

# A Study on Life Insurance Industry of India

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**Abstract**— Insurance industry in India has seen a major growth in the last decade along with an introduction of a huge number of advanced products. This has led to a tough competition with a positive and healthy outcome. Insurance sector in India plays a dynamic role in the wellbeing of its economy. It substantially increases the opportunities for savings amongst the individuals, safeguards their future and helps the insurance sector form a massive pool of funds. With the help of these funds, the insurance sector highly contributes to the capital markets, thereby increasing large infrastructure developments in India. With the change in the consumer perception on life insurance and its awareness and penetration, the industry has witnessed a remarkable growth in its business. After globalization in 1991 the Indian life insurance industry has geared up in all respects, as well as it is being forced to face a lot of competition from many national and international private insurance players. This paper is aimed at examining the status of LIC of India in this highly competitive scenario as well as estimating future trend of insurance business of LIC of India, as to analyze its future position in the high competition.

**Index Terms**— life Insurance, customer satisfaction, customer loyalty, data, information, LIC, Insurer, Market Share, Insurance Premium

## I. INTRODUCTION

History of insurance has been known to exist in some form or other since 3000 BC. Various civilizations, over the years, have practiced the concept of pooling and sharing among themselves, all the losses suffered by some members of the community. Modern insurance in India began in early 1800 or thereabouts, with agencies of foreign insurers starting marine insurance business.

In 1912, the Life Insurance Companies Act and the Provident Fund Act were passed to regulate the insurance business. The Insurance Act 1938 was the first legislation enacted to regulate the conduct of insurance companies in India. Life insurance business was nationalized on 1st September 1956 and the Life Insurance Corporation of India (LIC) was formed. There were 170 companies and 75 provident fund societies doing life insurance business in India at that time. From 1956 to 1999, the LIC held exclusive rights to do life insurance business in India.

Malhotra Committee was setup in 1993 to explore and recommend changes for development of the industry including the reintroduction of an element of competition. The passing of the Insurance Regulatory & Development Act, 1999 (IRDA) led to the formation of Insurance Regulatory and Development Authority (IRDA) in April 2000 as a statutory regulatory body both for life and non-life insurance industry.

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## II. OBJECTIVES

1. To analyze the performance and growth of LIC.
2. To analyze the future trend of business of LIC of India.

## LIMITATIONS

This data is secondary in nature.

## DATA COLLECTION

The presents study is completely based on secondary sources of data collection such as news papers, books, journals, magazines, thesis and internet resources.

## III. REVIEW OF LITERATURE

Athma and Kumar (2007) identified various product and non-product related factors affecting life insurance purchase decision-making. They found that the urban market is more influenced by product-based factors such as risk coverage, tax benefits, return, and so on, while the rural market is influenced by non-product related factors such as credibility of agent, company's reputation, trust, and customer services.

Ray and Ali (2008) studied the gap between perceived and desired features in life insurance products/services, the relative importance of factors in the purchase decision of life insurance products, and customer preferences relating to after-sales services. They also found that customers seek not only risk coverage against death/accident, but also tax savings and meeting of post-retirement needs. Customers also desired continuous communication from their service providers, such as quarterly statements, information about premium payments, new products and switching of funds, preferably via SMS, e-mails, and/or phone calls.

Khurana (2008) studied customer preferences and satisfactions with respect to life insurance policies from different service providers. They found that most of their respondents faced problems in claims settlement, and most faced problems in obtaining information from service provider.

Kumar Jogendra (2005) highlighted that private insurance players introduced a wider range of insurance products and sit up brand promotion as part of their new strategy.

Kulshrestha and Kulshrestha (2006) highlighted that demand for life insurance in rural India was expanding at annual rate of 18% as compared to 3.9% in urban areas which provided good opportunities for insurers to perform.

Rastogi S. and Sarkar R. (2006) in their research paper deals with enhancing competitiveness: The case of Life Insurance Industry identifies the cause and objective with which the sector was reformed in 2000.

Eldhose and Kumar (2008) explained the importance of quality services and its significance in customer satisfaction. Their comparative study of public and private sectors helped

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in understanding the customer perception, satisfaction and awareness on various life insurance services.

### Life Insurance industry before Nationalization

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta. In early days Indian lives were being treated as sub-standard lives and heavy extra premiums were being charged on them. Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. Bharat Insurance Company (1896) was also one of such companies inspired by nationalism. The Swadeshi movement of 1905-1907 gave rise to more insurance companies. In the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. The first two decades of the twentieth century saw lot of growth in insurance business. From 44 companies with total business-in-force as Rs.22.44 crore, it rose to 176 companies with total business-in-force as Rs.298 crore in 1938. During the mushrooming of insurance companies many financially unsound concerns were also floated which failed miserably.

### Life Insurance industry After Nationalization

The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life

Insurance Corporation of India was created on 1st September, 154 Indian insurance companies, 16 non-Indian companies and 75 provident were operating in India at the time of nationalization, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost. LIC had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956. Now LIC functioning with 2048 fully computerized branch offices, 113 divisional offices, 8 zonal offices, 1381 satellite offices and the Corporate office. LIC's Wide Area Network covers 113 divisional offices and connects all the branches through a Metro Area Network.

### Today's Life insurance industry

After passing the IRDA Act in 1999, the insurance sector was opened up and private Insurance Companies were allowed to enter in Life Insurance as well as General Insurance with the participation of Foreign partner.

Currently, there are 24 life insurance companies operating in India as detailed hereunder:

- a) Life Insurance Corporation (LIC) of India is a public sector company
- b) There are 23 life insurance companies in the private sector.
- c) The postal department, under the Government of India, also transacts life insurance business via Postal Life Insurance, but is exempt from the purview of the regulator.

### List of Life Insurers

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

19	<u>Reliance Nippon Life Insurance Company Limited</u>
20	<u>Sahara India Life Insurance Co. Ltd.</u>
21	<u>SBI Life Insurance Co. Ltd.</u>
22	<u>Shriram Life Insurance Company Ltd.</u>
23	<u>Star Union Dai-ichi Life Insurance Company Limited</u>
24	<u>Tata AIA Life Insurance Company LTD</u>

**TABLE 2: NEW-BUSINESS PREMIUM OF LIFE INSURERS**

*(rCrore)*

INSURER	2013-14	2014-15	2015-16	2016-17	2017--18
Aditya Birla Sunlife	1697.49	1937.94	2220.31	2534.26	2662.80
Aegon	147.22	207.50	136.33	99.57	147.05
Aviva	593.76	556.89	320.80	243.91	325.57
Bajaj Allianz	2592.03	2702.10	2884.52	3290.26	4291.14
Bharti AXA	375.61	474.20	539.49	608.61	730.86
Canara HSBC	608.07	476.98	859.18	982.97	1227.74
DHFL Pramerica	172.95	579.59	727.02	873.93	1455.68
Edelweiss Tokio	80.72	122.42	183.59	227.99	342.46
Exide Life	567.81	644.75	632.85	862.76	759.90
Future Generali	224.90	252.41	255.59	399.87	582.35
HDFC Standard	4038.93	5492.10	6487.22	8696.36	11349.61
ICICI Prudential	3759.59	5332.13	6765.75	7863.30	9211.75
IDBI Federal	315.69	484.50	588.40	793.55	833.03
IndiaFirst	1681.36	1538.67	1478.10	1670.85	1496.97
Kotak Mahindra	1271.81	1540.18	2209.66	2849.74	3404.21
Max Life	2261.60	2572.60	2881.71	3666.35	4348.59
PNB Metlife	675.89	829.06	1003.17	1148.78	1427.08
Reliance Nippon	1933.99	2069.69	1558.33	1051.58	915.62
Sahara	65.09	38.44	43.43	44.64	4.17
SBI Life	5065.48	5529.16	7106.58	10143.86	10966.14
Shriram Life	389.83	498.52	693.79	733.89	810.33

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Star Union Dai-ichi	562.85	629.93	557.88	700.11	700.72
Tata AIA	433.76	312.05	740.79	1132.19	1488.42
<b>Private Total</b>	<b>29516.43</b>	<b>34821.81</b>	<b>40874.48</b>	<b>50619.37</b>	<b>59482.21</b>
	<b>(-4.01)</b>	<b>(17.97)</b>	<b>(17.38)</b>	<b>(23.84)</b>	<b>(17.51)</b>
LIC	90808.79	78507.72	97891.51	124583.31	134671.70
	(18.53)	(-13.55)	(24.69)	(27.27)	(8.10)
<b>Industry Total</b>	<b>120325.22</b>	<b>113329.52</b>	<b>138765.99</b>	<b>175202.68</b>	<b>194153.90</b>
	<b>(12.08)</b>	<b>(-5.82)</b>	<b>(22.44)</b>	<b>(26.26)</b>	<b>(10.82)</b>

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

The Indian insurance industry is still in a growing stage, as India's twin demographic dynamics of a growing working population and increasing disposable income are driving continued growth. Further, government initiatives continue to promote insurance penetration and reach. The Indian insurance industry is on a path of sustainable growth and momentum, by increasing penetration and exploring the latent segments, particularly the rural segment, through micro-insurance.

**TABLE 8: NUMBER OF INDIVIDUAL NEW POLICIES ISSUED (LIFE)**

(In Lakhs)

INSURER	2013-14	2014-15	2015-16	2016-17	2017-18
LIC	345.12 (-6.17)	201.71 (-41.55)	205.47 (1.86)	201.32 (-2.02)	213.38 (5.99)
Private Sector	63.6 (-14.11)	57.37 (-9.79)	61.92 (7.92)	63.24 (2.13)	68.59 (8.47)
<b>Total</b>	<b>408.72</b> <b>(-7.50)</b>	<b>259.08</b> <b>(-36.61)</b>	<b>267.38</b> <b>(3.20)</b>	<b>264.56</b> <b>(-1.05)</b>	<b>281.97</b> <b>(6.58)</b>

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

**Table: Individual Business In Force (Within India) (Number of Policies) (2016-17 & 2017-18)**

(Policies in '000)

Particulars	Private Total		LIC of India		Grand Total	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
<b>Non Linked Life Business</b>						
Business in force at start of the financial year	<b>21071.55</b>	<b>23027.83</b>	278878.07	280504.46	<b>299949.62</b>	<b>303532.29</b>
Additions during the year*	<b>4609.51</b>	<b>5093.99</b>	22392.77	23867.39	<b>27002.29</b>	<b>28961.38</b>
Deletions during the year**	<b>2653.23</b>	<b>2652.08</b>	20766.38	22192.26	<b>23419.62</b>	<b>24844.34</b>
Business in force at end of the financial year (A)	<b>23027.83</b>	<b>25469.75</b>	280504.46	282179.58	<b>303532.29</b>	<b>307649.33</b>
<b>Non Linked -General Annuity Business</b>						
Business in force at start of the financial year	<b>108.06</b>	<b>123.36</b>	819.03	1145.89	<b>927.09</b>	<b>1269.25</b>
Additions during the year*	<b>16.48</b>	<b>25.01</b>	418.75	418.47	<b>435.24</b>	<b>443.48</b>
Deletions during the year**	<b>1.30</b>	<b>1.46</b>	91.89	60.11	<b>93.19</b>	<b>61.58</b>
Business in force at end of the financial year	<b>123.36</b>	<b>146.91</b>	1145.89	1504.25	<b>1269.25</b>	<b>1651.16</b>

(B)						
<b>Non Linked - Pension Business</b>						
Business in force at start of the financial year	<b>316.65</b>	<b>303.11</b>	1610.27	1588.45	<b>1926.91</b>	<b>1891.56</b>
Additions during the year*	<b>34.75</b>	<b>37.66</b>	80.01	68.91	<b>114.75</b>	<b>106.57</b>
Deletions during the year**	<b>48.29</b>	<b>34.47</b>	101.82	92.71	<b>150.11</b>	<b>127.18</b>
Business in force at end of the financial year	<b>303.11</b>	<b>306.31</b>	1588.45	1564.65	<b>1891.56</b>	<b>1870.96</b>
(C)						
<b>Non linked Health Business</b>						
Business in force at start of the financial year	<b>332.72</b>	<b>413.28</b>	397.13	389.23	<b>729.84</b>	<b>802.51</b>
Additions during the year*	<b>237.32</b>	<b>312.36</b>	135.12	204.71	<b>372.44</b>	<b>517.07</b>
Deletions during the year**	<b>156.75</b>	<b>176.81</b>	143.02	132.09	<b>299.77</b>	<b>308.90</b>
Business in force at end of the financial year (	<b>413.28</b>	<b>548.84</b>	389.23	461.85	<b>802.51</b>	<b>1010.68</b>
D)						
<b>Linked Business - Life business</b>						
Business in force at start of the financial year	<b>12659.32</b>	<b>12186.75</b>	4724.25	3798.67	<b>17383.57</b>	<b>15985.42</b>
Additions during the year*	<b>1788.03</b>	<b>1987.10</b>	6.08	26.51	<b>1794.11</b>	<b>2013.60</b>
Deletions during the year**	<b>2260.61</b>	<b>2015.10</b>	931.65	566.26	<b>3192.26</b>	<b>2581.36</b>
Business in force at end of the financial year	<b>12186.76</b>	<b>12158.74</b>	3798.67	3258.92	<b>15985.43</b>	<b>15417.66</b>
(E)						
<b>Grand Total</b>						
<b>Business in force at end of the financial year</b>						
= A + B + C + D +E	<b>36053.58</b>	<b>38630.55</b>	<b>287426.70</b>	<b>288968.67</b>	<b>323481.05</b>	<b>327599.8</b>
						<b>0</b>

Customers have tremendous choice from a large variety of products from pure term (risk) insurance to unit-linked investment products. Customers are offered unbundled products with a variety of benefits as riders from which they can choose. More customers are buying products and services based on their true needs and not just traditional money back policies, which is not considered very appropriate for long-term protection and savings. There is lots of saving and investment plans in the market. However, there are still some key new products yet to be introduced - e.g. health products.

#### CONCLUSION

After the reforms in insurance sector, life insurance industries have seen a remarkable growth moreover; the policies measures provided a favorable environment for insurance companies to flourish in the country. 24 life insurance companies operating in India. The share of the life insurance business in total insurance business was very high at 80.2% and it is ranked 10th among 88 countries LIC has been successfully able to create value for its customers or policy holders. By analyzing the pre and post performances, It is showing a respectable growth in its business. There is enormous potential for life insurance and no doubt that LIC still enjoys immense goodwill in our country. But private players are also make a good competition, So LIC has to made more efforts to enhance its business in terms of technology distribution network, technological innovations, client relationship and quality. A well-regulated life insurance industry which moves with the times by offering its customers tailor-made products to satisfy their financial needs is, therefore, essential if we desire to progress towards a worry-free future.

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