

# A Study of Growth of the Life Insurance Sector in India

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## **Abstract**

*The paper emphasizes on the developments in the Life Insurance Sector in India in the recent years. It attempts to analyze the different trends in the Life insurance sector. Although there is huge opportunity for the insurance sector in India, still major segment of the population is devoid of any life insurance. Life insurance sector faces tough competition with Gold, properties, mutual funds etc. In India still life insurance sector has to face lots of challenges.*

*Key Words: Growth, Life Insurance, India*

## **Introduction:**

In India the insurance sector is administered by Insurance Act 1938, the LIC Act, 1956 and General Insurance Business (Nationalization) Act, 1972, IRDA Act 1999 and other related Acts. With such a huge population, insurance is the most happening opportunity in India. It adds approximately 7% to the GDP along with bank services. The penetration of insurance sector is very poor in India. Approximately 75 to 80 % of the population is devoid of any life insurance. This is a sign that there is huge opportunity for the insurance sector in India. It has been confirmed that insurance had its origin in India and later on it stretched to ancient Babylon. The concept of insurance has its narration in Manusmriti by Manu and by kautilya in Arthasastra.

## **Development In Life Insurance Sector In India**

The growth of life insurance sector can be studied in different perspectives which is illustrated in the tabular form and each aspect has also been studied by the researcher through line chart which is given under subsequent headings.

**Table 1.1 : Development In Life Insurance Sector In India**

<b>PARTICULARS</b>	<b>UNIT</b>	<b>2000 - 2001</b>	<b>2004 - 2005</b>	<b>2009 - 2010</b>	<b>2011 - 2012</b>	<b>2012 - 2013</b>	<b>2013 - 2014</b>	<b>2014 - 2015</b>	<b>2015 - 2016</b>
<b>NUMBER OF COMPANIES</b>	Nos.	5	14	23	24	24	24	24	24
<b>NUMBER OF BRANCH OFFICES</b>	Nos.	2199	3001	12018	11167	10285	11032	11033	11071
<b>INSURANCE PENETRATION</b>	%		2.53	4.60	3.40	3.17	3.1	2.6	2.72
<b>IINSURANCE DENSITY</b>	US \$		15.7	47.7	49.0	42.7	41	44	43.2
<b>NEW POLICIES ISSUED(No.)</b>	In Lakhs		262	532	442	442	409	259	267
<b>TOTAL PREMIUM</b>	Rs.Crore	34898	82855	26544	28707	28720	31430	328102	36694
				7	2	2	1		3
<b>MARKET SHARE OF LIC BASED ON TOTAL PREMIUM</b>	%	100	91	70	71	73	75.39	73.05	72.61
<b>MARKET SHARE OF PRIVATE INSURERS BASEDON TOTAL PREMIUM</b>	%	0	9	30	29	27	24.61	26.95	27.39

Source: Handbook on Indian Insurance Statistics-IRDA( 2013-14 and2015-16)

**Number Of Companies** : Table 1.1 illustrates that the number of life insurance companies has grown significantly till FY 12. After this year, the number of companies has stabilized.

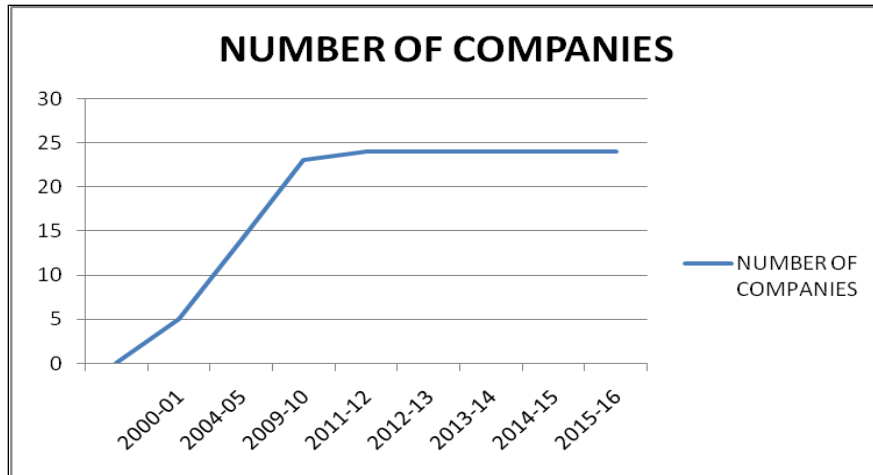


Fig. 1.1 : Number of Companies

**Number Of Branch Offices :** Number of branch offices has increased significantly till FY 10. Thereafter, it decreased in the year 11-12 and since then the number is almost static. It is not showing any significant increase.

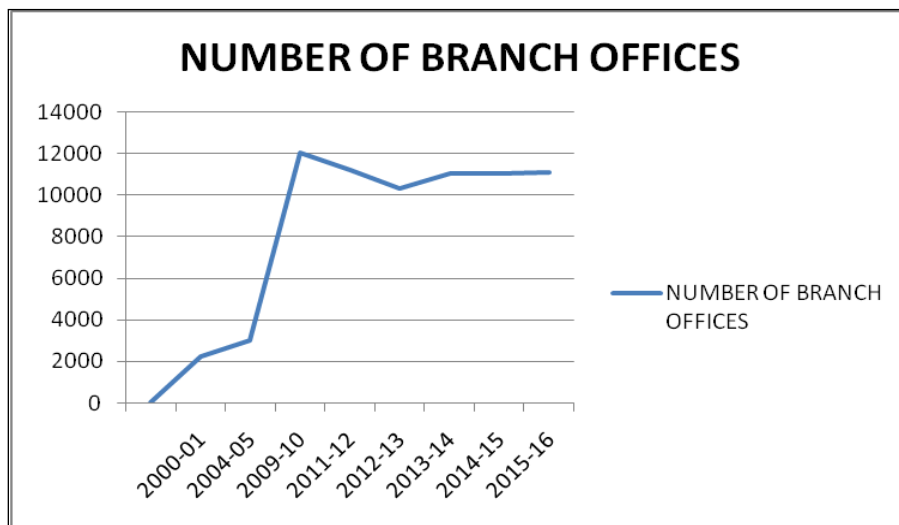


Fig 1.2 Number of Branch Offices

**Insurance Penetration:** Insurance penetration percent has grown significantly till the FY 10. After that it has decreased successively. Though it shows a little increase in the FY 16 and reached to 2.72 % as compared to 2.6% in the FY 15. With lower rates of renewal and lesser disposable income available to invest, the penetration has declined successively.

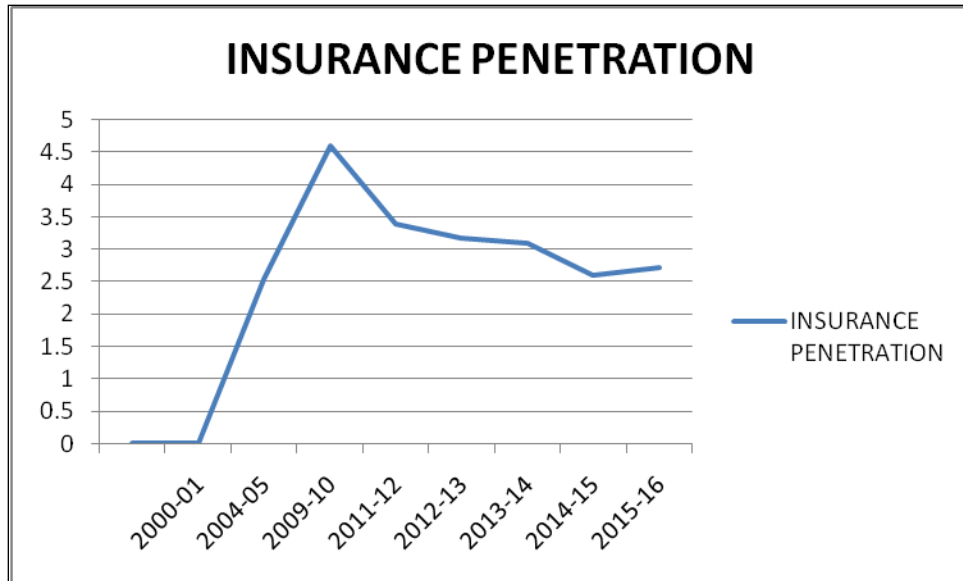


Fig. 1.3 : Insurance Penetration

**Insurance Density:** It has increased noticeably up to the year 12. Thereafter, it shows more or less static trend. It may be attributed to the inclination of people in other investment areas other than life insurance.

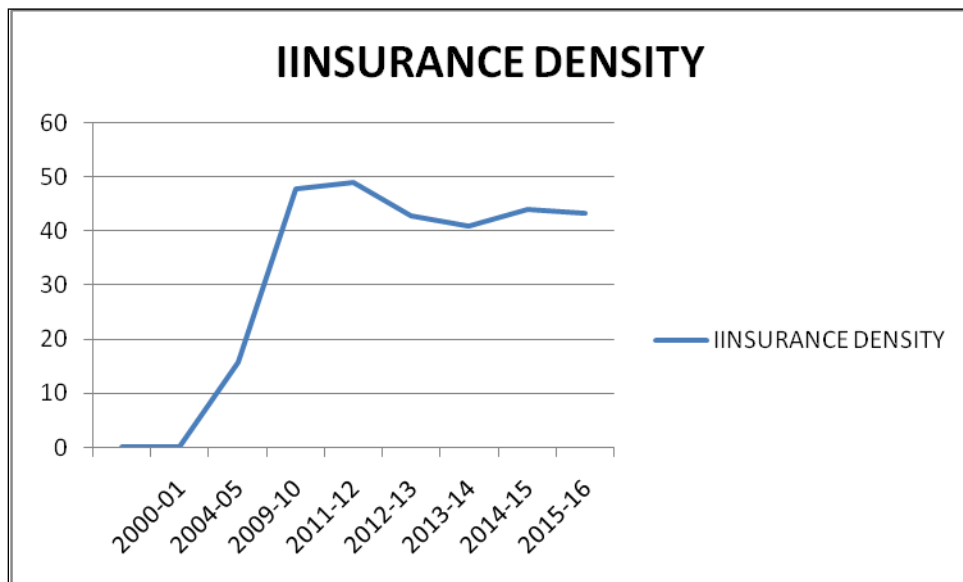


Fig. 1.4 : Insurance Density

**Number Of Policies:** Number of policies issued (new) has increased considerably upto the financial year 10. After that it has registered downfall in the trend. Although a marginal increment could be observed in the financial year 16. This shows that investors are investing in other sectors other than life insurance. Experts have also pointed out that due to continuous increase in inflation rate and tax rate the disposable income of the people has declined. Thus resulting into the downfall in new policies issued.

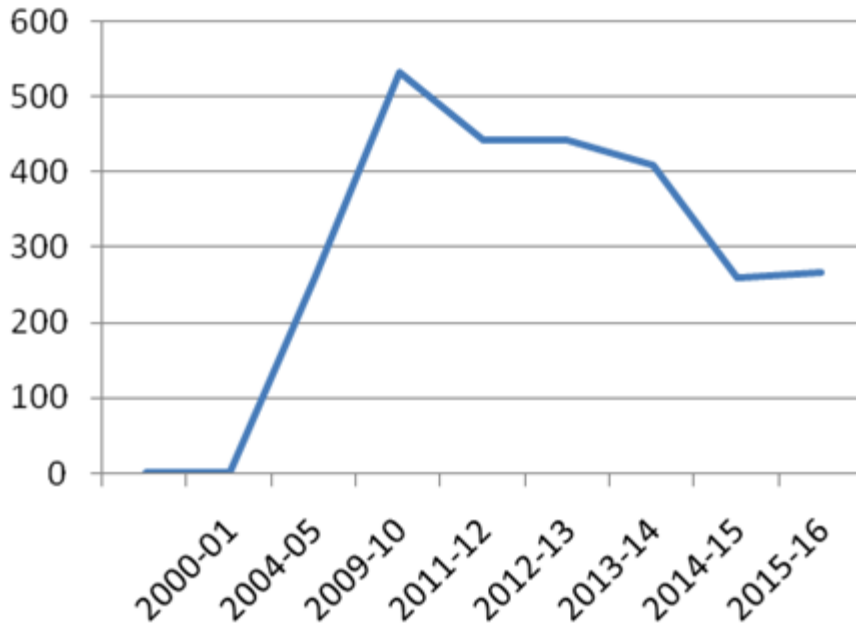


Fig. 1.5 : Number of Policies Issued

**Total Premium :** In Fig. 1.6, it can be observed clearly that there is an increasing trend followed in the sector.

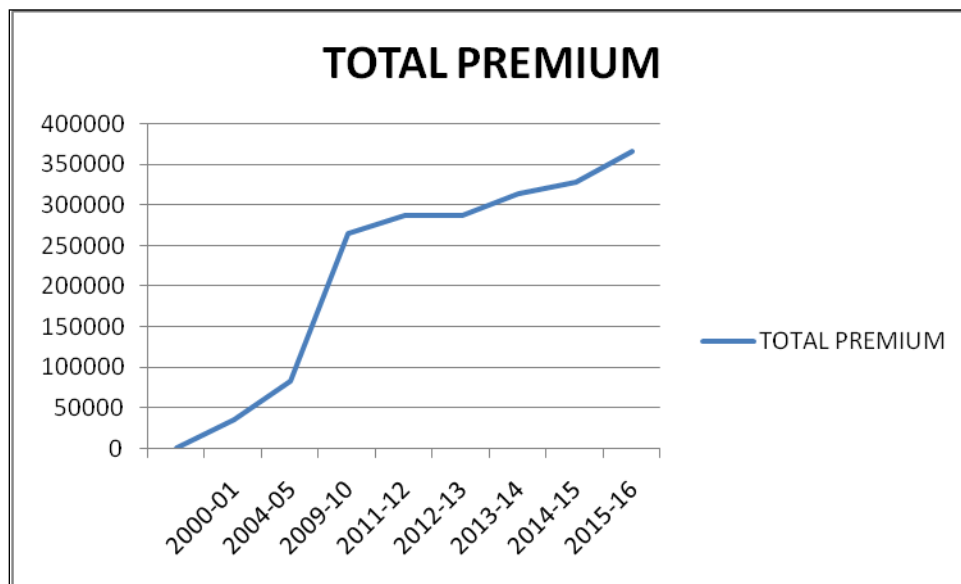


Fig. 1.6 : Total premium

**Market Share Of Lic Based On Total Premium:** Market share of LIC started reducing after the liberalization of the insurance sector in the first decade. After year 2010, it started reviving but again it started losing its market share in 2014-15 and 15-16. The reason can be attributed to LIC’s insignificant presence in Unit Linked Insurance Plans.

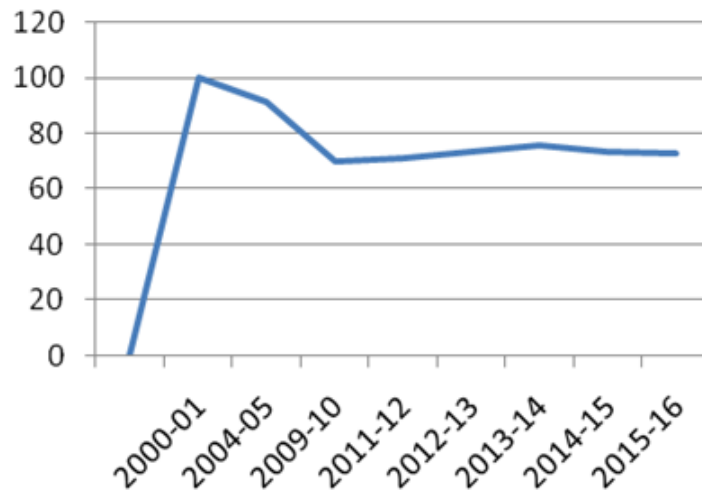
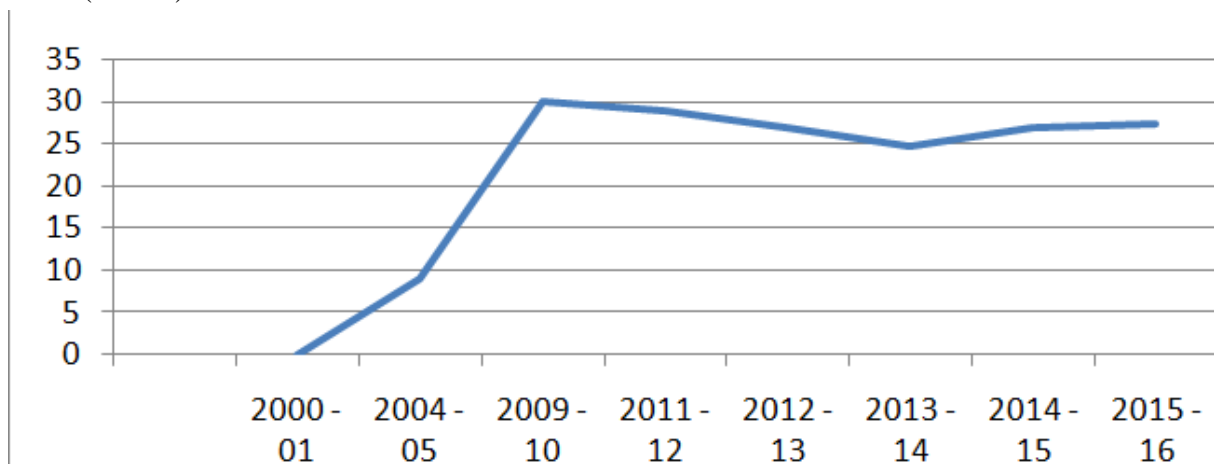


Fig. 1.7 : Market Share of LIC Based on Total Premium

**Market Share Of Private Insurance Companies Based On Total Premium:** Market share of private insurance companies has been growing hastily from 9% in 2004-05 to 30% in 2009-10. This shows that the private life insurers in the first decade improved year after year and affected the performance of LIC. There was a slight decline in market share in 2011-12 to 2013-14 and again in 2014-15 marginal increment can be observed and it further continued to increase upto 2015-16. This increment can be attributed to the buyers preference for Unit Linked Insurance Plans (ULIPs).



**Conclusion:**

The life insurance sector needs to be more and more competitive than other financial products to deliver superior customer value to customers. The main attention of the sector should be towards enhanced awareness of the value that the customers may get and increasing more and more transparency so that customers may find it trustworthy.

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