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## “PERFORMANCE OF INSURANCE INDUSTRY IN INDIA”

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### Abstract:

*In Indian economy, service sector is growing with rapid speed and insurance industry one of the important industry of service sector. Insurance is one of the greatest blessings for mankind. India is ranked 10th among the 156 countries in Life Insurance business. After liberalization about 14 companies are competing each other in this sector. Present paper Performance of Insurance Industry in India is based on secondary data. The potential and performance of the insurance sector is universally assessed with reference to two parameters viz. insurance penetration and insurance density. These two often reflects the level of development of insurance sector in a country. Insurance penetration and insurance density in India is highly low compared with other countries. The life insurance penetration in India grew consistently till 2009 and slipped down in 2010 and 2011. It is due to slowdown in life insurance premium as compared to the growth rate of the Indian economy. Penetration of non-life insurance sector showed nearly constant range since last 10 years (0.56 in 2001 & 0.70 in 2011). Opening up of Indian insurance sector to private companies has increased penetration percentage and density also. In order to increase penetration and density of insurance intensity of various insurance programmes should be increased, different marketing strategies should be developed and awareness about insurance should be created in the minds of people.*

### KEY WORDS:

Insurance Industry, Insurance penetration, Insurance Density.

### INTRODUCTION:

Indian economy registered the lowest annual growth rate in GDP in 2011-12 with 6.5 percent for last decade. The industrial sector reported a meager growth rate of 2.6 per cent during 2011-12. The agricultural sector too grew at a lower rate of 2.8 percent in 2011-12. The share of services sector in terms of real GDP in Indian economy went up to 66.8 per cent in 2011-12. Financing, insurance, real estate and business together are making the largest component with 17.9 per cent share in Indian economy. Thus in Indian economy service sector is growing with rapid speed and insurance industry one of the important industry of service sector.

The mechanism of insurance is based on sharing and proportionate distribution of risk among the same group of people. Life insurance one of the greatest blessing for mankind was started in India in 1818 to provide for English windows when Oriental Life Insurance Company was incorporated in Calcutta. Today the Indian Life Insurance industry is one on the strongest growing sectors in the country. India is ranked 10th among the 156 countries in the life insurance business. After liberalization of insurance sector, about 14 companies are competing with each other in this sector.

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**PERFORMANCE OF INSURANCE SECTOR**

The potential and performance of the insurance sector is universally assessed with reference to two parameters viz. insurance penetration and insurance density. These two often reflects the level of development of insurance sector in a country.

**1) Insurance Penetration**

Insurance Penetration is the ratio of premium underwritten in a given year to the Gross Domestic Product (GDP). It is generally expressed in percentage form. Insurance penetration in world is shown in table no. 1.

**Table No.1  
Insurance Penetration in the World**

Countries	Year Wise Total of Life and Non Life Insurance Penetration			
	2008 -09	2009-10	2010-11	2011-12
Australia	7.3	6.4	5.9	6.0
Brazil	3.0	3.1	3.1	3.2
France	9.2	10.3	10.5	9.5
Germany	6.6	7.4	7.2	6.8
Russia	2.3	2.5	2.3	2.4
South Africa	15.3	12.9	14.8	12.9
Switzerland	9.9	9.8	9.9	10.0
United Kingdom	15.7	12.9	12.4	11.8
United States	8.7	8.0	8.0	8.1
Asian Countries				
Bangladesh	0.9	0.9	0.9	0.9
Hong Kong	11.2	11.0	11.4	11.4
<b>India #</b>	<b>4.6</b>	<b>5.2</b>	<b>5.1</b>	<b>4.1</b>
Japan	9.8	9.9	10.1	11.0
Malaysia	4.3	4.4	4.8	5.1
Pakistan	0.8	0.7	0.7	0.7
PR Chaina	3.3	3.4	3.8	3.0
Singapore	7.8	6.8	6.1	5.9
South Korea	11.8	10.4	11.2	11.6
Sri Lanka	1.4	1.4	1.4	1.2
Taiwan	16.2	16.8	18.4	17.0
Thailand	3.3	4.0	4.3	4.4
<b>World</b>	<b>7.1</b>	<b>7.0</b>	<b>6.9</b>	<b>6.6</b>

Source: Swiss Re, Sigma, Various Volumes.

**“PERFORMANCE OF INSURANCE INDUSTRY IN INDIA”**

It can be seen from table that Insurance penetration in India is highly low compared with other countries. In 2011-12 it was 4.8 per cent as against 17.0 per cent in Taiwan, 12.9 per cent in South Africa and 11.6 per cent in South Korea. In order to increase penetration intensity of various insurance programmes should be increased different marketing strategies should be developed and awareness about insurance should be created in the minds of people.

Insurance Penetration in India from 2001 onwards is shown in table no.2.

**Table No.2  
Insurance Penetration in India**

Year	Penetration in %		
	Life	Non-Life	Industry
2001	2.15	0.56	2.71
2002	2.59	0.67	3.26
2003	2.26	0.62	2.88
2004	2.53	0.64	3.17
2005	2.53	0.61	3.14
2006	4.10	0.60	4.80
2007	4.00	0.60	4.70
2008	4.00	0.60	4.60
2009	4.60	0.60	5.20
2010	4.40	0.71	5.10
2011	3.40	0.70	4.10

Source: Swiss Re, Various Issues.

It is seen from the above table that the life insurance penetration in India grew consistently till 2009 and slipped down in 2010 and 2011. It is due to slowdown in life insurance premium as compared to the growth rate of the Indian economy. Penetration of non-life insurance sector showed nearly constant range since last 10 years (0.56 in 2001 & 0.70 in 2011).

**1) Insurance density**

Insurance density is the ratio of total premium to the total population in the country. It is generally expressed in currency unit. Insurance density in the world is shown in table 3.

**Table No. 3**  
**Insurance Density in the World**

Countries	Year Wise Total of Life and Non Life Insurance Penetration			
	2008 - 09	2009 - 10	2010 - 11	2011 - 12
Australia	3386.5	2832.7	3369.2	4094.0
Brazil	244.5	251.7	327.6	398.0
France	4131.0	4269.1	4186.6	4041.0
Germany	2919.2	2878.4	2903.8	2967.0
Russia	273.5	280.9	296.8	303.0
South Africa	870.6	738.1	1054.7	1037.0
Switzerland	6379.4	6257.6	6633.7	8012.0
United Kingdom	6857.8	4578.8	4496.6	4535.0
United States	4078.0	3710.0	3758.9	3846.0
Asian Countries				
Bangladesh	4.4	5.2	5.8	7.0
Hong Kong	3310.3	3304.0	3635.5	3904.0
<b>India #</b>	<b>47.4</b>	<b>54.3</b>	<b>64.4</b>	<b>59.0</b>
Japan	3698.6	3979.0	4390.2	5169.0
Malaysia	345.4	321.8	421.1	502.0
Pakistan	6.8	6.6	6.1	8.0
PR Chaina	105.5	121.2	158.4	163.0
Singapore	3179.0	2557.6	2823.4	3106.0
South Korea	1968.7	1890.3	2339.4	2661.0
Sri Lanka	32.1	29.5	34.2	33.0
Taiwan	2787.6	2752.1	3296.2	3371.0
Thailand	142.1	154.4	199.4	222.0
<b>World</b>	<b>633.9</b>	<b>595.1</b>	<b>627.3</b>	<b>661.0</b>

Source: Swiss Re, Sigma, Various Volumes.

It can be seen from table no. 3 that Insurance Density is also low in India highly as compared with other countries. In 2011-12 it was 59 USD as compare to Switzerland (USD 8012.0), Japan (USD 5169.0), UK (USD 4535.0).

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Insurance Density in India is shown in table no.4

**.Table No. 4  
Insurance Density in India**

Year	Density (USD)		
	Life	Non-Life	Industry
2001	9.1	2.4	11.5
2002	11.7	3.0	14.7
2003	12.9	3.5	16.4
2004	15.7	4.0	19.7
2005	18.3	4.4	22.7
2006	33.3	5.2	38.4
2007	40.4	6.2	46.6
2008	41.2	6.2	47.4
2009	47.7	6.7	54.3
2010	55.7	8.7	64.4
2011	49.0	10.0	59.0

Source: Swiss Re, Various Issues.

It can be seen from table no.4 that insurance density of life insurance sector increased from 9.1 USD in 2001 to 55.7 USD in 2010. The density of non life insurance sector showed marginal increased from 2.4 USD in 2001 to 10.00 USD in 2011. Opening up of Indian insurance sector to private companies has increased penetration percentage and density also.

**CONCLUSION**

The above analysis of performance of insurance industry in India showed that rapid growth has been taken place in the last decade due to rapid financial reforms introduced in India. In order to grab the huge market in insurance, many foreign companies, banks along with domestic banks started their services in insurance field. The huge competition among these companies helps to explosion of insurance industry in India however there is majority of the people not having accessibility towards insurance. To capture such untapped areas in many parts of the countries, especially in rural areas where majority people are living future reforms are needed.

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