

CHAPTER II

AN OVERVIEW OF INDIAN LIFE INSURANCE INDUSTRY

The insurance sector in India is nearly 193 years old and can be termed as in the third phase of its existence. Today, the life insurance business ranked 9th among the 156 countries and the share of life insurance sector in global market was 2.45 percent in 2009. This chapter defines the concept of life insurance and gives an overall summary of the long and eventful journey of Indian life insurance industry -From the British Raj to Monopoly Raj to Swaraj.

2.1-Life Insurance: Defined

Insurance business in India is classified primarily as Life Insurance and General Insurance. Life Insurance is basically associated with risk of human lives. It provides protection to household against the premature death of its bread winner or income earning member. Individuals buy life insurance product by paying certain amount of money which is called premium to the life insurance company for contractual agreements to provide a shield in case of eventualities. Therefore, Life insurance is a contract under the provision of the respective national laws or conventions or commercial practices that agree to pay a contracted sum of money to the person whose life is insured in the event of death or on the happening of any other event agreed upon by the parties to the contract. According to the section 2(11), of the Insurance Act of 1938, life insurance business in India is defined as follows: "Life insurance business" means 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) and the happening of

any contingency dependent on human life, and any contract which is subject to payment of premiums for terms dependent on human life and shall be deemed to include

- the granting of disability and double or triple indemnity accident benefits, if so provided in the contract of insurance;
- the granting of annuities upon human life; and
- the granting of superannuation allowances and annuities payable out of any fund applicable solely to the relief of and maintenance of person engaged or who have been engaged in any particular profession, trade or employment or of the dependent of such persons.

2.2-Indian Life Insurance-History

The journey of Indian Insurance Industry has so far been very eventful in the way that it has come in full circle from privatization of insurance firms to creation of monopoly and back to privatization and liberalization. The journey can be divided into three phases viz. pre nationalization phase (Before 1956), nationalized era (1956-2000) and liberalization era (2000 onwards). The first phase was the long growth phase before the nationalization of life insurance and characterized by unfettered market access. In the second phase the entire sector become state monopoly. The third phase after 2000 was of liberalization and was characterized by several new players competing with the large public sector giant i.e. LIC of India. Insurance Regulatory and Development Authority (IRDA) has now undertaken the sole responsibility to control and regulate insurance business. The Box 2.a provides the sequence of the journey of Indian Insurance up to starts of the liberalization. Each of these phases is discussed briefly as follows.

Box 2.a: Milestones of insurance regulations in the 20th Century

Year	Significant regulatory events
1912	The Indian Life Insurance company Act
1928	The Indian Insurance Companies act
1938	The Insurance Act: comprehensive Act to Regulate insurance business in India
1956	Nationalization of life insurance business in India with monopoly awarded to LIC of India
1972	Nationalization of general insurance business in India with formation of a holding company General Insurance Corporation
1993	Setting up of Malhotra Committee
1994	Recommendations of Malhotra Committee published
1995	Setting up of Mukherjee Committee
1996	Setting up of (interim) Insurance Regulatory Authority(IRA) Recommendations of the IRA
1997	Mukherjee Committee report submitted but not made public
1997	The Government gives greater Autonomy to LIC, GIC and its subsidiaries with regards to the restructuring of boards and flexibility in investment norms aimed at channeling funds to the Infrastructure sector.
1998	The cabinet decides to allow 40% foreign equity in private insurance companies and 14% to Non-resident Indians and foreign institutional Investors.
1999	The Standing Committee headed by Murali Deora decides that foreign equity in private insurance should be limited to 26%.IRA bill is renamed the Insurance Regulatory and Development Authority bill.
1999	Cabinet clears Insurance Regulatory and Development Authority Bill
2000	President gives Assent to the Insurance Regulatory and Development Authority Bill

*Source: Tapen Sinha, CRIS Discussion Paper Series-2002.X, the University of Nattingham, Mexico.

2.2.1-Pre nationalization phase:

Though the concept of insurance is largely a development of the recent past, particularly after the industrial era-past few centuries nevertheless its beginning date backs almost 6000 years. In a way there has always been some form of Insurance in informal nature. Joint family system which was the basic unit of Indian society provided the objective of life insurance such as taking care of financial needs of the family in case of the premature death of the principal wage earner, provisions for the old age. In its modern form, the first insurance company in India was the Oriental Life Insurance Company started in 1818 in Kolkatta. This company was owned by the European and it looked after the needs of Europeans only. Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives. As for the regulation, it was only in 1912 that the Life Insurance Companies Act was enacted and the comprehensive legislature for regulating and administering Indian industry started. Prior to this, India had no legislation to regulate insurance business and the Indian insurance companies were governed by the Companies Act of 1866. There were two important Insurance Acts enacted during this phase namely Insurance Act 1912 and Insurance Act 1938.

Insurance Act 1912: It was modeled on the basis of the Insurance Companies Act 1870 of the UK and the one enacted in 1909 replacing the Act of 1870. The Indian Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. But the Act discriminated between foreign and Indian companies on many accounts, putting the Indian companies at a disadvantage. Apart from the Life Insurance

Companies Act, 1912, another legislation called Provident Insurance Societies Act was also passed in 1912. The main features of these two acts were

- These were the first legislations that specifically made to regulate the life insurance business in India;
- These acts were only meant to control and regulate the Indian insurance companies and not for foreign companies, which were operating in India through the model used in these acts, were the same as the British Act of 1909.
- These acts did not include general insurance business in India.

The Indian Insurance Act 1938: This act was the first comprehensive legislation governing not only life but also non-life branches of insurance. The Act aimed to consolidate and amend the law relating to insurance business and so defined the legal framework of the insurance business in India. The insurance business in India is still governed by the provisions of this Act with several amendments made to it. The salient features of the Act were as follows;

- Constitution of a department of Insurance under a superintendent vested with wide powers of supervision and control over all kinds of insurance companies.
- Regulation for compulsory registration of insurance companies and for filing of returns of investment and financial condition.
- Provisions for deposits, to prevent insurers of inadequate financial resources or speculative concerns from commencing business.
- Provisions that 55% of the net life fund of an India or non-Indian insurer should be invested in India Government and approved securities with at least 25% in Indian Government Rupees

securities. All companies, i.e., foreign companies must invest 100% of their Indian liabilities in Indian Government and approved securities, with at least 33.3% in India Government securities.

- Prohibition of rebating, restriction of commission, licensing of agents etc. Maximum rates of commission were fixed at 40% of the first year's premium and 5% of the renewal premium in respect of the life insurance business. The agents must be licensed, to improve the status of the profession.
- Periodical valuation for Indian business of foreign companies and the business of the Indian companies.
- Provision for policyholders' directors, making it possible for the representatives of policyholders to be on the Board of directors.
- Standardization of policy conditions required all companies to file standard forms and tables of premia approved by an Actuary. Under this requirement, the initial deposit for life insurance business was raised from Rs 25,000 in Government securities to Rs 50,000 in cash or approved securities, which is subsequently to be raised by installments to Rs 2 lakh within a specified time limit.

Business during the Pre nationalization phase:

During the period 1870 to 1939, number of life insurance companies were formed and exited from operation. The number of life Indian life insurance companies grew from 30 in 1912 to 116 in 1939 and remained at 154 in 1955. Growth of life business during the period 1914 to 1955 is shown in table 2.2 and 2.3. (The data were taken from different sources and are differ in the variables presented; therefore the tables are shown separately) The total business in force which was 22.44 crore in 1914 grew to 712.76 crore in 1948. The year 1943 marked the beginning

of a period of steady and progressive increase in the volume of new life insurance business, Rs 62.94 crore in 1943; Rs 95.20 crore in 1944; Rs 122.78 crore in 1945(Tryst with Trust (1991) LIC of India). It was in 1945 that for the first time, the volume of Indian insurance business cross Rs 100 Crores mark. The foreign insurance companies found it difficult to withstand the competition from Indian life insurance companies and were able to get a meager amount of business share during the period. (Mitra Debabrata and Ghosh Amlan, 2010). The total new business written by Indian life insurance companies were Rs 255 crore and Rs 260.84 crore in 1954 and 1955 respectively.

Table 2.1: Number of life insurance companies: 1929-1939

Year	company	Promoted	Exited	Remained
1870-1912	Indian companies	58	28	30
	Foreign companies	30	21	09
	Total	88	49	39
1929-1939	Indian companies	176	60	116
	Foreign companies	05	02	03
	Total	181	62	119
1955	Indian companies	--	--	154
	Foreign and provident societies	--	--	91
	Total	--	--	245

*Source: Desai G. R (1973) "Life Insurance in India: Its History and Dimensions of Growth", Macmillan.

Table 2.2: Growth of life business in India: 1914-1948

Year	Insurers	Number of insurers	Total number of policies in force	Total business in force(Rs crore)	Total life fund(Rs crore)
1914	Indian	44	--	22.44	6.36
	Non Indian	--	--	--	
	Indian outside India	--	--	--	
	Total	44	--	22.44	
1930	Indian	68	513925(68.61)	84.89(32.85)	20.53
	Non Indian	--	220703	69.76	
	Indian outside India	--	14369	3.77	
	Total	68	748997	258.42	
1940	Indian	179	1371963(84.25)	225.51(74.17)	62.41
	Non Indian	16	181247	60.12	
	Indian outside India	--	75171	18.40	
	Total	195	1628381	304.03	
1945	Indian	200	2376000(87.55)	459.43(80.17)	107.4
	Non Indian	15	261000	91.85	
	Indian outside India	--	77000	21.79	
	Total	215	2714000	573.07	
1948	Indian	189	2791000(90.15)	566.38(79.46)	150.39
	Non Indian	20	234000	101.08	
	Indian outside India	--	202000	45.30	
	Total	209	3016000	712.76	

*Source: Tryst with Trust (1991) LIC of India, Bombay, India. Figures in brackets show percentage of the total.

Table 2.3: Life insurance business in force in India: 1949-1955

Year	New business		Total business in force	
	Number of policies (in lakhs)	Amount(Rs in Crores)	Number of policies (in lakhs)	Amount(Rs in Crores)
1949	5.44	142.20	33.03	765
1950	4.98	139.50	32.80	780
1951	4.74	147.90	34.14	873
1952	5.34	146.70	39.25	922
1953	5.58	155.20	40.79	966
1954	7.73	255.25	47.82	1177
1955	8.31	260.28	47.92	1220

*Source: Bhave S.R (1970), Saga of Security: Story of Indian Life insurance (1870-1970), LIC of India, Bombay.

2.2.2-Nationalization and LIC's monopoly regime (1956-2000):

The announcement by C. D. Deshmukh, the then Finance minister of India on January 19, 1956 that the government will take over the life insurance business of all national and foreign companies in India was the first vital move in nationalizing life insurance in India. Thereafter as a first legislative step in nationalization of life insurance business, the life insurance (Emergency provision) Ordinance and followed by replacement of the ordinance by the Life Insurance (Emergency Provision) Act 1956 was made. The ordinance and act provided for Government control of 245 companies comprising 154 Indian Insurers, 75 provident societies and 16 non Indian insurers. Based on the

ordinance, the bill for nationalizing the life insurance business in India was piloted in the Parliament on February 18, 1956 as a Finance bill. After a reference to a joint select committee of the parliament and adoption by both the houses of the parliament with the assent of the president of India, the Bill came into force on July 1, 1956. And the Life Insurance Corporation of India was constituted on September 1, 1956 under the Act (LIC Act Number 31 of 1956 dated June 18, 1956).

LIC Act, 1956: It is an act which provides for the nationalization of life insurance business in India by transferring all such business to a corporation established for the purpose and to provide for the regulation and control of the business of the corporation and for matters connected therewith or incidental thereto.

Post nationalization growth:

At the time of nationalization, the LIC of India took over total life business of over Rs 1,128.06 Crores, under 47.82 lakh policies of which the share of Indian insurers was around 87.25% and that of Non –Indian insurers was 12.28(Harinarayan 2008). New business written by LIC of India at the end of December 1957 stood at Rs 281.90 crore under 794,585 policies. The business volume at the end of 1957 including bonuses stood at Rs 1474 crore under 56.86 lakh policies. (Mitra Debrabarta and Ghosh A, 2010). The decade of eighties was an eventful one. Table 2.4 shows the growth statistics of LIC of India during the eighties. Table 2.5 and 2.6 shows the performance of LIC in terms of number of policies, sum assured and annual premium received since 1991-92 to 1999-00 for individual Assurance and total life business in force. The number of policies, sum assured, and the annual premium received all shows an increasing trend over the years.

2.2.3-Post liberalization industry scenario:

The liberalization of insurance sector was not a decision taken fortnight. There were several reasons and certain developments at the national as well as global front which convinced the Government of India to move towards opening up of the sector. Globally, there were international compulsions and pressures as also deregulation, globalization and privatization are the routes that were found to have been successful in many parts of the world (Japan, China and Brazil). By signing the GATT accord, the government of India required to commit to opening up of insurance sector to private sector to both domestic and foreign operator.

Table 2.4: Growth statistics of LIC of India

(Policies are in lakh and amount in Crores)

Year	Premium income	Investment income	Total business in force	Total in force policies	Annual new business	Annual number of new policies
1984-85	1559.13	950.58	33,950.50	265.31	5,375.93	27.00
1985-86	1782.28	1126.98	40,617.10	280.47	7,088.45	32.94
1986-87	2097.21	1334.17	48,150.64	298.60	9,107.59	38.76
1987-88	2671.88	1557.21	59,067.69	324.81	12,467.58	47.64
1988-89	3432.72	1884.83	74,429.00	361.34	17,268.58	59.87
1989-90	4489.39	2278.29	94,823.00	403.98	23,319.53	74.01

Source: Tryst with Trust (1991) LIC of India, Bombay, India.

Table 2.5: Performance of LIC from 1991-92 to 1999-00: Individual Assurance

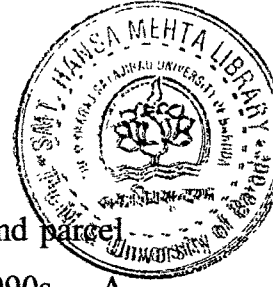
Year	Number of policies (Lakh)	Sum assured (Rs Crores)	Annual premium Received (Rs Crores)
1991-92	92.40	32064.00	1790
1992-93	100.00	325957.00	2038
1993-94	107.25	41814.00	2508
1994-95	108.74	55228.00	2534
1995-96	110.20	51816.00	2814
1996-97	122.68	56740.50	3345
1997-98	133.11	63617.69	3841
1998-99	148.44	75316.28	4863
1999-00	169.77	91214.25	6008

Source: Compiled from Annual Reports of LIC of India

Table 2.6: Performance of total life business of LIC in force from 1991-92 to 1999-00

Year	Number of policies (Lakh)	Sum assured (Rs Crores)	Annual premium Received (Rs Crores)
1991-92	508.63	1,45,929	5946
1992-93	566.12	177268	7146
1993-94	608.00	207601	8758
1994-95	654.52	253333	10385
1995-96	708.78	294336	12094
1996-97	776.66	343018	14500
1997-98	849.15	398959	17066
1998-99	916.37	457435	20234
1999-00	1012.99	534589	24540

Source: Compiled from Annual Reports of LIC of India



In the national context, the insurance sector reform was part and parcel of the wave of reforms that swept across the country in the 1990s. A committee under the chairmanship of R N Malhotra was appointed in 1993 by Government of India to look into all the aspects of life insurance in India. The report of the committee was submitted in January 1996.

The Malhotra Committee made the following recommendations for insurance sector reform (mentioned here are related to life insurance only):

- The central and zonal offices of the LIC should be reconstructed and reorganized such the while central office should concentrate on policy formulation, review ,evaluation, product development, pricing, actuarial valuation, investments, personnel policies, system development etc., the zonal offices should look after the insurance business and related matters.
- The government stake in the insurance companies should be reduced to 50 per cent.
- All insurance companies should be given greater freedom to operate.
- Private insurance companies with a minimum paid up capital of Rs 100 crore should be allowed to enter the insurance industry. The promoter's holding in a private company should not be less than 26% and more than 40% of the paid up capital. No person other than the promoter should hold more than one percent of equity.
- The insurance companies should not be allowed to deal in both life and general insurance through a single entity.
- Foreign companies may be allowed to enter industry selectively and in collaboration with the domestic companies.

- Postal life insurance should be allowed to operate in the rural market.
- The insurance regulatory body be set up, and the controller of insurance should be separated from the finance ministry and made independent. Regulatory, prudential norms should be finalized to ensure a level playing field.
- The capital of LIC should be raised from the present Rs 5 crore to 200 crore, 50 % of which should be held by the government and remainder should be held by the public at large including the LIC employees for whom a suitable proportion be reserved.
- Mandatory investment of LIC in government securities should be reduced from 75% to 50%.

Thereafter the following major steps were taken up for liberalization:

- In January 1996, the Interim Insurance Regulatory Authority (IRA) was appointed.
- IRA bill was introduced in the parliament on December 20, 1996 with a proposed equity share of 40 percent to foreign company. However the bill was withdrawn due to disagreement from the opposition party demanding a reduced share of foreign equity.
- A new IRA bill was introduced on December 5, 1998 with a proposed foreign equity share of 26 percent. However, this time the bill lapsed due to the fall of the then government (NDA) in April 1999.
- The IRA was revised and renamed as Insurance Regulatory and Development Authority (IRDA) bill and passed in both the houses of Parliament on December 2, 1999 (Lok Sabha) and December 7, 1999 (Rajya Sabha) respectively.

- The IRDA bill became Act 41 of 1999 and from April 19, 2000 the IRDA became actually effective vide Government of India's notification number 277.

The main features of the IRDA Act can be summed up as follows:

- The IRDA Act amended the LIC Act 1956 and GIC Act 1972, withdrawing the exclusive privilege of LIC of India and GIC and its subsidiaries to carry on life and general insurance business respectively. Thus the two sectors were opened up for competition from the private sectors.
- The Insurance Regulatory and Development Authority (IRDA) is an autonomous body constituted to regulate and develop the insurance and reinsurance business in India.

Under the IRDA Act, an 'Indian insurance company' will be allowed to conduct insurance business provided it satisfies the following conditions:

- It must be formed and registered under the Companies Act, 1956;
- The aggregate holdings of equity shares by a foreign company, either by itself or through its subsidiary companies or its nominees, should not exceed 26% paid up equity capital of the Indian insurance company; (the Government has proposed an enhancement in the FDI limit from 26% to 49% but this is yet to be notified in the Insurance Regulatory & Development Act).
- Its sole purpose must be to carry on the life insurance business or general insurance business or reinsurance business.

Post reform developments:

With the enactment of liberalization, the insurance industry has gone through a sea change. Major visible changes included the entry of

Box 2.b: Life insurance companies in India*

Sr. No.	Insurers	Foreign partner	Date of registration	Year of operation
1	HDFC Standard LI Co. Ltd	Standard life Assurance, UK	23.10.2000	2000-01
2	Max New York LI Co. Ltd	New York Life, USA	15.11.2000	2000-01
3	ICICI-Prudential LI Co. Ltd	Prudential, UK	24.11.2000	2000-01
4	Om Kotak LI Co. Ltd	Old Mutual, SA	10.01.2001	2001-02
5	Birla Sun LI Co. Ltd	Sun Life, Canada	31.01.2001	2000-01
6	Tata-AIG LI Co. Ltd	American International Assurance Co. USA	12.02.2001	2000-01
7	SBI LI Co. Ltd	BNP Paribas Assurance, SA, France	29.03.2001	2001-02
8	ING Vysya LI Co. Ltd	ING Insurance International B.V, Netherlands	02.08.2001	2001-02
9	Allianz Bajaj LI Co. Ltd	Allianz, Germany	03.08.2001	2001-02
10	MetLife India insurance Co. Ltd	MetLife International Holdings Ltd. USA	06.08.2001	2001-02
11	Reliance LI Co. Ltd	--	03.01.2002	2001-02
12	AVIVA	Aviva International Holdings Ltd. UK	14.05.2002	2002-03
13	Sahara LI Co. Ltd	--	06.02.2004	2004-05
14	Shriram LI Co. Ltd	Sanlam, SA	17.11.2005	2005-06
15	Bharti AXA LI Co. Ltd	AXA Holdings, France	14.07.2006	2006-07
16	Future Generali India LI Co.	SMNPL Generali, Italy	04.09.2007	2007-08
17	IDBI Fortis LI Co. Ltd	Fortis, Netherlands	19.12.2007	2007-08
18	Canara HSBC OBC LI Co. Ltd	HSBC,UK	08.05.2008	2008-09
19	Aegon Religare LI Co. Ltd	Religare, Netherlands	27.06.2008	2008-09
20	DLF Pramerica LI Co. Ltd.	Prudential of America, USA	27.06.2008	2008-09
21	Star Union Dai-ichi LI Co. Ltd.	Dai -ich Mutual life Insurance of Japan	26-12-2008	2009-10
22	IndiaFirst LI Co.Ltd.	--	5-11-2009	2009-10
23	LIC of India	--	01.09.1956	1956

* As on 31 August 2010.

private companies, and fall in market share of LIC of India. Looking at the present scenario, a broad summary of these changes in industry scenario is put in as below.

Private sector entry: The first private life insurance was registered with IRDA in October 2000 and started operation shortly thereafter. Since then the number of private companies registered has increased manifold. A summary of the private players operating in the life insurance sector is shown below in Box. 2. b.

Business performance and market share:

With the entry of private players, each player was trying their best to make their presence felt in the market. In such a scenario of steep competition, the market share of LIC was only to come down. Table 2.7 shows the premium underwritten by LIC, Pvt. Insurers and their growth over the previous year as well as the market share of LIC and Pvt. Insurance Company. The market size of Indian life industry in terms of premium in 2009-10 has grown more than five times the size in 2001-02. The growth percentage varied from year to year, but in all the years after liberalization, growth percentage exceeds 10 percent. In the year 2001-02, premium underwritten by the industry was Rs 50094.45 Crores, of which Rs 49821.91 and Rs 272.54 Crores were written by LIC and private players respectively. The premium underwritten by the industry during 2002-03 was 55738.11 crore, of which Rs 54628.49 Crores was underwritten by LIC and Rs. 1109.62 Crores was written by private players. Overall, the industry witnessed a growth of 11.27 percent in terms of gross premium. In terms of market share, LIC held 98% of the life market, which was 99.46 in 2001-02, with the private players capturing 2 %. The renewal premium of LIC exhibited a growth of 27.87

% from 30233.14 Crore to 38651.73 crore in 2002-03. In case of private players, the renewal premium collected show a growth of 3701% from Rs 4.03 to Rs 153.37 crore in 2002-03.

In 2003-04, the life insurance premium recorded was Rs 66653.16 crore i.e. 19.56 % growth from the previous year. The contribution of first year premium, and renewal premium was Rs 19788.33 crore and Rs 46865.43. In 2004-05, the life insurance industry underwrote Rs 26217.64 crore in the first year premium inclusive of single premium. The contribution of total premium was 82854.79 i.e. 24.31% growth from previous year. In 2005-06, life insurance industry recorded a growth of 27.78 % with premium income Rs 105875.76 crore. The contribution of first year, single premium and renewal premium to the total premium was Rs 21254.91 crore, Rs 17530.62 crore and Rs 67090.21 crore respectively. There was significant growth in the single premium.

In 2006-07, Life insurance industry recorded a premium income of Rs 156075.86 crore exhibiting growth of 47.38 % from the previous year. The contribution of first year, single premium and renewal premium to the total premium was Rs 45361.17 crore, Rs 30288.04 crore and Rs 80426.64 crore respectively. The total premium of LIC and private insurers grew at 17.19 and 82.50 % respectively in 2007-08. The renewal premium underwritten by life insurance industry grew by 33.83 % during 2007-08.

The single premium income received by the life insurers recorded 31.05 % growth during 2009-10 as against the negative 3.06 % growth in 2008-09. The contribution of regular premium to the total premium stood at 22.87% during 2009-10 while it was 22.26% in 2008-09. The renewal premium had gone up by 15.69 % while it was 25.22% during 2008-09.

This year, private insurers reported higher growth of 35.11 % renewal premium then the 10.03 % reported by LIC.

The market share of LIC was seen decreasing over the years from full monopoly of 100 percent to 99.46 percent in 2000-01 and standing at 70.10 percent in 2009-10. In the first three years, the private insurers could grasp a market share at a pace of only around 2 percent per year. In the remaining three years till 2008-09, they could snatch at a rate of 4-5 percent per annum except 6 percent in 2007-08. However in 2009-10 LIC only loose only 0.82 percent against private insurers. The overall market share of LIC was seen decreasing over the years. The decline in market share was mostly seen in first year premium. While the decline in renewal premium was seen at rather very slow pace. The premium underwritten through single premium was decline but there was an upsurge in single premium received for LIC in the last three years.

Table: 2.7: Premium underwritten by life insurers and their market shares
(Rs Crores)

Year	Premium	LIC	Growth in %	Pvt	Growth in %	LIC and Pvt. Total	Growth in %
2001-02	Regular						
	Single						
	1 st year	19588.77(98.65)	--	268.51(1.35)	--	19857.28(100)	--
	Renewal	30233.14(99.99)	--	4.03(0.01)	--	30237.17(100)	--
	Total	49821.91	--	272.55	--	50094.46(100)	--
2002-03	Regular						
	Single						
	*1 st year	15976.76(94.30)	18.44	965.69(5.70)	259.65	16942.45(100)	-14.68
	Renewal	38651.73	27.85	153.37	3701.2 2	38805.10(100)	28.34
	Total	54628.49	9.65	1119.06	310.59	55747.55(100)	11.28
2003-04	Regular						
	Single						
	1 st year*	17347.62(87.44)	8.58	2440.71(12.56)	152.74	19788.33(100)	16.79

	Renewal	46185.81(98.55)	19.49	679.62(1.45)	343.12	46865.43(100)	20.77
	Total	63533.43(95.29)	16.30	3120.33(4.71)	178.83	66653.76(100)	19.56
2004-05	Regular						
	Single	8994.82(87.02)	62.32	1341.48(12.98)	239.46	10336.30(100)	74.11
	1 st year	11658.24(73.41)	-1.25	4223.09(26.59)	106.46	15881.33(100)	14.65
	Renewal	54474.23(96.18)	17.95	2162.93(3.82)	218.26	56637.16(100)	20.85
	Total	75127.29(90.67)	18.25	7727.51(9.33)	147.65	82854.79(100)	24.31
2005-06	Regular	13728.03(64.59)	17.75	7526.88(35.41)	78.23	21254.91(100)	33.84
	Single	14787.84(84.35)	64.40	2742.78(15.65)	104.46	17530.62(100)	69.60
	1 st year	28515.87(73.52)	38.07	10269.66(26.48)	84.55	38785.54(100)	47.94
	Renewal	62276.35(92.82)	14.32	4813.86(7.18)	122.56	67090.21(100)	18.46
	Total	90792.22(85.75)	20.85	15083.53(14.25)	95.19	105875.76(100)	27.78
2006-07	Regular	29886.35(65.89)	117.70	15474.83(34.11)	105.56	45361.17(100)	113.40
	Single	26337.22(87.04)	78.10	3950.82(12.96)	42.96	30288.04(100)	72.60
	1 st year	56223.56(74.35)	97.17	19425.65(25.65)	88.84	75649.21(100)	94.96
	Renewal	71599.28(89.03)	14.97	8827.36(10.97)	83.33	80426.64(100)	19.87
	Total	127822.84(81.92)	40.79	28253.01(18.08)	87.08	156075.86(100)	47.38
2007-08	Regular	26222.00(47.77)	-12.26	28666.15(52.23)	85.24	54888.16(100)	21.00
	Single	33774.56(86.99)	28.24	5049.80(13.01)	27.82	38824.36(100)	28.18
	1 st year	59996.57(64.02)	6.71	33715.959(35.98)	73.56	93712.52(100)	23.88
	Renewal	89793.42(83.42)	25.41	17845.47(16.58)	102.16	107638.89(100)	33.83
	Total	149789.999(74.39)	17.19	51561.42(25.61)	82.50	201351.41(100)	29.01
2008-09	Regular	19140.61(38.43)	-27.01	30229.95(61.57)	5.46	49370.56(100)	-10.05
	Single	34038.47(90.70)	0.78	3597.20(9.30)	-28.77	37635.67(100)	-3.06
	1 st year	53179.08(60.89)	-11.36	33827.15(39.11)	0.33	87006.23(100)	-7.16
	Renewal	104108.96(77.43)	15.94	30676.07(22.57)	71.90	134786.61(100)	25.22
	Total	157288.04(70.92)	5.01	64503.22(29.08)	25.10	221791.26(100)	10.15
2009-10	Regular	26184.48(43.13)	36.80	34529.75(56.87)	12.61	60714.23(100)	21.91
	Single	45337.42(92.19)	33.19	3842.37(7.81)	10.13	49179.79(100)	31.05
	1 st year	71521.90(65.08)	34.49	38372.12(34.92)	12.36	109894.02(100)	25.84
	Renewal	114555.419(73.64)	10.03	41000.94(26.36)	35.11	155556.35(100)	15.69
	Total	186077.31(70.10)	18.30	79373.06(29.90)	23.06	265450.37(100)	19.69

Source: Annual Reports of IRDA. Figures in brackets are market share in percent). *FY Premium includes single premium.

Table: 2.8: New policies issued and their market share

Year	New policies issued		
	Pvt	LIC	Total
2002-03	825094(3.25)	24545580(96.75)	25370674(100)
2003-04	1658847(5.79)	26968069(94.21)	28626916(100)
2004-05	2233075(8.52)	23978123(91.48)	26211198(100)
2005-06	3871410(10.92)	31590707(89.08)	35462117(100)
2006-07	7922274(17.17)	38229292(82.83)	46151566(100)
2007-08	13261558(26.07)	37612599(73.93)	50874157(100)
2008-09	15010710(29.48)	35912667(70.52)	50923377(100)
2009-10	14362000(26.98)	38863000(73.02)	53225000(100)

Source: Annual Reports of IRDA

Table 2.8 shows the business performance in terms of new policies issued. Over the years, the number of new policies issued by private insurers was increasing. The number of new policies issued by LIC was also increasing but it was declined in 2004-05 as well as in 2007-08 and 2009-10. The share of private life insurers in new policies issued has increased from 3% in 2002-03 to 29.5% in 2008-09 and that of Lic decreased from 97% to 70.5 respectively.

2.3-Summary:

Insurance has come a long way since the time the business was tightly regulated and concentrated in the hand of state owned insurance company. Two important Insurance Acts were enacted during the pre nationalization phase viz. Insurance Act 1912 and Insurance Act 1938. For the first time, Indian Life insurance businesses crossed Rs 100 Crores

mark in 1945. The total new business written by Indian life insurance companies were Rs 255 crore and Rs 260.84 crore in 1954 and 1955 respectively. The total business in force which was 22.44 crore in 1914 grew to Rs 1220 Crore in 1955. The Life Insurance Corporation of India was constituted on September 1, 1956 under the Act (LIC Act Number 31 of 1956 dated June 18, 1956). The total business in force in 1957 was Rs 1474 Crore and it was increased to Rs 534589 Crore in 1999-00. During the monopoly regime of LIC of India, the number of policies, sum assured, and the annual premium received were seen increasing over the years. However, the insurance sector was liberalized in 2000 for various reason such as lack in depth, diversity and reach(geographically as well as in terms of insurable population), poor customer service and need for global dimension etc. When seen in the context of overall performance, the insurance sector was seen to have made a robust growth in the post liberalization era in terms of huge volume of business underwritten by the companies and overall growth of the market. The market share of private insurers was 29.90 in 2009-10 from 0.054 in 2001-02. The market size of the life insurance industry has grown from Rs 50094 Crore to Rs 265450 Crore in 2009-10(429.90% growth). Overall the market was widening, and insurers were competing hard to have more market share.