

The Growth Indian Insurance Industry In Current Market Trends

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Abstract—The insurance sector is essential to the economic growth of every nation. Because it offers some assurance in the case of an unanticipated, loss-causing disaster, a robust insurance industry encourages risk-taking in the economy. Additionally, it offers family members much-needed assistance in the event of a health or life loss. Insurance firms' assets serve as a pool for investments in long-term initiatives like infrastructure development since they are long-term capital. India's insurance sector has expanded in tandem with the nation's economic growth. Numerous insurance firms in the nation are growing their businesses in both the public and private sectors. Over the past few decades, the Indian insurance industry has undergone significant change and has been making a substantial contribution to the nation's economic growth. This industry has changed from being controlled by a single company, Life Insurance Corporation (LIC), to becoming a sector with multiple companies providing a wide range of products that are suited to the demands of the clients. Numerous causes, including demographic changes, technical advancements, economic growth, and heightened consumer awareness of insurance's ability to provide financial security—particularly in the wake of the COVID-19 pandemic—have contributed to the transformation. Despite the suite of reforms that have been implemented to stoke the sector's growth, it still has a long way to go, as its share in the global insurance market remains low. As we will discuss in the paper less investment in insurance products, the dominant position of public sector insurers and their deteriorating financial health are some of the challenges facing the sector. Since India's economic growth depends on how shock-absorbent India's economy is, addressing these challenges assumes importance for developing a sound insurance sector.

Index Terms—Insurance, India, Life Insurance, Challenge, Development, Economy

I INTRODUCTION

India's insurance market has advanced significantly since its early days, when it was heavily regulated and

controlled by a small number of public sector insurers. India gave up public sector exclusivity in the insurance business in favour of market-driven competition when the Insurance Regulatory and Development Authority Act was passed in 1999. The industry has seen significant changes as a result of this transformation. International insurers have entered the market, new products and distribution channels have proliferated, and supervisory criteria have increased as a result of the start of a new age in insurance development. There are valid reasons to believe that the momentum of growth can continue. Specifically, there is enormous unrealised potential in a number of market categories. Despite the country's high vulnerability to natural disasters, there is a lack of insurance to lessen the financial impact of these unfavourable occurrences. The same is true for health and pension insurance, where insurers can be quite helpful in filling up supply and demand gaps. Significant modifications to national insurance laws and economic policies will underscore these sectors' future prospects. There are currently 59 insurance companies in India, 24 of which are involved in life insurance and 35 of which are non-life insurers, including re-insurers (IRDAI). In India, the life insurance industry has a substantial 74.7 percent of the insurance market, while non-life insurance makes up the remaining 25.3% (IRDAI, 2018). The insurance industry in India has expanded at a compound annual growth rate (CAGR) of 16.5% over the last 17 years or so. Nonetheless, the Indian insurance market's penetration and density are pitifully low, which reflects the industry's underdeveloped state.

II CONCEPTUAL FRAMEWORK-

EVOLUTION IN INDIA-

Even though private and foreign competitors have been allowed to enter the Indian insurance market and private sector insurers are progressively growing their

market share, the public sector insurers still control the majority of the market. In recent years, India's insurance industry has undergone a paradigm shift, moving from an exclusive state monopoly and a closed market to one that is open and competitive. India's insurance industry has experienced impressive expansion. Compared to their international counterparts, who saw an increase of 1.5%, India's overall insurance premiums rose at a faster pace of 10.1% in 2017 (IRDAI, 2018). With its massive market share, life insurance still holds a dominant position.

The introduction of novel products, such as unit-linked insurance plans in the life insurance industry and new distribution channels, has altered the sector's product mix. The Life Insurance Corporation (LIC) is the only public sector organisation among the 24 life insurers that are now active in the Indian market. The non-life insurance market is expanding due to the motor, health, and crop insurance sectors. Six public sector insurers are among the 35 non-life insurers. In addition to these, General Insurance Corporation of India (GIC Re) is the only national re-insurer. Individual and corporate agents, brokers, surveyors, and third-party administrators handling health insurance claims are additional participants in the Indian insurance industry.

In India, the insurance industry began in the 1800s. Only a small number of British insurance companies were present in the largest Indian cities at the time, and they catered to the market. The Indian Insurance Companies Act of 1928 made it possible for the government to compile data on the life and non-life insurance business conducted in India by foreign and Indian insurers, including provident insurance societies. In order to safeguard the interests of the insurance public, the Insurance Act of 1938 was the first comprehensive law to combine and amend previous laws with measures for efficient oversight of insurers' operations. Prior to independence, the sector was dominated by foreign insurers. In the period following 1956, the insurance products sold by the state owned LIC were mostly tax saving tools.

- NATIONALISATION-

Nationalisation was the first significant turning point in the post-independence era. A government-owned autonomous organisation known as the Life Insurance Corporation of India was formed on September 1, 1956, when the Government of India issued an order

combining 245 units (154 Indian insurers, 16 non-Indian insurers, and 75 provident societies). A growing number of insurance companies, intense competition, and claims of unfair trade practices all played a role in this judgement. The General Insurance Business (Nationalisation) Act of 1972 subsequently nationalised the general insurance industry as well. The General Insurance Corporation (GIC) was subsequently established as a private business in accordance with the Companies Act of 1956. One A total of 107 firms were consolidated, including 63 domestic and 44 international insurance.

- PRIVATISATION AND LIBERALISATION-

A powerful committee led by former RBI Governor R. N. Malhotra was established by the government in 1993 to examine the structure of the Indian insurance industry, identify its advantages and disadvantages, and analyse current regulations in order to recommend changes. The first of the committee's two key recommendations was to open the industry to private enterprises from both domestic and foreign countries, with foreign insurers joining the market through Indian companies that are floating (ideally in a joint venture with Indian partners). Second, it suggested creating the Insurance Regulatory and Development Authority (IRDA), an independent organisation, to oversee the insurance industry. On the basis of recommendations of the Malhotra Committee, the IRDA was constituted as an autonomous body in 1999 and as a statutory body in 2000. The monopoly accorded to the Life Insurance Corporation in 1956 and the General Insurance Corporation in 1972 was revoked with the enforcement of the IRDA Act, 1999. The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

- BANCASSURANCE-

The services of two distinct financial institutions—banks and insurance—are combined to form bancassurance, or banc + assurance. In this collaboration, a bank uses its network channels to offer the partner insurance company's product. Through this collaboration, banks receive more non-interest revenue, clients receive a variety of services under one roof, and insurance companies can use banks' channels to reach a larger customer base. The IRDAI issued a

notice on "Corporate Agency" regulations in 2002. The guidelines allow banks to market insurance products to their clients and serve as agents for one life and one non-life insurer. The bancassurance market is growing worldwide, particularly for life insurance and especially in the Asia-Pacific region. The research and consulting firm IMARC Group says the global bancassurance market reached a value of \$1.268 trillion in 2021. IMARC expects the market to continue to grow at a compound annual rate growth of 5.9% and attain a value of \$1.802 trillion by 2027. A major factor driving the trend: a growing "geriatric population with greater need for health and life insurance as well as retirement plans.

- **MERGER OF PUBLIC SECTOR ENTERPRISES-**

The Union Budget 2018-19 proposes to combine three public sector general insurers—National Insurance Company Limited, United India Assurance Company Limited, and Oriental India Insurance Company Limited—into a single organisation that will thereafter become public (PIB, 2018). In addition to attaining scale and efficiency, this combination is anticipated to result in value unlocking, resource optimisation, and spending rationalisation. Nevertheless, as of yet, no precise deadline has been established in this respect (Lok Sabha, Parliament of India, 2019).

III INSURANCE SECTOR IN INDIA AT A GLANCE-

The majority of private sector insurers joined the market within ten years of the insurance industry's opening, and the nonlife, freestanding health, and reinsurance sectors have seen the most recent additions. Even though there are fewer public sector insurers, their market share is larger. The market share of private sector insurers is gradually growing in both the life and non-life segments. From 2% in FY03 to 33.8% in FY19, the private sector's share of the life insurance market has increased.

- **PENETRATION AND DENSITY-**

India's insurance industry has grown at a compound annual growth rate (CAGR) of 16.5% over the last 17 years. The Indian insurance industry is still very underdeveloped in terms of both penetration and density. The measure of insurance penetration and density measures the extent of development of the insurance sector in a country. Insurance density is

determined as the ratio of premiums to population (per capita premium), whereas insurance penetration is determined as the percentage of insurance premiums to GDP (IRDAI, 2018). According to IRDAI data, insurance penetration in India increased by just 1 percentage point over the previous 16 years, from 2.7% in 2001 to 3.7% in 2017. Nonetheless, there was a double-digit increase in insurance density.

India's insurance penetration is lower in both life and non-life insurance sectors compared to advanced countries. In 2017, insurance penetration was 11.6 per cent in South Korea, 9.6 per cent in the United States, 8.2 per cent in Singapore, 7.1 per cent in the UK, and only 3.7 per cent in India. India's insurance density is very low compared to the advanced economies even after the reforms. India's insurance density in 2017 is USD 73, whereas Singapore's density is USD 4749, and United States' insurance density is USD 4216. A similar situation prevails in the case of life and non-life insurance penetration and density.

- **REINSURANCE SECTOR-**

Reinsurance, or insurance for insurance businesses, is the process by which insurers shift some of their risk to reinsurers so that they may focus their efforts on their primary business. Because reinsurers provide technical services and risk coverage, this increases the insurers' capability. For insurers, the presence of reinsurers also reduces volatility. One can evaluate the Indian experience with reinsurance in light of both the liberalisation and nationalisation of the general insurance industry. The general insurance industry was nationalised under the General Insurance Business (Nationalisation) Act, 1972 (GIBNA). Following its incorporation, the General Insurance Corporation (GIC) continued to collect mandatory cessions of 20%. GIC took on the role of a parent organisation overseeing the general insurers following the merging of the previous general insurance businesses. It also handled reinsurance for insurers with a shared integrated reinsurance program. The Indian reinsurance market has been significantly shaped by these developments. A specific percentage of the sum insured on each general insurance policy, as determined by the authority, must be reinsured with an Indian reinsurer or reinsurers, as required under section 101A of the Insurance Act 1938. The modest to medium risks in the portfolios of domestic enterprises were the reason for the low level of reinsurance prior to nationalisation. The Indian

Insurance Pool's membership of regional businesses achieved little to further reinsurance's national reach. The Insurance Regulatory and Development Authority Act, 1999, went into force in the post-liberalization period. A change to GIBNA was proposed under the Act, ending GIC and its subsidiaries' exclusive privilege. GIC was reclassified as a national reinsurer, and its supervisory responsibility over its subsidiaries was eliminated. GIC ceased to be a holding company of its subsidiaries (GIC) on March 21, 2003, when the General Insurance Business (Nationalisation) Amendment Act 2002 went into effect. The insurance sector was left in charge of setting up its own reinsurance coverage when the Government of India acquired ownership of the four subsidiaries and GIC.

- **TIMELINE OF INDIAN INSURANCE INDUSTRY-**

1938–72: Establishment of LIC- The years prior to 1938 were characterised as a turbulent time for India's insurance industry. Following the passage of the 1938 Insurance Act, which set strict regulations to oversee the insurance industry in India, the insurance sector was regulated. As part of the nationalisation act, several insurance businesses were combined to become the Life India Corporation (LIC) in 1956, following independence. Protecting policyholders against mismanagement and expanding the insurance industry's presence in India were the primary goals of this action. In 1972, the General Insurance Corporation of India (GIC) was established by nationalising the general insurance industry.

1993–1999: IRDAI-A committee headed by Mr. R.N. Malhotra, the Reserve Bank of India (RBI) governor at the time, was established in 1993 to make suggestions for changes to the country's insurance industry. This committee's primary goal was to allow private companies to enter the insurance industry. The Insurance Regulatory and Development Authority of India (IRDAI) was established in 1999 with the goal of promoting and regulating the insurance industry while maintaining financial stability. The duopoly of LIC and GIC was broken when IRDAI was established as the official regulatory agency for the insurance industry in India.

2000–17: The emergence of government programs and an increase in private players-As more private companies entered the Indian insurance market after liberalisation, the insurance sector saw a notable surge in foreign investment. The ordinance raising the FDI

cap in the insurance industry from 26% to 49% was approved by the government in December 2014. An estimated US7-8 billion in investments would result from this. Since 2015, the government has mostly concentrated on implementing different insurance programs that are intended to improve the welfare of the populace. The government launched the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojna (PMSBY) in 2015.

Investment growth and the COVID-19 epidemic since 2017- The amount of money raised by insurance companies has significantly increased as a result of numerous government reforms over the past few decades and the emergence of private participants in the insurance industry. The COVID-19 pandemic's unpredictability made it clear that people needed to purchase insurance products, such as life insurance, to boost their financial security. More investments were made possible by the 2021 passage of the Insurance Amendment Bill, which increased the FDI restrictions through the automatic route from 49% to 74%. The biggest insurance business in India, LIC, chose to go public in 2022 and raised Rs. 21,000 crore (US\$2.51 billion), which was the country's largest initial public offering (IPO).

IV CHALLENGES AND ISSUES-

LACK OF AWARENESS ABOUT INSURANCE-

Life is unpredictable, it is impossible to foresee every conceivable outcome. Nonetheless, earning money is always necessary to sustain oneself and one's dependents. To comprehend how various occurrences affect our lives and our families' quality of life, financial planning is necessary. It's similar to creating scenarios and figuring out what financial needs we might have at different points in our life, then attempting to lower the financial risks we face by adopting proactive measures to protect against at least some of these hazards. It is currently the insurers' responsibility to raise awareness of insurance, its value and advantages, IRDA, etc. Both LIC and private insurers have already begun it by running advertisements in various media. consumers and potential consumers will also gain a deeper comprehension of the specifics of different insurance packages during the process.

LOW PENETRATION LEVEL OF INSURANCE IN RURAL AREAS-

There is no denying that there is a lot of room to expand the number of people covered by insurance, but only if the appropriate kinds of goods and services are offered to customers. The low insurance penetration rate among the vast majority of people living in rural areas of the nation is a significant barrier to the unrestricted extension of insurance coverage. Despite having the greatest need for insurance, this group is also the least able to pay for it. In order to create a rural insurance market and improve the overall rural economic climate, it is imperative that the rural populace receive basic insurance education and understanding.

NEGLECT OF POPULATION BELOW POVERTY LINE-

After they retire, employees in the organised sector receive pensions. Individuals who work in the unorganised sector and earn a lot of money can plan for a steady income once they retire. This is where life insurers' pension products come into play. However, the people who suffer the most in old age are those who work in the unorganised sector and earn extremely low wages, i.e., those who live below the poverty line, because they have no other choice. It was found during this survey that none of the individuals living below the poverty level had any form of insurance, and they have no plans to purchase insurance anytime soon. Their usual reaction was that they couldn't afford the premium. In terms of rural penetration, the share of rural business in total volume of insurance business is still low in India. Although it was expected that along with the growth in insurance penetration and density, liberalisation will spread insurance to rural areas and social sectors via micro insurance, this has not happened.

UNSATISFACTORY LEVEL OF CUSTOMER EXPERIENCE-

If maintained consistently, enhanced customer service, prompt attention to client demands, and ease of access are the main components of successful customer retention. The majority of clients leave their insurance company due to the provider's uncaring attitude. Before choosing a policy, a person should be informed of all the possibilities available to him, as his insurance needs change over time. All relevant documentation

ought to be written in plain English. Most policyholders believe that after-sales service is a crucial component. Inadequate grievance redressal procedures, high lapsation rates, and slow and unsatisfactory claim settlement are all aspects of customer service.

HIGH LAPSATION RATES-

One element that negates the purpose of insurance is a high rate of lapsation. This demonstrates that the way insurance is typically promoted in India is incorrect. A friend or family member who works as an insurance salesperson coerces (emotionally blackmails) a potential customer into purchasing an insurance policy. This poorly understood insurance product burdens the policyholder, who may fail to pay the subsequent premium and the policy will expire. Furthermore, people frequently get policies only for this purpose and then forget about them later since they are only worried about their tax deductions in a given year.

V INVESTMENTS AND RECENT DEVELOPMENTS-

- India's non-life insurance market grew significantly in the fiscal year 2023–2024, mostly due to the rise of health and auto insurance. While auto insurance reached Rs. 91,781.3 crore, up 12.9%, health insurance premiums topped Rs. 1 trillion, up 20.2%.
- Axis Bank Limited's subscription of 14,25,79,161 equity shares of Max Life Insurance Company Limited was authorised by CCI in April 2024.
- The merger of Shriram LI Holdings Private Limited (SLIH) and Shriram Life Insurance Company Limited (SLIC) was authorised by CCI in January 2024.
- UK and India have decided to establish a collaboration to increase cross-market investment by the insurance and pension sectors, as announced in September 2023.
- Tata AIA Pro Fit, a ULIP plan with benefits of critical illness cover, was introduced in August 2023.
- The insurance industry in India grew in 2000 as a result of the entry of new private sector businesses.

- In 2000, India permitted private corporations to operate in the insurance market, with a 26% FDI cap. This was raised to 49% in 2014, and then to 74% in the Union Budget (February 21).
- In the non-life insurance industry, private sector firms' market share increased from 15% in FY04 to 49.3% in FY21.
- Private insurers such as HDFC, ICICI, and SBI have been fierce rivals in the Indian insurance market, offering both life and non-life insurance products.
- The Life Insurance Corporation (LIC) of India's initial public offering (IPO) was the biggest in India's history and the sixth largest in the world in 2022. More than one-third of the money raised in the primary stock market up until November 2022 came from the IPO of LIC.
- By 2026, the Indian insurance market is projected to grow to a value of US\$222 billion.
- New health insurance products can now be introduced by insurers without IRDAI approval. Group insurance products were previously granted flexibility, but retail goods are now subject to the new standards as well.
- PhonePe declared in August 2021 that it has obtained IRDAI's preliminary approval to serve as a broker for general and life insurance products. Consequently, the business is now able to provide its 300+ million users with insurance advice.
- With a 10.11% increase over the previous year, LIC's individual assurance business generated a record first-year premium income of Rs. 56,406 crores in FY21.
- Gross direct premiums for non-life insurers (which include general insurers, independent health insurers, and speciality insurers) increased by 16.4% in FY23. Driven by substantial growth from general insurance companies, gross premiums written off by non-life insurers in India increased from US\$ 28.14 billion in FY22 to US\$ 31 billion in FY23 and US\$ 17.29 billion in FY24 (till September 2023).
- In August 2021, ICICI Prudential Life Insurance tied up with the National Payments Corporation of India (NPCI) to provide a unified payments interface autopay.

VI LEGAL REGIMES AND GOVERNMENT INITIATIVES-

The Insurance Act of 1938, the Life Insurance Corporation Act of 1956, the General Insurance Business (Nationalisation) Act of 1982, the Marine Insurance Act of 1963, and the Motor Vehicles Act of 1988 are the primary laws governing the insurance industry. The majority of the terms of an insurance contract are governed by the Indian Contract Act of 1872. Aspects of insurance are also governed under the Indian Stamp Act, the Income Tax Act of 1961, the Foreign Exchange Management Act of 2000, and the Hindu and Indian Succession Act.

A new state pension plan, which is exclusively offered by the Life Insurance Corporation of India (LIC), was unveiled on October 2, 2003, as part of the central government's 2003–04 budget in response to the growing strain of a government-subsidized pension system. However, after a year, the Varishtha Pension Bima Yojana, the new product, was cancelled. In return for a one-time lump sum payment to the LIC, people over 55 could receive benefits of INR 250 to INR 2,500 each month. A nominal rate of return of 9% per year is assured.

The Government of India has launched various schemes for the development of insurance industry in India. The 2024–2025 Interim Budget seeks to increase farmers' incomes and improve value addition in agriculture. In addition to offering crop insurance to 4 crore farmers and increasing investment in post-harvest activities. The Union Budget 2023–24 has suggested limiting the income tax exemption on the revenues of high-value life insurance policies. The proposal, which was made with a focus on better targeting tax exemptions and concessions, would exempt income from life insurance contracts with a total premium of up to Rs. 5 lakhs from taxes. The Pradhan Mantri Fasal Bima Yojana (PMFBY), the government's premier crop insurance program, has significantly increased crop insurance premium revenue.

The goal of Ayushman Bharat (Pradhan Mantri Jan Arogya Yojana) (AB PMJAY) is to cover secondary and tertiary care hospitalisations with a health benefit of Rs. 5 lakh per family annually. During FY23, 44.6 crore people received insurance coverage under the PM Jeevan Jyoti Yojana and PM Suraksha Bima. The Indian government intends to sell a 7% interest in LIC

in 2022 for Rs 50000 crore. This is India's biggest initial public offering. The Indian government and the World Bank inked a deal in November 2021 for a US\$40 million initiative aimed at improving Meghalaya's health services, particularly the state's health insurance scheme.

The Union Budget 2021 raised the insurance FDI cap from 49% to 74%. The Insurance Regulatory and Development Authority (IRDAI) of India has declared that insurance companies are issuing digital insurance policies using Digi locker. Ms. Nirmala Sitharaman, the finance minister, stated in the Union Budget 2021 that LIC's IPO will take place in FY22 as part of the banking and insurance industry's convergence. A Rs. 50 lakh insurance coverage policy for healthcare professionals in India was extended by the government in June 2021 for a further year. The Finance Ministry declared in February 2021 that it will invest Rs. 3,000 crores in state-owned general insurance firms in order to strengthen their overall financial standing.

VII THE ROAD AHEAD-

Throughout the 20th century, modifications to India's insurance legislation became incredibly complex. It would have been hard to predict just a few years ago that the IRDA Act of 1999 would re-enforce the 1938 Insurance Act. Some significant abnormalities resulted from this juxtaposition of laws. The Law Commission was tasked with looking at these issues for potential future amendments in order to simplify regulations and get rid of these irregularities. Combining some of the provisions of the Insurance Act and the IRDA Act is one of the Law Commission's main recommendations. By centralising all of the provisions, this will make it easier for market practitioners to comprehend the function of IRDA. Additionally, this will facilitate future adjustments in response to shifting market conditions.

In addition to its administrative powers, the IRDA also has quasi-judicial authority over the business operations of insurers. For example, it can issue, renew, and cancel registration certificates to insurers, issue orders pertaining to the investigation of insurers' affairs, and petition the court to wind up insurance companies, among other things. A provision for appeal against IRDA rulings to an independent body established under the Act itself is deemed necessary. Under the Redressal of Public Grievances Rules, 1998,

customers can file a complaint with the Ombudsman if they are unhappy with an insurance firm, especially when it comes to claims settlement.

India's legal system for regulating insurance is currently developing. There may be more realignments in the future with regard to mandatory insurance, non-life tariffs, and foreign equity stakes. Even with its broad, even contradictory, scope of authority, the IRDA has managed to establish itself as an impartial, forward-thinking, and effective regulator. The life insurance sector appears to have a bright future thanks to a number of legislative framework reforms that will also affect how the sector interacts with its clients and conducts business. As the middle class grows, people become more aware of the value of insurance, and technology advances, the industry is predicted to develop even more.

As life expectancy rises, advantageous savings and more jobs in the private sector are anticipated to increase demand for pension plans. Over the next three to five years, the nation's life insurance market is predicted to grow by 14–15% a year. IoT's use in the Indian insurance industry extends beyond client risk assessment and telematics. At the moment, India is home to more than 110 InsurTech start-ups. In the past, the Indian government has played a crucial role in increasing the scope of the insurance sector through various policies and schemes. This trend will continue in the further through schemes like the Pradhan Mantri Fasal Bima Yojana (PMFBY) providing crop insurance and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) providing life insurance coverage to the youth at an affordable price.

Insurance companies must demonstrate a sustained commitment to the industry, create products that are acceptable for rural populations, and employ suitable distribution channels in order to realise this potential. Before they can effectively enter this market, insurers will need to focus on the traits of the rural workforce, such as the preponderance of erratic revenue sources and a desire for basic good

VIII CONCLUSION-

One of the world's most promising new insurance markets is India. Within the next ten years, its premium volume, which is currently USD 18 billion, might rise to USD 90 billion. Specifically, life insurance, which accounts for 80% of premiums at the moment, is

predicted to drive the expansion. Strong economic fundamentals, an expanding middle class, a better regulatory environment, and growing risk awareness are the main motivators. When India decided to open the local insurance market to foreign and private sector enterprises in 2000, it may have set the stage for future potential realisation. Eight general insurers and thirteen private life insurers have since entered the Indian market.

Importantly, despite the 26% foreign ownership restriction, foreign players invested in the majority of these new businesses. Thus far, established state-owned insurance firms have been able to compete and maintain their leading positions in the market. However, in the short to medium term, their market share is probably going to decrease. Therefore, significant progress has already been made, but if the market is to reach its full potential, significant obstacles still need to be removed. In order to properly balance insurance solvency and investment flexibility, India must first further liberalise its investment regulations for insurers. Less intrusive regulations would also be advantageous for the life and non-life insurance industries. In addition, the rapid growth of insurance business will put increasing pressure on insurers' capital level. The current equity holding ceilings, however, could limit the ability of new companies to rapidly inject capital to match business growth.

This paper has evaluated the development and expansion of the insurance industry in India and noted the obstacles that have prevented it from progressing. After undergoing significant growth and development, it has transformed from a public monopoly and restricted market to one that is open and competitive. The Indian insurance industry still has a long way to go before it can be compared to the insurance industries of other developed nations, despite the implementation of a variety of reform initiatives. India has a pitifully small market share in the global insurance industry. The fundamental issues must be resolved if it hopes to increase its market share internationally.

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