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PERFORMANCE OF INSURANCE SECTOR IN POST IRDA PERIOD

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Abstract:

Government of India begins the economic reforms programme and financial sector reforms in the year 1991. Government of India forms a committee on reforms in the insurance sector headed by Mr. R.N malhotra to set up to recommend reforms in insurance sector.

KEY WORDS:

Insurance sector , Performance, promote insurance , capital income .

INDRODUCTION

The malhortra committee in the year 1994 recommends certain reforms having studies the sector and hearing out the stakeholders. The major recommendations were 1) private sector companies should be allowed to promote insurance companies, 2) foreign promoters should also be allowed and 3) government to vest its regulatory power on an independent regulatory body answerable to parliament. Insurance Regulatory Authority (IRDA) was constituted under the IRDA Act. It is an autonomous body to regulate, promote and ensure orderly growth of the insurance Industry. Indian insurance industry has been a significant growth over the past few years in terms of growing national economy, increasing per capital income, increasing customer awareness, entry of foreign players. Insurance regulatory development authority has made recognizable changes in the insurance sector.

Objectives of the study-

- 1) To know the powers and functions of IRDA
- 2) To know the performance of insurance sector after IRDA

RESEARCH METHODOLOGY

This paper is based on secondary data collection. All the data used for the purpose of this research has been sourced from various sources like research paper, newspaper, Paper Articles, websites and books.

IRDA –Objectives and Functions-

IRDA frames regulations for insurance industry in terms of section 114 A of the Insurance Act 1938. Promotion of competition among insurance companies to enhance customer satisfaction through increased consumer choice and lower premiums is key objectives of IRDA. It also ensures the financial

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security of the insurance market. IRDA opened up the market in August 2000 to foreign players. From the year 2000 IRDA has registered new insurance companies in accordance with regulations. It monitors insurance sector activities for healthy development of the industry and protection of policyholder's interest. IRDA has the power to frame regulations and has framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholder's interest from the year 2000. Functions and duties of IRDA are as follows.

- 1) Registering and regulating insurance companies.
- 2) Protecting policyholder's interest.
- 3) Licensing and establishing norms for insurance intermediaries.
- 4) Promoting professional organizations in insurance.
- 5) Regulatory and overseeing premium rates and terms of non life insurance covers.
- 6) Specifying financial reporting norms of insurance companies.
- 7) Regulating investments of policyholder's funds by insurance companies.
- 8) Ensuring the maintenance of solvency margin by insurance companies.
- 9) Ensuring insurance coverage in rural areas of vulnerable sections of society.

Composition of insurance Industry-

The insurance industry of India consists 51 insurance companies of which are 24 are in life insurance business and 27 are non life insurer. Life Insurance Corporation is the sole public sector company among the life insurance company. Among the non life insurance companies there are four public sector companies. There is sole national reinsurer namely general Insurance Corporation of India. Other stakeholders in Indian insurance market includes agents consists of individual and corporate, surveyors and third party administrator serving health insurance claims. Out of 27 non life insurance companies four private sector insurance companies are registered to underwrite policies exclusively in health, personal accident and travel insurance segment. They are star health and allied insurance company limited, Apollo Munich health insurance company limited, Max Bupa health insurance Company limited and Religare Health Insurance company limited. There are two more specialized insurance companies belonging to public sector, namely Export credit Guarantee Corporation of India for credit insurance and Agriculture insurance company limited for crop insurance.

Performance of Insurance Business after IRDA-

Here are some performance highlights of the Indian Life insurance industry after establishment of IRDA.

A) Life Insurance-

In 1956 LIC was established but there was no development of branches in rural and urban area. From 2001 established of IRDA in a decade more than 1000 branches of LIC and 8700 branches open in private sector in a decade. Total life insurance premium has been reached 265450 in 2009-10 crore as compare only 34878 crore in 2001.

Life Insurance Company and Branches

Year	Public sector		Private sector		Total	
	company	Branches	company	Branches	company	Branches
2000-01	1	2186	4	13	5	2199
2001-02	1	2190	11	116	12	2306
2002-03	1	2191	12	254	13	2397
2003-04	1	2196	12	416	13	2612
2004-05	1	2197	13	804	14	3001
2005-06	1	2220	14	1645	15	3865
2006-07	1	2301	15	3072	16	5373
2007-08	1	2522	17	6391	18	8913
2008-09	1	3030	21	8785	22	11815
2009-10	1	3250	22	8768	23	12018

(Source- IRDA Annual Report)

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Total life insurance premium

Year	LIC	Private	Total
2000-01	34892.02	6.45	34898.47
2001-02	49821.91	272.55	50094.46
2002-03	54628.49	1119.06	55747.55
2003-04	63533.43	3120.33	66653.75
2004-05	75127.29	7725.51	82854.80
2005-06	90792.22	15083.54	105875.76
2006-07	127822.84	28242.48	156065.32
2007-08	149789.99	51561.42	201351.41
2008-09	157288.04	64497.43	221785.47
2009-10	186077.31	79373.06	265450.37

(Source- IRDA Annual Report)

B) Non Life Insurance-

From 2000 to 2009 in non life insurance sector 20 companies established. In 2009 gross direct premium 35815 crore collected as compare 12385 in 2002. Lot of new policy introduced in India which is benefited to society. Insurance Regulatory and Development Authority (IRDA) has created a special category of insurance policies called micro-insurance policies to promote insurance coverage among economically vulnerable sections of society. The IRDA Micro-insurance Regulations, 2005 defines and enables micro-insurance. it mandatory for all formal insurance companies to extend their activities to rural and well-identified social sector in the country (IRDA 2000).As a result, increasingly micro-finance institutions (MFIs) and NGOs are negotiating with the for profit insurers for the purchase of customized group or standardized individual insurance schemes for low income people.

No. of non life Insurer in India

Year	public	private	Health Insurance	Specialized Insurance	Reinsurer	Total
2000-01	4	3	0	1	1	9
2001-02	4	6	0	1	1	12
2002-03	4	8	0	1	1	14
2003-04	4	8	0	2	1	15
2004-05	4	8	0	2	1	15
2005-06	4	8	0	2	1	15
2006-07	4	8	1	2	1	16
2007-08	4	10	2	2	1	19
2008-09	4	12	2	2	1	21
2009-10	4	15	3	2	1	25

(Source- IRDA Annual Report)

Gross direct premium of non-life Insurer (Within and outside India)

Year	Public	Private	Total
2001-02	11917.59	467.65	12385.24
2002-03	13520.44	1349.80	14870.25
2003-04	14284.65	2257.83	16542.49
2004-05	14948.82	3507.62	18456.45
2005-06	15976.44	5362.66	21339.10
2006-07	17283.45	8646.57	25930.02
2007-08	17813.71	10991.89	28805.60
2008-09	19107.31	12231.09	31428.40
2009-10	21838.85	13977.00	35815.85

(Source- IRDA Annual Report)

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C) International comparison-

As compare other countries in India insurance development till the 2000 was very slowly. Insurance penetration was 7.83 in the world but our penetration was only 2.71 in 2001. After establishment of IRDA India insurance penetration reached more than 5 in the ten year. In the 2009 Insurance density more than 50 this was only 5.10 in the year 2001. Total worlds insurance density is more than 600 so IRDA is trying to fast to go high density for the benefit of society.

International comparison of Insurance Penetration

Year	India			World		
	Life	Non life	Total	Life	Non life	Total
2000-01	2.15	.56	2.71	4.68	3.15	7.83
2001-02	2.59	.67	3.26	4.76	3.38	8.14
2002-03	2.26	.62	2.88	4.59	3.47	8.06
2003-04	2.53	.64	3.17	4.55	3.44	7.99
2004-05	2.53	.61	3.14	4.34	3.18	4.34
2005-06	4.10	.60	4.80	4.50	3.00	7.50
2006-07	4.10	.60	4.70	4.40	3.10	7.50
2007-08	4.00	.60	4.60	4.10	2.90	7.10
2008-09	4.60	.60	5.20	4.00	3.00	7.00

(Insurance Penetration is measured as ratio of premium (in US Dollars) to GDP (in US Dollars)

International Comparison of Insurance Density

Year	India			World		
	Life	Non life	Total	Life	Non life	Total
2000-01	9.1	2.4	11.5	235.0	158.3	393.3
2001-02	11.7	3.00	14.7	247.3	175.6	422.9
2002-03	12.9	3.50	16.4	267.1	202.5	469.6
2003-04	15.5	4.00	19.7	291.5	220.0	511.5
2004-05	18.3	4.4	22.5	299.5	219.0	518.5
2005-06	33.2	5.2	38.4	330.6	224.2	554.8
2006-07	40.4	6.2	46.6	358.1	249.6	607.7
2007-08	41.2	6.2	47.4	369.7	264.2	633.9
2008-09	47.7	6.7	54.3	341.2	253.9	595.1

(Insurance Density is measured as ratio of premium (In US Dollar) to total population)

CONCLUSION-

The IRDA has impressively changed the insurance sector in India in terms of business performance and economic development. It has recorded phenomenal growth in improving economic growth and development. The Indians insurance market is gaining in size and is par with the Asian markets. The business of insurance is related to the protection of the economic values of assets of the policyholders. The number of new insurance policies issued by the life insurance companies in accordance with IRDA is an index of growth of life insurer. The growth of performance of the insurance industry has been increased tremendously since the establishment of IRDA supervises, controlled and regulates entire insurance industry in India. The insurance industry in India is performing with IRDA Act and need to penetrate last beneficiary in coming years.

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Others Resources

- 1) www.lic.com
- 2) www.irda.com

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