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Life Insurance Industries in India: Trends and Patterns

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Abstract

Insurance is not a recent origin. It has been enforce in India dated back to the Vedic period. Establishment of Oriental Life Insurance Corporation by Anita Bhavsar in 1818 forms the basis of present life insurance industry in India. Insurance sector constitutes as one of the important pillar of the financial market. In 2000, Government reopens the Indian insurance industry to private companies which leads to the remarkable growth (increasing trends) in life insurance business. The sector witnesses a multi-fold growth in terms of insurance density (4 fold), amount of investment (5 fold), total premium (4 fold), number of new policy issued (doubled), number of offices opened (4 times) etc. Even a tremendous growth in life insurance industry, there are still a large portion of population who are remain uninsured. It demonstrates the lot of opportunities. But in last few years, the performance of life insurance industry has been shown a downfall (decreasing trends) because of slow economic growth rate, higher inflation, global crises, low saving etc. So, life insurers required to change their strategies and offered customized product so that the untapped market can be served effectively. This paper is an attempt to study the trends and pattern of Indian life insurance industry.

Key words - Insurance, Life Insurance, IRDA, LIC, Policy, Trends and Pattern, Nationalisation, Economic Development.

JEL Classification: G22, C33, C32

Introduction

There is a universal phenomenon about the life is that it is uncertain. No one can predict exactly about it. So people try to secure them against any unpleasant possibilities or events and devoted major of their time for these activities. Basically, insurance can be defined as risk management technique used for the purpose of hedging against the risk of a contingent, uncertain loss or unexpected events occurred in the life. It is a protection against the physical and financial loss arising on the happening of an unexpected event or conditions. It is a collective bearing of risk. It is the tools of equitable transfer of the risk of loss from one entity to another, in exchange for payment called premium. Insurance can be considered as an arrangement where the losses suffered by a few persons are extended among many persons who are exposed similar risks. In other words insurance can be defined as contract wherein one party (insurer) agrees to pay the other party (insured), a certain sum of money upon the happening of contingency against which insurance is required.

The Indian economy is in transition over the last few years leading to the initiation of major economic reforms affecting almost all sectors. The paradigm shift in organization structure has exposed all sectors to an intense competition. Insurance is one of them. In India insurance is a booming industry, with numerous national and foreign players competing to each other to get the competitive advantage. Over the last few years, the Indian insurance industry has witnessed remarkable growth. Indian insurance business can be classified into two parts i.e., General Insurance and Life Insurance. General insurance deals with exposure of risks to goods and property whereas life insurance deals with the contingencies of physical death and economic death.

Life Insurance

A life insurance policy is a contract between the insurer and policyholder that the insurer will pay a certain sum of money if the policyholder dies or any other specified contingency happens. In lieu of this assurance, insurer takes a premium amount from the policyholder.

Section 2(11) of Insurance Act 1938, define the life insurance business as the business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death (except death by accident only) or the happening of any contingency dependent on human life.

A learned author J.H. Maggi define the life insurance is a contract to which the insurer, in consideration of a premium, undertakes to pay to the person for whose benefit the insurance is effected a sum of money on the death of the person whose life is insured or in his attaining a certain age.

Life insurance provides financial security to the family of a policyholder in the event of his/her death. This is the most popular insurance policy, as most people want to ensure that their family members remain financially secure in the event of their death.

History of Life Insurance

The existence of insurance in India is not a recent origin. It has been enforce dates back to the Vedic period. In Rigveda the term Yogakshemam has been given which means a sort of social welfare insurance. Manu, the great sage and law giver, who wrote the Manusmriti, a Vedic literature, describe the concept of insurance. The concept of insurance was also given in Dharmasastra (Yagnavalkya) and Arthasastra (Kautilya). In ancient time, the existence of insurance can be supported in the form of marine trade loans and carriers contracts. But the life insurance in its present form came to India with the establishment of Oriental Life Insurance Corporation, a British firm, in Kolkata by Anita Bhavsar in 1818. Generally, the company serves European clients. But this company was failed in 1834. In 1829, the Madras Equitable had begun business of life insurance in Madras presidency Afterward, in 1870 the British Insurance Act was enacted which leads to the development of Bombay Mutual Life Assurance Society (1871), Oriental (1874) and Empire of India (1897) in last three decades of nineteenth century. These companies began their activities in Bombay Presidency. This period was dominated by foreign insurance offices. The Indian life Assurance Companies Act was enacted in 1912. It was the first statutory measure to regulate life insurance business. Later on, in 1928, the Indian Insurance Companies Act was enacted which enable the government to collect statistical data about both life and non-life insurance business transacted in India by the insurers. In 1938, an amended insurance act was passed by consolidating the earlier legislation, which was called the Insurance Act, 1938. The main objective of this act was to protect the interest of insured person and to provide comprehensive provisions for effective and efficient control of insurers activities.

In 19th January, 1956, the finance minister C. D. Deshmukh announced the nationalization of life insurance by passing an ordinance in the Parliament. As the result of ordinance, Life Insurance Corporation of India (LIC) came into an existence on September 1, 1956 by absorbing 154 Indian insurer, 16 foreign insurer and 75 provident societies (total 245 companies) which were engaged in life insurance business in India. The LIC had the monopoly in insurance businesses till the insurance sector was reopened to the private players in 2000.

In 1993, the Government of India constituted a Malhotra Committee under the chairmanship of Mr. R N Malhotra, former Finance Secretary and Governor of RBI, with the objective of insurance sector reforms which were compatible with new economic reforms. The committee submitted its report in 1994 which make a recommendation of the establishment of special regulatory agency and privatisation of insurance sector. Accepting the recommendation of Malhotra committee, Government of India, passed the Insurance Regulatory and Development Authority (IRDA) Bill in Parliament in December 1999 and established Insurance Regulatory and Development Authority (IRDA) as a statutory and autonomous body in April 2000, to regulate the insurance industry in India. With the establishment of IRDA, the door of Indian insurance industry has been opened for the private companies.

Review of Literature

Krishnamurthy S, Mony S V and et al (2005) in his paper "Insurance Industry in India: Structure, Performance and Future Challenges" stated about the status and growth of Indian insurance industry after liberalization and discuss the future challenges and opportunities faced by the insurance sector.

Nanda R (2007) in his paper "Being an Insurance Agent, the pride and the prejudice", stated that there is a huge potential of life insurance in Indian market because India is second fastest growing economy and fourth largest economy in term of purchasing power.

Basavanthappa C and Rajanalkar L (2009) in his paper stated that the private insurance companies have performing well over the year. The market share of private life insurance companies were increasing over the year which create a lot of opportunity for them. There was a cut throat competition in this sector which would be beneficial to all. To get the competitive advantage over the competitor, companies bring out the innovative products and provide various facilities to the customer.

Shendey B K and Neelkant Rao (2010), in his paper titled "Trends in Insurance Industry in India since 21st Century" opined that the privatization of insurance industry increases the growth of this sector and the monopoly of LIC has been overcome. The total life insurance premium has increased four-folds since liberalization of insurance industry. He also stated that the life insurer continuously focuses on the product innovation and new schemes to increase its policyholder base.

Venkatesh M (2013) in his paper "A Study of Trend Analysis in Insurance Sector in India" discusses the history of insurance and analyzes the life insurance industry in India. The study reveals that Indian insurance sector is increasing rapidly and trend percentages are increasing over the year. The author also focuses of insurance density and stated that in spite of higher insurance growth rate India has less insurance density as compared to world density.

Kumari Hymavathi T (2013), in their paper "Performance Evaluation of Indian Life Insurance Industry in Post Liberalization" stated that the life insurance industry has achieved a tremendous growth in the amount of premium collected after the opening of it for private sector. On the basis of financial performance analysis of insurance industry, it can be conclude that the performance of insurance business shows a favourable growth. Further, the study suggests that for sustainable growth of life insurance industry, it is necessary to provide innovative product and better facilities to policy holder. The study also reveals that liberalization has a significant impact on the growth of Indian life insurance business.

Objective of the Study

Insurance sector play a very significant and vibrant role in the process of financial intermediaries. It constitutes as one of the important pillar of the financial market which create a lot of new opportunities. The study is carried out to know the trends and pattern of life insurance industry in India.

Research Methodology

A research methodology may be defined as a science of methods which will be used for conducting the research. To carry out this study descriptive as well as analytical research design has been used.

Sources of Data: The study is purely based on secondary data which has been collected from IRDA annual reports, IRDA journals, LIC reports, websites, Insurance Chronicle (ICFAI), publications, journal, books, published works, Internets etc.

Period of the Study: The study covers the period of 10 years from 2003-04 to 2012-13. For some parameters the period of study reduces because of non-availability of data.

Tools to be Used: For studying the trends and pattern of life insurance, simple ratio, percentage, average, SD, CV, CAGR, trend index, regression analysis and charts has been used.

Hypothesis

H0 (Null Hypothesis): The total amount of life insurance premium is independent to number of offices and new policies issued.
H1 (Alternate Hypothesis): The total amount of life insurance premium is dependent to number of offices and new policies issued.

Life Insurance in India

Insurance industry constitutes one of the important elements of the financial market. It plays a significant role in the process of financial intermediary. It is one of the most growing sectors all over the world. India has a lot of potential in this industry. If we talk about the proportion of life insurance industry in world insurance industry's premium, it is 56.8% while in Asian region insurance business, it is 28.9%. In world life insurance industry, India has a 2.03% share during 2012-13 as against to 2.30% in 2011-12. Within India the portion of life insurance business is 80.2% of total insurance business. India has 10th rank in life insurance business among the 88 countries.

In India, insurance is one of the vibrant and dynamic sectors which contributed toward the economic development of the country. In 2000, the Government of India gave the permission to private sector to enter into the insurance industry. As the result of this permission, many private players entered into the insurance industry. Now, there are 52 insurance companies out of which 24 are life insurance companies (1-Public and 23-Private) while 27 are non-life insurance company and the remaining one is reinsurance company i.e., General Insurance Corporation which is the only reinsurer company in India as on September 2013. The detail of life insurance companies operating in India as on September 2013 are as follows:

Life Insurance Company (Insurer) Operating in India

S. No.	Life Insurance Company (Insurer)	Reg. No.	Date of Registration	Foreign Partners
1	HDFC Standard life Insurance Company Ltd	101	23.10.2000	Standard Life Assurance, UK
2	Max New York Life Insurance Company Ltd	104	15.11.2000	New York Life, USA
3	ICICI Prudential Life Insurance Company Ltd.	105	24.11.2000	Prudential Plc, UK
4	Kotak Mahindra Old Mutual Life Insurance Limited	107	10.01.2001	Old Mutual, South Africa
5	Birla Sun Life Insurance Company Ltd	109	31.01.2001	Sun Life, Canada
6	Tata AIG Life Insurance Company Limited	110	12.02.2001	American International Assurance Co., USA
7	SBI Life Insurance Company Ltd	111	29.03.2001	BNP Paribas Assurance SA, France
8	ING Vysya Life Insurance Company Ltd.	114	02.08.2001	ING Insurance International B.V., Netherlands
9	Bajaj Allianz Life Insurance Company Limited	116	03.08.2001	Allianz, Germany
10	PNB Met Life India Insurance Company Ltd.	117	06.08.2001	Metlife International Holdings Ltd., USA
11	Reliance Life Insurance Company Limited.	121	03.01.2002	--
12	Aviva Life Insurance Company Pvt. Ltd.	122	14.05.2002	Aviva International Holdings Ltd., UK
13	Sahara India Life Insurance Company Ltd.	127	06.02.2004	--
14	Shriram Life Insurance Company Ltd.	128	17.11.2005	Sanlam, South Africa
15	Bharti AXA Life Insurance Company Ltd.	130	14.07.2006	AXA Holdings, France
16	Future Generali Life Insurance Company Ltd.	133	04.09.2007	Generali, Italy
17	IDBI Fortis Life Insurance Company Ltd.	135	19.12.2007	Ageas, Europe
18	Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd	136	08.05.2008	HSBC, UK
19	AEGON Religare Life Insurance Company Limited.	138	27.06.2008	Aegon Netherlands
20	DLF Pramerica Life Insurance Company Ltd.	140	27.06.2008	Prudential of America, USA
21	Star Union Dai-ichi Life Insurance Company Ltd.	142	26.12.2008	Dai-ichi Mutual Life Insurance, Japan
22	India First Life Insurance Company Ltd.	143	05.11.2009	Legal & General Middle East Limited, UK
23	Edelweiss Tokio Life Insurance Company Ltd.	147	10.05.2011	Tokio Marine Holdings Inc, Japan
24	Life Insurance Corporation of India (Public)	512	01.09.1956	--

Life Insurance Products Offered By the Company

Life insurer offered one of the following products to its customer

1) Protection plan
   a) Critical illness plan
   b) Endowment plan
2) Savings plan
   a) Endowment plan
   b) Child protection plan
   c) Money back plan
3) Investment Plan
   a) Whole life plan
   b) Limited payment endowment plan
   c) Anticipated whole life plan
4) Retirement Plan
   a) Best years
   b) New Future Perfect
5) Other Life Insurance Plan

Some Example of Life Insurance Products

1) LIC's New Endownment Plan
2) SBI Life eShield
3) LIC's New Jeevan Anand
4) SBI Life Saral Swadhan+
5) LIC's New Bima Bachat
6) SBI Life -Flexi Smart Plus
7) LIC's Anmol Jeevan II
8) SBI Life - Gaurav Jeevan
9) LIC's Amulya Jeevan II
10) Bharti AXA Life eProtect
11) LIC's New Jeevan Mangal
12) Bajaj Allianz Pension Secure
13) LIC's Jeevan Rakshak
14) Aviva Dhan Samruddhi
15) LIC's Jeevan Shagun
16) Aegon Religare Term Plan
17) Varishtha Pension Bima Yojana (VPBY2014-15)
18) DLF Income Rakshak
19) Tata AIA Life Lakshya Supreme
20) HDFC Life Pension Super Plus
21) Tata AIA Life Insurance United Ujwal Bhawishya Supreme
22) ICICI Pru Wealth Builder
23) Tata AIA Life Insurance Invest Assure Apex Supreme
24) ING STAR Life
25) Tata AIA Life Swarna Bhavishya
26) Kotak Assured Income Plan
27) Tata AIA Suraksha Kosh Plan
28) Reliance Life Insurance eTeam Plan
29) Tata AIA Suraksha Kosh Supreme Plan
30) Sahara Dhanvrishti Jeevan Bima
31) SBI Life Saral Pension

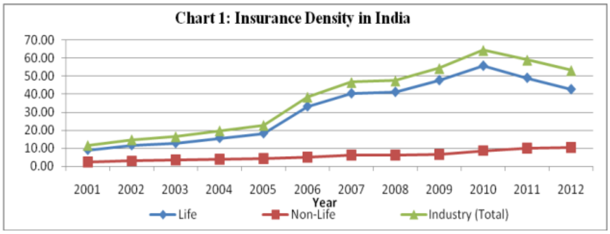
The potential and performance of insurance sector in any country can be measured with the help of two parameters i.e., insurance penetration and insurance density. Insurance penetration is the ratio between premium underwritten and Gross Domestic Product (GDP) in any given year while the insurance density is the ratio between premium underwritten and total population of the country in any given year. Table 1 and Chart 1 & 2 depict the density and penetration ratio of insurance industry. It reveals that the penetration ratio of insurance industry shows an increasing trend up to 2009-10, it raise from 2.71% in 2001-02 to 5.20% in 2009-10. Due to the economic crises and slowdown, the economy found it difficult to maintain the higher growth rate, it goes down on decreasing track which result in decreasing insurance penetration ratio. The ratio decreases to 3.96% in 2012-13 from 5.20% in 2009-10. The average penetration ratio is 3.97%. The situation is same for life insurance. The penetration ratio of life insurance had continuously risen from 2.15% in 2001-02 to 4.60% in 2009-10. Afterward, it decreases up to 3.17% in 2012-13 because of economy slowdown and low life insurance premium. But for the non-life insurance, penetration ratio has been continuously increased from 0.56% in 2001-02 to 0.78% in 2012-13.

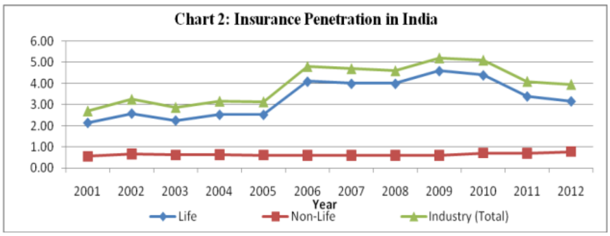
The density (in USD) of insurance industry has been continuously raised from 11.50 USD in 2001-02 to 64.40 USD in 2010-11 because of privatization of insurance sector in 2000 and good economy growth. New private insurer players came into the existence. After 2010-11, due to the declining economy, higher inflation rate, poor industry growth rate, worst global conditions and low saving, leads to the downfall in density up to 53.20 USD in 20112-13. The situation is similar to life insurance companies. The density of life insurance increases from 9.10 USD in 2001-02 to 55.70 USD in 2010-11. Afterward it falls up to 42.70 UDS in 2012-13 because of economic slowdown. But non-life insurance density has been consistently raised from 2.40 USD in 2001-02 to 10.50 USD in 2012-13 which shows an increasing interest of people.

Table 1: Insurance Penetration and Density in India

Year	Life		Non-Life		Industry (Total)	
	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)
2001-02	9.10	2.15	2.40	0.56	11.50	2.71
2002-03	11.70	2.59	3.00	0.67	14.70	3.26
2003-04	12.90	2.26	3.50	0.62	16.40	2.88
2004-05	15.70	2.53	4.00	0.64	19.70	3.17
2005-06	18.30	2.53	4.40	0.61	22.70	3.14
2006-07	33.20	4.10	5.20	0.60	38.40	4.80
2007-08	40.40	4.00	6.20	0.60	46.60	4.70
2008-09	41.20	4.00	6.20	0.60	47.40	4.60
2009-10	47.70	4.60	6.70	0.60	54.30	5.20
2010-11	55.70	4.40	8.70	0.71	64.40	5.10
2011-12	49.00	3.40	10.00	0.70	59.00	4.10
2012-13	42.70	3.17	10.50	0.78	53.20	3.96
Average	31.47	3.31	5.90	0.64	37.36	3.97
SD	16.84	0.89	2.69	0.06	19.24	0.91

Insurance Density is measured as ratio of premium (in USD) to total population
Insurance penetration is measured as ratio of premium (in USD) to GDP (in USD)
Source: IRDA, Annual Report 2012-13





Tables 2 and Chart 3 depict the amount and growth of investment in life insurance industry. It recorded a total investment of Rs. 1744894 crore in 2012-13 as against Rs. 352625 crore in 2003-04 with the Compounded Annual Growth Rate (CAGR) of 17.33%. The LIC recorded total investment of Rs. 347959 crore in 2003-04 which has been raised to Rs. 1402991 crore in 2012-13 with CAGR of 14.96%. As regard to the investment of private company it raises from Rs. 4666 crore in 2003-04 to Rs. 341903 crore in 2012-13 with CAGR of 53.63%.The table also reveals one interesting point i.e., the Compounded Annual Growth Rate (CAGR) of private life insurance company is 3.58 time of public life insurance company which shows the success story of private companies. In spite of this, there is a big difference between the proportion of investment of public and private company. From the total investment in life insurance sector, public company (LIC) attract on the average of Rs. 808019.70 crore (84.85%) while the private company attract Rs. 144327.20 crore (15.15%) of investment. But the higher CAGR of private company will provide new opportunities to them which helped in bridging the various proportion gaps.

Table 2: Total Amount of Investment in Insurance Sector *(in Rs. Crore)*

Year	Life Insurance					
	Public (LIC)	Growth (%)	Private	Growth (%)	Total	Growth (%)
2003-04	347959		4666		352625	
2004-05	418289	20.21	10163	117.81	428452	21.50
2005-06	463771	10.87	23380	130.05	487151	13.70
2006-07	559201	20.58	44979	92.38	604180	24.02
2007-08	678403	21.32	87567	94.68	765970	26.78
2008-09	799593	17.86	116772	33.35	916365	19.63
2009-10	992331	24.10	220128	88.51	1212459	32.31
2010-11	1148589	15.75	281529	27.89	1430118	17.95
2011-12	1269070	10.49	312188	10.89	1581258	10.57
2012-13	1402991	10.55	341903	9.52	1744894	10.35

Average	808019.70		144327.20		952346.90	
SD	376733.27		132399.77		508524.14	
CV	46.62		91.74		53.40	
CAGR (%)	14.96		53.63		17.33	
Skewness	0.36		0.44		0.39	
Kurtosis	-1.40		-1.69		-1.48	

Source: Compiled from various Annual Reports of IRDA

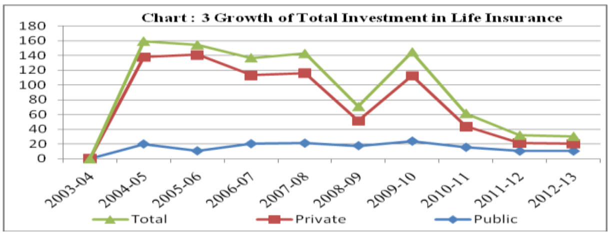


Table 3 and Chart 4 depict the amount of life insurance premium. The amount of total life insurance premium has been increased from Rs. 66653.76 crore in 2003-04 to Rs. 287202 crore in 2012-13 with the Compounded Annual Growth Rate (CAGR) of 15.72%. If we talk about the trend value of total life insurance premium, it was 430.89 in 2012-13 for the base year 2003-04. From the segregation of total life insurance premium into public and private company, the public company (LIC) has a major portion in premium as compared to private company. Out of the total life insurance premium, LIC premium has grown up from Rs. 63533.43 crore in 2003-04 to Rs. 208803.58 crore in 20012-13 while private insurer premium amount grown up from Rs. 3120.33 crore in 2003-04 to Rs. 78398.91 crore in 2012-13. But again the CAGR of private company (38.04%) is much higher than public company (12.63%) which reflects the increased interest of customer in these companies. As the life insurance premium index is concerned, it is 2512.52 for private company and 328.65 for public company in 2012-13 for the base year 2003-04. The index value suggests that the businesses of private life insurance company are growing tremendously since its entry.

If we talk about the expenses of life insurance companies, it is increases. The commission expenses was Rs. 14,790 crore and Rs. 4471 crore for public & private insurer respectively in 2012-13 as against to Rs. 14063 crore and Rs. 4471 crore in 2011-12. The operating expenses increases from Rs. 29656 crore to Rs. 31562 crore in 2012-13 with an increasing rate of 6.42%. If we talk about the profit of life insurance industry, it is Rs. 6948 crore in 2012-13 as against to Rs. 5974 crore in 2011-12. The profits are increases by 16.30%.

Table 3: Total Life Insurance Premium *(in Rs. Crore)*

Year	Public (LIC)			Private			Total		
	Premium Amount	Growth (%)	Trend Value	Premium Amount	Growth (%)	Trend Value	Premium Amount	Growth (%)	Trend Value
2003-04	63533.43		100.00	3120.33		100.00	66653.76		100.00
2004-05	75127.29	18.25	118.25	7727.51	147.65	247.65	82854.80	24.31	124.31
2005-06	90792.22	20.85	142.90	15083.54	95.19	483.40	105875.76	27.78	158.84
2006-07	127822.84	40.79	201.19	28253.01	87.31	905.45	156075.85	47.41	234.16
2007-08	149789.99	17.19	235.77	51561.42	82.50	1652.43	201351.41	29.01	302.09
2008-09	157288.04	5.01	247.57	64497.44	25.09	2067.01	221785.48	10.15	332.74

2009-10	186077.31	18.30	292.88	79369.94	23.06	2543.64	265447.25	19.69	398.25
2010-11	203473.40	9.35	320.26	88165.24	11.08	2825.51	291638.64	9.87	437.54
2011-12	202889.28	-0.29	319.34	84182.83	-4.52	2697.88	287072.11	-1.57	430.69
2012-13	208803.58	2.92	328.65	78398.91	-6.87	2512.52	287202.49	0.05	430.89
Mean	146559.74			50036.02			196595.76		
SD	55207.38			33637.78			88518.85		
CV	37.67			67.23			45.03		
CAGR (%)	12.63			38.04			15.72		

Source: IRDA, Various Annual Reports

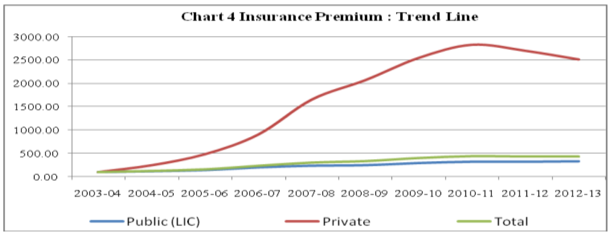


Table 4 and Chart 5 portray the market share of public and private life insurance companies. The data reveals that the market shares of public company have continuously decreases from 95.32% in 2003-04 to 69.77% in 2010-11 due to the opening of insurance sector to private company (2000) which also indicate the increasing pattern of private company market share. The reason behind growth of market share of private company was innovative & customized products, better distribution channels, aggressive marketing, after sale service, better facilities etc. adopted by the company. They gave a tough competition to public insurance company. Such a big loss of market share opens the eyes of LIC. They have made radical changes in their strategies and product portfolio to face cut throat competition and to regain the lost share. The efforts adopted by public company (LIC) and some environmental factors have made a positive impact on its market share. Now, it increases to 70.68% in 2011-12 and 72.70% in 2012-13. Now, LIC continue its growth through product innovation and better facilities to get the competitive advantage over its competitors.

Table 4: Market Share of Life Insurance Companies (in Percentage)

Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Public (LIC)	95.32	90.67	85.75	81.90	74.39	70.92	70.10	69.77	70.68	72.70
Private	4.68	9.33	14.25	18.10	25.61	29.08	29.90	30.23	29.32	27.30

Source: IRDA, Various Annual Reports

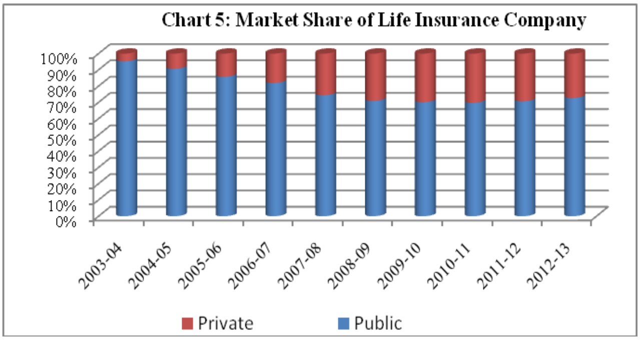


Table 5 shows the various sources of fund in which the life insurer invest their fund. From the table it has been found out that traditional product attract more insurance fund as compare to ULIP funds. During 2012-13, out of total investment of Rs. 1744894 crore, the traditional products have an investment of Rs. 1402387 crore (80.37%) while ULIP funds have Rs. 342507 crore (19.63%). In traditional product, Central or State government securities has been the most preferred means of investment. The total amount of life insurance has been increased from Rs. 428453 crore in 2004-05 to Rs. 1744894 crore in 2012-13. Out of which, investment in traditional products raised from Rs. 420925 crore in 2004-05 to Rs. 1402387 crore in 2012-13 while investment in ULIP funds rose from Rs. 7528 crore in 2004-05 to Rs. 342507 crore in 2012-13. The investment in traditional product has been consistently increases while ULIP investment shows a downfall in last two years. It also indicates that even today, the traditional forms of investment are more attractive in compare to other forms.

Table 5: Total Amount of Life Insurance : Instrument Wise *(in Rs. Crore)*

Investment Form	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Traditional Products	**Amt.**	**Amt.**	**Amt.**	**Amt.**	**Amt.**	**Amt.**	**Amt.**	**Amt.**	**Amt.**
Central Government Securities	201550	238089	275099	296688	316010	360447	420952	468082	512180
State Government & Other Approved Securities	51187	58288	60088	85198	107190	137236	173733	214515	265989
Housing & Infrastructure	45521	49639	69837	63262	66673	85675	89181	97320	118878
Approved Investments	96289	88548	102057	145554	202469	257084	304977	385107	456256
Other Investments	26378	26699	30049	42191	51260	34477	42159	46262	49084
Total (A)	**420925**	**461263**	**537130**	**632893**	**743602**	**874919**	**1031002**	**1211286**	**1402387**
ULIP Funds									
Approved Investments	6732	23401	57587	111630	151490	311669	371899	346340	325283
Other Investments	796	2488	9463	21448	21273	25871	27217	23632	17224
Total (B)	**7528**	**25889**	**67050**	**133078**	**172763**	**337540**	**399116**	**369972**	**342507**
Grand Total (A+B)	**428453**	**487152**	**604180**	**765971**	**916365**	**1212459**	**1430118**	**1581258**	**1744894**

Source : Compiled from various Annual Reports of IRDA

Table 6 portrays the status of new life insurance policies issued over the year. The data reveals a high fluctuation in issuing a new policy. Some years it shows a positive growth while in other shows negative trends. The total number of life insurance policy issued has been increased from 286.26 lakh in 2003-04 to 441.87 lakh in 2012-13. Out of total policy issued the share of LIC increases from 269.68 lakh in 2003-04 to 367.82 lakh in 2012-13 while the portion of private insurer has been raised from 16.58 lakh in 2003-04 to 74.05 lakh in 2012-13. During 2012-13, life insurer issued total 441.87 lakh new policies, out of which, LIC issued 367.82 lakh policies (83.24%) while private life insurer issued 74.05 lakh policies (16.76%). This reflects that LIC has a lot of life insurance product/schemes over the other company. In last few years, the industry experiences declining trends in new policies issued.

Table 6: New Life Insurance Policy Issued (in lakh)

Year	Public	Growth (%)	Private	Growth (%)	Total	Growth (%)
2003-04	269.68		16.58		286.26	
2004-05	239.78	-11.09	22.33	34.68	262.11	-8.44
2005-06	315.90	31.75	38.71	73.35	354.61	35.29
2006-07	382.29	21.02	79.22	104.65	461.51	30.15
2007-08	376.12	-1.61	132.61	67.39	508.73	10.23
2008-09	359.13	-4.52	150.11	13.20	509.24	0.10
2009-10	388.63	8.21	143.62	-4.32	532.25	4.52
2010-11	370.38	-4.70	111.14	-22.62	481.52	-9.53
2011-12	357.51	-3.47	84.42	-24.04	441.93	-8.22
2012-13	367.82	2.88	74.05	-12.28	441.87	-0.01

Source: IRDA, Various Annual Reports

Table 7 and Chart 6 portray the number of life insurer offices. There is a tremendous growth of life insurance offices. It has been increases from 2612 in 2003-04 to 10285 in 2012-13. Out of total offices, LIC setup 2196 offices in 2003-04 which rose up to 3526 offices in 2012-13 while in private sector there is a huge jump in number of offices, it increases from 416 in 2003-04 to 6759 in 2012-13. The table also reveals one interesting point i.e., public life insurer (LIC) consistently setup new office which expand its network while there has been a downfall or closure of private life insurer offices. In last few years, there has been decreasing trends in total number of life insurer offices. During 2012-13, total number of offices is 10285, out of which LIC has 3526 offices (34.28%) while private life insurer has 6759 offices (65.72%). Besides the lower number of offices of LIC, they capture 72.70% (2012-13) of total life insurance market.

Table 7: Number of Life Insurance Offices

Year	Public	Private	Total	Growth (%)
2003-04	2196	416	2612	
2004-05	2197	804	3001	14.89
2005-06	2220	1645	3865	28.79
2006-07	2301	3072	5373	39.02
2007-08	2522	6391	8913	65.88
2008-09	3030	8785	11815	32.56
2009-10	3250	8768	12018	1.72
2010-11	3371	8175	11546	-3.93
2011-12	3455	7712	11167	-3.28
2012-13	3526	6759	10285	-7.90

Source: IRDA, Various Annual Reports

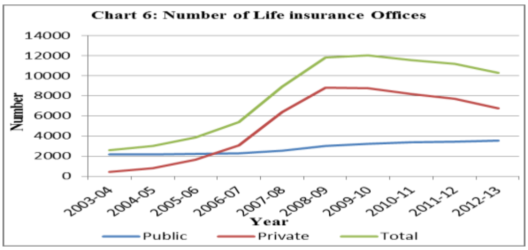


Table 8 depicts the status of grievances regarding the life insurance. The total grievances reported increased from 899 in 2004-05 to 341012 in 2012-13. From the table it has been found out that the major portions of total grievance occurred during the last two years i.e., 2011-13. In the same time grievance resolution increased from 308 in 2004-05 to 341070 in 2012-13. During 2012-13, the life insurer received total 341012 compliant out of which 73034 (21.42%) compliant is related to public company while remaining 267978 (78.58%) compliant related to private life insurers. From the total grievances (reported plus outstanding) in 2012-13, 341070 grievances (99.64%) are resolved out of which 72655 grievances (99.25%) are resolved by public company (LIC) while 268415 grievances (99.74%) are resolved by private life insurers. From the analysis we can conclude that most of the customer grievances are resolved by the life insurers.

Table 8: Status of Life Insurance Grievance

Year	Grievance Reported			Grievance Resolved			Grievance Outstanding		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
2003-04							498	36	534
2004-05	704	195	899	210	98	308	992	133	1125
2005-06	851	540	1391	467	270	737	1376	403	1779
2006-07	354	507	861	1533	808	2341	197	102	299
2007-08	651	1406	2057	80	1100	1180	685	332	1017
2008-09	481	1313	1794	980	1373	2353	186	272	458
2009-10	606	1843	2449	642	1870	2512	150	245	395
2010-11	2588	7068	9656	2672	7125	9797	66	188	254
2011-12	52300	257313	309613	52135	256196	308331	165	1117	1282
2012-13	73034	267978	341012	72655	268415	341070	544	680	1224

Source : IRDA, Various Annual Reports

Testing of Hypothesis

H_0 (Null Hypothesis): The total amount of life insurance premium is independent to number of offices and new policies issued.
H_1 (Alternate Hypothesis): The total amount of life insurance premium is dependent to number of offices and new policies issued.

The total amount of life insurance premium is affected by several factors. Through our hypothesis we test the impact of two factor i.e., number of offices and new policies issued. These two factors are called independent variable while total amount of life insurance premium is called dependent variable. We developed a regression model which indicate the relationship between the dependent and independent variables.

Model 1: Total Amount of Life Insurance Premium = intercept (α) + $Beta_1 \times$ New Policies Issued + $Beta_2 \times$ No. of Offices + error term (e_t)

Table 9: Regression Statistics Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Change	Sig. F Change	Durbin-Watson
1	.952	.907	.880	30691.15312	33.933	.000	1.129

a. Predictors: (Constant), No. of Offices, New Policies Issued

b. Dependent Variable: Total Life Insurance Premium

Table 9, 10 and 11 depicts the relationship between studied variables. The value of R (correlation) is 0.952 which show a very high degree of correlation between the studied variables. The value of R Square is 0.907 which represent that approx. 90.7% variability in total life premium is caused by these two independent variables. The significance value of F test is less than 0.05 which favour the **rejection** of null hypothesis. In other word, it supports the validity of Model 1.

Table 10: Independent Variable Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	49466.813	59479.582		.832	.433
	New Policies Issued	-102.048	211.245	-.110	-.483	.644
	No. of Offices	23.675	5.141	1.045	4.605	.002

a. Dependent Variable: Total Life Insurance Premium

Table 10 show the coefficient of independent variables (beta 1 and 2) and intercept (α). From the independent variable no. of offices ($p<0.05$) has a significant impact on total amount of insurance premium while new policies issued has not ($p>0.05$). Using these values, the Model 1 equation become as follows:

Total Amount of Life Insurance Premium (Model 1) = 49466.813+ (-102.048) × New Policies Issued + 23.675 × No. of Offices + error term (e_t)

Table 11: ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.393E10	2	3.196E10	33.933	.000[a]
	Residual	6.594E9	7	9.419E8		
	Total	7.052E10	9			

a. Predictors: (Constant), No. of Offices, New Policies Issued

b. Dependent Variable: Total Life Insurance Premium

From the above analysis, it can be said that null hypothesis has been rejected which means new policies issued and number of offices has a significant impact on the amount of life insurance premium.

Conclusion

Insurance is a universal phenomenon which was existed in India dated back to the Vedic period. Establishment of Oriental Life Insurance Corporation in Kolkata by Anita Bhavsar in 1818 was the starting point of present form of life insurance business in India. On the recommendation of Malhotra committee, Government of India established Insurance Regulatory and Development Authority (IRDA) in April 2000, to regulate the insurance industry and also allow the entry of private players in Indian insurance industry. Now, insurance industry become one of the pillars of Indian financial market and performs a very crucial role in economic development. After opening the life insurance industry to private sector, it expanded tremendously as such that it got the wings to fly up to the sky. With the new ideas and passion, insurance industry shows a remarkable growth i.e., increasing trend over the years in terms of insurance density and penetration ratio, amount of investment, total premium, number of new policy issued, number of offices opened, redressal rate, policyholder base etc. The sector witnesses a multi-fold growth in most of the insurance parameters. Even a tremendous growth in life insurance industry, there are still a large portion of population who are remain unserved. So there is an opportunities to life insurer to tapped this untapped market through customized and innovative product and better facilities. But when we compared it with the international scenario, we need to think and act a lot, to improve the status of insurance industry. The Indian insurance industries don’t stand in front of World insurance industries.

During the last two to three year, the insurance industry shows the decreasing trends in most of the life insurance parameters. The reason behind this downfall is slow economic growth rate, higher inflation, low saving, tighter monetary policy, global economic slowdown and crises, low industry growth rate etc. To tackle these issues life insurer required to change their policies and strategies so that it reverse the decreasing trends into increasing trends.

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