# ROLE OF FINANCIAL MANAGEMENT PRACTICES IN INSURANCE SECTOR

Mrs.Asifa Ishrat
Assistant Professor
University Women's Polytechnic
A.M.U

**ABSTRACT**:-This paper present that a well-developed and evolved insurance sector is needed for economic development of the country as it provides long-term funds for infrastructural development and the same time it strengthens the risk taking capacity.

Life insurance is also now being regarded as a versatile financial planning tool in India. India being a country having a huge population of above1.37 billion people with only 20% of the insurable population in India possessing life insurance.

No doubt that our country has a vast potential which has been left untapped till now. Therefore what this has led to is the flooding of the life insurance market with a number of private players which in collaboration with recognized foreign companies promise to deliver the best of services at the least price. But up to what extent they are successful to fulfill there commitment?

This paper will try to highlight the core reason that why the percentage of insurable population is not increasing? Why the insurance companies are loosing trust of the public? Why the insurance companies are not able to convince the public towards the life insurance?

**Key words**:- Life insurance, Population, integration, financial Management.

## INTRODUCTION

India is the world fifteenth largest insurance market its insurance density stand at Rs.3696 vis-a-vis global average of around Rs.44,486.

India's general insurance industry has been remarkably productive in terms of growth, innovative and reforms in the year 2016.

The insurance industry of India consists of 63 insurance companies of which 24 are in life insurance business and 39 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers, there are seven public sector insurers. In addition to these, there are two national re-insurer. Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

The creation of a new life insurance company is not a simple exercise. It involves a variety of activities ranging from:

- Obtaining a license (R1 and R2) and a range of product approvals from the IRDA.
- Recruiting a head office team whom by and large had not worked together before and coordinating their activities.
- Assembling and training a sales management team; recruiting and training agents.
- Deploying key specialists to assist and to take up management roles in some cases.
- Arranging a range of external suppliers, to create operational processes including the use of technology,
- Creating the office facilities for all of the above including branch premises, etc.

Some of these activities are probably similar to starting up any normal trading company. However,

unlike normal trading companies, when a life insurance company makes a sale, a negative cash flow generally arises and an immediate deficiency is created. Shareholders' capital has to be transferred and if the life product is soundly priced, this capital will be slowly recovered and profits emerged over the future lifetime of the policy, which could typically be 10, 20 or even 30 plus years.

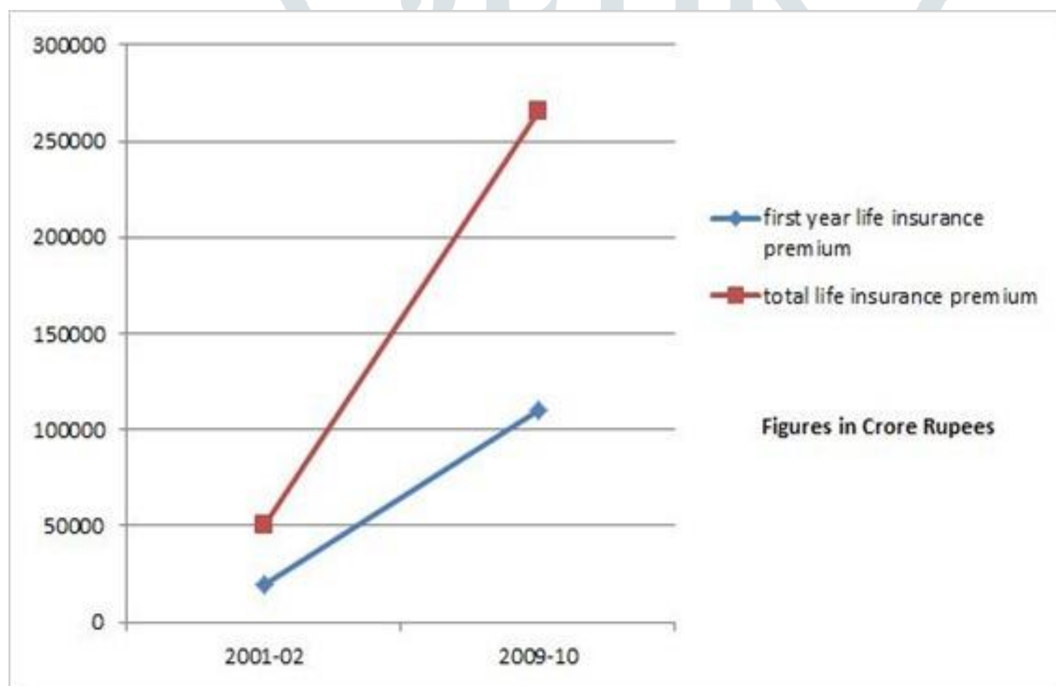
The flurry and variety of activities in a start-up can extend over a number of years beyond the initial planning, preparation and pre-operating period. Given this and the peculiar features of a life insurance company, it can be extremely difficult to gauge whether a life company is trading successfully according to plan or slowly working towards insolvency.

*State of Insurance in India*

According to latest IRDA figures, India has about 57 crore of insurable people. Out of which Private Life Insurance companies have 4.03 crore Policies in force which cover about 4.20 crore lives [upto 31st March 2010].

Here are some of the highlights released by IRDA:

- The insurance penetration has increased from 2.32% to 5.51% over the period 2000 to 2010.
- The number of insurance offices has increased from 2,199 in 2000 to 12,018 in 2010.




- From the single channel system of tied agents which was predominant before opening up of the sector in 2000, multiple channels of distribution comprising brokers, bank assurance, corporate agents emerged accounting for nearly 21 percent of all new business in the year 2009-10.
- The first year life insurance premium grew from **Rs.19,857.28 crore in 2001-02 to Rs.1,09,894.02 crore in 2009-10**.
- The total life insurance premium rose from Rs. **50,094.46 crore in 2001-02 to Rs. 2,65,450.37 crore in 2009-10.**

This study attempts to set out a framework that may help life companies in India monitor their progress towards their plans and strategic financial objectives. We hope we have managed to piece together a sometimes-puzzling plethora of financial processes into an integrated system focusing on the key financial management issues that matter during the initial stages of a start-up operation. In addition, we highlight some unique issues specific to the regulatory environment.

**Market Size and structure**

Government's policy of insuring the uninsured has gradually pushed insurance penetration in the country and proliferation of insurance schemes.
Gross premiums written in India reached Rs 5.53 trillion (US$ 94.48 billion) in FY18, with Rs 4.58 trillion (US$ 71.1 billion) from life insurance and Rs 1.51 trillion (US$ 23.38 billion) from non-life insurance.
Overall insurance penetration (premiums as % of GDP) in India reached 3.69 per cent in 2017 from 2.71 per cent in 2001.
In FY19 (up to Jan 2019), premium from new life insurance business increased 3.91 per cent year-on-year to Rs 1.59 trillion (US$ 22.04 billion). In FY19 (up to Jan 2019), gross direct premiums of non-life insurers reached Rs 1.39 trillion (US$ 19.28 billion), showing a year-on-year growth rate of 12.65 per cent.

**Investments and Recent Developments**

The following are some of the major investments and developments in the Indian insurance sector.
As of November 2018, HDFC Ergo is in advanced talks to acquire Apollo Munich Health Insurance at a valuation of around Rs 2,600 crore (US$ 370.05 million).
In October 2018, Indian e-commerce major Flipkart entered the insurance space in partnership with Bajaj Allianz to offer mobile insurance.
In August 2018, a consortium of WestBridge Capital, billionaire investor Mr Rakesh Jhunjunwala announced that it would acquire India's largest health insurer Star Health and Allied Insurance in a deal estimated at around US$ 1 billion.
In September 2018, HDFC Ergo launched 'E@Secure' a cyber insurance policy for individuals.
Insurance sector companies in India raised around Rs 434.3 billion (US$ 6.7 billion) through public issues in 2017.

In 2017, insurance sector in India saw 10 merger and acquisition (M&A) deals worth US$ 903 million. India's leading bourse Bombay Stock Exchange (BSE) will set up a joint venture with Ebix Inc to build a robust insurance distribution network in the country through a new distribution exchange platform.

**FINANCIAL MANAGEMENT – A JIGSAW PUZZLE OR INTEGRATED SYSTEM?**

*Financial Management – a Jigsaw Puzzle?*

**Fig: 1.1**

**To set up a financial management system can be quite a daunting task for a start-up company and at times can seem like a large jigsaw puzzle.**

**The financial management function can be defined in terms of processes as follows and it is the integrity of these processes that ensure the integrity of the system.**

- Financial transaction processes e.g. accounts payable, receivable, billings, fixed assets, purchase orders, travel and cash expense reimbursements, etc.
- Financial control processes e.g. Budgeting & forecasting, financial systems, tax, treasury, risk & compliance, audit, security & fraud, etc.
- Financial reporting processes e.g. business and KPI monthly performance reporting, expense allocation, statutory valuation, risk based capital, continuous disclosure, external statutory and investor reports, etc**.**
- Decision support processes e.g. Strategic and operational business planning, business and performance reviews, capital management, product pricing, experience analysis, etc.
- Other financial management processes e.g. risk management, underwriting, reinsurance, project management, etc.

Although all these finance processes are important, some are more important than others at the start-up phase. Preparation of a business plan and product pricing approval by the regulators are clearly key at the early stages of the planning as these are regulatory requirements before the operating license is issued.

Robust financial transaction and control environments including security processes are also crucial at

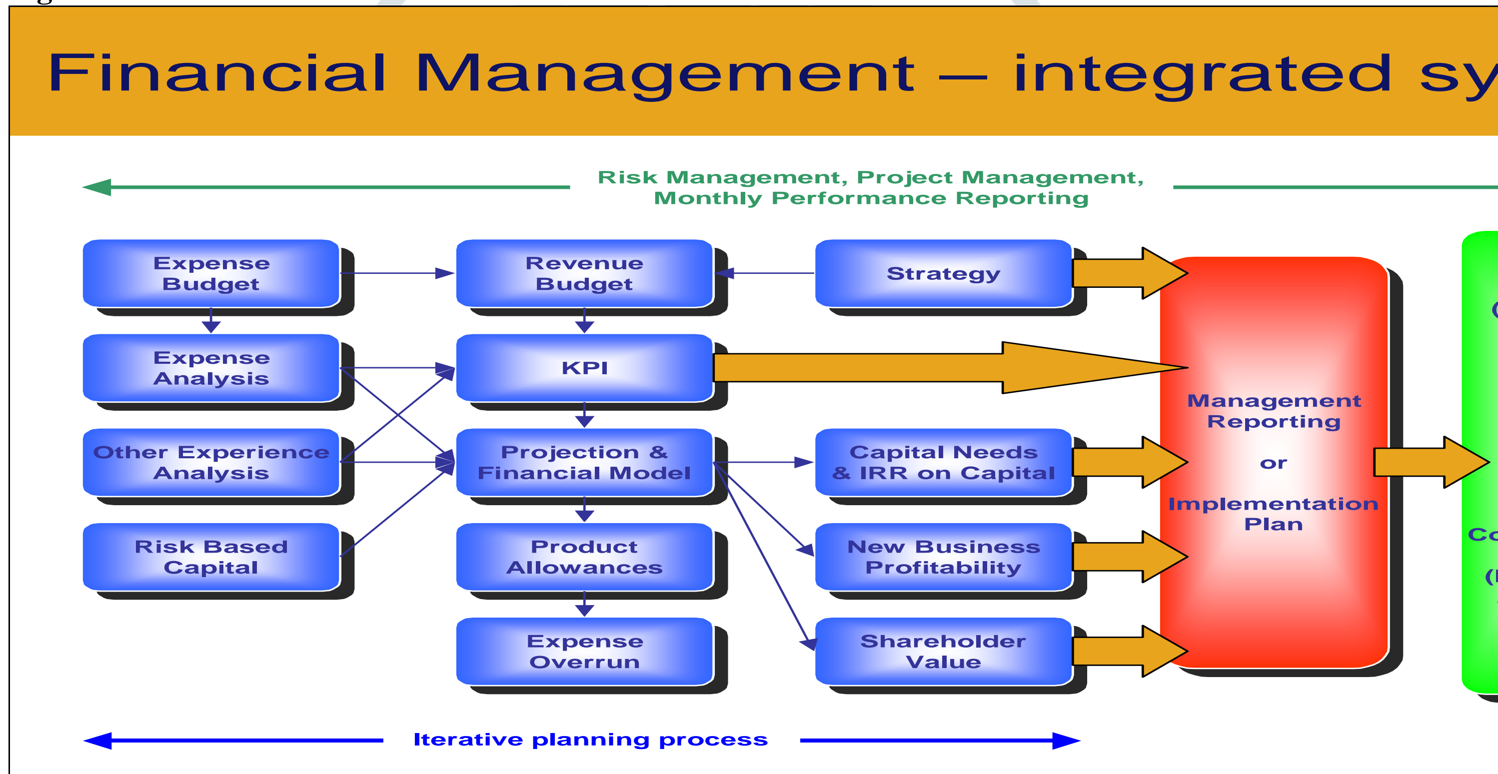
commencement of business. Financial reporting is not an immediate priority at the start but will quickly gain prominence as business commences and regular monitoring is demanded either by home office or for best practice internal management purposes – “what gets measured, gets done”.

Risk management and project management are probably softer aspects of financial management but are nonetheless important as neglect in these areas is usually financially significant.

In general, an actuary’s primary training and skills set are directly brought to bear in areas such as product pricing, statutory valuation, experience analysis, capital projections and management. In other areas, the actuary’s immediate training and skills set are more or less relevant relative to other professionals such as accountants, MBAs and professional project managers.

Nevertheless, all the finance processes are important and it is incumbent on all actuaries, whether in an actuarial only or broader finance role, to have a holistic view of the entire finance system and take a strong interest in all aspects and expand their existing skills set. This is crucial in order to financially manage their company comprehensively and robustly.

**FINANCIAL MANAGEMENT – AN INTEGRATED SYSTEM!**
**Fig: 1.2**




To see the bigger picture and gain a better perspective, the seemingly puzzling plethora of financial processes can be re-expressed in a more orderly manner as shown in the diagram above. This is only one representation but I can hope it will be helpful to set the scene for more detailed discussions of some key aspects.

## REGULATORY REPORTING AND INVESTOR COMMUNICATION

Clear communication to Stakeholders We believes communication is one of the very important deliverables of an integrated financial system. It is important to communicate clearly to regulators and investors or shareholders. It is also equally important to communicate to other stakeholders e.g. customers existing and potential, employees and industry professionals like auditors, financial press,etc.

It is crucial to meet regulatory requirements and communicate promptly and clearly to regulators – since they can put you out of business if you do not!

For listed companies, clear communication of business strategy and financial results to shareholders is now an accepted norm of modern financial management. For non-listed companies operating in a commercial environment, the measurement and reporting of shareholder profit has also become an issue as company management and investors need to value and assess the returns on capital invested. Most Indian life companies are JVs and the requirements of local Indian partners and foreign home office requirements will also need to be considered here.

How does clear communication and financial reporting add value? A skeptical actuarial student may think it all seems like rearranging a set of deck chairs.

While a winning business strategy and expert implementation are essential ingredients for creating shareholder value, it is equally important that the company's strategy and results are clearly articulated in the best possible light in clear, simple and understandable terms. This is especially important for life insurance financials that are complex. An analogy is selling a property – the standard advice to optimize the price is to sell in spring and during inspection open the windows, cut the grass, etc.

- **LIFE INSURANCE FINANCIALS IS COMPLEX**
  Communicating financial results for life companies is a particularly complex and challenging exercise.
- **REGULATORY AND SOLVENCY REPORTING.** Historically in most countries, life insurance financial reporting regimes were prescribed by Regulators and often incorporate a measure of prudence and conservatism. The main objective was to demonstrate solvency and ability to meet obligations to policyholders rather than reflect a true and fair view of the financial performance to shareholders. The current Indian reporting regime falls into this category.
- **GENERAL PURPOSE FINANCIAL REPORTING.** In contrast, shareholders and investors are interested in the profitability of the operations, amount and timing of cash dividends and capital needs and its return thereon.An International accounting standard for life insurance is being developed but international agreement **and consensus is some way off.**

- **DIVIDENDS**. Dividend means the profit or the interest which the shareholder gets in form of investment return.Even in a general purpose reporting system, there is no direct linkage between reported profit and dividend paying capacity and there is no foxed rate of dividend as it depends upon the profit earning capacity of the company.The latter is driven by the need to retain adequate assets in the company so as to be able to meet obligations to policyholders, determined on a prudent basis, together with any prescribed solvency margins.

Whatever standard is adopted, the actual production of results is a complex exercise essentially because of the care needed to assess the 'provisions' that need to be made for policy liabilities. These are the out workings of actuarial calculations and assumptions that need to be made about events likely to take place many years in the future.

## Financial Performance Management:- (Planning and reporting)

It explain that how you transform planning ,reporting and analysis process? "How is the company performing?" This seemingly simple question may necessitate a variety of answers due to the complexity of life insurance financials as described above. Steer your business performance more effectively by providing speed,agility and foresight you need to complete your successful. Derive financial management efficiency,deliver stronger business foresight and steer business performance. The following are a suggested hierarchy of **financial measures** that could be used to assess a company's financial performance.

- General purpose profit e.g. US GAAP, UK Achieved profits, Australian MoS.
- A subset of profit known as 'operating margins' which eliminate the distorting effect of investment income fluctuations, and focus on only operating profits which are within management control.
- Economic profit that starts with general-purpose profit but deducts the imputed holding cost of capital.

- Solvency and Capital adequacy related measures and their links to dividend paying capacity.
- Value based measures – affected by the timing of profits and their relative distribution to shareholders ie. essentially discounted values of future dividends and known colloquially as Appraisal Values.

Notwithstanding the complexity, a life company's financial performance needs to be planned and reported for companies in India. However, the extent to which all or some of the above measures will be developed and incorporated into the company's planning and reporting processes, would depend on a number of factors including the current development stage of the company, the demands of the Indian JV and foreign partner, etc.

For most companies at this initial start up stage, we believe the results of some of these high level financial measures may be less useful and confusing. This may be especially so for operational managers who will be measured and rewarded according to their performance. Indeed in managing a start-up company, it may be more practical and meaningful to develop operational measures that experience tells us are the drivers and leading indicators of sound financial performance. This will be discussed in the next section.

## MANAGEMET AND IMPLEMENTATION PLAN

### IMPLEMENTATION PLAN

An integral activity to set up a new life company and indeed to effectively manage the business subsequently requires the completion of a business or implementation plan. The traditional planning model requires management to develop a yearly high level strategic plan followed by a lower level operational plan. These plans are then reported against actual on a regular or monthly basis.

Typically an implementation plan for management reporting purposes would contain a brief and succinct description of the company's strategic objectives and corresponding operational activities planned to support it. The plan will usually also contain a "balance scorecard" which will set out key performance indicators (KPIs) that should be objectively measurable. The KPIs can include both non-financial and financial measures.

This planning process usually also requires the company to develop a financial model to help management integrate and project various strategic and operational intent into expected financial KPI and outcomes.

### KPIs

In a start-up it may be more practical and meaningful to develop non-financial KPIs that reflect operational measures that we know are value drivers of sound financial performance. Depending on each company's strategy, typical non-financial KPIs may include the following:

- Customers – no of in-force customers, new customers.
- Distribution – no of in-force advisors, new advisors recruited, advisor retention rates by tenure, productivity rates by tenure, no of sales office established, etc.
- Staff – no of distribution support staff and managers, no of Head Office staff.
- Volumes of business – in-force annual premiums, new annual premiums, new single premiums, average premium size.
- Products – volume by product types and mix.
- Assets under management.

For financial KPIs, we discussed some of the high level financial measures above but we feel they are probably less useful at this initial stage of a start-up company. Other financial measures e.g.

- Total revenue,

- Operational expenses,
- Capital expenditure,
- Expense overrun, and
- New business profitability.

Are probably more useful and need to be included as part of the KPI set. The last two measures in particular, can give useful insights into the financial progress of the business longer term.

## EXPENSE OVERRUNS AND FUNCTIONAL COST RATIOS

For a new company, standard expense analysis do not show much apart from the obvious that expenses are too high and business volumes are too low. Also, given the nature of life insurance, comparing revenues as recorded in the accounts with expenses do not reveal useful insights.

On the other hand, comparing product expense allowances with expenses and in particular its trend from year to year is likely to give more useful information on a company's financial progress.

*Product Expense Allowances* or margins can be assessed as the residual item after allowing for other product related costs including payments to customers and variable expenses such as commissions.

*Expense Overrun* is the excess of current overhead or fixed expenses over the product expense allowances generated as a result of business volumes and the design and pricing of the products concerned. The aim is to achieve an expense overrun of zero.

*Functional Cost Ratios (FCR)* is another way of re-expressing expense overrun. It is defined as the total expenses (including overhead fixed expenses) divided by the product expense allowances generated. The aim is to achieve a FCR of 100% or less.

Management of expense overrun or FCR is a useful financial management tool, especially for start-ups whose adverse bottom line is largely driven by expense overrun. A focus on expense overrun can also provide comfort that progress is being made and this may translate into value assessment.

Management of expense overruns also give insights into the adequacy of product pricing and the expense loadings assumed. Analyses of the overrun into its component parts – acquisition, maintenance, distribution and non-distribution related give further valuable insights into the affordability of various activities planned or expenses assumptions made.

Expense overrun is a useful single measure which encompasses both expense management and NB volume drivers. Success in one and not the other can be assessed in a composite manner to determine overall success. For example, expense spend exceeding budget may be acceptable if it was effective in generating additional sales and allowances over and above the additional spend.

Managing the expense overrun to zero should result in the overall corporate financial objective being met.

**New Business Profitability**

The basic modern pricing technique used for individual products involves a year by year (or monthly in some cases) projection of:

- Premiums, plus
- Investment Income, less
- Claims, less
- Tax, less
- Expenses, less

- Increase in Statutory Reserves,
- To arrive at a projected Transfer signature.

Each company will have their own profit hurdle rate e.g. 15%. Discounting these transfers or taking the present value of the transfer signature produces a measure of profitability called "value created". A value created or zero implies the company's hurdle rate has been met and a positive value created implies additional value over and above the company's hurdle rate has been created. This measure is additive across all products and thus is useful in facilitating an overall measure of new business profitability

NB profitability factors are probably fairly easy to calculate when the product is being priced or reviewed each year. These factors can be applied to the NB volume to obtain the necessary measure that will give an insight into the financial progress of new business written. So far this is fairly straightforward and can be applied easily especially for non-participating business. However, for participating business, the issue is more complicated due in part to the Indian statutory environment – this will be discussed in the next section.

## SHAREHOLDERS' TRANSFER AND PRODUCT PROFITABILITY.

### Participating Business

Most but not all life companies in India write participating business. The basic modern pricing projection technique described in the previous section applies equally to participating business but it needs to be adapted and interpreted to reflect the character of participating business. Most pricing projection papers assume non-participating business - this is quite understandable since it was originally developed for testing the adequacy of investment-linked product charges.

The following relevant characteristics of participating business should be noted:

- Given the discretionary nature of participating business, its actual financial performance will of necessity be dependant on the actual bonus declaration. The profitability measures and results shown in any projections are based on the bonus philosophy implicit in the projections completed.
- Regulations restrict the flow of transfers to shareholders from the par fund and treats capital differently depending on whether it is used to support the business within the par fund or as solvency margin outside the fund.
- Unlike non-participating (under the 100% transfer rules), capital required to support participating business do not always have to come from shareholders. Policyholder capital maintained in the par fund could be used to support participating new business in a more mature fund.

*Shareholders' Transfer under Revised Section 49(1) of the Insurance Act 1938*

The revised Section 49(1) of The Insurance Act 1938 restricts the percentage of the surplus arising, which can be transferred to shareholders to 10% of such surplus for participating and for non-participating businesses, to 100%.

- "Provided further that the share of any such surplus allocated to or reserved for the shareholders (including any amount for the payment of dividends guaranteed to them, whether by way of first charge or otherwise), shall not exceed such sums as may be specified by the Authority and such share shall in no case exceed ten percent of such surplus in case of participating policies and in other cases the whole thereof."

There is some uncertainty regarding the application of this revised 10% rule for participating business. Recent press article suggests that regulations will be clarified such that the distribution of surplus to its shareholders will be:

- One hundred per cent, in case of a life fund maintained for non-participating policyholders;
- One-ninth of the surplus allocated to policyholders in case of a life fund maintained for

participating policyholders,"

- Further, an insurer shall not allocate or reserve exceeding 10 per cent of the actuarial surplus to its shareholders.

The first point to note is 1/9th is 11.1% and not 10%. The second and more significant point is whether the shareholder transfer is based on surplus emerging or surplus allocated to policyholders (ie. bonuses distributed out of surplus emerging). In addition, note the further restriction of 10% of actuarial surplus emerging. The financial significance of the second point is analyzed in Section 7 Financial Results below.

**SOLVENCY MARGIN AND CAPITAL REQUIREMENT**

To affect a Section 49 shareholders' transfer, the policyholder fund must not be in deficit, and any capital transfers from shareholder funds to policyholder funds can never be repatriated. There is an old Indian proverb that says "sugar cane put into the elephant's mouth cannot be extracted back..........".

The solvency margin is calculated in Form K of the Actuarial Abstract regulations as 4% of reserves plus 0.3% of the sum at risk. Informally, the IRDA have required companies to show that they have the capacity to support an increase to this solvency margin of 50%, which may be thought of as a capital adequacy reserve.

The shareholders' capital outside of the policyholder fund is available to support the solvency margin. Section 64VA requires that the minimum solvency margin is the greater of the calculated solvency margin and Rs.50 crores.

**PROFITABILITY CRITERIA**

Given the characteristics of participating business, the restrictions on shareholder transfer and capital we believe, the implications for pricing participating business require following set of profit criteria

*Test 1 IRR on Total Capital, Under this criterion, we believe the product should achieve a* hurdle rate of return on total capital from all sources (whether shareholder or policyholder capital) required to support that business allowing for target surplus. In determining the IRR, the subsequent cash flows out would include all transfers.

- For par, this would include 10% of surplus available to shareholder plus the balance 90% of surplus attributable to p/h but not distributed.
- All shareholder transfers and capital strains and releases should be brought into the net cash flow.
- In calculating the shareholder capital required to support the solvency margin and capital adequacy, credit will be taken for any unallocated surplus. The strains and releases in unallocated surplus will be carried through to cash flow.

*Test 2 IRR on Shareholder Capital.* This product should achieve a hurdle rate of return on shareholder capital required to support the business allowing for target surplus. In determining the IRR, the subsequent cash flows should include only transfers to s/h and be made up of:

- shareholder transfers of 10% of surplus shareholder capital required to support policyholder liabilities other than the solvency margin but NOT any releases of such capital,
- Shareholder capital required to support the solvency margin and capital adequacy reserves, less releases of the solvency margin and capital adequacy reserves. As with Test 1, in calculating the shareholder capital required to support the solvency margin and capital adequacy, credit will be taken for any unallocated surplus, but the resulting strains and releases in unallocated surplus will not flow through to cash flow.

For non-participating business, there is no distinction between Test 1 and Test 2. The distinction for par business arises due to the unallocated surplus or policyholder capital support afforded to the business written in the par fund.

Generally, *Test 1 IRR on Total Capital* is the stronger of the two criteria. This is based on the principle that

says capital is a scarce commodity and it should yield a return on capital of at least the hurdle rate irrespective of source – whether it is shareholder or policyholder capital is not that relevant as we need to look at the opportunity costs. It can be argued that, given the risk, policyholder capital need to earn a similar return in supporting any new business written as shareholder capital. A typical scenario where this could happen is where there may be a view that the fund has an estate or unallocated surplus, which can be used to fund new business, with little call on shareholder capital. This is not a likely scenario for start-up companies with little unallocated surplus but will eventually be more common as companies' life fund matures and unallocated surplus builds up.

*Participating Business – Transfer Signature of single NB trenches vs. model office*

From the discussions in the foregoing paragraphs, it is increasingly clear that it is difficult to view profitability of participating business for single trenches of new business. This is due to the interacting factors at the fund level e.g. tax. Shareholder capital support for par business written during the early years is likely to be a higher proportion relative to business written in the later years when unallocated surplus or policyholder capital builds up where shareholder capital support could be small or none at all.

As each year's new business is added, the existing business supports the new business and the shareholders' capital injected will reduce each year and the business becomes self supporting. After a few years, the shareholders will not have to inject any more capital. Because of this, each trenches of new business written in the initial years of operation will have a different transfer signature. This feature suggests that a proper analysis will necessitate the use of a model office that allows for new business to be written year after year.

## TAPPING THE DIGITAL SPACE FOR INSURANCE DISTRIBUTION REPRESENTS – CHALLENGE AND AN OPPORTUNITY

This Article says on the bases of livemint report that the mortality protection gap in the Asia-Pacific region widened to $58 trillion in 2014, compared with $42 trillion in 2010, said a study by Swiss Re, Asia Pacific 2015 Mortality Protection Gap.
Mortality protection gap represents the difference between the insurance cover typically required by a family and the resources they have available should a wage-earner pass away suddenly. While the gap has increased slower in the past four years, it is still worryingly high and underlines the fragile nature of financial security for many families in the region.
India has a large mortality protection gap and despite recent rapid growth of insurance penetration, savings and insurance still meet less than 10% of the population's protection needs. Pure protection insurance and term products have sometimes been perceived as presenting poor value, and remain less popular. It could be the main reason due to which the peoples loosing their trust upon the insurance companies as they are not getting the insurance cover amount if any mishapening occurred, easily which they actually deserve and unnecessarily they have to undergo number of formality which is not possible for the dependent or the deceased person.
On the other hand improved efforts by various stakeholders have helped rein in the rapid pace of increase in the gap. Prognosis for the coming years is less than sanguine. With government finances increasingly under pressure, it is doubtful that local governments in the region will be able to increase spends on social security. (Expand) In India, the inability to reach a wider range of customers is hampering efforts to close the gap. The digital revolution has affected value proposition of existing goods and services. Tapping into the digital space for insurance distribution represents both a challenge and an opportunity. In India as well as in many other emerging markets, one of the challenges of marketing to digital consumers is the need for multiple iterative testing and the ability to scale up rapidly.
Indeed, there are growing signs of governments passing the responsibility to individuals and companies. The expectation of a prolonged period of low interest rates also challenges the ability of households to accumulate savings to meet contingency needs. Business as usual is no longer an option for the Asian insurance industry. Progress has been made over the past few years, as evidenced in the stabilisation of the pace of protection gap

widening in many regional markets, but this is not enough.
Studies have shown that consumers overestimate the cost of buying adequate life protection. Even under conditions of sufficient awareness and attractive prices, consumers may decline the opportunity to buy.
While closing the gap will require close cooperation among all stakeholders, the large protection gap in this region also represents one of the biggest business opportunities for the insurance industry.

**Number of Public & Private Sector Insurance Companies in India**

| Life Insurers (As on 20.06.2011) | Non-Life Insurers(As on 05.08.2011) |
|---|---|
| **Public Sector:** | **Public Sector:** |
| | 1. National Insurance Co. Ltd |
| 1. Life Insurance Corporation of India | 2. The New India Assurance Co. Ltd |
| | 3. The Oriental Insurance Co. Ltd |
| | 4. United India Insurance Co. Ltd. |
| **Private Sector**: | **Private Sector:** |
| 1. Bajaj Allianz Life Insurance Company Ltd | 1. Bajaj Allianz General Insurance Co. Ltd |
| 2. Birla Sun Life Insurance Company Ltd | 2. ICICI Lombard General Insurance Co Ltd |
| 3. HDFC Standard Life Insurance Company Ltd | 3. IFFCO Tokio General Insurance Co. Ltd |
| 4. ICICI Prudential Life Insurance Company Ltd | 4. Reliance General Insurance Co. Ltd |
| 5. ING Vysa Life Insurance Company Ltd | 5. Royal Sundaram Alliance Insurance Co. Ltd |
| 6. Max New York Life Insurance Co Ltd | 6. Tata AIG General Insurance Co. Ltd |
| 7. Met Life Insurance Company Ltd | 7. Cholamandalam MS General Insurance Co. Ltd |

| | |
|---|---|
| 8. Kotak Mahindra Old Mutual Life Insurance Company Ltd | 8. HDFC ERGO General Insurance Co. Ltd |
| 9. SBI Life Insurance Co Ltd | 9. Export Credit Guarantee Corporation of India L |
| 10. Tata AIG LIFE Insurance Co. Ltd | 10. Agriculture Insurance Co. Ltd |
| 11. Reliance Life Insurance Co Limited | 11. Star Health Insurance Co. Ltd |
| 12. Aviva Life Insurance Co Ltd | 12. Apollo Munich Health Insurance Co. Ltd |
| 13. Sahara India Life Insurance Co. Ltd | 13. Future Generalli India Insurance Co. Ltd |
| 14. Shriram Life Insurance Co. Ltd | 14. Universal Sompo General Insurance Co. Ltd |
| 15. Bharti AXA Life Insurance Company Ltd | 15. Shriram General Insurance Co Ltd |
| 16. Future Generali India Life InsuranceCo.Ltd | 16. Bharti AXA General Insurance Company Lim |
| 17. IDBI Federal Life Insurance Co. Ltd | 17. Raheja QBE General Insurance Company Lim |
| 18. Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd | 18. SBI General Insurance Co. Ltd |
| 19. AEGON Religare Life Insurance Co. Ltd | 19. Max Bupa Health Insurance Co. Ltd |
| 20. DLF Paramica Life Insurance Co. Ltd | 20. L&T General Insurance Co. Ltd |
| 21. Star Union Dia-ichi Life Insurance Co. Ltd | |
| 22. India First Life Inasurance Co. Ltd. | **Re-Insurer:** |
| 23. Edelweiss Tokio Life Insurance Co. Ltd. | 1. General Insurance Corporation of India |

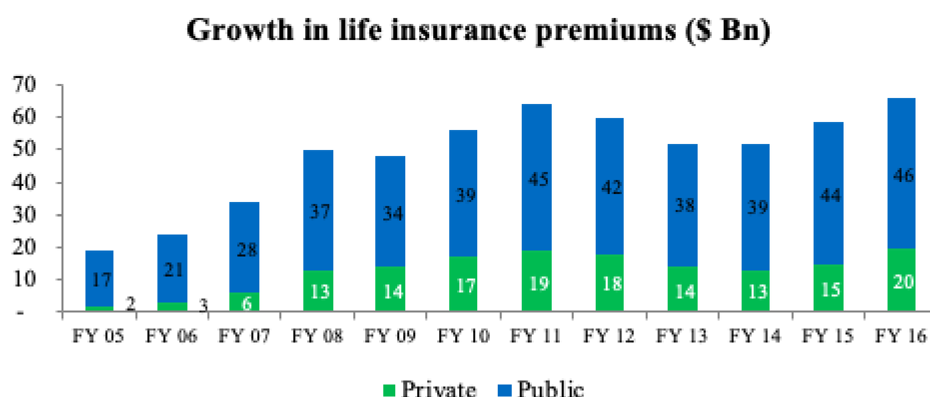
## Government Initiatives

The Government of India has taken a number of initiatives to boost the insurance industry. Some of them are as follows:

- In September 2018, National Health Protection Scheme was launched under Ayushman Bharat to provide coverage of up to Rs 500,000 (US$ 7,723) to more than 100 million vulnerable families. The scheme is expected to increase penetration of health insurance in India from 34 per cent to 50 per cent.
- Over 47.9 million famers were benefitted under Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2017-18.
- The Insurance Regulatory and Development Authority of India (IRDAI) plans to issue redesigned initial public offering (IPO) guidelines for insurance companies in India, which are to looking to divest equity through the IPO route.
- IRDAI has allowed insurers to invest up to 10 per cent in additional tier 1 (AT1) bonds that are issued by banks to augment their tier 1 capital, in order to expand the pool of eligible investors for the banks.

## Future expectancy

The future looks promising for the life insurance industry with several changes in regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers. The overall insurance industry is expected to reach US$ 280 billion by 2020. Life insurance industry in the country is expected grow by 12-15 per cent annually for the next three to five years. Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian life insurance.The Indian economy will catch up with the GDP size of Japan some 10 years down the road.



**Source:** Swiss Re, BCG, IRDA, Tech Sci Research

## Conclusion:-

Although, India has seen more than 10 fold rise in Insurance (*coverage as well as premium*), the Insurance penetration in India is extremely low compared to most developed countries.But still we can say our country is moving forward and on the other hand our life insurance industry is expected to grow by 12-15 % annually for the next 3 to 5 years..To reduce the mortality protection gap will require close cooperation among all stakeholders, the large protection gap in this region also represents one of the biggest business opportunities for the insurance industry.

This study in this Article have make an attempts to explain ,interpret, and set out a framework that may help life insurance companies in India to monitor their progress towards their plans and strategic financial

objectives. It can be extremely difficult to gauge whether a life company is trading successfully according to plan or slowly working towards insolvency. It needs a very deep study that interpret that actually what happening because in a simple study assessment explain that The overall insurance industry is expected to reach US$ 280 billion by 2020. It says that Indian insurance sector is prospering day by day and which is very much significant for the economic development of the country as it provides long-term funds for infrastructural development and the same time it strengthens the risk taking capacity.
I hope that ,no doubt along with various limitation but up to some extent with the halp of this article we have managed to piece together a sometimes-puzzling plethora of financial processes into an integrated system focusing on the key financial management issues that matter during the initial stages of a start-up operation. In addition, we highlight some unique issues specific to the regulatory environment

**REFERENCES**

**BOOKS AND JOURNALS**


- **“**The Institute of Chartered Accountants of India, New Delhi, and Fourth Edition: October, 2008, published by: The Publication Department on behalf of Dr. T. Paramasivan, Secretary of the Committee on Insurance and Pension of the Institute of Chartered Accountants of India, ‘ICAI Bhawan’, Indraprastha Marg, New Delhi-110 002.
- Rajesh. Prasanna & Hin . Gan Leong Fellow of the Institute of Actuaries , ,”Financial Management – Issues for a Developing Life Company in India”2008
- Anand, Manoj (2002). ‘Corporate Finance Practices in India: A Survey‘, Vikalpa, Vol. 27, No. 4
- Bhaduri, Saumitra N. (2002). ‘Determinants of Corporate Borrowing : Some Evidence from the Indian Corporate Structure’, Journal of Economics and Finance, Vol. 26, No. 2
- Pitabas Mohanty (1999). ‘Dividends and Bonus Policies of Indian Companies: An Analysis’, Vikalpa, Vol 24 No. 4
- Rao Cherukuri U (1996). ‘Capital Budgeting Practices of Indian and a select south east Asian countries’, ASCI Journal of Management, Vol. 25
- Sen, Dilip Kumar, Jain, Sugan C., Bala, Swapan Kumar (2002). ‘Financial Management Tools: A Brief Study of their Applicability in the Changing Industrial Environment of Bangladesh’, Journal of Accounting & Finance, Vol. 16, No. 1
- IRDA Annual Reports (2007 – 2008)
- Equilibrium under conditions of risk’, Journal of Finance, Vol. 19
- “Growth Imperative”, Global Insurance Industry Outlook Issues on the horizon (2007), Deloitte
- Ramanadh, Kasturi; spring 2006, “Performance Management in Insurance Corporation”, Journal of Business Administration Online, Vol.5 No. 1
- Sinha Tapen, 2004, The Indian insurance industry: challenges and prospects, Institute of Insurance and Risk Management;

- https://trak.in/tags/business/2011/11/30/insurance-growth-indians-numbers-statistics/
- www.financial express.com
- https://blog.ficci.com/indian-insurance-2020/7191/needed to done work
- https://www.ibef.org/industry/insurance-sector-india.aspx


**WEBSITES**


- Investorwords.com,
- Livemint.com
- legal-dictionary.thefreedictionary.com
- www.ibef.org
- Google.com
- www.ibm.com
- Managementparadise.com
- Scribd.com
- Wikipedia.com
- Acturiesindia.org.