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Periodic Research

Indian Life Insurance- A Retrospect and Prospect

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Abstract

The traditional Indian culture, societal and economic patterns have been transformed vigorously due to rapid industrialization and economic progress. The voyage of Indian economy to its present altitude has been possible due lofty contribution of tertiary sector and particularly life insurance. Historical facts discover a correlation between national economic progress and life insurance growth. Traditional practices, products, regulations, consumer choices and preferences, demographic features, competitive forces and business environment of life insurance business has extensively undergone a change since conception of life insurance in India. Multi-faceted opportunities and challenges are waiting ahead the insurance industry. The battle can be smartly conquered by strategically marching forward; taking lessons from past experiences and acting on future foresightedness based on present projections and calculations. The paper helps in providing a deep insight into life insurance base, case and thus fabricating a fortune for Indian economy via life insurance industry

Keywords Life insurance, Economic Development, Retrospect, Trends, Prospects

Introduction

Developing country like India, where comprehensive social security system. Economic support mechanism is lacking at governmental levels the responsibility to manage and handle uncertainties of life lies purely with the individuals. Life insurance occupies a prominent role as it acts as a vehicle for investment, which provides better return for investments coupled with risk hedging and tax saving potential.

Indian consumers rank life insurance higher than other investment options due to certain perceptions like easy convenient way to invest and safe guard against ravages of inflation and facilitation of disciplined savings. Above all it is a suitable replacement of income in case of untimely demise of family's bread earner. It provides retirement solutions in changing social and cultural environment. Innumerable mental stress can be surmounted with the aid of the life insurance plans to meet lump sum future commitments like, education, wedding of children etc. Du reste it is a smarter option to transfer and diffuse risk by choosing opportune options and parking funds according to the individual preference of risk and return. These privileges contribute to allure the investors and help in popularizing life insurance products.

The Concept

"Life insurance may be defined as a contract for payment of a sum of money to the person assured (or to the person entitled to receive the same/nominee) on the happening of the event for which the insurance cover was taken. The contract may also provide for the payment of an amount on the date of maturity or at specified dates at periodic intervals or at the death before the dates of maturity. The contract also provides for the payment of the premium, at the time decided, to the company by the assured".

LIC accurately crystallizes essence of Life insurance by a dictum "Little Price - for a priceless security"

Insurance and Economic Development

Besides promoting individual and social welfare insurance industry is a catalyst of economic affluence. It occupies a primordial position in trade and development matrix of a country. The statement can be verified with the formal acknowledgment of United Nations Conference on Trade and Development (UNCTAD), at its first session in 1964 that "a sound national insurance and reinsurance market is an essential characteristics of economic growth" The significance of the insurance –

growth nexus is sprouting due to rising share of almost every developing and developed country. It plays the decisive role of financial intermediary in fostering the economic growth of the Country.

The industry by providing long time finance not only supplements the Government's efforts but also general well-being of society and takes over the national character. The amount amassed through premium is invested in societal – oriented projects like housing, electricity generation, water and drainage systems and infrastructure development. It accelerates the pace of capital formation and which is succeeded by increased level of production and job opportunities. Individual elevation is achieved through, individual health and life insurance, pension funds and workers' compensation packages.

India has traditionally been a saving oriented country. Due to co-existence of casual relationship between financial sector developments vis-a-vis life insurance industry and economic prosperity, demand regarding Life Insurance products is required to be created, generated and satisfied. Since lack of financial growth is manifestation of lack of demand for financial products, as real economic development materializes demand for financial services. Hence, expansion of life insurance industries precedes the demand for its services. The velocity of demand can be accelerated after going through various aspects of general theory and law of demand used in economic studies.

Evolution and development of Life Insurance in India a Retrospect

Although, the practice of life insurance was prevalent in ancient India, it steadily progressed to its present form, through different phases of last 200 years. The evolutionary developmental journey of life insurance industry travelled from private market to nationalization and again from nationalization to liberalization and eventually from liberalization to Globalization.

Pre-independence period

The contemporary concept of life insurance arrived in India through Europeans. The first life insurance company was established in India in 1818 at Calcutta named as Oriental Life Insurance Co. by a British Company. It was followed by Bombay Assurance Company in 1823 and the Madras Equitable Life Insurance Society in 1829. They insured the lives of European residing in India for the welfare of widows of Europeans but surprisingly they charged extra premium (up to 20% more) for Indian lives. Bombay Mutual Life Assurance Society Ltd. Established in 1871 was the first one to stop this discrimination. The number of insurance companies kept growing without any legal framework to monitor or control insurance business.

Regulation of insurance companies began with the Indian Life Assurance Companies Act 1912 and Provident Fund Act 1912. In 1938, all insurance companies were brought under a comprehension enactment of Insurance Act to impose a strict control of state over insurance business. After coming into force from 1st July 1939, the act proved as landmark Insurance sector in the cluster of financial services in to conduct insurance business. After coming into force from 1st July 1939, the act proved as landmark to conduct insurance sector in country till nationalization. By this time there were 176 companies operation in the country by 1947, 50% of premiums in insurance sector were controlled by domestic insurance counterparts.

Post-independence Developments

After independence, the insurance sector grew at a faster velocity but remained primarily an urban phenomenon restricted to upper class population. Objective of socialism, a potential and good source of funding Govt. projects and to tackle the problem of sickness among some units of life insurance prompted the government to nationalize insurance sector on 1st July 1956. Life insurance sector was nationalized with merger of 245 private life insurance companies; among them were 154 Indian companies, 16 non-Indian companies and 75 provident societies. They all merged into Life Insurance Corporation of India from 1st September 1956 with a capital contribution of rupees 5 cores from government of India. LIC of INDIA framed its objectives in the year 1974 as "spread life insurance much more widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them a reasonable cover to meet certain contingencies." During its monopoly regime LIC of India excelled from 212 branch offices to 2048 in year 2000.

Sectoral Reforms

Government of India initiated the liberalization process as it felt burden of socialist principles on its exchequers. In tune with liberalization measures announced during 1980's, government announced new industrial policy on July 24, 1991 to deregulate economy. The underlying objective of the policy was "To build on the gains already made, correct the distortions that have crept in, maintains a sustained growth in productivity and gainful employment and attain international competitiveness." To meet the challenges of integrating Indian economy with Global economy and in order to transform regulated insurance sector to open market economy, economic and financial reforms were launched. In April 1993 the then finance Minister Dr. Manmohan Singh set a committee under the chairmanship of Late Dr. R.N. Malhotra, the Finance Secretary and Governor of R.B.I. based on conceptual philosophy that "Economic liberalization entail on modernizing industries system by removing unproductive controls encouraging private and foreign investment and integrating Indian Economy with global economy."

The committee submitted its report in 1994 with the recommendations of opening up of the insurance sector to private players. It advocated for greater freedom and autonomy to all insurance companies in Insurance Industry. The committee highlighted come serious lapses in insurance industry like large untapped potential, low insurance awareness among masses, high lapse ratio of policies, in-efficient and untrained field force etc.

Reforms were initiated with the passage of Insurance Regulatory and Development Authority Bill in 1999. IRDA Act (Insurance Regulatory Development Authority) 1999 came into force with certain bold steps of opening up new era of possibilities and potentials through liberalization move, grazing at the new opportunities sprouted ahead. The word development in IRDA was inserted at last stage considering the prime objective of this reform as, 'Development of Indian Insurance Sector.' IRDA emerged as independent regulatory authority to align Indian insurance sector with global norms with appropriate regulatory framework.

Insurance sector reforms transported radical changes in insurance market. The greatest change in the decade of 80s to 90s has been in the attitude towards reforms. The task of implementing reforms in a democracy is complex job. So the supporters of reforms in 80's were quite rare. But at the dawn of 90's every political party recognized the need for continued reforms.

Insurance Regulatory and Development Authority (IRDA)

The birth of IRDA was glorious and memorable in the history of Indian life insurance industry. The dramatic climate came on December 7th 1999 when government finally passed the Insurance Regulatory and Development Authority Act. The regulations of IRDA aimed at creating a more efficient, transparent and competitive financial system through the passage of insurance industry which is suitable for the requirements of the economy. It facilitated insurance market with direction, management, control and direction.

The salient features of IRDA Act are:

- Establishment of IRDA as a corporate body to regulate insurance business in the country.
- Formulation of Insurance advisory committee with maximum of 25% members.
- IRDA is responsible for framing rules and providing guidance for smooth functioning of the insurance sector.
- Entry of private entrepreneurs in insurance sector is permitted.
- Fixing a cap of 26% for foreign equity.

The rationale behind these reforms was to convert "the insurance of Classes to the insurance of Masses."

Regulatory Development of IRDA

- Government of India notification dated 11 November 1998, the Insurance Ombudsman was created to redress the grievances of insured and expedite disposal of complaints with jurisdiction up to INR 20 lakhs. The IRDA deals with disputes which fall outside the preview of Ombudsman's jurisdiction.
- An amendment was made to the Insurance Act 1938 in 2002 by IRDA as Licensing of Insurance Regulations (amendment) 2002. It has made mandatory certain professional standards regarding educational qualification, training and examination requirements of agents.
- To protect the interest of policy holders through the enactment of the protection of Policyholder's interest regulation, 2002. It stipulates the responsibility of insurance companies to clearly mention the terms and conditions of insurance policies as well as other details
- The Micro Insurance Regulations, 2005 established a plausible and utilitarian system of micro insurance in rural areas.

Different regulations of IRDA are an attempt to establish a credible and vibrant insurance sector which may promote industry along healthy lines.

Insurance Liberalization:

Liberalization is the process of providing freedom of expression, though, action and more autonomy; in case of insurance industry abandonment of restrictive rules "Insurance sector liberalization is initiated with the key objective to deepen the insurance markets by getting more and more customers under its fold and to improve on the product delivery and customer servicing aspects of the business to bring it at par with international standards with this Indian life insurance phase. So, at last in the year 1999, the Indian life insurance sector was liberated from the monopoly of life Insurance Corporation of India and entry of private players was permitted. Hyper competitive and complicated business environment has brought paradigm shift in life insurance demand patterns and trends. Currently, there are 24 players operating in Indian insurance landscape including state owned life insurance corporation of India. Most of the private insurance companies are represented through joint venture with foreign partners.

Privatization is infusing dynamic and versatile changes with which, Indian life insurance is playing key role, not only in Indian economic financial sector but globally. The liberalized Indian insurance market is generating considerable interest and awareness among people, creating new horizons of job opportunities and remarkable change in insurance sector, besides supporting the growing economy. It has virtually put the insurance sector and also the total economy on the track of progress and sustained development. India occupied 20th place in the global insurance when the market exposed to private players in 2000 and it moved up to 10th position in life business duringFY2012(IBEF 2013).

Table: 1
Player of Life Insurance Companies Operating in India

S. No	Insurers	Date of Registration	Foreign Partners
1	Life Insurance corporation of India	1.09.1956	-
2	HDFC Standard	23.10.2000	Standard life Assurance , UK.
3	Max New York	15.11.2000	New York Life, USA.
4	ICICI Prudential	24.11.2000	Prudential plc, UK.
5	Kotak Mahindra Old Mutual	10.01.2001	Old Mutual, South Africa.
6	Birla Sun Life	31.01.2001	Sun Life , Canada.
7	TATA AIG	12.2.2001	American International Assurance Co, USA.
8	SBI Life	24.3.2001	BNP Paribas Assurance SA, France.
9	ING Vysya	02.01.2001	ING Insurance International B.V.Netherland.
10	Bajaj Allianz	03.08.2001	Allianz, Germany.
11	Metlife	06.08.2001	Metlife International Holding Ltd, USA.
12	Reliance	03.01.2002	-
13	Aviva	14.05.2002	Aviva International Holding Ltd, UK.
14	Sahara	06.02.2004	-
15	Shriram	17.11.2005	Sanlam, South Africa.
16	Bharati AXA	14.07.2006	AXA Holding France.
17	Future Generali	04.09.2007	Generali, Italy.
18	IDBI Federal	19.12.2007	Ageas, Europe.
19	Lanara HSBC OBC	08.05.2008	HSBC, UK.
20	AegonReligare	27.06.2008	Aegon, Netherland.
21	DLF Pramerica	27.06.2008	Prudential of America, USA.
22	Star Union Dai-ichi	26.12.2008	Dai-ichi Mutual Life Insurance, Japan.
23	India frist	05.11.2009	Legal & General Middle East Limited, UK.
24	Edelweiss Tokio	12.05.2011	Tokio Marine Holding Inc, Japan.

Source: Annual Report of IRDA, 2010-2011.

Insurance liberalization and reforms in last decade is identified as the beginning of new era with unprecedented growth spurt. The number of players has risen from single monopolistic unit of life insurance Corporation of India to 23, with almost 5.5 times increase in numbers of branch offices of life insurance companies. Significant growth trends can be visualized in the many fold increase in number of employees, agents, new business and renewal premiums, insurance penetration, density and total capital employed indicating towards a vast reservoir of life insurance business and sustained growth of industry in India.

Foreign Direct Investment in Indian Life Insurance

Foreign Direct Investment implies to the long term capital inflows from overseas that is invested in the production capacity of any economy and is a favored over other forms of external finance because they are non-debt generating in contrast to the Foreign Institutional investment which is highly volatile in nature. Indian economy is among the most underinsured markets in terms of spread and penetration. These facts explore a universal agreement, that Indian life insurance industry has a massive untapped potential. Indian insurance regulator has already confessed these facts and initiated the revolutionary measures with series of reforms since 1999, with opening up the insurance sector for private players. Sequentially, it permitted foreign direct investment in Indian insurance companies up to 26% of total equity issued and the balance being funded by Indigenous promoter entities.

In India, just around 3%of the total population has life insurance cover in2012-13, which predicts a wide reservoir for life insurance demand potential in this segment of insurance industry. This exploratory journey could not be scaled up without lots of capital expansions. Prudential norms already prescribed by the regulator call for the expanded base of capitalization as the premium collections would go up. So the prevalent FDI norms of 26% were required to be expanded as genuinely argued that:

- Huge investments would be needed to elaborate the reach of life insurance and could be met by infusing the inflows from abroad in the shape of foreign equity.
- The move would make easier for insurance ventures to list on the stock exchanges.
- It would open up an avenue for the government to offload its stakes in public sector insurance company.
- FDI inflows are more consistent than capital that ebbs and flows in equity markets.
- The FDI would help to increase the insurance penetration in the economy in both the rural and urban India and will also adhere to the goal of inclusive growth.
- FDI would help in benefiting, from the advantage of high level of expertise and technical know-how, of foreign players, to study the reinsurance business.

Mounting current account deficit and feeble growth in export markets further pressurized the demand for liberal FDI inflows to infuse a huge long term capital, which would be a stable source of foreign exchange reserves in insurance domain. Elevating the ceiling up to 49% appeared a bright and justified idea to make India a favorable destination for overseas participants. The scenario and contentions persuaded the Indian government. After conquering the political oppositions, finally the Government raised the FDI cap to 49% from the existing 26% in July2013.

A Snapshot Historical Milestones of Indian Life insurance

Table 2: Important Developments in the History of the Indian Insurance Industry	
1912	The Life Insurance Companies Act was passed, making it mandatory for companies to get their premium rate tables certified by an actuary
1938	The Insurance Act of 1938 became the first legislation governing all forms of insurance to provide strict state control over insurance business
1956	Life insurance in India was completely nationalized on January 19 by means of the Life Insurance Corporation Act. All 245 existing companies operating in the country were merged into one entity, namely the Life Insurance Corporation of India (LIC)
1957	The General Insurance Council, a wing of the Insurance Association of India, was formed and framed a code of conduct for ensuring fair conduct and sound business practices
1968	The Insurance Act of 1938 was amended to regulate investments and set minimum solvency margins. The Tariff Advisory Committee was also set up.
1972	The General Insurance Business (Nationalization) Act was passed. With effect from January 1, 1973 107 companies were amalgamated and grouped into four companies, namely National Insurance Company Ltd., Oriental Insurance Company Ltd., New India Assurance Company Ltd and United India Insurance Company Ltd.
1993	The Government of India set up a committee under the chairmanship of RN Malhotra, then Governor of the Reserve Bank of India, to propose recommendations for reforms in the insurance sector that would complement the reforms in the financial sector
1994	The Amphora Committee submitted its report, recommending that entry of the private sector be permitted in the insurance sector and that foreign companies be allowed entry by floating Indian companies, preferably as joint ventures with Indian partners.
1996	Following the recommendation of the Malhotra Committee, an interim Insurance Regulatory Authority was set up.
1999	The Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The key objective of IRDA includes promotion of competition in order to improve customer satisfaction through increased customer choice and lower premiums, while ensuring the financial security of the insurance market. The IRDA deregulated the insurance sector and permitted the entry of private companies. Foreign investment was also allowed and capped at 26 percent holding in the Indian insurance companies.
2006	The Actuaries Act was passed to give the profession statutory status on par with chartered accountants, notaries, cost and works accountants, advocates, architects and company secretaries
2013	Government increased the FDI cap to 49% from the existing 26%.

Indian Life Insurance Trends and Prospects

"*India is the second-largest emerging country and has demonstrated the ability to grow rapidly. While growth slowed down in 2011–12, this was simply the adverse impact of a global downturn, combined with the emergence of some domestic problems, which are now being resolved. "*Montek Singh Ahluwalia,Deputy Chairman, Planning Commission.(EY's attractiveness survey **India 2014)**

The Service sector is the major contributor to the GDP in Indian economic configuration. Insurance sector as a branch of financial services has a significant share of 17.1 per cent in the total Gross Domestic Product (GDP) and is growing at a healthy rate of 16.82% in 2012-13.The progress of the life insurance market is playing an increasingly substantial role within the insurance industry due to the existence of insurance-growth correlation (Beck and Webb, 2003). India is at10thrank among 156 countries in the life insurance business, with a share of 2.3per cent during FY12 (IBEF 2013). However, it has a huge catch up potential to become the biggest life insurance market in the Asian region.

Life Insurance Penetration and Density in India

The level and degree of development of insurance sector of a country is reflected through insurance density (ratio of premium to population or per capita premium) and insurance penetration (percentage of insurance premium to GDP).

During the first decade of insurance sector liberalization, life insurance density depicted an upsurge from USD 9.1 in 2001 to reach at the peak of USD 55.7 in 2010. The level tossed down to USD 42.7 during the year 2012-13. Similarly, the life insurance penetration surged from 2.15% in 2001 to 4.60% in 2009. After that, it exhibited a down fall reaching 3.17% in 2012. The share of non-life sector is quite frail in insurance industry as compared to life sector, verifying an incredible share of life sector in the total industry.

Table:3 Insurance penetration and Density in India

Year	Life		Non-Life		Industry	
	Density (USD)	Penetration (percentage)	Density (USD)	Penetration (percentage)	Density (USD)	Penetration (percentage)
2001	9.1	2.15	2.4	0.56	11.5	2.71
2002	11.7	2.59	3.0	0.67	14.7	3.26
2003	12.9	2.26	3.5	0.62	16.4	2.88
2004	15.7	2.53	4.0	0.64	19.7	3.17
2005	18.3	2.53	4.4	0.61	22.7	3.14

2006	33.2	4.10	5.2	0.60	38.4	4.80
2007	40.4	4.00	6.2	0.60	46.6	4.70
2008	41.2	4.00	6.2	0.60	47.4	4.60
2009	47.7	4.60	6.7	0.60	54.3	5.20
2010	55.7	4.40	8.7	0.71	64.3	5.140
2011	49.0	3.40	10.0	0.70	59.0	4.10
2012	42.7	3.17	10.5	0.78	53.2	3.96

* Insurance density is measured as ratio of premium (in US Dollar) to total population
* Insurance penetration is measured as ratio of premium (in US Dollar) to GDP

Source: IRDA Annual report 20012-13

Chart: 5.1

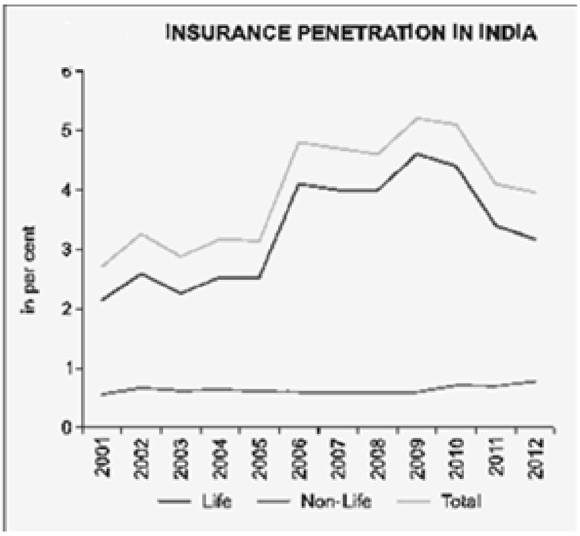
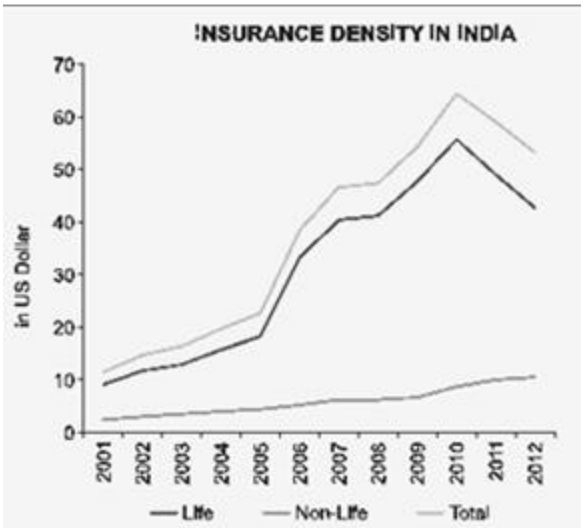


Chart 5.2



Source: IRDA Annual report 20012-13

Contemporary Issues in Indian Life Insurance Industry

In order to formulate the proper policies and explore the uncharted potential of life insurance the following issues need to track in context to Indian life sector landscape.

The Saving Culture and untapped potential for life insurance

India's propensity to save, though lower than China, is substantially high at 17 %. More than 90 percent respondents have a bank account and 66 percent have invested in life insurance subject to minor variations in vagaries of sampling. The industry experts are successfully tracking this inclination of investors through bancassurance.

The regulatory improvements

The gradual liberalization of insurance business, the separation of non-life and life business, insertion of capital adequacy norms, and solvency based regulation of the insurance sector are the developments impacting life insurance scenario. Highly geared by recent 49% FDI, the Indian life insurance market is drawing intense attention of overseas life insurance giants. The regulator is constantly striving to combat challenges of inappropriate sales and low transparency.

Gigantic reservoir of uninsured or underinsured population

India is the second most populous country of the world with population around 1.27billion in the year 2014. It is projected as world's most populous country with population around 1.47 billion by 2025 surpassing China. Just 35 million people have life insurance cover as against 570 million of insurable population indicates that India's life insurance potential lies dormant.

Expanding young population

The. population of young working people (25-35 years of age) is expected to increase in India. By 2020, India will be one of the world's youngest nations. The average age of its population will be 29 years, lower than most developed economies. These projections tend to draw a bright and prosperous future of Indian life insurance sector.

Aging Population

As forecasts for population growth make clear that India and China have comparably sized populations in 65 years of age or older age group. This lofty segment has the potential to accelerate the current need for life and health insurance products.

Strengthening Consumer grievance network

In order to ensure that policyholder grievances are addressed and redressed in an efficient and faster manner IRDA has set up the Insurance Grievance Call Center (IGCC). The call center is occupied in establishing IGCC with inbound, outbound and back office capabilities to provide a qualitative grievances redressal experience and to meet the long-term vision of IRDA. Call center is also setting up Nationwide Consumer Service help line espoused by back office activity to provide a single window system to policyholders to lodge their complaints with their respective insurers.

Inadequate financial literacy and Tax Saving Concept

The sorry state of affairs of Indian life insurance segment is that it has been promoted and sold in manner which is not clear to the consumers because of poor financial literacy and tax planning. Though, lack of financial education has painted a biased picture to policy holders' opinion that insurance is a tax-planning tool and the protection element is only a marketing strategy. Private entrants in the industry are now trying to change the notion with

Innovative products, smart marketing and aggressive distribution strategies. This changed mindset will enhance life insurance base in the country.

Extensive use of Digital and Information technology

E-commerce and m-commerce is gaining acceptance and popularity worldwide and India as well. Competitive organizations in insurance industry are making extensive use of it to achieve a competitive edge. IRDA initiated a number of projects like automation of Data collection and Business Analytics Project, Integrated Grievances Management System, overhauling Agency Licensing Process integrating all stakeholders, Insurance Status SMS System. Digital channels including mobile devices and social networks are becoming vital for insurance providers.

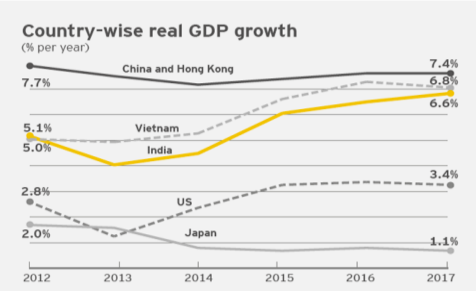
Accelerated demand momentum for life insurance

Despite the recent headwinds India has faced, its fundamental strengths remain solid and intact. The economy is slowly recapturing momentum, with both domestic and global conditions starting to recover. Favorable demographics and recent government reforms are expected to accelerate expansion of life insurance demand over the medium term, making India the world's fifth-fastest growing economy by 2015. Recent reforms in support of growth include the up stretched FDI ceilings. Growing population, rising income levels and rapid urbanization has also spurred the culture of consumerism and better affordability of financial products and services in the country.

Economic Indicators for Life Insurance Demand Potential

India is one of the fastest developing Economic Superpower with potential to become world third largest economy (Nominal) by 2020. Presently, it is the third largest in Asia in terms of nominal GDP, with growth rate averaging 7.7% over the past 10 years. A rapidly and constantly growing middle class and rising per-capita income levels will further boost domestic consumption, helping to drive economic growth and demand for financial products particularly life insurance. India's GDP per capita is anticipated to rise from US$ 1,473.2(INR79, 204.3 toUS$1,916.1(INR103, 061.1) by 2016. Growth will be accompanied by an increase in the working population. The whole outlook is set to escort life insurance towards a growth trajectory. Graph signposts towards 6.6% real GDP growth just close to Vietnam at 6.8% after China and Hong Kong in the year 2017

Chart: 7.1



Sources: *EY Rapid-Growth Markets Forecast*, EY, October 2013; *World Economic Outlook*, IMF, October 2013.

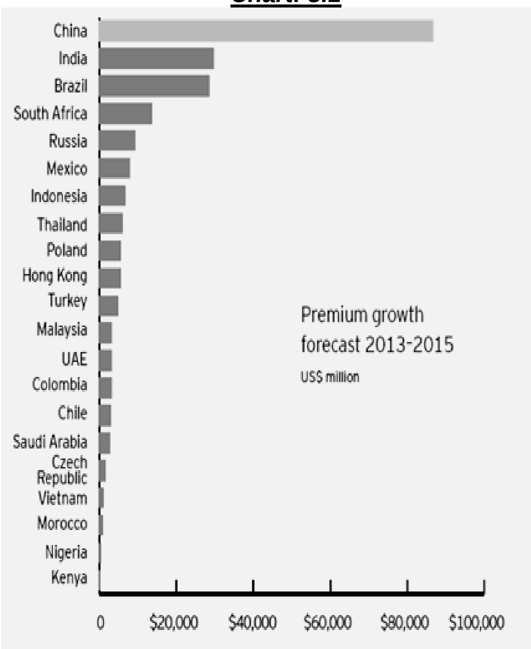
Growth Projections in Indian Life Insurance

The life Insurance Council, the industry body of life insurers in India, has predicted the sector to register a compounded annual growth rate (CAGR) of 12-15% over the next 5 years. Life insurance penetration is expected to flourish up to 5% by 2020 from the 3.2%.

V Manickam, Secreatry general, Life insurance council quoted "Life insurance industry has about 36 crore in – force policies and is a high capital-Intensive industry with favorable demographics, new product launches on the anvil industry expanding their operations and infusing efficiencies the industry will see significant growth in India".

The council foresees Indian demographic developments in Insurable population, which is predicted to grow to 740 million and life expectancy to 74 years by the financial 2020. Life insurance, which is the second most preferred financial instruments in India, would drive growth in net household financial savings to an expected 35% of total savings in the next 7 years as compared to a meager 26% in the year 2010. Life insurance penetration is projected to grow up to 5 % up to year 2020 from 3.2% now.

Chart: 8.1



Source: oxford economics/ Haver analiticys

Conclusion

All these developments are ready to fuel the spurt growth in Indian Life insurance Sector. All though, Life Insurers in India are experimenting to capture this growth with bouquet of new products in the category of life, pension, health, sectors along with latest concept of micro insurance. The industry has successfully experimented the alliance of banking sector through banc assurance to spread the life insurance penetration in Indian insurance landscape, still there is need to focus through a magnifier and filter the different demographic, social, economic, political and legal, institutional and religious factors to support the growth pattern and fill up the gaps in supply and demands to provide a dream exponential and sustainable growth and Development of Life Insurance industry and hence Indian economy. Overall, the industry appears at the threshold of much better times ahead, though there is much work to do for local and global carriers looking to take advantage of the opportunities.

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