insurance New Business 2017-18 | | | | | |
|--|------------|-----------|-------------|--------|----------|
| Particulars | Total (Cr) | Male (Cr) | Female (Cr) | Male % | Female % |
| Population | 134 | 69 | 65 | 52% | 48% |
| No of policies | 2.82 | 1.91 | 0.90 | 68% | 32% |
| FY Premium | 92,135 | 62,334 | 29,801 | 68% | 32% |

*Premium in ₹Crores. * Population estimation as at 2018 from UIDAI web site

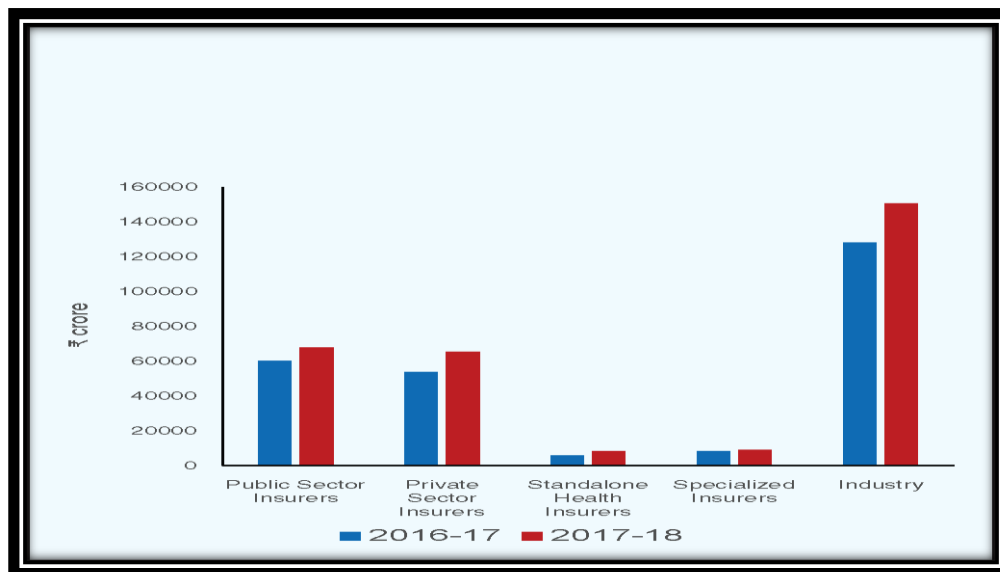
CONCLUSION:

The life insurance market is comprised of private insurers in their youth and pioneers in the public sector. Nonetheless, this industry is constantly getting customer recognition, various measures are anticipated from the viewpoint of the company and the consumer, the two main stakeholders in this industry. Insurance authorities may take action to track the adviser's expertise level. Simplicity of insurance products which can facilitate understanding of the deposit products and insurance plans for the customer. Standard operating procedures also promote the filling and interpretation of the plans. By leveraging technology, the present opportunities can be optimally exploited by the industry, reaching rural India as FMCG companies strategize their business at the bottom of the pyramid and focusing on women with customized products, as aspirations and income levels are constantly improving.

Life Insurance Council is a representative body of the insurers holding the company of life insurance in India. During 2017-18, 99.87 per cent of the complaints handled were resolved by insurance companies. 99.74 percent of the complaints reported were resolved by private life insurers, while at 31.03.2018 LIC resolved 100 percent of the complaints resulting in no pending LIC complaints.



It is also quite clear from the above topic that the insurance penetration and distribution in the developed countries is very small compared to the global positions. Regional disparities exist between South and North Indian states in terms of insurance penetration and density, and in recent years they have declined dramatically. Compared to Chandigarh, all the southern states, except Kerala, have low insurance densities. Efforts toward this direction must be launched and the insurance coverage and distribution increased. The settlement ratio of claims, one of the key indicators for measuring the insurance industry's operational efficiency, shows that LIC has fared well compared to private insurers in terms of the high settlement ratio of individual and group death claims. In the case of non-life insurers, public sector efficiency was perceived to be almost stagnant, with a marginal increase in 2013-14 compared to 2004-2005. All these aspects of the healthy growth of the insurance industry in India are to be taken care of. If the insurance industry wants to remain competitive in costs, both life insurers and non-life insurers need to improve their distribution techniques and develop customer behaviour change products.



The government should also consider providing more tax concessions for policy holders, increasing people's intentions to use insurance products as the strongest avenue for investment. Our country currently has an investment-friendly government, which is constantly working to frame policies that can attract investment and customer-centered products that give business the best possible environment to grow. As stated in the "Business Pulse-2013 and Beyond" insurance study on achieving cost-competitiveness, improving the

trust of customers, meeting new demand of one person at a time and improving the operational capability of the insurance industry, attention should be paid to the healthy growth of the insurance industry, as has been the case in most developed countries around the globe.

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