Chapter-II

Insurance sector in India
CHAPTER II

INSURANCE SECTORS IN INDIA

Introduction

Developing countries like India need a special kind of strategies to improve the economic development. India learnt a lesson from developed countries through the impact of private participation. History proved in many countries that the economic growth with multidimensional approach to achieving all the level of people is possible with the joint hands of private sectors only. New economic policy 1991 provides innovative steps to explore the Indian industries into global scenario. Based on the expert committee recommendation government has changed their attitude and announced special policy regarding promotion of Indian industrial and service sector with the help of private and global entries. LPG model of development with several major changes at the domestic and global level such as opening of private sector, simplification of license system to setup industrial units, abolishing the threshold limit of assets in respect of MRTP, facilitate foreign direct investment and encourage more exports.

Insurance Sector In India

Insurance concept was developed in order to create awareness among the people of the risk exposure they are involved. Insurance sector is one of the fund based financial services, which provided by non-banking institution. In India, the first insurance company was established in the year 1835 named as Bombay mutual assurance society limited. In 1974, another company was established named as oriental life assurance company limited. The
government of India nationalized these two insurance companies in the year 1956 and was named as LIC&GIC.

Before the private entries in the insurance sector Life Insurance Corporation & GIC has wholly dominated in the field of insurance business. LIC& GIC could cover only limited segment of the people and these sector need competitive oriented private participants to fulfill the demands of the customer. Therefore, the government announced the liberalized policy regarding insurance sector with the help of these liberalized policy Insurance sectors, is being opened up their competence to meet competition, the strength of human element and management skill to organizational adaptations and marketing strategies make different from their performance.

Privatization of insurance sector

Private participants in insurance sector placed major achievements in the field of growth of insurance sector in India. With the effect of the new competitive environment and globalize trade practice, the marketing of insurance sector assumed greater significance. Today's insurance sector requires new strategies to provide various schemes with confidence of the customer. Indian insurance sector is functioning with twenty private sectors players. ICICI prudential life insurance Ltd and SBI life insurance ltd are the dominating private sector insurance companies in India. In the year 2000-2001 onwards private players entered into life insurance business. The name of the private sectors life insurance company as follows;

- HDFC Standard life insurance Company limited
- ICICI prudential life insurance company limited
- OM katak mahindra life insurance Company limited
- Birla sun life insurance company limited
- Tata AIG life insurance company limited
- SBI life insurance company limited
- ING Vysya life insurance company limited

Apart from the life insurance business, private participants also entered into general insurance business. Some of the private players in the general insurance are as follows;

- Royal Sundaram Alliance Insurance company limited
- TATA AIG General Insurance company limited
- ICICI Lombard General Insurance company limited

**Impact of LPG on insurance sector**

As on December 2002, the liberalized private life insurance sector is dominated by ICICI prudential life insurance followed by SBI life insurance in terms of total business. In terms of number of policies, Allianz bajaj life insurance company dominates market with sale of 94,959 policies followed by ICICI prudential life insurance company which sold 64,594 policies.

The unique feature of Indian life insurance sector is that different product segments are dominated different players. Like whole life policy are dominated by max new work life insurance, which has premium of Rs 13.85 crore (86% of premium of the products). Endowment policies are dominated by ICICI prudential life insurance, which has premium of Rs 46.81 crore (premium of the product). Money back policies are dominated by
Tata AIG life insurance. Markets of unit-linked products are dominated by Birla sun life insurance.

AMP Sanmar Assurance Company limited provides insurance cover for life at a lower cost and sum assured along with bonus. It is one of the fast growing joint venture insurance sectors in India. Franklin Templeton Life Insurance Company concentrates investment based insurance products, which attracts the middle-income group and retired people mat life insurance company compete with domestic and multinational insurance company for selling their products.

Share of public and private sector insurance company in net domestic product (At current prices is Rs 47,074 crore (38.8%) by public sector and Rs84, 453 crore (64.2%) by private sector. Life Insurance Corporation of India covered only 28% of the total population still the tear 2000, but now it has increased to 34% with the help of private insurance sector players still now Life Insurance Corporation dominating in all the insurance products.

LPG creates awareness about the insurance products to public with different products and the innovative strategies insurance sector improved with deregulation advanced information technology globalize market volatility of the market increased customer demand and sophistication of market and customers.

In India there exits immense scope for insurance products and companies per capital insurance premium in India is $7, which is lowest in the world. In South Korea the per capita insurance premium is $1,338.
In India insurance premium accounts for a mere 2.5% of GDP (World average is 7.8%) in India insurance premium as a percentage of saving is 6% as compared to 53% in the UK.

Globalisation Of Insurance Sector

Globalization has brought in new opportunities to developing countries like India. With the effect of the multinational insurance companies collaboration with Indian financial companies and entered India from 2001-2002 onwards FDI permitted up to 46% in insurance sector. Presently some of the multinational pint venture insurance companies are as follows;

- AMPANMAR life assurance company ltd
- Franklin Templeton life assurance company ltd
- Max Newyark life assurance company ltd
- Mat life assurance company ltd
- Alliance bajaj life assurance company ltd

Globalization of insurance sector not only promotes more private and multinational insurance companies in India but also India insurance companies entered into global market and investment in foreign securities.

Life Insurance Corporation invested Rs.355 crore in England, morcies and some other European countries government securities. Life Insurance Corporation established Life Insurance Corporation of international lid, which is playing in the global market. ICICI prudential Life Insurance Corporation extended their insurance business into many Asian countries life Singapore, Malaysia and Thailand... SBI Life Insurance Corporation planning to operate their insurance business in global market. Japan based
NIPPAN Life Insurance Corporation extent their business in India from the year 2005 onwards.

**Challenges before the Industry**

The changes in the entire environment caused by globalization and liberalization the industry insurance is facing following challenges.

- The existing insurers, LIC & GIC have created a large group of dissatisfied customers due to the policy or quality of service. Hence there will be shift of a large number of customers from LIC & GIC to the private insurer.

- Life Insurance Corporation may face problem of surrender of a large number of policy, as new insurers will that them by offer of innovative products at lower prices.

- The corporate clients under group schemes and salary savings scheme may shift their loyalty from Life Insurance Corporation to the private insurer.
Conclusion

Insurance sector is one of the major financial service sectors, which provides insurance facilities to public and mobilize more funds from public. Insurance business recorded remarkable growth in once developed countries like South Korea, US, UK and European countries. But in India development of insurance business is moving very slow. Only 34% of the people got insurance services but the demand of insurance services are more. LPG provides greater opportunities not only to insurance sector but also to the customers who need innovative insurance products.

The growth in the Indian insurance industry can be properly channelized if some of the impediments facing the industry can be removed. However the success of the insurance industry will primarily depend upon meeting the rising expectations of the consumers who will be real kings in the liberalized insurance market in future.