

Growth 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 specialised 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, registered insurers

1. 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 2021 ^[1].

2. 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). During the first decade of insurance sector liberalization, the sector has reported consistent increase in insurance penetration from 2.71 per cent in 2001 to 5.20 per cent in 2009. However, since then, the level of penetration has been declining reaching 3.3 per cent in 2014. A similar trend was observed in the level of insurance density which reached the maximum of USD 64.4 in the year 2010 from the level of USD 11.5 in 2001. During the year under review 2014, the insurance density was USD 55.0. Similarly, the life insurance penetration surged from 2.15 per cent in 2001 to 4.60 per cent in 2009. Since then, it has exhibited a declining trend reaching 2.6 per cent in 2014 ^[2]. It is shown in Table-1

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)
2001	9.1	2.15	2.4	0.56	11.5	2.71
2002	11.7	2.59	3	0.67	14.7	3.26
2003	12.9	2.26	3.5	0.62	16.4	2.88
2004	15.7	2.53	4	0.64	19.7	3.17
2005	18.3	2.53	4.4	0.61	22.7	3.14
2006	33.2	4.1	5.2	0.6	38.4	4.8
2007	40.4	4	6.2	0.6	46.6	4.7
2008	41.2	4	6.2	0.6	47.4	4.6
2009	47.7	4.6	6.7	0.6	54.3	5.2

2010	55.7	4.4	8.7	0.71	64.4	5.1
2011	49	3.4	10	0.7	59	4.1
2012	42.7	3.17	10.5	0.78	53.2	3.96
2013	41	3.1	11	0.8	52	3.9
2014	44	2.6	11	0.7	55	3.3

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)

Source

- a. Swiss Re. Sigma, Various issues
- b. Insurance Regulatory and Development Authority of India (IRDA), Annual report 2014-15

A glance at the table the insurance density of life insurance business had gone up from USD 9.1 in 2001 to reach the peak at USD 55.7 in 2010. During 2014, the level of life insurance density was USD 44. Similarly, the life insurance penetration surged from 2.15 per cent in 2001 to 4.60 per cent in 2009. Since then, it has exhibited a declining trend reaching 2.6 per cent in 2014. Over the last 10 years, the penetration of non-life insurance sector in the country remained steady in the range of 0.5-0.8 per cent. However, its density has gone up from USD 2.4 in 2001 to USD11.0 in 2014.

3. Registered Insurers in India

The registered insurers at the end of March, 2015 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 2014-15

A peep at the table reveals at the end of March 2015, 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.

4. Life Insurance Premium

Life insurance industry recorded a premium income of R328101.14 crore during 2014-15 as against R314301.66 crore in the previous financial year, registering growth of 4.39 per cent (9.44 per cent growth in previous year). While private sector insurers posted 14.32 per cent growth (1.33 per cent decline in previous year) in their premium income, LIC recorded 1.15 per cent growth (13.48 per cent growth in previous year) [3]

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. Insurance provides an efficient way to support the State in the provision of pensions, healthcare and social security. Through products designed to complement State provision, the insurance sector contributes significantly to guaranteeing a stable and lifelong level of revenue (pension, education leave, maternity leave) and to limiting the impact of demographic change on states budgets. Insurers have also demonstrated their ability to manage other fields of social security such as compensation and rehabilitation accidents at work. During 2009-14 insurance density and penetration percentages increased significantly. There is progressive growth in life insurance premium.

6. References

- 1. www.tradingeconomies.com
- 2. Insurance Regulatory and Development Authority of India (IRDAI), Annual Report New Delhi, 2014-15, 7-9.
- 3. Ibid