

Insurance Sector Growth and Performance: An Analysis

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Abstract: Insurance sector globally has tremendous opportunities for growth due to improved awareness and literacy among masses and it occupies an important place in the complex modern world. To cover the risk factor life insurance sector is the biggest in the world with about 360 million policies which are expected to increase at a Compound Annual Growth Rate (CAGR) of 12-15 per cent over the next five years. The insurance industry plans to hike penetration levels to five per cent by 2020.. The present paper is an attempt to analyse the growth of insurance sector in India and initiatives taken by IRDA for promoting consumer education.

Keywords: Insurance sector, penetration and challenges

INTRODUCTION

Post liberalisation, the insurance has recorded a significant growth. Insurance is a social device based on pooling system technique in which the risk is spread over large number of units. It cannot check the happening of risk but can provide for losses at the happening of the risk. Also it mobilise the saving of people and is beneficial to society as it is a social security tool. Insurance products are of two types; life insurance based and non- life insurance based. In life insurance there is a contract between policy holder and insurer, in which insurer agrees to pay a designated amount of money on the occurrence of death of individual and in return the insured agrees to pay premium at regular interval . Any insurance cover that is not deemed to be life insurance is covered under general insurance. In India the insurance industry was nationalised after independence and there were two state insurers Life Insurance Corporation of India (LIC) for life insurance and General Insurance Corporation of India (GIC) for general insurance. It was done with a view to provide security to policy holders and to ensure the use of insurance funds for nation building activities. After nationalisation the insurance industry had shown a growth in terms of premium income, coverage of individual, investment in social sector but the insurance coverage remained low. The government of India appointed a Committee headed by Shri R.N. Malhotra, former governor Reserve Bank of India to examine the reforms required in the insurance sector. The Malhotra Committee in its report emphasized that in order to improve customer services and to increase the coverage of the insurance, the industry should be opened up to competition. On the basis of recommendations of Malhotra Committee, the government passed the Insurance Regulatory and

Development Authority (IRDA) Act in 1999 and IRDA authority was established to regulate the insurance market in India. The mission of IRDA aimed at the speedy and orderly growth of insurance industry and protection of interest of policyholders. The insurance market was privatized to increase the insurance cover and to provide better services to policyholders [3]. In our country at present 53 insurance companies out of which 24 are in life insurance and 29 are in non-life insurance sector are operating. Among all Life Insurance Corporation (LIC) is the sole public sector company, whereas in non-life insurance sector General Insurance Corporation of India (GIC) is the leading public sector company. After the liberalisation the private and public players have contributed to the growth of insurance sector .During April 2015 to March 2016 period, the life insurance industry recorded a new premium income of Rs 1.38 trillion (US\$ 20.54 billion), indicating a growth rate of 22.5 per cent. The general insurance industry recorded a 12 per cent growth in Gross Direct Premium underwritten in April 2016 at Rs 105.25 billion (US\$ 1.55 billion). (sector India .June 10.2016).The insurance companies have introduced innovative products to meet the insurance requirements of consumers but the insurance penetration and insurance density of India is still low than world average .One of the main reason behind this low insurance coverage is lack of awareness and education regarding insurance among people. Insurance is a complex financial product and prospect should have adequate knowledge to understand his insurance needs, the insurance products, benefits, term and conditions to purchase the suitable policy. The insurance education will built confidence and trust among people and they will be able to take better decisions to increase their financial security.

In our country there are 53 insurance companies out of which 24 are in life insurance and 29 are non-life insurance sector. Among all Life Insurance Corporation (LIC) is the sole public sector company, whereas among the non-life General Insurance Corporation of India (GIC) is the leading public sector company. 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 [5].

OBJECTIVES AND RESEARCH METHODOLOGY

The present study have been undertaken with the following objectives-

1. To study the growth of insurance sector in India.
2. To study the role of IRDA in creating awareness and educating consumers

For analysing the growth of insurance sector secondary data had been collected from various sources such as annual reports of IRDA, website, IRDA handbook on statistics on insurance, IRDA Consumer Affair annual booklet, journals and news papers. The data has been analysed in percentages only.

SCENARIO OF INSURANCE

Citizens all over the world to a certain extent protected by the social security system in case of any type of calamity and lifesaving system. It has witnessed that some countries are taking a lead where as others are lacking on many fronts. Table -1 reveals that the among Asian countries Hong Kong has taken a lead on promoting percentage of Insurance premium in the insurance sector.

Table 1: Comparison of International Insurance penetration (Percentage of Insurance premium)

| Countries | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------|-------|-------|-------|-------|------|
| Australia | 5.90 | 6.00 | 5.60 | 5.20 | 6.0 |
| Brazil | 3.10 | 3.20 | 3.65 | 4.00 | 3.9 |
| France | 10.50 | 9.50 | 8.92 | 9.00 | 9.1 |
| Germany | 7.20 | 6.80 | 6.74 | 6.70 | 6.5 |
| Russia | 2.30 | 2.40 | 1.33 | 1.30 | 1.4 |
| South Africa | 14.80 | 12.90 | 14.16 | 15.40 | 14.0 |
| Switzerland | 9.90 | 10.00 | 9.57 | 9.60 | 9.2 |
| United Kingdom | 12.40 | 11.80 | 11.27 | 11.50 | 10.6 |
| United States | 8.00 | 8.10 | 8.18 | 7.50 | 7.3 |
| Hong Kong | 11.40 | 11.40 | 12.44 | 13.20 | 14.2 |
| India | 5.10 | 4.10 | 3.96 | 3.90 | 3.3 |
| Japan | 10.10 | 11.00 | 11.44 | 11.10 | 10.8 |
| Malaysia | 4.80 | 5.10 | 4.80 | 4.80 | 4.8 |
| Pakistan | 0.70 | 0.70 | 0.71 | 0.70 | 0.8 |
| PR China | 3.80 | 3.00 | 2.96 | 3.00 | 3.2 |
| Singapore | 6.10 | 5.90 | 6.03 | 5.90 | 6.7 |
| South Korea | 11.20 | 11.60 | 12.12 | 11.90 | 11.3 |
| Sri Lanka | 1.40 | 1.20 | 1.20 | 1.10 | 1.1 |
| Taiwan | 18.40 | 17.00 | 18.19 | 17.60 | 18.9 |
| Thailand | 4.30 | 4.40 | 5.02 | 5.50 | 5.8 |
| World | 6.90 | 6.60 | 6.50 | 6.30 | 6.2 |

Source: Handbook on Indian insurance statistics 2014-15

Data also depicts that even United Kingdom, USA and France has shown a downward trend. In case of India it is also not encouraging. The Premium was 5.10 in the year 2010 which came down to 3.96 in 2012 and further declined to 3.3 during the year 2014. Which shows a alarming sign.

The development of insurance sector has been measured in terms of insurance density and insurance

penetration. The insurance penetration was measured as the percentage of insurance premium to GDP and insurance density is the ratio of premium to population (per capita premium). To give a boost to this sector and to cover maximum number of beneficiaries the insurance sector in India was liberalised in the year 2000 and private insurance companies were allowed to enter in the insurance sector.

Table 2: Insurance Penetration And Density In India

| Year | Life Density (USD) | Life Penetration (Percentage) | Non-life Density (USD) | Non-life Penetration (Percentage) | Industry Density (USD) | Industry 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 |

Source: Annual report IRDA 2014-2015

Table-2 depicts that with the entry of private players in the insurance sector there was a consistent increase in insurance penetration from 2.71 per cent in 2001 to 5.20 per cent in 2009, but it has declined to 3.3 per cent in 2014. The insurance density was USD 11.5 in 2001 and it was maximum in 2010 and then it declined to USD 55.0 in 2014. In life insurance the insurance density was maximum in 2009 but after then it has declined to 2.6 per cent in 2014. In non – insurance sector the insurance penetration had a steady growth and the insurance density has increased since 2001.

Role of IRDA in Consumer awareness

IRDA was established to regulate insurance industry in India and since its inception the authority had framed regulations for promoting insurance awareness. IRDA had taken initiatives to educate the people about benefits of insurance, selecting an insurance product according to their needs and to make them aware about the grievance redress mechanism.

IRDA has formulated regulations for the new entrants in insurance sector. The new companies have to enclose Insurance Awareness Policy while applying for registration. The authority has also specified the regulations on advertisements, promotions and publicity of insurance companies. It has made mandatory for insurers to make disclosures to the prospect at time of sale for creating awareness and protection of interest of policyholders. Further IRDA has made mandatory for all insurance companies to set up Policyholder Protection Committee under Corporate Governance Guidelines. The insurers have to inform the policyholders and educate them about insurance products and grievance handling procedures. To promote insurance awareness at grass root level IRDA has directed all the insurance companies to submit their Insurance Awareness Policy approved by their

respective Boards. The authority ensured that the activities stated in policy were implemented by the insurance companies.

IRDA has launched insurance awareness campaign “BimaBemissal” having the tagline “Promoting Insurance Protecting Insured”. This campaign aims at creating awareness among people about insurance, educating the policyholders about their rights and obligations and also informing them about availability of complaint resolution methods. This campaign spread awareness among general public through print, radio and television, internet etc. A consumer education site is also launched under this campaign which hosts insurance related information in simple language. The authority had sponsored six episodes of Satyamev Jayate-III broadcasted by All India Radio and produced advertisements for educating people against spurious calls and advising them to register complaints against these calls. IRDA carried print awareness campaign in English and 12 regional languages on topic “Real value of insurance through right buying-a few tips A documentary film on insurance awareness, role of IRDA and grievance redressed mechanism is also produced by the authority. IRDA is also launching awareness on social media and uploading videos on YouTube. In addition to this IRDA has developed comic books for common man on insurance in 12 languages in simple form. These books are also converted into animation film to make them interesting one.

Various Insurance awareness campaigns are also launched by IRDA. IRDA celebrates 9th April (its foundation day) as Insurance Awareness Day and organizes number of programmes like In-house Quiz competition for employee of IRDA and Insurance Quiz for insurance industry. On Awareness Day 2016 a panel discussion on “Best Awareness Policies of the insurers”

was also held. IRDA has also launched Insurance Awareness Campaign in Tripura in collaboration with government of Tripura in Jan 2015 to achieve 100 percent financial literacy and 100 financial inclusions. The Chief Minister requested all the institutions to come forward to promote insurance awareness and achieve 100 percent insurance literacy in state. The Chief Minister also launched a booklet about the Action Plan of Insurance Awareness Campaign in Tripura.

IRDA had released book "Introduction to Insurance" for school children to educate the children about importance and concept of insurance at young age in simplified manner. At its young corner games for understanding the concept of insurance "A Handbook on Insurance" from IRDA contains frequently asked questions which guide prospect to buy right insurance. To enhance employment in insurance sector a book titled "Employment opportunities in insurance sector" was released for the college students to make them aware about the employment potential in insurance industry. IRDA had been an active member of Core Committee of NCFE and supporting the initiatives taken for implementation of National Strategy for Financial Education and conducting surveys for measuring financial literacy. The authority is also working for including financial and insurance education at school and college level. The young corner launched by IRDA contains games which are developed on concept of insurance to spread information about insurance among the children and youth [4].

A number of initiatives have been taken by the various companies and concerned authorities but could not yield desired results. The opening up of the insurance to the private sector by the Insurance Regulatory Development Authority (IRDA) Act 2000 has provided immense opportunities for both the public and the private industry for better utilisation of insurance facilities. With this kind of situation prevailing, there has not much progress in the coverage of our population within this system of insurance; only a meagre percent coverage has been reported. Whether this is due to lack of awareness on part of the public is to be determined [2] It has also been found that in spite

of opening of the insurance sector for private participation, the levels of insurance penetration is very meagre due to lack of awareness about insurance products and its various benefits [4]. It has also been observed that people invest in insurance just for the sake of investment. Sometimes insurance agents misguide the beneficiaries for their own benefits in the name their security and life coverage.

CONCLUSIONS

The marathon of business houses towards global economy is at a ferocious pace. What delighted customers in the past, probably the out of fashion at present and is becoming order of the market. What is expected today, would not meet even the minimum expectations of the customers in the future. The companies must be determined and prioritize customer needs. The insurance sector in India was opened with to increase the insurance coverage but this cannot be achieved unless people are made aware about importance of insurance. It has been observed that in India insurance policy is purchased by the policy holders for the investment or tax saving purpose and not for protection. Therefore government should frame appropriate guidelines and make mandatory for the concerned agencies and agents to educate the policy holders about the core benefits and risk factors of insurance products.

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