

Life Insurance Sector in India; A Bird Eye View

By

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Abstract

Life Insurance plays a pivotal role in human's life. Though the insurance industry is in existence since long, level of awareness towards the life insurance is negligible. The study tries to understand the awareness of the people towards life insurance products after the privatization of the insurance sector. This study also makes emphasis on importance of life insurance and challenges faced by life insurance companies in future perspective. 80 per cent people out of hundred have heard life insurance; there is a lack of knowledge about the various aspects of insurance policy. Thus, the government takes necessary steps to protect the people

Keywords: Insurance, Awareness, privatization, Service, Human Life.

Introduction:

The coverage quarter become indifferent for non-public participation on the lowest that, in spite of giant contributions made by means of most people area (LIC) to expand the insurance and spread recognition about insurance, the hobbies of the consumers could be higher served if there is opposition many of the existence insurers. At the same time as the majority zone coverage corporations made great contribution in the spread of cognizance approximately coverage, and multiplied the market, it clearly changed into recognized that their attain became nonetheless constrained, the range of merchandise offered constrained and therefore the provider to the consumer inadequate. It have been additionally felt that the rapid monetary manner witnessed within the 90s cannot be sustained with out a blooming coverage zone. country carries a widespread ability ready to be tapped and this may be completed handiest we've got an outsized wide variety of businesses spreading their business across the country and imparting a ramification of merchandise catering to the pressure of various sections of the populace. It sincerely was additionally felt that competition could generate a healthy mindset closer to redressal of patron

grievances and enhance the usual of service. The insurance quarter became, therefore, spread out for personal quarter participation with provision for restricted overseas equity exposure. We've got now 9 years of revel in of public and private region running coverage penetration: coverage penetration multiplied from 2.seventy one% in 2001-02 to 4.2% in 2021-22. the worldwide average became 7% in 2021-22. Coverage density: insurance density has increased from \$eleven. Five in 2001-02 to \$91 in 2021-22. The worldwide common changed into \$874 in 2021-22. Insurance commercial enterprise: India ranked 10th within the international coverage commercial enterprise with a market share of one.85% in 2021. zone concentration: Indian coverage quarter is heavily tilted toward the lifestyles coverage section which has a share of seventy six%. Globally, the percentage of the existence coverage enterprise in overall charges become forty three.7% in 2021.

Regulation of the Insurance Sector in India

Insurance Act 1938: It provides the legislative framework for the functioning of insurance businesses and regulates the relationship between an insurer, its policyholders, its shareholders, and the regulator.

Insurance Regulatory and Development Authority of India (IRDAI): It is a statutory body, established under the provisions of the Insurance Regulatory and Development Authority Act, 1999.

Its functions include regulation, promotion and ensuring orderly growth of the insurance business and reinsurance business.

It also certifies insurance companies, protects the interests of policyholders, and adjudicates disputes.

Insurance Division: Insurance Division of the Department of Financial Services, the Ministry of Finance is responsible for policy formulation and administration of the following Acts:

The Insurance Act, 1938.

The Life Insurance Corporation Act, 1956.

The General Insurance Business (Nationalisation) Act, 1972.

The IRDA Act, 1999.

The Actuaries Act, 2006.

CONTRIBUTION OF INSURANCE SECTOR IN INDIAN ECONOMY

Government Initiative There are a number of initiatives taken by the government to boost the insurance sector in India. Check out some of them below:

1. The Union Budget has made a provision, which states that the foreign investment will only be allowed up to 49% through the automatic route.
2. Service tax on particular premium annuity policies has been decreased from 3.5% to 1.4% of the premium paid in some cases.
3. Service tax on the business of life insurance, offered by means of the annuity, based on National Pension Scheme, which is managed by Pension Fund and Regulatory Development of India, managed being exempted, with effect from April 2016.
4. The Indian Regulatory and Development Authority of India (IRDAI) has created two committees to explore and suggest ideas to promote e-commerce in the insurance sector in order to raise the insurance penetration and get the financial inclusion.
5. IRDA has formulated a regulation, which imposes obligations on insurance providers towards offering insurance coverage to the rural and financially weaker sections of the societies in India.
6. IRDAI recently announced that public sector insurance companies can offer up to 10% discount on the premium of general insurance policies and 8% discount for premiums of new life policies offered by LIC. Please note that this discount is available only if the insurance policy bought online through customer portals.
7. The government of India has also designed two insurance schemes in the year 2015-16.

Challenges

1. **Money laundering in coverage:** Mutual budget and banking merchandise have historically been extra vulnerable to money laundering. insurance has now not been a fave zone for money launderers due to its typical manner of functioning wherein best a premium is charged prematurely for the promise of a big contingent price later. however within the wake of improvements along with single top class guidelines and unitlinked plans, the coverage region has grow to be some distance extra at risk of cash laundering than it was earlier. groups characterised through huge customer bases and their dependence on 0.33 events for sourcing their organizations are soft objectives for cash launderers because it makes it particularly less difficult for them to hide their dubious intentions. on this regard, Indian insurance agencies should cope with troubles rising from geographically dispersed distribution networks and make contact with points via the company

income pressure. apart from organising complete KYC norms, they would also should installed vicinity tactics to understand the agents.

2. Solvency Norms: Solvency is part of prudential norms and as dangers growth throughout markets, the solvency margin additionally needs to go up tangentially. as a way to satisfy the solvency margin requirements, businesses need to systematically build up reserves by means of moving part of the excess to a special reserve known as “Solvency Margin Reserve.” but, shifting the surplus will result in a discount in bonus quotes declared and make insurance unattractive vis-a-vis different economic devices. therefore, handiest a part of the quantity needed to meet solvency margin requirements can come from the excess held again. The balance requirement must be met by using different sources for capital, which encompass: share capital unfastened reserves within the shareholders’ fund distinction among the market value and book cost of belongings This coupled with the limitations on capital raising (FDI regulations in private insurers and mandatory majority government shareholding in public insurers) poses substantial challenges for insurers to maintain one hundred fifty% solvency margins in a unexpectedly developing industry state of affairs.

3. Technological development

A key driver of increase in a protracted-time period commercial enterprise like lifestyles coverage, technological advancement could be crucial to functions like statistics control, underwriting, fund control, actuarial performance, and the give up-to-cess service delivery process. technology will provide the cutting area in phrases of improved disclosure to the policy holder as well as the regulator in due direction of time.

Quality of manpower: coverage is an intensively people oriented commercial enterprise and human sources could be the undoubted differentiator like in every other retail enterprise. The first-rate of manpower attracted and retained via insurers and how their talents and goals are harnessed would be the litmus test for the enterprise

Investment strategy and fund management: understanding in fund management is the fee proposition that any insurance organization offers and the pleasant of asset-legal responsibility control (ALM) in a falling or strong interest fee regime will as a consequence be a key venture. The regulator is steadily in favour of insurance organizations setting up their very own investment research and working cells and against knowledge sharing with institution asset management businesses. Bonus performance on conventional plans and the internet asset cost (NAV) overall

performance on ULIPs will determine the call for patterns and funding approach will continue to be at the core of successful insurance enterprise.

6. meeting Cost challenges: increasing the distribution attain to less populated regions will boom the charges of insurers. Such prices will must be anticipated and priced into the goods. issues regarding move-subsidization may arise. instead, insurers could introduce new merchandise for these specific marketplace segments and charge them to recover the incremental prices of their distribution. Controlling the distribution of unique merchandise thru sellers has constantly been tough. any other method of controlling fees through growing productivity is to get marketers to consciousness on particular everyday products. traditionally, this has been tough to gain and may not be within the fine pursuits of the client.

Suggestion:

Awareness: There is an imminent need to create mass-level awareness about the need and benefits of having necessary insurance protection of diverse insurance products, not just life insurance.

Open Architecture: Introduce ‘open architecture’ concept for insurance agents, which enables agents to associate with multiple insurance companies.

It can result in higher insurance penetration, financial inclusion and lower distribution costs.

Goods and Services Tax (GST): Rationalize GST rate on insurance products, especially health and term insurance, which is 18% at present.

High GST rate results in a high premium burden, which acts as a deterrent to getting insurance policies.

Unclaimed policies: A central portal like UDGM (RBI portal for claiming unclaimed deposits) be created as there are a significant number of unclaimed policies that are currently being transferred to the Senior Citizen Fund.

Capital requirement: RBI, on behalf of the Government of India, can issue ‘on-tap’ bonds of up to 50 years (current maximum tenure – 40 years) for investment by insurance companies.

Conclusion

Indian life insurance industry is one of the sectors that is nonetheless watching properly growth. it's far the converting trends of Indian insurance enterprise handiest that has made it to deal with the changing financial surroundings. Indian coverage industry has modified itself with the passage of time via introducing customized products based totally on customers' want, via modern distribution channels, Indian lifestyles coverage enterprise searched its route to develop.

changing authorities policy and guiding principle of the regulatory authority, IRDA have also performed a completely important position inside the growth of the arena. though the sector is growing fast, the industry has not yet insured even 50% of insurable population of India. for that reason the sector has a incredible potential to grow.

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