

A Study on Performance of Life Insurance Industry in India

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Abstract—The insurance sector in India plays a pivotal role in the nation's economic development, offering financial security and risk management to individuals and businesses. This research paper analyzes the growth trajectory, regulatory framework, and emerging trends in the Indian insurance industry. It delves into the impact of liberalization, privatization, and increased foreign direct investment (FDI) on market dynamics, alongside the contributions of government-backed initiatives such as Ayushman Bharat and Pradhan Mantri Fasal Bima Yojana. Despite significant growth in life and non-life insurance segments, the sector faces challenges such as low penetration, limited rural outreach, and operational inefficiencies. The study also explores the transformative role of digitalization, artificial intelligence, and data-driven solutions in addressing these challenges. Based on a comprehensive review of data from IRDAI reports, market analyses, and case studies, the paper presents insights into potential strategies for enhancing accessibility, improving operational efficiency, and fostering sustainable growth in the Indian insurance sector.

I. INTRODUCTION

The insurance sector in India is a cornerstone of the nation's financial system, providing a safety net against various risks and uncertainties for individuals, businesses, and institutions. With its origins tracing back to the establishment of the Oriental Life Insurance Company in 1818, the industry has undergone profound changes, particularly in the post-liberalization era of the 1990s. The sector operates through two main segments: life insurance, which focuses on financial security and long-term savings, and general insurance, which addresses short-term risks such as health, property, and motor insurance.

The liberalization of the insurance industry, marked by the establishment of the Insurance Regulatory and Development Authority of India (IRDAI) in 1999, led to significant growth, opening the sector to private and foreign players. This shift fostered competition, innovation, and the introduction of

customer-centric products, transforming the industry from a state-controlled monopoly to a dynamic, market-driven environment.

Despite notable progress, India's insurance penetration (premiums as a percentage of GDP) remains below the global average, reflecting substantial untapped potential. Factors such as low awareness, underinsurance in rural areas, and operational inefficiencies present ongoing challenges. However, technological advancements, government initiatives like Pradhan Mantri Fasal Bima Yojana and Ayushman Bharat, and increasing demand for tailored insurance products are driving the sector's growth.

This research paper aims to analyze the evolution, current trends, and challenges in the Indian insurance sector while exploring future opportunities for growth and development. The study also examines the role of the sector in promoting financial inclusion and strengthening the nation's economic resilience.

II. REVIEW OF LITERATURE

The insurance sector in India has been the subject of extensive research due to its critical role in economic development and financial inclusion. The following is a summary of key studies and their findings that provide insights into the evolution, performance, and challenges of the industry.

Several studies have traced the historical development of the Indian insurance sector, highlighting its transformation from a highly regulated, state-controlled market to a liberalized, competitive industry. Bawa and Ruchita (2011) discussed the pre-liberalization era, where the Life Insurance Corporation of India (LIC) and state-owned general insurers dominated the market. The study emphasized the impact of the 1999 IRDA Act, which introduced private players and foreign investments, fostering competition and innovation.

Research by Swiss Re (2020) found that despite India's position as one of the largest insurance markets in the world, its insurance penetration (premiums as a percentage of GDP) remains significantly lower than the global average. Studies by Kannan and Thangavel (2008) suggested that cultural factors, lack of awareness, and affordability are major barriers to higher penetration, especially in rural areas.

Recent literature has focused on the adoption of digital tools in the insurance industry. Singh and Nautiyal (2022) examined the use of artificial intelligence (AI), blockchain, and digital platforms in streamlining claims processing, enhancing customer experience, and reducing fraud. The study also noted how Insur Tech startups are reshaping the industry with innovative business models and personalized products

Research by Kumar and Mohan (2018) highlighted the importance of government-backed insurance schemes such as Pradhan Mantri Fasal Bima Yojana (PMFBY) and Ayushman Bharat. These initiatives have significantly contributed to increasing insurance penetration in underserved rural and semi-urban areas. However, challenges such as inefficient implementation and lack of awareness were noted.

Studies by Dash and Pathak (2017) analyzed the financial performance of public and private insurers, noting that private players have outpaced public insurers in terms of growth and innovation. However, public sector companies like LIC continue to hold a dominant market share due to their extensive reach and trust factor.

Sharma (2020) identified the key challenges facing the sector, including high operating costs, regulatory compliance, and competition. On the other hand, opportunities in areas like health insurance, microinsurance, and cyber insurance were emphasized, especially with the rise of a digital economy and increased awareness post-COVID-19.

III. NEED OF THE STUDY

With a huge population base and large untapped market, life insurance industry has a big opportunity in India for National as well as foreign investors.

Till 1999 there was only one public Insurer—Life Insurance Corporation of India. Liberalization and privatization of the insurance sector has brought 23 private players till date and has offered tremendous opportunities. Now the state owned LIC has been compelled to review their philosophy and method of working in order to be ready for competition with private sector companies.

After liberalization the public life insurer's market share started declining year-by-year due to the ineffective marketing strategy adopted by the private players. In order to sustain in the market, players opt various innovative policies at affordable premiums and enhanced services to withhold their existing policy holders and to attract new ones. The survival of the company may depend on the proactive strategy in the product designing, marketing techniques, customized service and claim and settlement practices. This may have a direct impact on the productivity and financial efficiency of the insurers. This initiated the researcher to evaluate how these companies are performing in the post-liberalized period in India.

This raised the following questions:

What is the growth and progress of the life insurance companies in India after liberalization? Which factors are affecting the financial efficiency of the life insurance companies in India?

IV. OBJECTIVE OF THE STUDY

The following are the objectives of the study: To analyze the growth and progress of the Indian life insurance companies in post-liberalization period. To examine the factors influencing the financial efficiency of the life insurance companies in India. To offer findings and to make suggestions for the improvement of Insurance companies in India.

V. HYPOTHESIS OF THE STUDY

In this study the following hypotheses has been framed.

There is no significant difference among Gross premium, number of companies, claims paid, operating expenses, commission expenses, income from investment, number of agencies, number of policies, and profitability.

Research Methodology

By carrying out Analytical study the performance of life insurance companies in India are determined.

Data and Sources of Data

The present study is based on secondary data. Data for this study are obtained from the IRDA (Insurance Regulatory Development Authority) annual reports, Bulletins and statement of accounts of the various Life Insurance Companies.

Period of the Study The study covers a period of ten years from the accounting year 2013- 2014 to 2023

TABLE -1 INSURANCE COMPANIES IN INDIA

SNO.	LIFE INSURANCE COMPANY	DATE OF INCORPORATION
1	Life insurance corporation of India	1 September 1956
2	HDFC life insurance	14 August 2000
3	ICICI prudential life insurance	20 July 2000
4	SBI life insurance	11 October 2000
5	STAR HEALTH	12 March 2001
6	Reliance life insurance	14 May 2001
7	Aditya Birla sun life insurance	4 August 2000

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Sampling Design

Among 24 Life Insurers in India 12 life insurance companies have been selected through Purposive sampling method. The selection method is based on the first date of incorporation of the life insurance companies. The following table shows the list of insurance companies selected for this study.

LIST OF COMPNIES INCLUDED IN THE PRESENT STUDY

COMPARISON OF FINANCIAL RATIOS WITH DIFFERENT LIFE INSURANCE COMAPNIES

Financial ratios	LIC	HDFC LIFE	ICICI PRUD.	SBI LIFE	STAR HEALTH INSURNACE	RELIANC E LIFE	ADITYA BIRLA
Current ratio	3.09	1.03	1.29	1.93	0.16	1.09	6.03
Quick ratio	3.09	1.03	0.19	1.93	0.16	0.74	6.03
Inventory turnover ratio	0.00	0.00	0.00	0.00	0.00	5.62	0.00
Dividend payout ratio	10.88	26.03	10.12	14.27	0.00	14.48	0.00
Earning retention ratio	89.12	73.97	89.88	87.05	100	85.52	100
Asset turnover ratio	0.17	0.30	0.32	0.28	0.83	0.58	0.07
Net profit margin	4.82	1.86	2.44	2.06	4.01	7.86	8.02
Return on assets	0.76	0.51	0.31	0.85	2.77	4.38	1.33

MARKET CAPITALISATION OF LIFE INSURANCE COMPANIES

S.NO.	LIFE INSURANCE COMPANY	MARKET CAP
1	Life insurance corporation of India	5.60 TRILLION
2	HDFC life insurance	1.48 TRILLION
3	ICICI prudential life insurance	984.46 BILLION
4	SBI life insurance	1.48 TRILLION
5	STAR Health life insurance	290.09 BILLION
6	Reliance life insurance	181.89 BILLION
7	Aditya Birla sun life insurance	23,600 CR

VI. FINDINGS

IN THE TABLE OF FINANCIAL RATIOS AND MARKET CAP OF INSURANCE COMPANIES

- The current ratio of Aditya birla insurance is 6.01 it is the highest current ratio of different insurance life insurance companies in India and Star Health insurance has the lowest current ratio
- The query show of Aditya birla insurance is the highest Life insurance that is 6.03 mean while the Star Health insurance has the lowest quick ratio that is 0.16
- The Inventory turnover ratio of Reliance life is the highest that is 5.62 and all other companies have 0.00
- The Dividend payout ratio of HDFC Life has the highest that is 26.03 on the other side STAR health and Aditya Birla Life insurance has the lowest net profit ratio that is 0.0
- The Assets turnover ratio of STAR Health has is is the highest that is 0.83% on the other side the the Aditya Birla Sun Life insurance has the lowest that is 0.07
- Net Profit margin of Aditya birla Life insurance is 8.02 on the other side HDFC Life insurance has the ratio 1.07
- The return on assests of STAR health insurance is 4.38 (highest) and lowest return on assests of ICICI prudential insurance has lowest is 0.31

VII. SUGGESTIONS

- * The LIC has to innovatively alter the operating models, business processes, channel management and human resource strategy to control the operating expenses and the combined ratios to compete with private players.
- * With the entry of private insurers in life insurance business, it is obvious that some proportion of new business will go in the hands of private life insurers. At this stage LIC is in urge to retain its customers.
- * In order to increase the growth rate, the insurance companies have to introduce many new products to suit the customer needs like pension plan, special group policies, etc.
- * The insurance company has to concentrate on the rural areas in order to increase the business.
- * The insurance companies should conduct more

extensive market research before introducing insurance products targeted at specific segments of the population so that insurance can become more meaningful and affordable.

VIII. CONCLUSION

The existence of life insurance companies is found even before nationalization in India. After nationalization the Life Insurance Corporation of India was incorporated by the constitution. The liberalization, privatization and globalization policies has made the insurance companies in India to expand their business territory across the globe. On the other hand many foreign insurance companies have also entered into Indian insurance market. The present scenario reveals that the growth of insurance business of private sector companies has been higher than that of government sector. The competition has become hectic between them, which ultimately benefits the consumer

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