



PROGRESS OF INSURANCE SECTOR IN INDIA

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ABSTRACT

The insurance industry of India consists of 53 insurance companies of which 24 are in life insurance business and 29 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims. Out of 29 non-life insurance companies, five private sector insurers are registered to underwrite policies exclusively in health, personal accident and travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specialized insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance. This paper is an attempt to present the progress of insurance sector in terms insurance progress density. Registered insurers and premium regarding life insurance.

KEYWORDS : Insurance penetration, density, Insurance Premium, Operating Expenses

INTRODUCTION

For economic development investments are necessary. Investments are made out of savings. Life Insurance Company is a major instrument for the mobilization of savings of people, particularly from the middle and lower group. All good life insurance companies have huge funds accumulated through the payments of small amounts of premium of individuals. These funds are invested in ways that contribute substantially for the economic development of the countries in which they do business. The system of insurance provides numerous direct and indirect benefits to the individuals and his family as well as to industry and commerce and to the community and the nation as a whole. Present day organization of industry, commerce and trade depend entirely on insurance for their operation, banks, and financial institutions lend money to industrial and commercial undertakings only on the basis of the collateral security of insurance.

India became the 10th largest insurance market in the world in 2013, rising from 15th rank in 2011. At a total market size of US\$66.4 billion in 2013, it remains small compared to world's major economies, and Indian insurance market accounts for 2% of world's annual insurance business. India's life and non-life insurance industry has been growing at double digit growth rates and this growth is expected to continue through 2021¹.

1. Insurance Penetration And Density In India

The measure of insurance penetration and density reflects the level of development of insurance sector in a country. While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population (per capita premium)².

Table -1: Insurance penetration and density in India

Year	Life		Non-Life		Industry	
	Density (USD)	Penetration (Percentage)	Density (USD)	Penetration (Percentage)	Density (USD)	Penetration (Percentage)
2010	55.70	4.40	6.20	0.60	64.40	5.10
2011	49	3.40	6.20	0.60	59.0	4.10
2012	42.7	3.17	6.70	0.60	53.20	3.96
2013	41	3.10	8.70	0.71	52	3.90
2014	44	2.60	10.00	0.70	55	3.30
2015	43.20	2.72	11.50	0.72	54.70	3.44

2016	46.50	2.72	13.20	0.77	59.70	3.49
2017	55	2.76	18	0.93	73	3.69
2018	55	2.74	19	0.97	74	3.70
2019	58	2.82	19	0.94	78*	3.76
Compound growth rate(%)	0.45%	-	13.25%	-	2.15%	-

Note

- a. Insurance density is measured as a ratio of premium (in USD) to total population
- b. insurance penetration is measured as a ratio of premium (in USD) to GDP (in USD)
- c. * Rounding difference

SOURCE

- a. Swiss Re. Sigma , Various issues
- b. Insurance Regulatory and Development Authority of India (IRDA) , Annual report 2019-20

A glance at the table reveals the insurance density of life insurance business had gone up from USD 55.70 in 2010 to reach the peak at USD 58 in 2019. Similarly, the life insurance penetration surged from 4.40 per cent in 2010 to 2.82 per cent in 2012. It exhibited a declining trend reaching 2.82 per cent in 2019. Over the last 10 years, the penetration of non-life insurance sector in the country remained steady in the range of 0.50-0.94 per cent. However, its density has gone up from USD 6.20 in 2010 to USD 19 in 2019.

2. Registered Insurers in India

The registered insurers at the end of March, 2019 is presented in Table -2

Table-2: Registered Insurers in India

Type of business	Public Sector	Private Sector	Total
Life Insurance	1	23	24
Non-Life insurance	6*	22**	28
Reinsurance	1	0	1
Total	8	45	53

Note:

- a) Includes specialized institutions like ECG and AIC
- b) Includes five standard insurance companies Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd

and Cigna TTK Health Insurance Company Ltd.

Source:

Insurance Regulatory and Development Authority of India (IRD), Annual report 2019-20

A glance at the table reveals at the end of March 2019, there are 53 insurance companies operating in India; of which 24 are in the life insurance business and 28 are in non-life insurance business. In addition, GIC is the sole national reinsurer. Of the 53 companies presently in operation, eight are in the public sector - two are specialized insurers, namely ECGC and AIC, one in life insurance namely LIC, four in non-life insurance and one in reinsurance. The remaining forty five companies are in the private sector.

3. Life Insurance Premium

Premium is main source of income for insurance business³ Life insurance industry recorded a premium income of 5.73 lakh crore during 2019-20 as against 5.08 lakh crore in the previous financial year, registering growth of 12.75 per cent (10.75 per cent in previous year). While private sector insurers posted 13.42 per cent growth

Table :3 Premium Underwritten by Life (In Crores)

Insurer	Premium		Market Share	
	208-2019	2019-20	2018-2019	2019-20
LIC	3,37,505.07 (6.06)	3,79,389.60 (12.41)	66.42	66.22
Private Sector	1,70,626.96 (21.37)	1,93,520.59 (13.42)	33.58	33.78
Total	5,08,132.03 (10.75)	5,72,910.19 (12.75)	100	100

(21.37 per cent in previous year) in their premium income, LIC recorded 12.41 per cent growth (6.06 per cent growth in previous year). Premium underwritten by LIC and private sector is provided in table 3.

4. Operating Expenses of Life Insurers

The operating expenses of the life insurers increased by 17.58 per cent in 2019-20 (4.73 per cent in 2018-19)⁴. The operating expenses towards life insurance business stood at 60,121 crores in 2019-20 (51,130 crore in 2018-19). The operating expenses of LIC increased by 18.46 per cent and that of private insurers by 16.42 per cent

Table 4: Operating Expenses of Life Insurers (In Crores)

Insurer	Item	2018-19	2019-20
LIC	Operating Expenses (Growth)	29,182.02 (-3.19)	34,568.04 (18.46)
Private Sector	Operating Expenses (Growth)	21,948.24 (17.51)	25,552.96 (16.42)
Total	Operating Expenses (Growth)	51,130.26 (10.06)	60,121.00 (10.49)

For the industry as a whole, the operating expenses ratio slightly increased from 10.06 per cent in 2018-19 to 10.49 per cent in 2019-20. Operating expenses, as a percent of gross premium underwritten also increased for LIC from 8.65 per cent in 2018-19 to 9.11 per cent in 2019-20. The same for private insurers also increased from 12.86 per cent in 2018- 19 to 13.20 per cent in 2019-20

5. Conclusion

The insurance sector plays a fundamental role in the economy. A world without insurance would be much less developed economically and much less stable. The risk transfer function of the insurance sector contributes, on the one hand, to the creation of a more stable operating environment for companies and, on the other hand, to a reduction in the level of capital required by undertakings to

protect themselves against risk. This allows companies to concentrate their attention and resources on their core business. From 2010-2019 Insurance penetration and density are growing slightly as indicated by compound growth rates. Life insurance industry recorded a premium income of 5.73 lakh crore during 2019-20 as against 5.08 lakh crore in the previous financial year, registering growth of 12.75 per cent (10.75 per cent in previous year). Operating expenses, as a percent of gross premium underwritten also increased for LIC from 8.65 per cent in 2018-19 to 9.11 per cent in 2019-20. The same for private insurers also increased from 12.86 per cent in 2018- 19 to 13.20 per cent in 2019-20. It is evident there is low progress in Insurance sector from 2019 due to pandemic Covid-2019.

5. References

1. Swiss Re group, Swiss Re Sigma Annual report, 2020 pp11-15
2. Insurance Regulatory and Development Authority of India (IRDAI) , Annual ReportS 2019-20, New Delhi, pp 7-9
3. Ibid
4. Op.cit