



Indian Insurance Industry: On A Newer Orbit

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Abstract

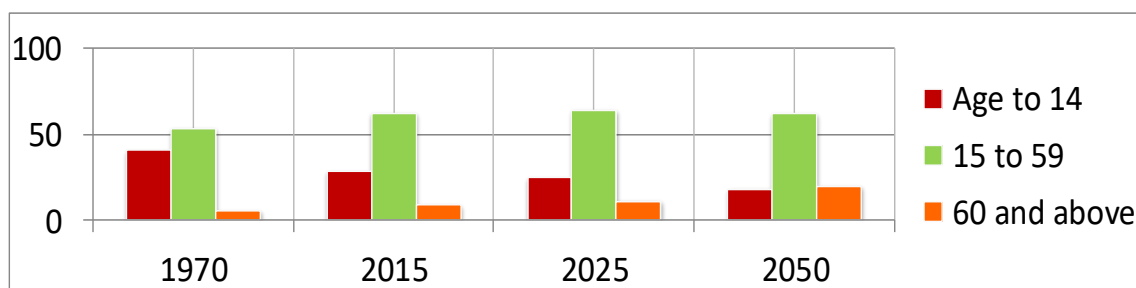
Life insurance is not simply a business proposition. It is not just a question of mobilization of resources for development; it is a question of citizen's sense of security. It provides a link between the present and the future. Today India is one of the fastest growing economies of the world. It is now Asia's third largest economy and has made inroads into the global top 10 in terms of Gross Domestic Product (GDP). GDP originating from the service sector recorded a growth rate of 17.26% in 2010 - 2011. The contours of insurance business have been changing across the globe and rippling effect of the same can be observed in the Indian market as well. Insurance Industry is a growth-oriented industry. The life insurance sector in India has seen an array of changes in the past one decade. The economic scenario which emerged after globalization, privatization and liberalization has thrown a new challenge before the insurers. Now it has to be more competitive in order to meet the needs and demands of its customers. With a huge population base and large untapped market, life insurance industry has a big opportunity in India for National as well as foreign investors. 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.

Keywords: Life Insurance, GDP, profitability, growth, economy, competitive.

Overview

- Current Population is 128.28 crore.
- Current GDP is \$ 2.0 trillion (approx. Rs. 125 lakh crore)
- Male to female population is 52 :48 (651 Mn male : 601 Mn female)
- 72 % of the total population resides in semi -urban and rural areas.
- In 2013 out the total world population aged over 80 the following 6 countries accounted for 50 % (China 23 million, USA 12 million ,India and Japan 9 million ,Germany and Russia 4 million)
- In 2013 total number of aged people aged above 60 in the world stood at 841million, with India having around 100 million people (10 cr).
- By 2050 it is estimated that India will have 316 million people aged 60 or more and 43 million people aged 80 or above.
- Globally, 40 per cent of older persons aged 60 years or above live independently, that is to say, alone or with their spouse only and the trend is increasing constantly.
- Projected change in age structure of Indian population in (%) is shown below –

Age Group (Yrs)	1970	2000	2005	2015	2025	2050
To 14	40.9	35	33.1	28.7	24.7	18.2
15 To 59	53.6	58.3	59.9	62.6	64.2	62.2
60 and Above	5.5	6.7	7.0	8.7	11.1	19.6



Current Employment Scenario

➤ Out of total population of 128. 28 cr around 44 cr is employed workforce.

Working Population	Population (Cr)	% of Employed Workforce	Pension/Retirement Benefits
Salaried Employees	6.7	16	Yes (Govt. Funded)
❖ CG/NG/Armed Forces	1.5	23	
❖ Non-Government			
❖ Others	3.3	49	Yes(EPF/CPF)
Self Employed	23.7	53	Voluntary
Casual Contractual Workforce	13.6	31	Voluntary

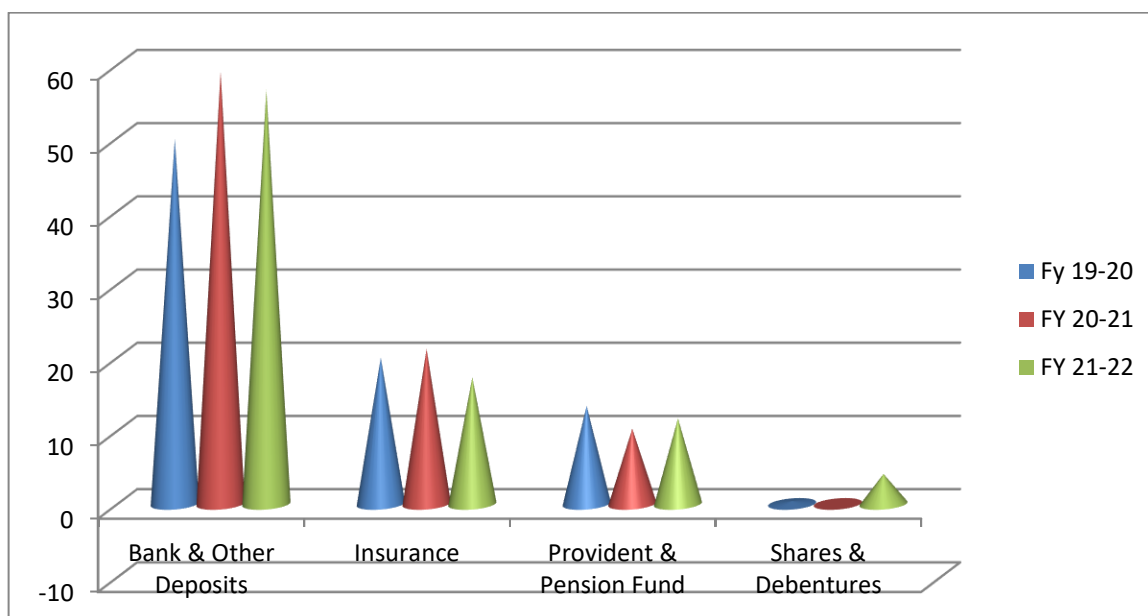
Overview- Financial Savings Pattern

Gross Savings of Household sector

➤ In 2013-14 Gross Domestic Saving rate as a % of GDP was 30.1 %

➤ Out of this the share of Gross Savings in Household sector in % terms is as below:

Type of Saving	Fy 19-20	FY 20-21	FY 21-22	FY 22-23
Bank & Other Deposits	49.9	59.1	56.6	58.8
Insurance	20.0	21.2	17.3	17.0
Provident & Pension Fund	13.4	10.3	11.7	11.6
Shares & Debentures	0.4	-0.3	4.1	2.9
Currency & Others	16.9	9.3	10.3	9.7



Life Insurance Premium Projection - In Newer Orbit

Projection of Life insurance Premium considering GDP growth rate of 6 % (Penetration)

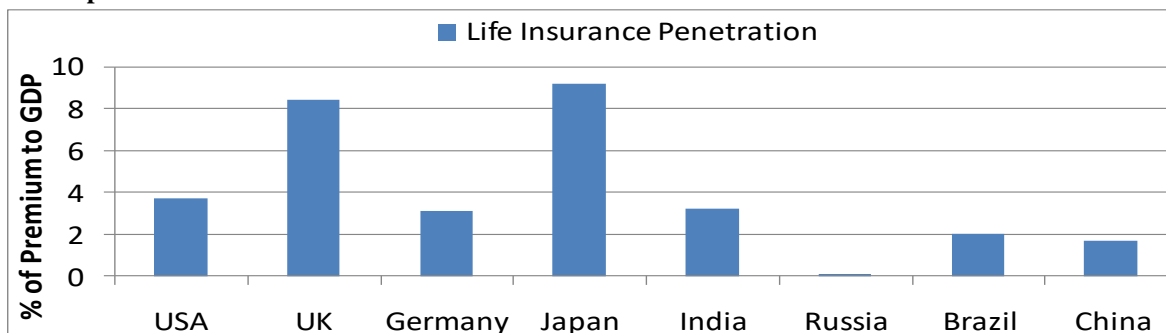
Parameters	Actual as of 2015	Projection			
		2015-16	2020-21	2023-24	2024-25
GDP (Trillion USD)	2.0	2.10	2.81	2.65	3.55
Premium (Billion USD)	57 (3.27 Lakh Cr)	---	---	---	---
Gross Premium under written as % GDP (Penetration) (Billion USD)					
3%	---	63	85	101	107
4%	---	84	113	134	142
5.5%	---	126	169	202	214

(1 USD=INR 58)

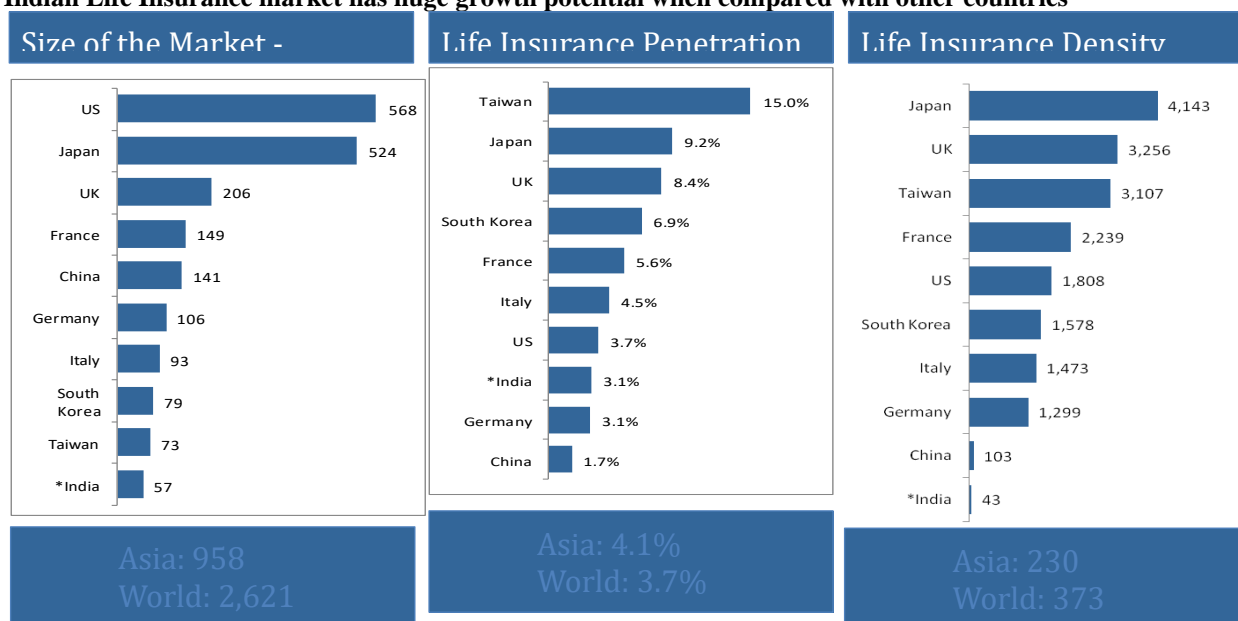
Parameter	FY 99-00	FY 11-12	FY 12-13	FY 13-14	FY 14-15
India's Share of world Premium (Life)	0.50%	2.30	2.03	2.20	2.1
Penetration as % of GDP	1.77	3.4	3.2	3.17	3.10
New Business Policies Individual (in Cr)	1.69	4.41	4.41	4.08	2.59
In force Policies (In Cr)	10.14	33.52	33.61	33.54	32.75

- The industry services largest number of life insurance policies in the world
- 200 / 203 countries in the world whose population is below the customer base of life insurers of India.

Global Comparison



Indian Life Insurance market has huge growth potential when compared with other countries



Key Indicators of Indian Life Insurance Industry

- Life Insurance Industry completed 15 years of opening up of sector.
- Currently there are 24 players in the Life Insurance Industry.
- All the major International players are present in the Indian Insurance market.
- A high capital intensive industry-Rs. 35, 680 Cr deployed to support AUM of Rs.23,44,228 Cr.
- Foreign partners have brought in capital of approx \$ 1.25 billion (Rs. 6,700 Cr) as FDI.
- The insurable population in India is 60 crore.
- India has the largest in-force policies in the world 32.75 crore
- As of 31st May 2015 there are 543 Products and 156 Riders.

Parameter	FY 99-00	FY 11-12	FY 12-13	FY 13-14	FY 14-15
Numbers of Players	1	24	24	24	24
Capital Development (Rs. Cr)	5	33,633	34,200	35,021	35,680
Branches	2,048	11,082	10,253	11,013	11,030
Employees	1,20,000	2,42,682	2,48,703	2,44,522	2,49,221
Individual Agents	7,10,000	26,08,820	23,45,601	22,09,894	20,67,856
New Business Policies(Rs. Cr)	1.69	4.41	4.41	4.08	2.59
In force Policies (Rs. Cr)	1.01	33.52	33.61	33.54	32.75
New Business Premium (Rs. Cr)	8,280	1,13,942	1,07,361	1,20,288	1,13,270
Renewal Premium (Rs. Cr.)	17,955	1,73,130	1,79,841	1,93,862	2,14,398
Total Premium (Rs. Cr.)	26,235	2,87,072	2,87,202	3,14,150	3,27,668

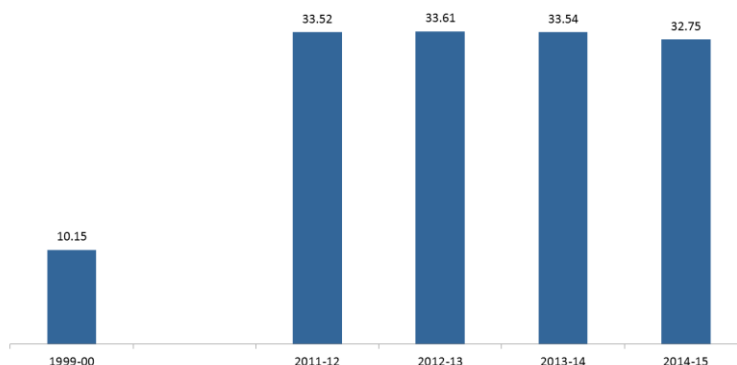
Source: IRDA, Life Insurance Council (FY 14-15 data is Provisional)

New Business Premium (Individual)

Category	2006-07	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Life	40,459	61,368	61,887	59,807	57,948
Annuity	14	1,457	1,161	1,446	1,719
Pension	20,853	19,257	1,148	522	750
Health	28	211	238	188	144
Total Incl. NB Premium	61,354	82,294	64,434	61,963	60,561
% of Pension to Total NB	33.98%	23.40%	1.78%	0.84%	1.24%

Source: IRDA

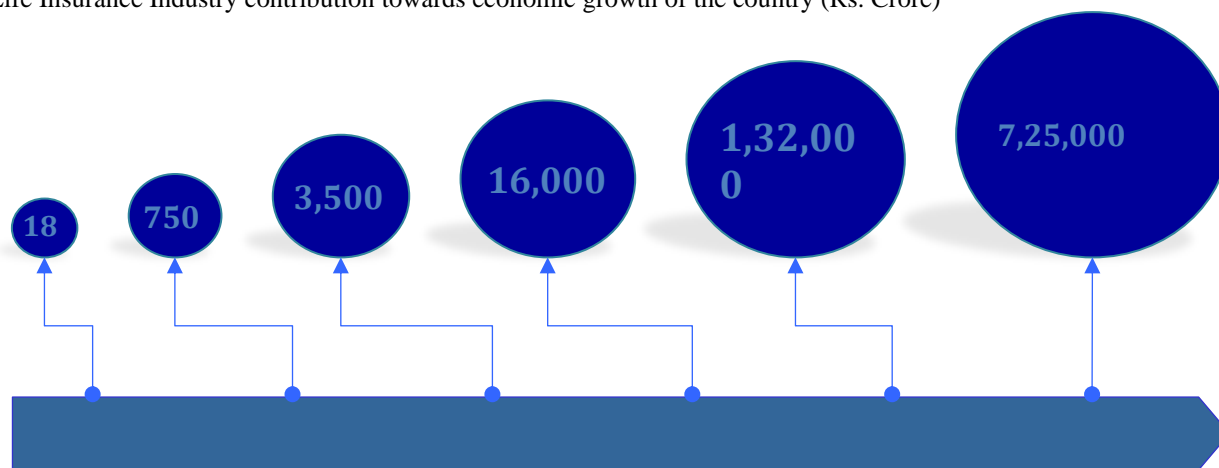
Stagnancy of In- force Policies



Benefits Paid to Policyholders

Parameter	FY 11-12	FY 12-13	FY 13-14	FY 14-15
Total Death Benefit Paid (Rs. Cr)	10,790	12,017	13,716	14,981
Total Benefits Paid (Rs. Cr)	1,53,133	1,92,493	2,18,137	2,13,325

Life Insurance Industry contribution towards economic growth of the country (Rs. Crore)



Life insurance sector has provided long-term funds for infrastructure

Inclusive Growth of Life Insurance

Rural & Social Sector Obligation

- Companies are statutorily required to do Rural business and cover lives from Social Sector -rural, un-organized and socially underprivileged from their first year of operation.
- Companies have to mandatorily sell
 - 18% of new policies in rural areas.
 - Cover 25,000 lives in social sector every year.
- Approximately 1 Crore rural policies were sold by companies in 2014-15.
- 3.04 Crore lives covered in social sector in 2014-15.
- 72% of the total 11,030 branches of insurance companies are in semi-urban or rural areas (33% in rural areas).

Investment by Life Insurance Companies

AUM of Life Insurance Companies						
Category of Investments	2000-01' Cr	(%)	2012-13' Cr	(%)	2013-14' Cr	(%)
Traditional Products						
Central Govt. Securities	47,513	(24.48%)	5,11,248	(36.55%)	6,04,651	(37.19%)
State Govt. Securities	52,524	(27.07%)	2,66,003	(19.02%)	3,33,951	(20.54%)
Infrastructure Investments	24,887	(12.80%)	1,16,645	(8.34%)	1,55,026	(9.54%)
Approved Investments	50,502	(26.03%)	4,45,611	(31.86%)	5,03,059	(30.94%)
Other than Approved Investments	18, 584	(9.58%)	59,161	(4.23%)	29,118	(1.79%)
ULIP						
Approved Investments	--		3,25,281	(94.97%)	3,22,456	(97.22%)
Other Investments	--		17,226	(5.03%)	9,205	(2.78%)
Total	1,94,010	(100%)	17,41,175	(100%)	19,57,466	(100%)
Investments have been targeted towards established funds that helped in infrastructure growth of the country						

Current trends in Life insurance Industry in India**Digitization – the Way Forward in the industry**

- Online policies picking up in a big way – Term policies are becoming popular.
- Web Aggregators use online space, providing comparable quotes and generating leads for insurers and brokers.
- Usage of Tablets for demonstrating product details to customers with ease (with various returns and charge structures etc).
- Proposal Form Filling has become a less painful exercise and anywhere any time insurance through mobile applications has also become popular.
- Comparing products of various Insurers has become easy and faster.
- Premium payments made online – Instant Payment through online portals have revolutionized the premium collection process.
- IVRS, online mobile applications etc. have also become popular premium payment methods

E-Insurance Account – a Pioneer Step towards Single Window Operation

- First of its kind in the world – holding all insurance policies in electronic form by opening a single e-insurance account with an Insurance repository.
- Free for the customer and the charges are paid by the Insurance company.
- Loss of insurance policies and issue of duplicate policies have become history with the introduction of e-insurance account – facilitates faster settlement of claims.
- Single KYC done for e-insurance account instead of each policy – reduces the paper work.

E-insurance account completes the paperless insurance policy system and makes the insurance purchase seamless.

A customer buying policy online, pays insurance premium online, gets receipt online and also gets credit of insurance policy account online.

Claims are settled by direct transfer of funds to the account of the nominee/Policyholder.

Evolution of Alternate channels of Distribution.

- Individual agency channel was the only mode of distribution in LIC days.
- Corporate Agency system introduced in 2002 with IRDA framing regulations allowing Corporate form of Agencies (e.g. Bancassurance)
- This was followed by the Insurance Broking model which allowed the entity to be a distributor for multiple insurers.
- Direct Marketing is a popular method of reaching customers and generating leads or selling through a telephone.
- Web Aggregators are online operators who provide choice of products to customers online.
- Insurance Marketing Firms – insurance brokers + ability to sell other financial products like mutual fund – financial powerhouse.
- Common Service Centers – an attempt to take insurance to the remote areas through Village Level Entrepreneurs – potential to focus on micro insurance.

Evolution of Technology for Customer Acquisition, Retention and Managing Data

- Increased use of software as a Service (SAS)
- Increased interest in Business Process Management in the Cloud (Cloud computing as a new technology application in life insurance)
- Leveraging big data and analytics based solutions using service providers –

Customer analytics, claims analytics etc. – which is fast catching up in India as well – Insurance companies use data analytics to study customer segments, choice preferences –especially in reinstating the lapsed policies

Conclusion: (Impact of Insurance Amendment Bill 2015 to the Economy)

- It is estimated that approximately Rs.50,000 crore will come through FDI and domestic investors over the period of 5 years.
- Increase in capital infusion of approximately Rs.50,000 will increase customer coverage in rural and semi urban areas from 72% to 80% and fuel employment growth in the country and contribute to increase in GDP of the country.
- Life insurance segment has the potential to grow 2.5 times its current size by 2020.
- This will result in more global players setting up offices in India, existing insurers expanding their operations in turn creating employment.
- Expected CAGR of Life Insurance industry will be 12-15% in the next 5 years
- Life Insurance employment potential till FY 2020 – 5 Lakh employees
- The net Household Financial savings could reach around 35% in the next 5 years from the present level of 30%; Life Insurance being the second most preferred financial instrument will benefit from this.
- It is estimated that the household saving percentage to GDP will also increase significantly which will assist long term infrastructure funding.
- Life insurance industry contribution to Infrastructure projects – Rs. 3.5 Lakh Cr. by FY 2020
- Huge untapped insurable population in India.
- Lack of Social Security in the country, life insurance will play a pivotal role in not only providing Economic Security but also enhancing the contribution to the nation building activity.
- Huge potential for Life, Pension, Annuity and Health insurance segments to grow.
- Evolution of Alternate Channels of Distribution.
- Prospect of huge influx of FDI.
- Huge Employment Opportunities.
- Fertile ground for life insurance business to grow at 15-20 % CAGR which will **propel the sector into NEW ORBIT**

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