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A STUDY ON THE GROWTH OF INDIAN INSURANCE SECTOR

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Abstract

The Insurance region in India governed through Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and General Insurance Business (Nationalisation) Act, 1972, Insurance Regulatory and Development Authority (IRDA) Act, 1999 and different associated Acts Life Insurance was the first to be nationalized in 1956. Life Insurance Corporation of India was formed by consolidating the operations of various insurance companies.

The study is based on secondary data related to growth of insurance sector over a period of time, Major developments and Government Initiatives of Insurance Industry and to analyse the present scenario of Insurance industry

The insurance industry of India has 57 insurance companies 24 are in the existence insurance business, while 34 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the only public zone organisation. There are six public quarter insurers in the non-lifestyles insurance section. In addition to those, there may be a sole countrywide re-insurer, specifically General Insurance Corporation of India (GIC Re).

Keywords: Insurance, Internet, Marketing.

INTRODUCTION

Insurance is a contract, represented by means of a policy, in which an individual or entity receives economic safety or compensation against losses from an Insurance enterprise. The Insurance region in India governed

through Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and General Insurance Business (Nationalisation) Act, 1972, Insurance Regulatory and Development Authority (IRDA) Act, 1999 and different associated Acts.

The insurance industry of India has 57 insurance companies 24 are in the existence insurance business, while 34 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the only public zone organisation. There are six public quarter insurers in the non-lifestyles insurance section. In addition to those, there may be a sole countrywide re-insurer, specifically General Insurance Corporation of India (GIC Re). Other stakeholders inside the Indian Insurance marketplace include agents (person and company), agents, surveyors and 0.33-party administrators servicing medical health insurance claims.

Since then the insurance industry has long gone via many sea changes .The competition that LIC commenced dealing with from those groups were threatening to the lifestyles of LIC. Since the liberalization of the industry, the coverage industry has in no way regarded returned and these days stand because the one of the most aggressive and exploring industry in India. The entry of the personal players and the improved use of the brand new distribution are in the limelight these days. The use of new distribution strategies and the IT tools has elevated the scope of the industry within the longer run.

HISTORY OF INSURANCE SECTOR

The Life Insurance business in India started in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta. Some of the important milestones in the life insurance business in India are given in Table-1.

Table-1

Milestones in the Life Insurance Business in India

Year	Milestones in the Life Insurance Business in India
1818	Oriental Life Insurance Company, the first life insurance company on Indian soil started functioning.
1870	Bombay Mutual Life Assurance Society, the first Indian life insurance company started its business.
1912	The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.
1928	The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.
1938	Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.

1956	245 Indian and foreign insurers and provident societies are taken over by the central government and nationalised. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 crores from the Government of India.
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Source: <https://licindia.in/Top-Links/about-us/History>

The General insurance business in India, on the other hand, can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850 in Calcutta by the British. Some of the important milestones in the General insurance business in India are given in Table-2.

Table-2

Milestones in the General Insurance Business in India

Year	Milestones in the General Insurance Business in India
1907	The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business.
1957	General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.
1968	The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up.
1972	The General Insurance Business (Nationalisation) Act, 1972 nationalised the general insurance business in India with effect from 1st January 1973 107 insurers amalgamated and grouped into four company's viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. GIC incorporated as a company.

Source: <https://licindia.in/Top-Links/about-us/History>

Indian Insurance Market – History

Insurance has a long history in India. Life Insurance in its current form was introduced in 1818 when Oriental Life Insurance Company began its operations in India. General Insurance was however a comparatively late entrant in 1850 when Triton Insurance company set up its base in Kolkata. History of Insurance in India can be broadly bifurcated into three eras: a) Pre Nationalisation b) Nationalisation and c) Post Nationalisation.

Life Insurance was the first to be nationalized in 1956. Life Insurance Corporation of India was formed by consolidating the operations of various insurance companies. General Insurance followed suit and was nationalized in 1973. General Insurance Corporation of India was set up as the controlling body with New India, United India, National and Oriental as its subsidiaries. The process of opening up the insurance sector

was initiated against the background of Economic Reform process which commenced from 1991. For this purpose Malhotra Committee was formed during this year who submitted their report in 1994 and Insurance Regulatory Development Act (IRDA) was passed in 1999. Resultantly Indian Insurance was opened for private companies and Private Insurance Company effectively started operations from 2001.

Review of Literature

Saif Siddiqui(2009)¹ made a study to know the overview of present position of Life Insurance Sector in India and study various economic indicators related to all Life Insurance Companies operating in India.

N.Kannan(2012)² made a study that the entry of the private players and the increased use of the new distribution are in the limelight today. The use of new distribution techniques and the IT tools has increased the scope of the industry in the longer run.

Sushma K. Kotgiri, (2013)³ reviewed the growth of life insurance market in India and how life insurance corporation of India and private life insurance companies have recorded the growth that has been analyzed.

Dr. Karthik Mohandoss & Dr.M.Balamurugan (2013)⁴ made a study to know the profitability of the life insurance companies has also been changed due to change in operating activity like selling new policies, appointment of active agents, giving commission to the agents and evaluating maturity value. The growth of insurance business of private sector companies has been higher than government sector.

Arvind Kumar Singh, (2014)⁵ studied the current scenario of life insurance sector has been taken up. At present the market is moving rapidly and aggressively. There is competition and force to move ahead. The features of this expansion strategy is hunting for new business looking up for potential and grabbing it.

Bhagabat Barik, (2014)⁶ A general study of life insurance sector in India has been done. Life insurance is not merely an investment but it is a protective tool. The protection of human being against calamities and financial compensation in term of death is the basic idea of life insurance. Insurance is the fastest growing industry in the country.

N. Prasanna Kumar, (2014)⁷ took overall review of Indian insurance market. There are 52 insurance companies out of which 24 are in life insurance sector and 28 are in general insurance sector. 8 companies belong to public sector and 44 companies are private insurance companies.

Dr. N. Senthilkumar and , K.Selvamani(2016)⁸ made a study on how the private life insurer offers various new policies to attract their policyholders. In modern competitive era human beings suffering a lot of health problem. Life insurance Corporation of India and IRDA must concentrate in introducing new plans for facing health problem of day to day activities of human beings.

Javed Ahmed and Issac P. Elias (2018)⁹ made a study to evaluate the performance of public sector and private sector insurance companies in India over the past decade. Seven variables have been taken into consideration while conducting this study.

Valentina Peleckiene and Kestutis Peleckis (2019)¹⁰ made a study to examine the relationships between insurance and economic growth across the European Union countries which belong to the European Insurance Federation. Using annual data over the period of 2004-2015, the authors have done this by applying descriptive statistics analysis and econometric methods as well. This research has contributed to understanding the importance of the insurance growth nexus and combined different approaches prevailing in the recent scientific literature.

Research Gap

The above studies point to the fact that the earlier works mainly related to the performance of public sector and private sector insurance companies in India, review of Indian insurance market. Hence, the study is undertaken to fill the gap by analyzing the growth of Insurance sector and its growth and to know the present performance of insurance industry.

Objectives of the Study

1. To present the trends and progress of Insurance sector in India
2. To know the Major developments of Insurance Industry
3. To know the Government Initiatives of Insurance Industry
4. To analyse the present scenario of Insurance industry

Sources of Data

The study is based on secondary data. The Secondary data sources include Articles, News papers, LIC Reports and Websites.

Major Developments in the Indian Insurance sector

The following are the major developments in the Indian insurance sector are presented in Table-3

Table-3

Major Developments in the Indian Insurance sector

Month/Year	Major developments in the Indian Insurance sector
February 2022	ICICI Lombard and Airtel Payments bank have entered into a partnership for providing cyber insurance
December	Probus Insurance receives US\$ 6.7 million in funding from a Swiss impact

2021.	fund
November 2021	<ul style="list-style-type: none"> • ICICI Lombard collaborated with Vega to provide a personal accident insurance cover • ICICI Prudential Life Insurance partnered with NPCI Bharat BillPay, a subsidiary of National Payments Corporation of India (NPCI), to offer ClickPay feature to its customers. • The Competition Commission of India (CCI) approved HDFC Life Insurance's acquisition of 100% shareholding in Exide Life Insurance. • Willis Towers Watson acquired the remaining 51% shares in WTW India, taking the company's holding in WTW India to 100%. • Acko, a digital insurance start-up, raised US\$ 255 million in funds, taking the company's valuation to ~US\$ 1.1 billion.
August 2021	<ul style="list-style-type: none"> • PhonePe announced that it has received preliminary approval from IRDAI to act as a broker for life and general insurance products. • ICICI Prudential Life Insurance tied up with the National Payments Corporation of India (NPCI) to provide a unified payments interface autopay. • ICICI Lombard General Insurance introduced extensive coverage for remote piloted aircraft, particularly drone operators.
July 2021	<ul style="list-style-type: none"> • MedPay, a Bengaluru-based B2B tech start-up, built an API infrastructure that connects healthcare service providers, standalone clinics, pharmacies, labs and insurance companies through its MedPay Connected Care Network (CCN). • The LIC introduced its Saral Pension Scheme, which is a non-linked, non-participating, single premium, individual immediate annuity plan. • Gallagher announced plan to acquire 100% stake in India's Edelweiss Gallagher Insurance Brokers.
June 2021	<ul style="list-style-type: none"> • Bharti AXA Life Insurance reported a 10% renewal premium increase of Rs. 1,498 crore (US\$ 200.64 million) in FY21. • LIC Housing Finance announced plans to raise ~Rs. 2,334.69 crore (US\$ 312.43 million) through preferential issue of equity shares to the Life Insurance Corporation of India (LIC). • Aditya Birla Sun Life Insurance announced the launch of a new Vision LifeIncome Plus Plan that will provide guaranteed regular income plus flexible bonus payouts to policyholders. • Wardwizard Group ties up with Bajaj Allianz to offer insurance policies to Joy e-Bike customers

May 2021	Max Life Insurance Co. Ltd. launched 'Max Life Saral Pension', a non-linked, individual immediate annuity plan.
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Source: <https://www.ibef.org/industry/insurance-sector-india>

Government Initiatives in the Indian Insurance sector

The Government of India has taken number of initiatives to boost the insurance industry which are presented in Table-4

Table-4

Government Initiatives in the Indian Insurance sector

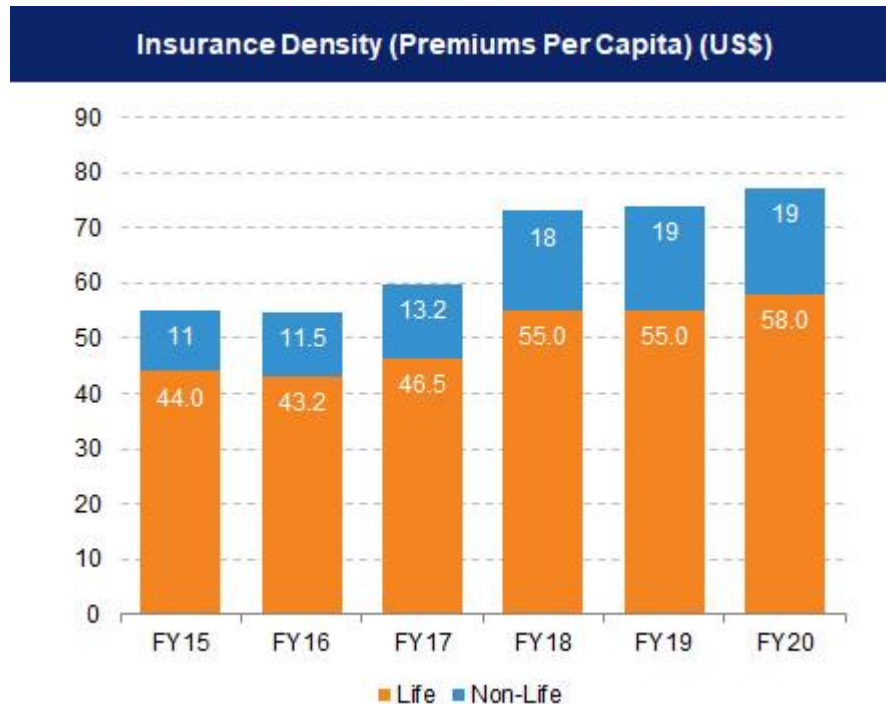
Month/Year	Government initiatives in the Indian Insurance sector
2022	The Indian government plans to sell a 7% stake in LIC for Rs. 50,000 crore (US\$ 6.62 billion). This is the largest initial public offering (IPO) in India.
Nov, 2021	The Indian government signed an agreement with the World Bank for a US\$ 40 million project to advance the qualities of health services in Meghalaya, including the state's health insurance programme.
Sep,2021	The Union Cabinet approved an investment of Rs. 6,000 crore (US\$ 804.71 million) into entities, offering export insurance cover to facilitate additional exports worth Rs. 5.6 lakh crore (US\$ 75.11 billion) over the next five years.
Aug,2021	<ul style="list-style-type: none"> The Parliament passed the General Insurance Business (Nationalisation) Amendment Bill. The bill aims to allow privatisation of state-run general insurance companies. Union Budget 2021 increased FDI limit in insurance from 49% to 74%. India's Insurance Regulatory and Development Authority (IRDAI) has announced the issuance, through Digilocker, of digital insurance policies by insurance firms. Finance Minister Ms. Nirmala Sitharaman announced that the initial public offering (IPO) of LIC will be implemented in FY22, as part of the consolidation in the banking and insurance sector. Though no formal market valuation has been undertaken, LIC's IPO has the potential to raise Rs. 1 lakh crore (US\$ 13.62 billion). Under Union Budget 2021, fund of Rs. 16,000 crore (US\$ 2.20 billion) has been allocated for crop insurance scheme.
June, 2021	The government extended a Rs. 50 lakh (US\$ 66.85 thousand) insurance coverage scheme for healthcare workers across India until the next one year.
Feb, 2021	The Finance Ministry announced to infuse Rs. 3,000 crore (US\$ 413.13 million) into state-owned general insurance companies to improve the overall financial health of companies.

Market Size

The life insurance industry is expected to increase at a CAGR of 5.3% between 2019 and 2023. India's insurance penetration was pegged at 4.2% in FY21, with life insurance penetration at 3.2% and non-life insurance penetration at 1.0%. In terms of insurance density, India's overall density stood at US\$ 78 in FY21.

Premiums from India's life insurance industry is expected to reach Rs. 24 lakh crore (US\$ 317.98 billion) by FY31. In the first half of FY22, the life insurance industry recorded growth rate of 5.8% compared with 0.8% in the same period last year. The gross first-year premium of life insurers increased by 12.93% in 2021-22 to Rs. 314,262.42 crore (US\$ 40.06 billion).

Between April 2021-March 2022, gross premiums written off by non-life insurers reached Rs. 220,772.07 crore (US\$ 28.14 billion), an increase of 11.1% over the same period in FY21. In May 2022, the total premium earned by the non-life insurance segment stood at Rs. 36,680.73 crore (US\$ 4.61 billion), a 24.15% increase as compared to the same period in the previous year. The market share of private sector companies in the general and health insurance market increased from 48.03% in FY20 to 49.31% in FY21. Six standalone private sector health insurance companies registered a jump of 66.6% in their gross premium at Rs 1,406.64 crore (US\$ 191.84 million) in May 2021, as against Rs. 844.13 crore (US\$ 115.12 million) earlier.



Source: <https://www.ibef.org/industry/insurance-sector-india>

According to S&P Global Market Intelligence data, India is the second-largest insurance technology market in Asia-Pacific, accounting for 35% of the US\$ 3.66 billion insurtech-focused venture investments made in the country.

Insurance Market- Present:

The past two years may have been the most peculiar recession and recovery in living memory. In 2020, the human tragedy of the COVID-19 pandemic triggered a global economic downturn that was initially sharper than the Great Depression. As government support programs took shape, the recession rapidly bottomed out, leading to a strong economic recovery in 2021. Global financial markets took a roller-coaster ride as well.

The impact on the insurance industry was noticeable: in 2020, premium growth slowed to approximately 1.2 percent (compared with more than 4 percent per year between 2010 and 2020) (Exhibit 1). Profits fell by about 15 percent from 2019. The decline was sharpest in Asia–Pacific (down 36 percent) and was particularly driven by falling profits in life. Preliminary data suggest that premium growth and profits rebounded in 2021, especially in regions where strong vaccine rollouts have made many activities possible again, at least periodically.

There are 24 life insurance and 34 non-life insurance companies in the Indian market who compete on price and services to attract customers, whereas there are two reinsurance companies. The industry has been spurred by product innovation and vibrant distribution channels, coupled with targeted publicity and promotional campaigns by insurers.

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Insurance Market- Future:

The future looks promising for the life insurance industry with several changes in the regulatory framework which will lead to further changes in the way the industry conducts its business and engages with its customers. Life insurance industry in the country is expected to increase by 14-15% annually for the next three to five years. The scope of IoT(Internet of Things) in Indian insurance market continues to go beyond telematics and customer risk assessment. Currently, there are 110+ InsurTech start-ups operating in India. These startups are expected to provide a major boost to the industry and help increase India's insurance penetration which plays a crucial role in the overall development of the country.

In the past, the Indian government has played a crucial role in increasing the scope of the insurance sector through various policies and schemes. This trend will continue in the further through schemes like the Pradhan Mantri Fasal Bima Yojana (PMFBY) providing crop insurance and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) providing life insurance coverage to the youth at an affordable price. Schemes like these coupled with India's demographic factors such as a growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of the Indian insurance sector.

Findings of the Study

1. Premiums from India's life insurance industry is expected to reach Rs. 24 lakh crore (US\$ 317.98 billion) by FY31.
2. In May 2022, the total premium earned by the non-life insurance segment stood at Rs. 36,680.73 crore (US\$ 4.61 billion), a 24.15% increase as compared to the same period in the previous year.
3. In Feb,2022, The Indian government plans to sell a 7% stake in LIC for Rs. 50,000 crore (US\$ 6.62 billion). This is the largest initial public offering (IPO) in India.
4. In Feb,2022, ICICI Lombard and Airtel Payments bank have entered into a partnership for providing cyber insurance.
5. Life insurance industry in the country is expected to increase by 14-15% annually for the next three to five years.

Conclusion

The future looks promising for the life insurance industry with several changes in the regulatory framework which will lead to further changes in the way the industry conducts its business and engages with its customers.

Currently, there are 110+ InsurTech start-ups operating in India. These startups are expected to provide a major boost to the industry and help increase India's insurance penetration which plays a crucial role in the overall development of the country.

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