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ANALYSIS OF INDIAN LIFE INSURANCE COMPANIES ON FINANCIAL GROWTH OF INDAIN FINANCIAL SYSTEM

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ABSTRACT:
India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payments banks to be created recently thereby adding to the types of entities operating in the sector. However, the financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64 per cent of the total assets held by the financial system. The financial services sector has been an important contributor to the country gross domestic product (GDP) accounting for nearly 6 per cent share in 2014-15. The Government of India has introduced several reforms to liberalise, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for Micro and Small Enterprises, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by both government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

KEY WORDS: financial sector, commercial banks, insurance companies

INTRODUCTION:
In this paper, the researcher highlights the origin and growth of the concept of Insurance. This paper deals with how the life insurance business was practised during the pre and post nationalization period and also how it is being practised after the implementation of the IRDA Bill in India and the opening up of the private sector in the life insurance business in the post liberalization period. Further, it highlights the origin and growth of the SBI life insurance. The secondary data available in various books, journals and articles published in newspapers have been utilized in the preparation of the paper.

MARKET SIZE:
The size of banking assets in India reached US$ 1.4 trillion as on August 21, 2015 and is expected to touch US$ 28.5 trillion by FY25. Banks total credit stood at US$ 1 trillion. The Association of Mutual Funds in India (AMFI) data show that assets of the mutual fund industry have hit an all-time high of about Rs 12.5 trillion (US$ 188 billion) as of August 2015. During April 2014 to February 2015 period, the life insurance industry recorded a new premium income of Rs 90,579 crore or US$ 13.6 billion. The general insurance industry grew at a rate of 9.3 per cent at Rs 0.84 trillion (US$ 12.6 billion) in 2014-15 from Rs 0.77 trillion (US$ 11.6 billion) in 2013-14.

India's life insurance sector is the biggest in the world with about 360 million policies, which are expected to increase at a compounded annual growth rate (CAGR) of 12-15 per cent over the next five years. The insurance industry is planning to hike penetration levels to five per cent by 2020, and could top the US$ 1 trillion mark in the next seven years. The total market size of India's insurance sector is projected to touch US$ 350-400 billion by 2020. India is the fifteenth largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially in the coming years. Life insurance penetration in India is just 3.9 per cent of GDP, more than doubled from 2000. A fast growing economy, rising income levels and improving life expectancy rates are some of the many favorable factors that are likely to boost growth in the sector in the coming years. Investment corpus in India's pension sector is expected to cross US$ 1 trillion by 2025, following the passage of the Pension Fund Regulatory and Development Authority (PFRDA) Act 2013.

EVOLUTION OF INSURANCE:

The origin of insurance is lost in antiquity. The earliest traces of insurance in the ancient world are found in the form of marine trade loans or carrier contracts which included an element of insurance. Evidence is on record that arrangements embodying the idea of insurance were made in Babylonia and India at quite an early period. In the Rig-veda, the most sacred book of India, references were made to the concept 'Yogakshema' more or less akin to the wellbeing and security of the people. Turning to insurance in the modern sense, the early methods of transferring or distributing risk were practised by Chinese and Babylonian traders as long ago as the 3rd and 2nd Millennia B.C, respectively. Chinese merchants travelling treacherous river rapids would redistribute their wares across many vessels to limit the loss due to any single vessel capsizing. The Babylonians developed a system which was recorded in the famous code of Hammurabi. C. 1750 BC, and Practised by the early Mediterranean sailing merchants. If a merchant received a loan to fund his shipment, he would pay the lender an additional sum in exchange for the lenders guarantee to cancel the loan should the shipment be stolen or lost at sea, the codes of Hummurabi and of Manu had recognized the advisability of provision for sharing the future losses. However, there is no evidence that insurance in its present form was practised prior to the twelfth century.

HISTORY OF INSURANCE IN INDIA:

In India, insurance has a deep rooted history. It finds mention in the writings of Manu (Manusmrithi). Yagnavalkya (Dharmasastra) and kautilya (Arthasastra). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers contracts. Insurance in India has evolved overtime heavily drawing from other countries, England in particular. 1818 saw the advent of life insurance business in India with the establishment of the Oriental Life Insurance company in Calcutta. This company however failed in 1834. In 1829, the Madras equitable had begun transacting life insurance business in the Madras presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era, however was dominated by foreign insurance offices which did good business in India, namely the Albert Life Assurance, the Royal Insurance Liverpool and the London Globe Insurance and the Indian Offices were up for hard competition from the foreign companies.

In 1914, the Government of India started publishing returns of insurance companies in India. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non life business transacted in India by Indian and foreign insurers including provident insurance societies. In 1938, with a vision to protecting the interest of the insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers.

The Insurance Amendment Act of 1950 abolished principal agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize the insurance business.

An ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and the life insurance corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non Indian insurers as also 75 provident societies - 245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the insurance sector was reopened to the private sector.

NATIONALIZATION OF INSURANCE IN INDIA:

There were 154 Indian insurers, 16 non Indian insurers and 75 provident societies carrying on life insurance business in India till 1956. Life Insurance business was mainly concentrated in cities and in the better off the segments of the society. There was no uniformity among them in functioning. Hence, the Government thought to nationalize the industry. The root causes to nationalize the insurance business in India are listed below.

1. No security to the investment of the policyholders.
2. Unsatisfactory performance of private business in this sector.
3. Lack of surety of getting claims by policyholders.
4. Liquidation of insurance companies due to bankruptcy.
5. Diversion of the resources raised through policyholders to other
6. business activities by the management.
7. Serious complaints of misuse of funds by many insurance companies.
8. Requirement of substantial funds for launching five year plans.
9. Extending the benefits of life insurance to rural areas.

LIFE INSURANCE OF INDIA:

Life Insurance is the fastest growing sector in India since 2000 as the Government allowed Private players and FDI up to 26per cent. Life Insurance in India was nationalised by incorporating the Life Insurance Corporation (LIC) in 1956. All private life insurance companies at that time were taken over by the LIC. In 1993 the Government of the Republic of India appointed the RN Malhotra Committee to lay down a road map for the privatisation of the life insurance sector. While the committee submitted its report in 1994, it took another six years before the enabling legislation was passed in the year 2000 legislation amending the Insurance Act of 1938 and legislating the Insurance Regulatory and Development Authority Act of 2000. The same year that the newly appointed insurance regulator-Insurance Regulatory and Development Authority IRDA-started issuing licenses to private life insurers.

ENTRY OF PRIVATE SECTOR IN INSURANCE:

This millennium has seen insurance come a full circle in a journey extending to nearly 200 years. The process of the reopening of the sector had begun in the early 1990s and the last decade and more has seen it been opened up substantially. In 1993, the Government set up a committee under the chairmanship of R.N. Malhotra, former Governor of the RBI, to propose recommendation for reforms in the insurance sector. The object was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry. They suggested that foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.

LIFE INSURERS IN PRIVATE SECTOR:

Following is the list of private life insurance companies granted permission by IRDA.

1. SBI Life Insurance
2. Metlife India Life Insurance
3. ICICI Prudential Life Insurance
4. Bajaj Allianz Life
5. Max New York Life Insurance
6. Sahara Life Insurance
7. Tata AIG Life
8. HDFC Standard Life
9. Birla Sunlife
10. Kotak Life Insurance
11. Aviva Life Insurance
12. ING Vysya Life Insurance
13. Shriram Life Insurance
14. Bharti AXA Life Insurance Co Ltd
15. Future General Life Insurance Co Ltd
16. IDBI Fedaral Life Insurance
17. AEGON Religare Life Insurance
18. DLF Pramerica Life Insurance
19. IndiaFirst_Life_Insurance_Company
20. Star Union Dia-ichi Life Insurance Co. Ltd
21. Edelweiss Tokio Life Insurance Company Ltd

MARKET STRUCTURE:

It is important to understand the market structure of life insurance sector. LIC as a dominant player has gained an increase of 88%in new business premium income. Despite of uncertain environment, total premium of Life Insurance industry increase by 66% to Rs 62,361.34 crore in first six months of the current fiscal from Rs 39,046.59 crore in same period last fiscal. In 2010, life insurance companies witnessed new business premium collecting during first five months. According to LIC's recent filing with IRDA the total value of its investments from policy holders funds, as at June 30 2010, stood at Rs 867,935 crore as agencies Rs. 717,002 crore on June,2009, the value of investments in equity share has become 183,233 crore. Public sector Life Insurance Corporation of India (LIC) has clocked a robust 72.53 per cent jump in fresh premium collection in January 2009 leaving behind major private sector players, most of whom have posted negative growth in the month as compared to January 2008. Data released by insurance sector regulator IRDA shows that the first year premium of the life insurers for the period of December, 2010 is again predominantly in favour of LIC. Herein mentioned are some statistics given by IRDA regarding the individual single premium of several life insurers in December 20101 :- 1. Bajaj Allianz - 77.26 crore 2. ING vyasa - 2.58 crore 3. Reliance Life - 80.26 crore 4. SBI life - 248.54 crore 5. Tata AIG - 14.02 crore 6. HDFC standard - 136.72 crore 7. ICICI prudential - 251.97 crore 8. Birla Sunlife - 9.73 crore 9. Aviva - 21.57 crore 10. Max New York - 25.15 crore 11. Met Life - 33.86 crore 12. Shriram Life - 44.90 crore 13. IDBI federal - 21.11 crore 14. Star Union Dai-ichi - 44.98 crore 15. LIC - 1774.43 crore

These are some top companies and there premium collected in December 2010 which clearly depicts that LIC has lucrative market dominance and other private players have a small market share. Such figures explain that LIC is a dominant entity and can influence competition in market negatively due to the regulation of the regulatory body and the government.

ORIGIN OF SBI LIFE INSURANCE:

The SBI Life Insurance is a joint venture between the State Bank of India and the Cardif SA of France. The SBI Life Insurance is registered with an authorised capital of `500 crore and a paid up capital of `350 crore. The SBI owns 74per cent of the total capital and Cardif the remaining 26per cent. State Bank of India enjoys the largest baking franchise in India. Along with its seven associate banks, the SBI Group has the unrivalled strength of over 14.000 branches across the country, the largest in the world. Cardif is a wholly owned subsidiary of the BNP Paribas, which is the Euro Zone's leading bank. The BNP is one of the oldest foreign banks with a presence in India dating back to 1860. It has 9 branches in the metros and other major towns in the country.

The Cardif is a vibrant insurance company specialising in personal lines such as long-term savings, protection products and creditor insurance. It has also been a pioneer in the art of selling insurance products through commercial banks in France and 29 more countries. The SBI Life Insurance's mission is to emerge as the leading company offering a comprehensive range of Life Insurance and pension products at competitive prices, ensuring high standards of customer service and world class operating efficiency. The company plans to make the insurance buying process quick, simple and based on well-informed judgment. In 2004 the SBI Life Insurance became the first company among private Insurance players to cover 30 lakh lives.

ORGANIZATIONAL SET UP OF SBI LIFE:

The organizational set-up of the SBI Life is operating with a five-tier structure. It consists of the Central Head Office, Regional Office, the Area Office, the Divisional Office and the Branch Offices. The Central Head Office is located at Mumbai. It performs the activities that are related to planning and development, research and surveys, investment of funds and also framing and administering the rules and laws of the company. Next to the central office, there are two categories of Zonal Offices Zone-1 and Zone-2 under the control of which Regional Officers are functioning. At present, there are 9 regional offices under Zone-1 and 9 regional offices under Zone-2. There are 629 offices across the country equipped with dedicated staff strength of 7300 (approx) team members. The company was unique as much as it opened 135 branches while the entire industry was consolidating contracting. All the branch offices work towards the goal of the corporation. The Divisional officers look after the activities of the branches in the areas allotted to them and control the working of the branches. They give directions to the branches from time to time for achieving the desired results. Almost every district has at least one branch office of the company. The branch office is the basic production unit of the company.

HIGHLIGHTS OF THE COMPANY:

Balancing profitability and growth, despite tough external conditions, the SBI Life Insurance has posted a record profit of `366 Crores increasing by 33 per cent and collected a total premium of `12,912 Crores, growing by 28 per cent over the financial year 2009-10. The new business premium collection stands at `7512 Crores, showing a remarkable increase of 7 per cent over the financial year 2009-10. This growth was complimented by a growth in renewal premium collection rising by 78 per cent to `5340 Crores in financial year 2010-11 from `3002 Crores in financial year 2009-10. Reflecting superior efficiency in business operations, the SBI Life maintained an expense to Gross written premium (GWP) of 6.84per cent. The company grew at a steady pace, increasing the branches by 135 and the number of employees by 1313.23 per cent of the total lives covered by the SBI Life came from the rural segment, testifying the company's approach towards life insurance inclusion. Additionally, 70.683 lives covered by the company came from the underprivileged social sector, leading to the company exceeding the minimum social and rural regulatory norms.

At the SBI Life, the company maintains sufficient liquidity, owing to sufficiently large inflow of funds compared to the outflow. The company diversifies the risk by incorporating a number of re-insurance companies and distributing the company's portfolio among them. As per the IRDA regulation the company takes into consideration the rating of the re-insurers to minimize default risk. The demographic assumptions are based on the company's experience on a best estimate basis, and likely changes are incorporated in these assumptions. Market assumptions are based on a combination of the current market conditions and likely future trends. Thus the SBI Life has been able to maintain sufficient solvency margins. Further, the company adopts stricter margin levels than the regulatory margin of 150 per cent to effectively mitigate the risk of regulatory breach as well as utilize the funds in an effective way.

Table-1
WORKFORCE COMPOSITION ON THE BASIS OF AGE:

Sl. No.	Age (Years)	Number of Employees	Percentage
1.	20-25	732	10.03
2.	26-30	2822	38.24
3.	31-35	1978	27.13
4.	36-40	984	13.49
5.	41-45 years	776	10.64
Total		**7292**	**100**

Source: Annual Report of SBI Life Insurance 2013- 2014.

The following table explains the workforce composition of the SBI Life on the basis of qualification.

Table 2
WORKFORCE COMPOSITION ON THE BASIS OF QUALIFICATION:

Sl.No.	Qualification	Number of Employees	Percentage
1.	Graduate	4242325	58
2.	Post Graduate	2769	37.97
3.	Engineering	126	1.73
4.	Legal Qualification	78	1.07
5.	Charted Accountant	32	0.44
6.	Others	131	1.79
	Total	**7292**	**100**

Source: Annual Report of SBI Life Insurance 2013- 2014.

SBI Life workforce strength stands at an impressive figure of 7292 employees as on 31st March 2011 showing a robust growth of 22 per cent over the previous financial years. SBI Life has drawn more than half of its human capital needs from the insurance sector itself, thereby hiring experienced insurance professionals. With the average age of employees at 32 years, the employees strength is a suitable blend of fresh blood and invaluable expertise.

CONCLUSION:

During the research, I came across several incidences making it evident that LIC is a dominant market player with more than 70% of market. 22 of the private insurers had managed a higher growth at 7% against 2% in the previous period, but they cumulatively lost 6% market share to the LIC, the only public sector insurer. The majorly belongs to LIV with more than 70 % of market share in respect to other private player market Dominance may not be per se wrong under competition Act but abuse of dominance is wrong. With major market share there seems a ground that the market does not provide for a level playing field in the market.

Level playing field is to be provided for a fair competitive environment which the commission undertakes to do. Sovereign guarantee of government to state owned LIC is giving it an unfair advantage to build trust in customers due to which LIC has a major life insurance market share. This paper briefly describes the evolution and history of life insurance and the insurance legislation in India. The emergence of IRDA and it rules and regulations to insurance industry were also discussed. This paper also signifies the origin, achievements and organizational set up of SBI life. The SBI life offers variety of life insurance products to satisfy the needs of different type of customers. By gradually extending its services to customers, the SBI life has become a multi- dimensional organization today among the private life insurance companies.

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