

INSURANCE SECTOR IN INDIA – AN APPRAISAL

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Abstract : Indian economy has been growing since 1991 due to the initiation of major economic reforms affecting all sectors of the economy. Service sector is one of the important sectors which contribute substantially to GDP of the country. Among, the service sectors, Insurance Sector play a key role. Insurance is considered as an attractive option for investment in India since most people recognize the risk-hedging and tax saving benefits of insurance. This paper presents the current scenario of Insurance sector in India.

Keywords: Service Sector, Insurance Sector, GDP

1. INTRODUCTION

The insurance sector in India plays a dynamic role in the health of the economy .It substantially increases the opportunities for savings among the individuals, safeguards their future and helps the insurance sector in nation building. The insurance industry in India registered enormous growth in the last decade along with the introduction of a large number of advanced products. Thus insurance whether life or non-life provided people with a reasonable degree of security and assurance that they will be protected in the event of a calamity or failure of any sort. The importance of Insurance sector is growing day -by –day because of the increased awareness among people of its importance as a safety net in times of trouble.

2. HISTORY OF INSURANCE IN INDIA

In India insurance has a deep-rooted history. It finds mention in the writings of Manunithi, Kautilla (Arthasaathra).The writings talk in terms pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably connected to modern day insurance.(Annual report of IRDAI).

The advent of life insurance business in India began with the establishment of the Oriental Life Insurance company in Calcutta, in 1818 it failed. In 1829 the Madras Equitable Act, 1870 British Insurance. Act, in 1871 Bombay Mutual Act, paved the way for insurance in India.

In 1950 the Insurance Amendment Act of 1950 abolished principal Agencies. An ordinance was issued on 19th Jan 1956; nationalizing the life insurance sector and Life Insurance Corporation came into existence in the same year.

The history of General Insurance dates back to the Industrial Revolution and growth commenced from 19th century. 1957 saw the formation of the General Insurance Council. It was nationalized with effect from 1st Jan 1973. Following the recommendation of Amphora committee, the Insurance Regulatory and Development Authority (IRDA)was constituted as an autonomous body to regulate and develop insurance Industry. It was incorporated as a statutory body in April 2000. The key objectives of IRDA include promotion of competition so as to enhance continuous satisfaction through increased consumer choice and lower premium by ensuring the financial security in the insurance market. 1stDecember 2000, subsidiaries of GICC were restructured as Independent company and GIC was converted into a national reinsurance. Now 31 GIC including ECGC and Agricultural Insurance corporation of India and 24 Life Insurance CO's are operating in India.

3. LIFE INSURANCE

A life insurance policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon the insured's death.

4. FUNCTIONS OF INSURANCE

Insurance provides insurance policies, which are legally binding contracts for which the policy holder pays insurance premium. Under an insurance contract, insurance company promised to pay specified sum contingent on the occurrence of future events.

The functions of insurance sector are as follows:

- (i) **Certainty:** Insurance provides certainty of payments for the risk of loss. Insurance removes all these uncertainties and the assured is given certainty of payment of loss. The insurer charges premium for providing the said certainty.
- (ii) **Protection:** The main function of the insurance is to provide protection against the probable chances of loss. The insurance guarantees the payment of loss and thus products the assured from sufferings.
- (iii) **Risk sharing:** When risk takes place, the loss is shared by all the persons who are exposed to the risk. The share is obtained from each and every insured in the shape of premium without which the insurer does not guarantee protection.
- (iv) **Assist in capital formation:** The insurance provides capital to the society. The accumulated funds are invested in productive channel. The scarcity of the capital of the society is minimized to a greater extent with the help of investment of insurance.
- (v) **Prevention of loss:** The insurance companies assist financially to the health organization, fire brigade, educational institution and other organization, which are engaged in preventing the losses to people.

5. LIFE INSURANCE COMPANIES IN INDIA

The following are life insurance companies in India.

1. AEGON Life insurance
2. AVIVA Life insurance
3. Bajaj Allianz Life insurance
4. Bharti AXA Life insurance
5. Birla Sun Life insurance
6. Canara HSBC OBC Life insurance
7. DHFL Pramerica V
8. Edelweiss Tokyo Life insurance
9. Exide Life insurance
10. Future General India Life insurance
11. HDFC standard Life insurance
12. IDBI Federal Life insurance
13. ICICI Prudential Life insurance
14. India first life Insurance Co. Ltd.
15. Kotak Life insurance
16. Life insurance corporation of India
17. Max New York Life insurance
18. PNB Met Life insurance
19. Reliance Life insurance
20. Sahara Life insurance
21. SBI Life insurance
22. Sriram Life insurance
23. Star Union Dai-ichi Life insurance
24. Tata AIA Life insurance

6. DIFFERENT PRODUCTS OF LIFE INSURANCE

The following are the different products of life insurance.

Term life insurance: Term Life insurance is the simplest form of life insurance. It plays only if death occurs during the term of the policy, which is usually from 1 to 30 years. Majority of the term policies have no other provisions for benefits.

Whole life insurance: Whole life or permanent insurance pays a death benefit immediately in the event of death of the insurer. The major types of whole life or permanent life insurance – traditional whole life insurance, universal whole life and variable universal life insurance.

Endowment type plans: Endowment policies cover the risk for a specified period, at the end of which the sum assured is paid back to the policy holder, along with the entire bonus accumulated during the term of the policy.

Combination of whole life and endowment types plan: Some persons may need a lump sum amount even before the expiry of the term of the policy. If they take loans under the policies, the risk cover comes down and interest payable on the loan accumulates as a debt on the policy.

Children's assurance plans: Children's assurance plans like the children deferred assurance plan, provided risk cover on life of the child after it had attained the age of 18 years. The coverage of risk of the child was not immediate, primarily because of heavy mortality in childhood.

Annuity and pension plans: A contract providing for regular periodic payments during a specified period is an annuity contract. If the specified period is fixed without regard to the duration of any life, it is called annuity certain. If it is related life, it is called a life annuity. A pension is also an annuity, when annuity is provided by an employer to the employees or their dependent in consideration of the service rendered, it is generally called pension.

Table - 1
Performance of Life Insurance

Performance of Life Insurance:	2016-17			2017-18		
	Public sector	Private sector	Total (100)	Public sector	Private sector	Total (100)
Premium underwritten (Rs. in crores)	239667.65 (73.05)	88433.49 (26.95)	328101.14	266444.21 (72.61)	100499.02 (27.39)	366943.23
New policies issued (Rs. in lakhs)	201.71 (77.86)	57.37 (22.14)	254.08	205.47 (76.84)	61.92 (23.16)	267.39
No. of officers	4877 (44.20)	6156 (55.80)	11033	4892 (44.19)	6179 (55.81)	11071
Benefits paid (Rs. in crores)	144125 (68.25)	67054 (31.75)	211179	141201.05 (69.98)	60565.05 (30.02)	201766.1
Individual death claims (No. of Policies)	755901 (38.15)	121927 (61.85)	877828	761983 (86.92)	114697 (13.08)	876680
Individual death claims	9055.18	2733.49	11788.67	9690.17	2946.49	12636.66

amount paid (in crores)	(76.81)	(23.19)		(76.68)	(23.32)	
Group death claims (No. of lives)	273794 (58,66)	192989 (41.34)	466783	247504 (45.39)	297833 (54.61)	545337
Group death claims amount paid (in crores)	2037.27 (57.86)	1483.55 (42.14)	3520.82	2494.03 (51.99)	2303 (48.01)	4797.03
Individual death claims (figures in percent of policies)	98.19 (52.34)	89.4 (47.66)	187.59	98.33 (51.80)	91.48 (48.20)	189.81
Group death claims (figures in percent of lives covered)	99.64 (52.21)	91.2 (47.79)	190.84	99.69 (49.75)	94.65 (50.25)	194.34
No. of grievances reported during the year	80944 (29.01)	198048 (70.99)	278992	64750 (31.63)	139951 (68.37)	204701
Grievances resolved during the year	80944 (29.53)	193119 (70.47)	274063	64750 (30.85)	145125 (69.15)	209875
Grievances resolved (in percent)	100 (50.63)	97.51 (49.37)	197.51	100 (49.09)	103.69 (50.91)	203.69

(Source: Annual report of IRDAI) figures in parentheses are percentage

The table - 1 clearly gives the scenario on performance of the insurance sector in India during 2016-17 and 2017-18. The premium underwritten, new policies issued number of offices, benefits paid, individual death claims, group death claims paid by both public sector and private sector insurance companies increased from year to year. It can be concluded that the performance of public sector insurance companies are better than the private sector companies.

7. GENERAL INSURANCE

Insurance contracts that do not come under the sphere of life insurance are called general insurance. The different forms of general insurance are fire, marine, motor, accident and other miscellaneous non-life insurance. General insurance helps to protect people and the things of value, such as homes, our cars and our valuables, from the financial impact of risks, big and small – from fire, flood, storm and earthquake, to theft, car accidents, travel mishaps – and even from the costs of legal action.

General insurance companies in India

The following are the general insurance companies in India

1. Agriculture Insurance Co. of India.
2. Bajaj Allianz General Insurance
3. Bharti Axa General Insurance Co. Ltd.
4. Cholamandalam MS General Insurance Co. Ltd..
5. Export Credit Guarantee Corporation of India Ltd
6. Future General; India Insurance Co. Ltd
7. HDFC ERGO General Insurance Co. Ltd.
8. IFFCO TOKIO General Insurance Co. Ltd.
9. L&T General Insurance Co. Ltd.
10. Liberty General Insurance Co. Ltd.
11. Magma HDI General Insurance Co. Ltd..
12. National General Insurance Co. Ltd.
13. The New India Assurance co. Ltd
14. The Oriental Insurance Co. Ltd
15. Raheja QBE General Insurance Co. Ltd.
16. Reliance General Insurance Co. Ltd.
17. Royal Sundaram Alliance Insurance Co./ Ltd
18. SBI General Insurance Co. Ltd.
19. Sriram General Insurance Co. Ltd.
20. Star Health Allied Insurance Co. LTD
21. Tata AIG General Insurance Co. Ltd.
22. United India Insurance Co. Ltd
23. Universal sompo General Insurance Co. Ltd.
24. Kotak Mahindra General Insurance Co. Ltd.
25. Aditya Birla Health Insurance Co. Ltd
26. Acko General Insurance Co. Ltd.
27. Digital General Insurance
28. DHFL General Insurance Ltd
29. ICICI Lombard General Insurance Co. Ltd

8. DIFFERENT PRODUCTS OF GENERAL INSURANCE

The following are the different products of general insurance:

1. Motor Insurance
2. Duty Insurance
3. Machinery loss of profit policy
4. Shop keeper insurance [policy
5. Domestic travel insurance
6. Erection all risk insurance
7. Refrigeration plant insurance
8. Office Protection insurance
9. Contractors all risk insurance
10. Product liability insurance
11. Business premises burglary insurance
12. Rural insurance
13. Accident Insurance
14. Machinery break down insurance
15. Cash insurance

Table - 2
Performance of General Insurance

Performance of non-life Insurance:	2016-17			2017-18		
	Public sector	Private sector	Total (100)	Public sector	Private sector	Total (100)
Premium underwritten (Rs. in crores)	42549.48 (54.80)	35090.09 (45.20)	77639.57	47691 (54.58)	39694 (45.42)	87385
New policies issued (Rs. in lakhs)	8207 (78.86)	2200 (21.14)	10407	8414 (77.89)	2389 (22.11)	10803
No. of officers	4877 (44.20)	6156 (55.80)	11033	4892 (44.19)	6179 (55.81)	11071
Net incurred claims (Rs. in crores)	31567.75 (61.90)	19430.46 (38.10)	50998.21	38104.27 (63.65)	21764.44 (36.35)	59868.71
No. of grievances reported during the year	15860 (26.13)	44828 (73.87)	60688	17808 (29.87)	41802 (70.13)	59610
Grievances resolved during the year	16105 (27.10)	43318 (72.89)	59423	17718 (29.43)	42493 (70.57)	60211
Grievances resolved (in percent)	101.54 (51.24)	96.63 (48.76)	198.17	99.49 (49.46)	101.65 (50.54)	201.14

(Source: Annual report of IRDAI) figures in parentheses are percentage)

The table- 2 clearly depicts the performance of general insurance companies both in public and private sector during 2016-17 and 2017-18. The premium underwritten, net incurred claims, grievances resolved showed increase. It can be concluded that awareness among the public leads to better performance of insurance sector.

9. HEALTH INSURANCE

Health insurance is a type of insurance coverage that pays for medical and surgical expenses incurred by the insured. Health insurance can reimburse the insured for expenses incurred from illness or injury, or pay the care provider directly. It is often included in employer benefit packages as a means of enticing quality employees.

Health insurance companies in India

The following are the health insurance companies in India

1. Star health and Allied Insurance
2. Apollo Munich Health Insurance
3. Max Bupa Health Insurance co. Ltd
4. Religare Health Insurance Co. Ltd
5. Cigna TTK Health Insurance Co. Ltd

Government Programmes

The government also strives hard to provide insurance to individuals to Below Poverty Line (BPL) by introducing schemes like

1. Pradhan Mantri Suraksha Bima Yojana (PMSBY),
2. Rashtriya Swasthya Bima Yojana (RSBY) and
3. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY).
4. Ayushman Bharat Yojana (ABY)

Introduction of these schemes would help the lower and lower-middle income categories to utilize the new policies with lower premiums in India. With several rigid changes in the insurance sector in India, the future looks bright for the life insurance industry. This would further lead to a change in the way insurers take care of the business and engage proactively with genuine buyers.

10. FUTURE OF INSURANCE SECTOR IN INDIA:

Despite the fact that LIC continues to dominate the Insurance sector in India, the introduction of the new private insurers will see a massive extension and growth of both life and non-life sectors in future. The need for new insurance policies with pocket-friendly premiums is increasing. Since the domestic economy grows rapidly, the insurance sector in India is poised for a strong growth. With the increase in income and exponential growth of purchasing power as well as household savings, the insurance sector in India would introduce methods like product innovation, multi-distribution and better claims management.

11. CONCLUSION

The Insurance business has been growing over the years, since insurance market have witnessed a dynamic changes which included the presence of fair number of both life and non-life insurance purveyors in public as well as private sector. The future of Insurance industry looks bright with various changes in regulatory framework and with the growing awareness for protection of life and valuables.

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