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Economic Reforms and World Economic Crisis: Changing Indian Life Insurance market place.

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Abstract: *Insurance sector in India is one of the booming sectors of the economy and is growing at a very speedy rate. This sector in India was liberalized in 2000. The opening up of the insurance for private players has led to rapid growth of the sector.*

This paper analysis past and present status of the insurance sector in life insurance sector in particular. The paper also discusses about the future strategies of the Indian Insurance sector. The present descriptive and analytical secondary based study was conducted with an objective to analyze the condition of life insurance industry and to study the impact of post 2008 economic crisis on insurance industry in India, also an attempt to study the opportunities and challenges for life Insurance in post liberalization area. In the post liberalization period, the life insurance industry of India witnessed a marvelous growth but this growth was declined after economic crisis are some of the major findings of study. The research will be extremely useful for life insurers in the business of life insurance and its penetration.
Keywords: *Economy, Economic Crisis, Liberalization, Life insurance, Penetration.*

I. Introduction:

Insurance sector is a major contributor to the financial savings of the household sector in the country, which are further channelized into various investment avenues. After liberalization of insurance sector, insurers have introduced innovative product and tailor made products which are absolutely sit to rural population. Efforts at increasing consumer awareness and putting the regulatory framework for protection of policyholder's interest have been made both the industry and regulatory level.

Life insurance is one of the sectors which have an adequate growth potential. It is the only financial asset which provides return in addition to the life risk coverage. The potential for life insurance for growth and spread of life insurance in India is high due to large population and no pension system among larger work groups which lead to no old age income the insurance sector provides for the long term contractual savings for the investors.

Private insurance systems complement social security systems and add value by matching risk with price. Accurate risk pricing is one of the most powerful tools for setting the right incentives for the allocation of resources, a feature which is a key to a fast developing country like India.

Life insurance will accumulate huge amounts of capital over time which can be invested productively in the economy. The mutual dependence of insurance and capital markets can play a powerful role in channeling funds and investment expertise to support the development of the Indian economy.

Insurance is the backbone of country's risk management system and influence growth of an economy in several ways. Penetration of Insurance largely depends on availability of Insurance products, insurance awareness and quality of services. The future growth of this sector will depend on how effectively the insurers are meeting the expectations of their customers and able to change the perceptions of the Indian consumers and make them aware of the insurable risks. On the demand side, the rises in income will trigger the growth of Insurance. The process of reforms has enhanced competition, provided a choice to the customers, improved the efficiency level of the Industry and obligated the insurers to provide social and rural sectors.

II. Review of Literature:

The great significance of Life Insurance sector to India and to the world has drawn many scholars and academicians and management experts and others to write on the subject. Insurance has been addressed from different angles by various scholars.

Krishnamurthy. S, Mony S.V, Jhaveri. N, Bakhshi.S, Bhat.S and Dixit M.R (2005), in the paper titled "Insurance Industry in India: Structure, Performance and Future Challenges", has clearly explained the status and growth of Indian Insurance Industry after liberalization and also presents future challenges and opportunities linked with the Insurance.

Kumar (2005) highlighted that private insurance players introduced a wider range of insurance products and set up brand promotion as part of their new strategy.

Kulshrestha and Kulshrestha (2006) highlighted that demand for life insurance in rural India was expanding at the annual rate of 18 per cent as compared to 3.9 per cent in urban areas which provided good opportunity for life insurers to perform.
Rastogi. S and Sarkar.R (2006), in the research paper deals with enhancing competitiveness: the case of the Indian life insurance industry identifies the causes and the objectives with which the sector was reformed in 2000.
C. Barathi, C. D. Balaji and Ch. Ibohal Meithei (2011), in the research paper title"Innovative Strategies To Catalyze Growth of Indian Life Insurance Sector-An Analytical Review" have clearly discussed about the impact of global recession on the fastest growing Indian insurance market. He find the entry of many private companies has created a paradigm shift in insurance marketing.
Sheela (2007) studied that the Indian market –both the urban and the rural offers tremendous growth opportunities for insurance companies, the need of the hour is to understand the changing needs of customers and their occupational structure.
Chakraborty (2007) examined that the Indian insurance industry underwent a drastic transformation with the entry of private players.
There are dearth of literature on the critical issues and challenges of life insurance companies in the Country. Hence, this study differs from the earlier as the major thrust of the paper is upon the recent performance of life insurance sector in India.

III. Significance of the Study:

When compared with the developed foreign countries, the Indian life insurance industry has achieved only a little because of the lack of quality strategies adopted by the Insurance companies in India, lack of standard education and awareness about savings, low capital per income and lack of employment opportunities. Since the introduction of new economic policy in the year 1991, the shape of the Indian life insurance industry has been changing and it has geared up. The huge and ever rising population levels in our country provide an attractive opportunity for the global insurance majors to seek their fortunes here. That is the reason we find so many private players today competing with LIC the only life insurer prior to liberalization for insuring Indian lives.

The study has also been conducted to review the insurance sector after 2008 Economic crisis to find out the impact on the life insurance sector. Insurance sector has shown a phenomenal growth after its liberalization but it has also shown decline trend worldwide after economic crisis. The study basically talks about the changes in the sector regulations and its impact on the growth. The insurance industry is one of the fastest growing industries in the country and offers unlimited growth potential. Hence the researcher has taken up the present study to analysis the present condition of life insurance in post economic crisis and benefits to the industry after Privatization.

IV. Research Objectives:

- To study Economic reforms in life Insurance sector of India
- To analyze the overall performance of Life Insurance Industry of India after 2008, World economic crisis.
- To focus the opportunities that the life insurance sector in India is having.
- To discuss the challenges that the life insurance sector is facing in India.
- To provide suggestions to improve the performance of life insurance business in India.

V. Research Methodology:

Type of Research: Descriptive and Analytical Research
Data Collection: Completely Secondary Based
Statistical Tools: Simple Tabulation.

5.1 Hypothesis:

H0	There is no significance difference in the performance of Life Insurance Industry post 2008 World Economic Crisis era.
Ha	There is significance difference in the performance of Life Insurance Industry in post 2008 World Economic Crisis era.

The paper is completely a conceptual one whose basic foundation comes from various secondary sources like research articles in Journal, published and unpublished scholarly papers, and books, various international and local journals, speeches, newspapers and websites. The analysis part of the paper is based on the statistical data provided by IRDA.

VI. Global Economic Crisis 2008: Life Insurance Sector in India

The global economy has continued to slow down during 2008 so far mainly due to low growth in advanced economies owing to the financial crisis. In 2008, global Life insurance premiums declined by 3.5% to US$ 2,490 bn. This de-growth was triggered by a 5.3% decline in Life insurance premiums growth (as against a 4.4% growth recorded in 2007) in the industrialized countries. The financial crisis and the global economic downturn severely affected sales of unit-linked products.

India is much more integrated with the world economy through both the current and capital accounts. The down turn that appears to have begun in the USA in September, 2008 have some negative impact on Indian economy. This was primarily due to stringent guidelines laid down by the IRDA on solvency margins as well as investment norms for the industry players to follow. Domestic life insurers are subject to solvency requirements, which stipulate them to maintain a minimum solvency ratio of 150%. This ensures that life insurance companies remain well capitalized at all points of time.

IRDA has stringent guidelines regarding the investment of policyholders' funds. These guidelines cover a gamut of risk management issues for individual companies as well as the industry including defining acceptable quality of investment and set limits on permissible exposure to single asset class. IRDA's investment guidelines restrict life insurance companies from investing in global markets. Thus, the industry does not have any exposure whatsoever to the international credit instruments. As a result, Indian Life Insurance companies remained relatively insulated from the financial crisis plaguing the global markets.

VII. India's Life insurance market: An overview

There was a remarkable improvement in the Indian insurance industry soon after the Indian economic reform 1991 which is characterized by three important elements i.e. ***Liberalization, privatization, and globalization***. Huge untapped population provides unlimited scope to life insurance companies for market expansion and penetration.

Following the passage of the Insurance Regulatory and Development Authority Act in 1999, India abandoned public sector exclusivity in the insurance industry in favor of market-driven competition. The inauguration of a new era of insurance development has seen the entry of international insurers, the proliferation of innovative products and distribution channels, and the raising of supervisory standards.

The insurance business in India was opened on two fronts. Firstly, domestic private-sector Companies were permitted to enter life insurance business. Secondly, foreign Companies were allowed to participate, albeit with a cap on shareholding at 26%.

Insurance is second only to banks for mobilized savings and forms a formidable part of the capital market. Insurance sector in India is one of the booming sectors of the economy and presently growing at the rate of 35-40% per cent annually with a total insurable population of less than forty percent. Today the life insurance sector in India comprises of

More than Rs. 33,633 crores of deployed capital	Over Rs. 16, 18,544 crores of managed assets
Investments in infrastructure exceeding Rs. 2, 20,866 crores	More than 23.45 lakh agents ,2.48 lakh direct employees and growing significantly
Over 11,000 branches	Over 34 crores In-force policies

VIII. Liberalization of Insurance Industry: India

Liberalization witnessed dynamic changes and phenomenal growth in life insurance businesses. Most of the private insurance companies are joint ventures with recognized foreign players across the globe. In the post-liberalized era in India, there has been phenomenal growth in the insurance sector.

Private insurers are allowed to co-exist along with government companies like LIC. This recommendation had been prompted by several factors such as need for greater deeper insurance coverage in the economy, and a much a greater scale of mobilization of funds from the economy for infrastructural development. Malhotra Committee's recommendations in 1994 were as follows:

- Raising the capital base of LIC and GIC up to Rs. 200 crores, half retained by the government and rest sold to the public at large with suitable reservations for its employees.
- Private sector is granted to enter insurance industry with a minimum paid up capital of Rs. 100crores.
- Foreign insurance be allowed to enter by floating an Indian company preferably a joint venture with Indian partners.

Government companies had to face competition to private sector insurance companies not only in issuing various range of insurance products but also in various aspects in terms of customer service, channels of distribution, effective techniques of selling the products etc.

The Insurance Regulatory Development Act, 1999 (IRDA Act) allowed the entry of private companies in the insurance sector, which was so far the sole prerogative of the public sector insurance companies. The act was passed to protect the concerns of holders of insurance policy and also to govern and check the growth of the insurance sector. In addition, the IRDA needed to address deepening and broadening insurance penetration, particularly among those residing in India's rural areas and the poor.

IX. Privatization of the Insurance Sector: India

Privatization has opened the doors to innovations in the way business can be transacted. New age insurance companies are embarking on new concepts and more cost effective way of transacting business. The idea is clear to cater to the maximum business at the least cost.

- Privatization of Insurance eliminated the monopolistic business of Life Insurance Corporation of India. It helps to introduce new range of products which covered wide range of risks. It resulted in better customer services and help improve the variety and price of insurance products.
- The entry of new player has speed up the spread of life insurance. It will increase the insurance penetration and measure of density. Entry of private players will ensure the mobilization of funds that can be utilized for the purpose of infrastructure development.
- The participation of commercial banks into insurance business helped to mobilization of funds from the rural areas because of the availability of vast branches of the banks.
- Tremendous employment opportunities were created in the field of insurance.

  In a period of over last ten years, the private players are able to expand the market (growing at the rate of 30-35% annually) and also have significantly, improved their market share. On the contrary, the market share of LIC has been considerably declined from 99% (1999-2000) to 69.34 % in (2010-12).

  The private insurers are better in the areas of customer service, after-sales services, product innovation & flexibility, communication. Privatization of insurance industry brought tremendous growth in life insurance business. Certain positive developments experienced by the industry are given as below:
- Wide range of products: private sector offers a huge range of new and innovative products for different segments of the population with a wide variety of benefits.
- Insurance awareness: with increased level of advertising budgets, insurers now-a-days, have greater reach to almost every nook and corner of the country.
- Life insurance penetration in India improved since liberalization in 2000due to expansion of business, wide range of innovative products, development and effective use of new distribution channels by private life insurance players.

X. Life Insurance in India: New Economic Reforms

- ➢ Insurance Regulatory and Development Authority finally came out with guidelines on initial public offers during the year. According to the guidelines issued by the IrDA, life insurance companies which have been in business for over 10 years would be eligible to come out with IPOs.
- ➢ The draft guidelines for bancassurance have suggested that banks continue to tie up with one insurance company in the life, non-life and health insurance spaces but only in a specified number of states. Under this, insurance companies will be allowed to partner with different banks and NBFCs in different states for selling their products.
- ➢ The government decided to move ahead with its proposal to hike foreign investment ceiling in the insurance sector to 49 per cent from the present 26 per cent."The benefit of this amendment will go to the private sector insurance companies which require huge amount of capital.
- ➢ IRDA is expected to change the investment norms it prescribes for insurance companies. Under the current regulations, a firm can invest up to 50% of its fund in government securities, 15% in infrastructure bonds, and 35% in corporate paper and equities. The finance ministry has been talking to IRDA to increase investment limits in infrastructure.
- ➢ IRDA has interpreted its role to be totally consumer oriented. The once-popular Unit Linked Investment Plan (ULIP), where the cash value of the policy varies based on the net value of the underlying investments, has run out of steam because IRDA reduced distributor commissions to one-third of their earlier levels.
- ➢ For pension products, IRDA have asked companies to give a guarantee. IRDA has made things better for the consumers.
- ➢ Death of ULIP products and an emergence of traditional products in the life insurance business. Life insurance had to be sold by insurers with assured returns.

XI. Life Insurance Industry in India: Opportunities Ahead

- With a huge population base and large untapped market, insurance industry is a big opportunity area in India for national as well as foreign investors. India is the fifth largest life insurance market in the emerging insurance economies globally and is growing at 32-34% annually.
- The strong growth potential of the country has also made international players to look at the Indian insurance market. Moreover, saturation of insurance markets in many developed economies has made the Indian market more attractive for international insurance players. Whereas in India, about 80 percent of human beings and major natural resources have not been insured in globalization era.
- 46% of the population by 2012, representing a formidable emerging bankable class. Insurance is seen as long term savings instrument by this segment of the society providing higher return at low risk, given the lack of alternative investment options.
- According to the Old Age Social and Income Security report, there will be 113 million Indian's over 60 years of age by 2016 and 179 million by 2026. On the one hand, this is good news as the life expectancy has increased.
- Social security provided by the Government of India is very limited; in fact that less than 4% of the population is covered under any social security scheme. Only Government employees are entitled to pension benefits after retirement. Opening up of the pension sector have made this segment highly attractive.
- The transition from Solvency I to Solvency II norms by 2012 is likely to increase the demand for actuaries & risk management professionals.

XII. Life Insurance Industry in India: Challenges Ahead

- The four main challenges facing the insurance industry are product innovation, distribution, customer service, and investments.
- Unit-linked personal insurance products might find greater acceptability with rising customer awareness about customized, personalized and flexible products.
- Flexible products and new technology will play a crucial role in reducing the cost and, therefore, the price of insurance products. Finding niche markets, having the right product mix through add-on benefits and riders, effective branding of products and services and product differentiation will be some of the challenges faced by new companies.
- Increased awareness and importance of insurance among public especially in urban areas compels more customized products and pricing methodology as per the needs of the customers.
- Customer expectations and awareness have significantly increased in recent years, particularly in terms of better and speedy service. Reaching the consumer expectations on par with foreign companies such as better yield and much improved quality of service particularly in the area of settlement of claims, issue of new policies, transfer of the policies and revival of policies in the liberalized market is very difficult.

XIII. Data Analysis & Discussion:

Table 13.1: Registered Insurers in India

Type of business	2007-08	2008-09	2009-10	2010-2011	2011-12
Life Insurance	21	22	23	24	24
General Insurance	20	21	24	24	27
Re-insurance	1	1	1	1	1
Total	42	44	48	49	52

Interpretation: It has been clearly pointed out from the table no.1 till December, 2012 there are ***twenty four companies in the life insurance business in India*** business. It has been elucidate from the table no. 1, that the total Life Insurance companies of both public and private life insurer players ***has not been significantly increased*** over a period of five years from 2007 to 2012.

Table 13.2: Insurance Penetration and Density in India

Year	Density (USD)	Penetration (percentage)
2007	40.4	4.00
2008	41.2	4.00
2009	47.7	4.60
2010	55.7	4.40
2011	49.0	3.40

1. Insurance density is measured as ratio of premium (in US Dollar) to total population.
2. Insurance penetration is measured as ratio of premium (in US Dollars) to GDP (in US Dollars).
3. The data of Insurance penetration is available with rounding off to one digit after decimal from 2006.
***Source**: Swiss Re, Various Issues.*
Interpretation: The measure of insurance penetration and density reflects the level of development of insurance sector in a country. While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population (per capita premium) is expressed in currency units. Further; the ratio of insurance density to the insurance penetration is simply the per capita GDP, an indicator of per person economic activity of the economy. The per capita GDP is often regarded as a good proxy for the standard of living of the people in the economy and is often used to compare the relative standard of living between the economies .***Penetration and Density both decreasing during last years***

Table 13.3: Real Growth in Premium during Last Five Years: World & India

(In per cent)

Regions/Countries	2007-08	2008-09	2009-10	2010-2011	2011-12
India**	13	10.5	10.1	4.2	-8.5
World	5.4	-1.3	-2.0	3.2	-2.7

Interpretation: In the life insurance business, India ranked 10th among the 156 countries, the ***life insurance premium in India declined by 8.5 per cent*** (inflation adjusted). During the same period, the global life insurance premium declined by 2.7 per cent. The share of Indian life insurance sector in global life insurance market stood at 2.30 per cent during 2011, as against 2.54 per cent in 2010.

Premium Underwritten: Life Insurers

Table 13.4: Total Premium

Type of business	2007-08	2008-09	2009-10	2010-2011	2011-12
LIC	149789.99	157288.04	186077.31	203473.40	202889.28
Private Sector	51561.42	64503.22	79369.94	88131.60	84182.83
Total	201351.41	221791.26	265447.25	291604.99	287072.11

Interpretation Total income is the overall revenue of the life insurers. The total income is the sum of Premium Income, FPI, Renewal Premium and it has been ***increased significantly in every year except 2011-12***. The below table no. 5, presents total income of LIC and private insurers from the study period 2007 to 2012.

Table 13.5: Figure in brackets indicates growth over previous year (in per cent)

Type of business	2007-08	2008-09	2009-10	2010-2011	2011-12
LIC	17.19	5.01	18.30	9.35	(-0.29
Private Sector	82.50	25.10	23.06	11.04	(-4.52
Total	29.01	10.15	19.69	9.85	(-1.57)

Interpretation: Life insurance industry recorded a premium income of `2, 87,072 crore during 2011-12 as against `2, 91,639 crore in the previous financial year, registering a ***negative growth*** of 1.57 per cent. While private sector insurers posted 4.52 per cent decline (11.08 per cent growth in previous year) in their premium income, LIC recorded 0.29 per cent decline (9.35 per cent growth in previous year).

Table 13.6: New Policies Issued: Life Insurers

Type of business	2007-08	2008-09	2009-10	2010-2011	2011-12
LIC	376.12	359.13	388.63	370.38	357.51
Private Sector	132.61	150.11	143.62	111.14	84.42
Total	508.74	509.24	532.25	481.52	441.93

Interpretation: During 2011-12, life insurers issued 442 lakh new policies, out of which LIC issued 358 lakh policies (80.90 per cent of total policies issued) and the private life insurers issued 84 lakh policies (19.10 per cent). It is another important indicator of ***Negative growth and performance*** of the insurance companies as compare to last consecutive two years. The table no. 9.6 presents the complete picture of the performance of new business in terms of number of policies of both LIC and private life insurers in a period of ten years from 2007 to 2012.

Table 13.7: Figure in brackets indicates growth over previous year (in per cent)

Type of business	2007-08	2008-09	2009-10	2010-2011	2011-12
LIC	(-1.61	(-4.52	8.21	(-4.70	(-3.47
Private Sector	67.40	13.19	-4.32	(-22.61	(-24.04
Total	10.23	0.10	4.52	(-9.53	(-8.22)

Interpretation: It is revealed from the table no.9.7 that new business of LIC in terms of number of policies has ***decreased in consecutive two years***, except the year 2007-08, 2008-09 and 2009-10 with a positive growth rate.

Table 13.8: Operating Expenses Ratio (in per cent)

Type of business	2007-08	2008-09	2009-10	2010-2011	2011-12
LIC	5.55	5.76	6.58	8.35	7.35
Private Sector	23.25	25.99	20.86	18.10	17.53
Total	10.08	11.65	10.85	11.30	10.34

Note: Operating expenses ratio is the ratio between operating
Expenses and the premium underwritten by the life insurers
Interpretation: The operating expenses of the life insurers decreased by 9.92 per cent in 2011-12 against an Increase of 14.04 per cent in 2010-11. The operating expenses towards life insurance business stood at`29,675 crore in 2011-12, as against `32,942 crore in 2010-11. Operating expenses, as a per cent of gross premium underwritten, decreased for LIC from 8.35 per cent in 2010-11 to 7.35 per cent in 2011-12. The same declined for private insurers from 18.10 per cent in 2010-11 to 17.53 per cent in 2011-12. For the industry as a whole, ***the operating expenses ratio decreased slightly*** from 11.30 per cent in 2010-11 to 10.34 per cent in 2011-12.

Table 13.9: Market Share of Life Insurers first year Premium: India

Type of business	2007-08	2008-09	2009-10	2010-2011	2011-12
LIC	64.02	61.12	65.08	68.84	71.85
Private Sector	35.98	38.88	34.92	31.16	28.15
Total	100.00	100.00	100.00	100.00	100.00

Interpretation: The market share of private insurers in first year premium was 28.15 per cent in 2011-12 (31.16 per Cent in 2010-11). The same for LIC was 71.85 per cent (68.84 per cent in 2010-11).

Table 13.10: Market Share of Life Insurers Total Premium: India

Type of business	2007-08	2008-09	2009-10	2010-2011	2011-12
LIC	69.78	70.92	70.10	69.77	70.68
Private Sector	30.22	29.08	29.90	30.23	29.32
Total	100.00	100.00	100.00	100.00	100.00

Interpretation: On the basis of total premium income, the market share of LIC increased marginally from 69.77 per cent in 2010-11 to 70.68 per cent in 2011-12. Accordingly the ***market share of private insurers has gone down*** marginally from 30.23 per cent in 2010-11 to 29.32 percent in 2011-12.

Table 13.11: Number of Offices of Life Insurers: India

Type of business	2007-08	2008-09	2009-10	2010-2011	2011-12
LIC	2522	3030	3250	3371	3455
Private Sector	6391	8785	8768	8175	7712
Total	8913	11815	12018	11546	11167

Interpretation : During the year under review, the decreasing trend in the number of life insurance offices in India continued. The private insurers closed 768 offices and opened 305; resulting in a net reduction of 463 offices during the financial year. On the other hand, the public sector insurer LIC established 92 new offices and closed 8; resulting in a net increase of 84 offices. With this, the number of offices of ***life insurers went down*** from 11,546 as on 31st March, 2011 to 11,167 as on 31st March, 2012.

13.12. Analysis of hypothesis: Based on the secondary data analysis, it has been proved that ***world economic Crisis has a significant impact on the growth of Indian life insurance business.***

XIV. Findings:

- As per data's available it is found that total Life Insurance companies in India have increased from twenty one to twenty four which is increased by three but when we compare it with earlier growth it is very slow, it is interpreted that Now after economic slowdown new companies are taking less interest in India Life Insurance Market.
- Since opening up of Indian insurance sector for private participation, India has reported increase in insurance density for every subsequent year and for the first time reported ***a fall in the year 2011***. However, insurance penetration, which surged consistently till 2009, slipped in the consecutive second year on account of slower rate of growth in the life insurance premium as compared to the rate of growth of the Indian economy.
- When we compare real growth of premium with world insurance market Indian Life market declining very sharply during last financial year except year 2009-10.
- The total premium income of the industry has shown an overall decline by 1.57% in 2011-12 but earlier in all subsequent years it was showing an average growth but not as per expectations. This also shows that life insurance industry has achieved a remarkable growth in the premium income after the entry of private insurers.
- If we see the total number of new policies issued by LIC and private insurance companies, we find that there is a huge gap between them. New Policy issuance growth rate is also on declining trend consecutively from last two years.
- It is found from the analysis that operating expenses ratio is also slightly decreased but from last consecutive years it was increasing which means operating expenses were high as compare to premium underwritten but closing down of some of the offices made the condition slightly better.
- Market share if we compare LIC with private life insurers ,LIC is quiet dominating with regard to first year and total premium since last two years but prior to that when economic crisis arises private players in the market were doing reasonably good but then again it seems that people having more trust on LIC.
- It is observed that due to economic slowdown in last year's many life insurance offices closed down and the since two years close down of offices increases so again here in this area we observed a significant impact on life insurance business in India.

XV. Conclusions:

- The past two-to-three years haven't been the happiest of times for the insurance industry. In the life insurance sector, for instance, there has been a slowdown because of the country's economic travails. The saving rate has come down and insurance has been impacted. (In India, insurance is looked upon as a form of savings.) And IRDA's consumer-centric orientation has been adding to the troubles, with so many speed bumps on the path, insurance in India still attractive. All factors are in place for the Indian life insurance industry to blossom into one of the fastest-growing financial services markets in the world.
- India's life insurance market has grown at more than 40% annually (measured in terms of new business premium) in the past six years. But the ratio of insurance premium to GDP is around 4%. In developed markets, this figure typically ranges from 6% to 9%. Penetration is very low, practically zero in the unbanked segment. In addition to new customers, there will be a move by existing policyholders to increase coverage. For the industry, premium income is likely to go up sharply.

- India is poised to experience major changes in its insurance markets as insurers operate in an increasingly deregulated and liberalized environment," "However, despite the liberalization in the insurance sector, public sector insurance companies are expected to maintain their dominant positions, but there will be enough business for industry entrants."
- India is the important emerging insurance markets in the world. Life insurance will grow very rapidly over the next decades in India. The major drivers include sound economic fundamentals, a rising middle-income class, an improving regulatory framework and rising risk awareness. The fundamental regulatory changes in the insurance sector in 1999 were significant for future growth.
- Where almost all the industries in the world trying hard for survival due to the major economic meltdown, Indian life insurance industry is one of the sectors that is still observing good growth. It is the changing trends of Indian insurance industry only that has made it to cope with the changing economic environment. Indian insurance industry has modified itself with the passage of time by introducing customized products based on customers' need, through innovative distribution channels, Indian life insurance industry searched its path to grow.
- Changing government policy and guideline of the regulatory authority, IRDA have also played a very vital role in the growth of the sector. Again move from unit-linked to non- linked insurance policies is one of the major positive changes in Indian life insurance sector. Similarly, opening on the sector for private insurer broke the monopoly of LIC and bring in a tough competition among the players. This completion resulted into innovations in products, pricing, distribution channels, and marketing in the industry.
- Though the sector is growing fast, the industry has not yet insured even 50% of insurable population of India. Thus the sector has a great potential to grow. To achieve this objective, this sector requires more improvement in the insurance density and insurance penetration. Development of products including special group policies to cater to different categories should be a priority, especially in rural areas.

- India is among the important emerging insurance markets in the world. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. Competition has brought more product innovation and better customer servicing and bring positive influence on the life insurance business. India insurance is a flourishing industry, with several national and international players competing and growing at rapid rates.
- Although LIC is a giant player in life insurance business but private insurance companies are moving at a fast pace, though the income, size and penetration of private insurance companies is very less when compared with LIC but then also the pace with which they are raising their market share is tremendous.
- The rate of growth of reforms has a positive influence on economic development. The study therefore suggests that in order to make the insurance sector a more important component of the financial intermediation process, complete deregulation and an increase in the pace of reforms are the need of the hour.

XVI. Recommendations & Suggestions

- For the development of the life insurance sector, improvement in the insurance density and insurance penetration is a must. Hence, efforts need to be instituted for such improvement. Development of insurance products including special group policies to cater to different categories should be a priority, especially in rural areas.
- The life insurers 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.
- Understanding the customer better will enable insurance companies to design appropriate products, determine price correctly and increase profitability. Insurers must follow best investment practices and must have a strong asset management company to maximize returns.
- Consumer awareness campaign should be encouraged to improve financial literacy/ insurance literacy levels by conducting workshops, distributing leaflets, distributing literature etc. in both urban and rural areas.
- Life insurers should streamline their grievance redressal machinery for efficient and effective service. Insurance companies adhere to fair trade practices and transparent disclosure norms while addressing the policyholders or the prospects
- The liberalization of the Indian insurance sector has both pros and cons. The ill-effects of liberalization on insurance industry can be lessen by promoting healthy competition among the life insurers and keeping the interest of common people above profit motive of the insurers.
- To achieve greater insurance penetration, the healthier competition has to be intensified by both the sectors and they should come up with new innovative products to offer greater variety or choice to the customers

and also make improvement in the quality of services and sell products through appropriate distribution channel to win-win situation for both the parties.

- It is important to create trust and confidence among the investors that private insurance is a safer option for investing. To create trust among policy holders, insurance companies should train their sales force to be ethical, understand customer needs and sell appropriate products and provide complete information to the customers so that they can make informed choices.
- In present stiff market competition, a focus on niche segment can be an effective way of marketing for insurers to differentiate from the competitors. Focus on to design attractive product schemes with attractive premium structure to suit varied requirements of the investors by considering their financial position.
- Insurance schemes which are basically risk coverage instruments have been marketed as tax saving as well as wealth accumulation instruments. Keeping this in mind, insurance companies should devise policies which provide effective risk coverage rather than focusing on the tax benefits and also encourages them for long term investment in insurance.

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