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Changing Trends of Life Insurance in India

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Abstract: *The insurance is primarily a social device adopted by civilized society for mitigating the incidence of loss of income to families by unforeseen contingencies. India insurance is a flourishing industry, with several national and international players competing and growing at rapid rates. Thanks to reforms and the easing of policy regulations, the Indian insurance sector been allowed to flourish, and as Indians become more familiar with different insurance products, this growth can only increase, with the period In India, when life insurance companies started operating in the middle of 20th century the evil play natural to all business had its sway. There was a lot of cut throat competition as well as profiteering. The avowed social objective of insurance had been totally relegated to background. As a result Life Insurance Corporation of India (LIC) came into existence*

Keywords *Life Insurance, IRDA, Changing trends in India, Growth rate of LIC .*

Introduction;

The business of Life Insurance in India in its existing form started in year 1818 with the establishment of the Oriental Life Insurance company in Calcutta. This Company however failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era, however, was dominated by foreign insurance offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance and the Indian offices were up for hard competition from the foreign companies. The Government of India, therefore, decided to nationalize insurance business. An Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all.

The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector. The history of general insurance dates back to the Industrial Revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th century. It came to India as a legacy of British occupation. General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd., in the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Ltd, was set up. In 1972 with the passing of the General Insurance Business (Nationalization) Act, general insurance business was nationalized with effect from 1st January, 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commence business on January 1sst 1973. This millennium has seen insurance come a full circle in a journey extending to nearly 200 years. The process of re-opening of the sector had begun in the early 1990s and the last decade and more has seen it been opened up substantially. In 1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry. They stated that foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners. Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market. The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%.

Review of Literature:

While earlier studies on life insurance sector mainly focused upon LIC, it was only after reforms in this sector that certain studies covering private players have taken place. Among early studies, Arora (2002) highlighted that LIC was likely to face tough competition from private insurers having large established network and their trained intermediaries throughout India. Verma (2003) analyzed the various type of products offered by public sector giant and the new global players in the private sector. Kumar and Taneja (2004) highlighted the opportunities and challenges before the insurance industry in India due to liberalization, globalization and privatization. Bhattacharya (2005) advocated that bank assurance provided the best opportunities to tap the large potential in rural and semi urban areas as banks have a strong network of more than 40000 branches in these areas. He suggested that the insurers should focus on Single Premium policies, Unit Linked Insurance, Pension Market and Health Insurance. Kumar (2005) highlighted that private insurance players introduced a wider range of insurance products and set up brand promotion as part of their new strategy. These new covers had flexibility and added benefits to suit the needs of customers who were unsatisfied with the traditional and rigid plans. Kulshrestha and Kulshrestha (2006) highlighted that demand for life insurance in rural India was expanding at the annual rate of 18 per cent as compared to 3.9 per cent in urban areas which provided good opportunity for life insurers to perform.

Objective: the basic objective of this paper is to

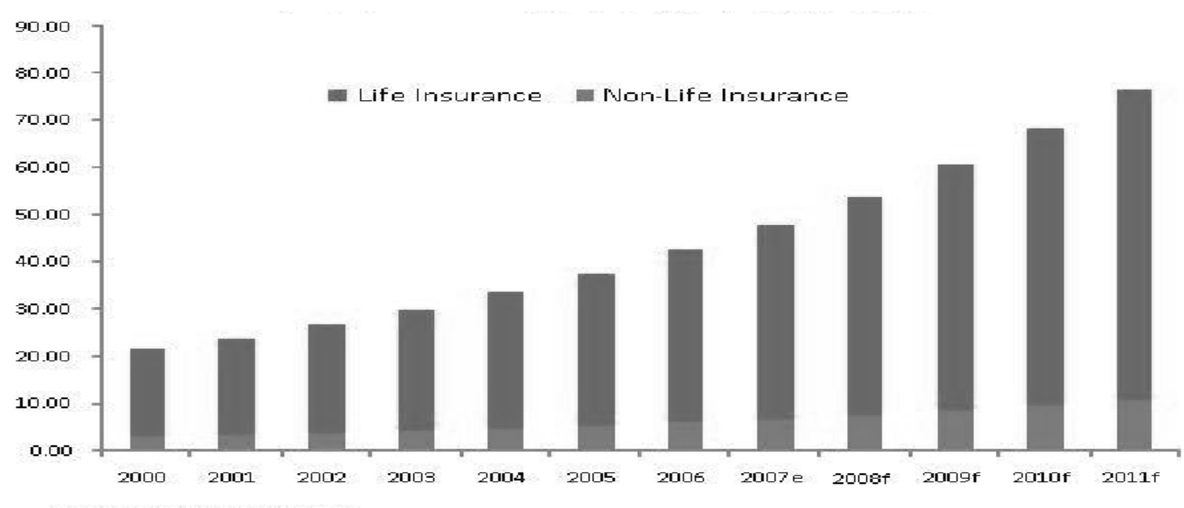
- Analyze the factors those are contributing towards the changing trends of Life Insurance in India.
- Analyze the Growth rate of Life Insurance in India.

Factors for analyzing the changing trends of Life Insurance in India:

- Market shares
- Premium.
- Life insurance policies.
- GDP.
- Number of Offices.
- FDI and growth.
- Customer Servicing.
- Product innovations**.**

On the basis of these factors one can analyze the growth rate or decline rate of the Life Insurance sector in India. And as per the survey all of the mentioned factors had contributed to life insurance sector in the positive way that means are purely responsible for the growth in the trend or scope of Life Insurance sectors.

Growth rate of Life Insurance in India:



This Growth rate is only the result of the increased in the number of the market share ,and other mentioned factors those have being increased after privatization came and the private players role increased. As per the graph above shows the rate of growth in insurance sector over all is only because of Life Insurance and more precisely by the private players in this sector.

Reasons for this change in trend:

Privatization:

- A key catalyst in the Indian insurance market growth has been the entry of private players in 2000-01 with the entrance of private players and foreign collaborations, penetration of insurance sector.
- India has gone up from 1.02% in 1999-00 to 4 % of GDP in 2007-08.

Life insurance policy i.e ULIP:

- Insurer allows policy holder to direct part of their premiums into different type of funds like equity, dept, money market, hybrid etc. and risk of investment is borne by policy holder.
- Policy allowed choosing their investment avenues as per their risk profile.
- Policy holder can track their portfolio. They are also informed about the value and number of fund units they hold.

Current scenario of Life Insurance in India:

- Private life insurers recorded a double digit year-on-year growth of 17.8% in weighted new business premium collections in the period April to June 2015. While the state-owned insurer LIC witnessed a fall of 8.9%, the industry recorded a modest overall growth of 2% for the quarter.
- And this 2% growth for the quarter is because of private sector life insurance companies as the market share increased from 41% to 47.3% (2014-15).

Conclusion:

Indian life insurance industry is one of the sectors that is still observing good growth. Indian insurance industry has modified itself with the passage of time by introducing customized products based on customer's need, through innovative distribution channels, Indian life insurance industry searched its path to grow. Changing government policy and guideline of the regulatory authority, IRDA have also played a vital role in the growth of this sector. Move from non-linked to unit liked insurance policies is one of the major positive changes in Indian life insurance sector. Similarly, opening on the sector for private insurer broke the monopoly of LIC and bring in a tough competition among the players. This completion resulted into innovations in products, pricing, distribution channels, and marketing in the industry. Though the sector is growing fast, the industry has not yet insured even 50% of insurable population of India. Thus the sector has a great potential to grow.

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