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# A Study on Performance of Life Insurance Industries in India

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**Abstract:** *Life insurance is more than just a financial investment. It is important to consider how to increase citizens' sense of security as well as how to mobilise resources for development. It creates a bridge connecting the present with the future. India's economy is currently among the fastest growing in the world. It is presently the third-largest economy in Asia and has entered the top 10 economies in the world in terms of Gross Domestic Product (GDP). In 2010–2011, the service sector's contribution to GDP grew at a 9.30% annual rate. Around the world, the insurance industry is evolving, and this change is having a ripple effect on the Indian market as well. The insurance sector is one that prioritises growth. In the past ten years, there have been many developments in India's life insurance industry. The economic environment that resulted from globalisation, privatisation, and liberalisation has presented insurers with a new problem. In order to meet the needs and demands of its clients, it must now be more competitive. India's life insurance sector presents a significant investment potential for domestic and international investors due to the country's massive population base and unexplored market. Due to changes in operating activities including the sale of new policies, the recruitment of active agents, the payment of commission to the agents, and the assessment of maturity value, the profitability of life insurance firms has also altered. Private sector company insurance industry growth has outpaced that of the public sector..*

**Keywords:** GDP, competitiveness, growth, economy, profitability, and life insurance..

## I. INTRODUCTION

One of the most fundamental components of the service sector in India is the life insurance industry. It is essential to the growth of our country's economy. In addition to protecting people against life risks, it also serves as a savings vehicle, a financial intermediary, a catalyst for investment activity, and a market stabiliser. This raises the level of living for the populace and creates long-term convertible money for national development.

Because they have a function that provides money for the widespread adoption of new technologies and the accumulation of capital funds, financial systems are a crucial component of the economic growth process. Financial systems that have been developed and are performing their functions well can boost efficiency in addition to economic growth. These features, which include small deposit orientation, are held by people to substantial investments. The investments are diversified to lower depositor risk and lower information gathering and evaluation expenses for projects that are used by specialised authorities.

In the past ten years, there have been many developments in India's life insurance industry. The economic environment that resulted from globalisation, privatisation, and liberalisation has presented insurers with a new problem. In order to meet the needs and demands of its clients, it must now be more competitive. The revisions helped raise the general public's awareness of the greater selection of insurance options and the prices provided by the market's rival insurers. Customers are well aware of their rights and available options for resolving complaints, as well as the gradual decontrol and purification of insurance product pricing. Nearly every sector of the industry has undergone a revolution thanks to the technical know-how, broad experience, and competence of global corporations that have partnered with Indian businesses.

India Life Insurance

The Bombay Mutual Life Assurance Society was the first business to offer Indians policies with "fair value" as of 1871. For the following one hundred years, only the wealthiest residents of major cities could afford life insurance. With the


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goal of providing life insurance to all facets of the population in the nation, the Life Insurance Corporation of India was established by an Act of Parliament known as the LIC Act 1956. The Loksabha and Rajyasabha both approved the much anticipated Insurance Regulatory and Development Authority (IRDA) Bill on December 2, 1999, opening the insurance market in India to private and foreign firms. Following the passage of this Act, the number of private players is steadily rising. There were 23 private players operating in India as of March 31, 2011.

## II. REVIEW OF LITERATURE

Three kinds of German life insurance companies—multichannel insurers, direct insurers, and independent agent insurers—were evaluated by Gamarra (2007) to be cost and profit efficient. Efficiency estimates for a sample of German life insurers for the years 1997–2005 are made using nonparametric DEA. The lack of comparable performance benefits of specialised insurers, which she discovered while testing a number of hypotheses, provides economic evidence for the coexistence of the various distribution systems. She also discovered proof of scale economies in the German life insurance sector.

Tone and Sahoo (2005) developed a new cost efficiency model to analyse the performance of India's Life Insurance Corporation (LIC) and were the first to assess the efficiency of the life insurance sector in India. The results reveal a considerable variability in the cost effectiveness rankings during a 19-year period. A drop in performance after 1994–1995 can be interpreted as evidence of growing allocative inefficiencies brought on by the significant upfront fixed costs LIC incurred in order to modernise its business practises. However, a dramatic improvement in cost effectiveness in 2000–2001 gives reason for hope that LIC may now be reaping the benefits of such modernization. They will benefit from this in terms of competing in the future. Results of a sensitivity analysis are mostly consistent with the study's primary conclusions.

India's life insurance sector presents a significant investment potential for domestic and international investors due to the country's massive population base and unexplored market. Life Insurance Corporation of India was the sole public insurer in existence till 1999. The insurance market has seen significant prospects and the introduction of 23 private companies since it was liberalised and privatised. To prepare for competition with businesses in the private sector, the state-owned LIC has now been forced to evaluate its guiding principles and operational procedures.

Following deregulation, the market share of state life insurers began to decrease yearly as a result of the private competitors' weak marketing tactics. Players choose a variety of innovative plans with reasonable premiums and improved services to retain their current policy holders and draw in new ones in order to survive in the market. The proactive approach to product creation, marketing strategies, personalised service, and claim and settlement procedures may determine the company's ability to survive. The productivity and financial efficiency of the insurers may be directly impacted by this. This inspired the researcher to assess how these businesses are doing in India in the years following liberalisation.

This led to the following inquiries:

What has happened to India's life insurance industry since liberalisation in terms of growth and development? What elements are influencing the financial viability of Indian life insurance companies?

Following are the answers to the questions-

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 has 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. 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.

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## III. CONCLUSION

Before India's nationalisation, life insurance businesses were already in operation. The constitution established the Life Insurance Corporation of India following nationalisation. Global business territory has been expanded by Indian insurance businesses as a result of the liberalisation, privatisation, and globalisation policies. On the other hand, the Indian insurance sector has seen the entry of numerous foreign insurance companies. The current situation shows that private sector company insurance business growth has outpaced government sector expansion. They are in fierce competition with one another, which ultimately benefits the consumer. 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 have 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 consumers.

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