



Recent Trends In Life Insurance And Term Insurance In India.

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Abstract:-

In today's fast-paced and competitive world, life has become increasingly demanding and uncertain. People's lifestyles, personal and family needs, expectations, and financial planning are influenced by a variety of factors. As social beings, it is crucial for individuals to ensure their own safety and that of their families. While many consider life insurance solely in the context of death, its importance extends beyond that. Even if you lead a healthy life and anticipate a long one, there will come a point - retirement - where you will no longer be working actively. During this phase, your regular income is likely to diminish. A comprehensive life insurance policy can help address these concerns. It is imperative for individuals and families to effectively manage present and future challenges and risks. With human progress, it becomes essential to be prepared for and adept at handling both natural and man-made disasters. As living standards improve, maintaining physical and financial security becomes paramount. People seek to mitigate the potential risks to life and property. Life is invaluable, and a life insurance policy helps bridge the financial gap that may arise from the sudden loss of the primary earner in a family. Therefore, having adequate life insurance coverage is crucial for individuals and their families. The concept of insurance emerged as a means to ensure financial security by addressing this gap. Insurance has evolved from merely compensating for loss of life or property to encompassing provisions for the future, education of children, and compensation for losses due to theft, fraud, robbery, natural disasters, and other emergencies. Today, insurance is not just a financial product but a fundamental necessity in modern life and commerce.

Keywords:- Life Insurance, IRDA, LIC, Growth of Insurance Sector, Government Initiative.

INTRODUCTION:-

The concept of insurance has a long history, with mentions found in various cultures. In India, early writings such as those of Manu (Manusmriti), Yagnavalkya (Dharmasastra), and Kautilya (Arthashastra) dating back 5000-6000 years ago discuss the idea. The concept involved people pooling money together and contributing a small share to assist those who experienced a loss or were in need. The slogan "Yogaksham Vahamyaham" adopted by the Life Insurance Corporation of India (LIC) translates to "Your welfare is our responsibility" and is derived from an ancient Indian text, specifically the 22nd verse of the 9th chapter of the Bhagavad Gita. Modern life insurance arrived in India from England in 1818. The Bombay Mutual Life

Assurance Society was the first Indian life insurance company, established in 1870, offering coverage to Indian lives at standard rates. The early twentieth century witnessed significant growth in the insurance business. On June 19, 1956, the Parliament of India passed the Life Insurance Corporation Act, leading to the creation of the Life Insurance Corporation of India on September 1, 1956. The primary goal was to expand life insurance coverage, particularly to rural areas, and provide adequate financial protection to all insurable persons in the country at a reasonable cost.

In India's insurance sector, the Insurance Regulatory and Development Authority of India (IRDA) plays a significant role. It is an autonomous statutory body responsible for regulating and promoting insurance and reinsurance in the country. IRDA was established under the Insurance Regulatory and Development Authority Act, 1999.

MARKET SIZE

The insurance industry in India has shown significant growth over the last two decades, primarily due to increased participation from the private sector and improvements in distribution capabilities, alongside operational efficiencies.

In FY24 (until September 2023), non-life insurers witnessed a 14.86% year-over-year increase in premium income to Rs. 1,43,802 crore (US\$ 17.29 billion), driven by strong demand for health and motor policies.

The Indian non-life insurance sector registered a growth rate of 14.86% during the first half of FY24, compared to 15.30% growth in the same period the previous year. The growth in the first half of FY24 was mainly fueled by health insurance (particularly the group segment), motor insurance, and crop insurance.

From April to November 2023, life insurers' new business premiums rose to Rs. 211,690.65 crore (US\$ 25.38 billion), as per data from the Life Insurance Council.

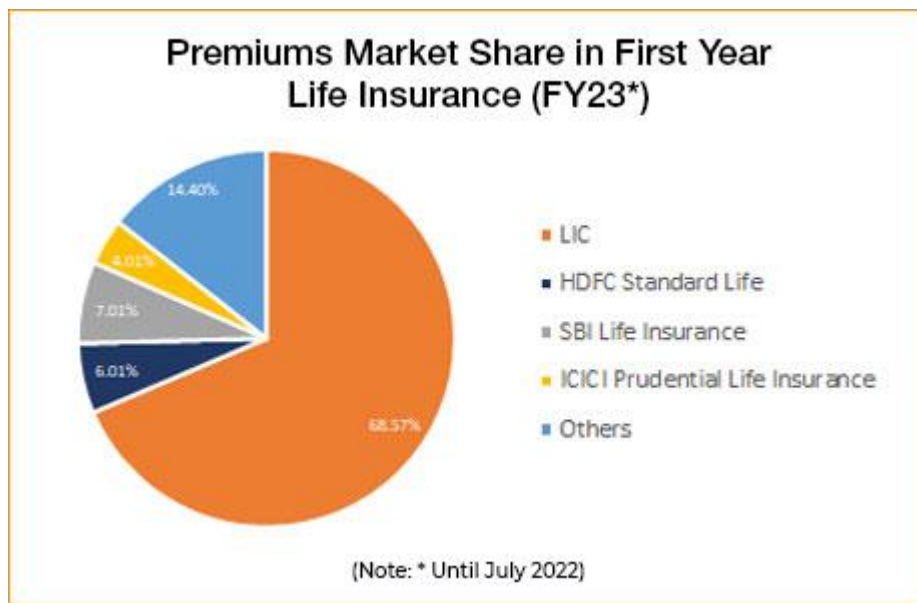
In March 2023, the private life insurance industry witnessed a robust growth rate of 35% year-on-year and 20% for the entire FY23.

According to the Insurance Regulatory and Development Authority of India (IRDAI), LIC increased its market share to 67.72% as of October, a gain of 447 basis points (bps). At the end of 2021-22, private players held a 36.75% share of the life insurance market, while LIC had a 63.25% share.

With a market share of nearly 62.58% in new business in FY23, Life Insurance Corporation of India, the sole public sector life insurer in the country, remained the market leader.

In FY23, non-life insurers (including general insurers, standalone health insurers, and specialized insurers) recorded a 16.4% growth in gross direct premiums.

In FY24, gross premiums written by non-life insurers in India amounted to US\$ 10.95 billion, while in FY23, the figure stood at US\$ 31 billion.



(Ref – www.ibef.org)

Evolution in Factors Surrounding Life Insurance & Term Insurance.

1. **Type of products** – Traditionally, life insurance plans offered pure term insurance that provided a sum assured to beneficiaries in case of the policyholder's demise during the policy term. Today, term insurance plans offer comprehensive coverage, including financial assistance for serious illnesses, medical consultations, and return of premium options.

Savings insurance solutions provide life cover with guaranteed returns on maturity, helping policyholders save funds for future financial commitments. Unit Linked Insurance Plans (ULIPs) allow individuals to invest a portion of the premium in financial securities for market-linked returns, with the option to invest in equity, debt, or hybrid funds based on risk appetite. ULIPs also offer the flexibility to switch between funds during economic downturns.

2. **Maturity benefits** – Previously, life insurance plans were considered a financial advantage only for beneficiaries of the sole earning member in the family. This was because they did not provide a maturity benefit. However, trends have changed, and life insurance now offers maturity benefits, including savings and other market-linked returns.

A savings insurance plan provides a guaranteed return on maturity, which can be received as a lump sum, regular income for a chosen period, or a combination of both. Term insurance plans can also provide a maturity benefit.

3. **Rider benefits** - In addition to the lump sum death benefit, life insurance plans now offer optional riders for additional financial assistance. For example, the critical illness rider provides a portion of the sum assured during the policy term to manage hospitalization and other medical expenses when diagnosed with a critical illness. This reduces the financial burden on family members. In the event of an accident leading to total and permanent disability, future premium payments can be waived while ensuring a death benefit in case of the policyholder's unexpected death.
4. **Digital revolution** – Traditionally, customers bought life insurance plans offline by visiting branch offices and submitting hard copy documents. Payment modes were limited to cash, cheque, and demand draft. However, with the digital revolution, accessing, customizing, and paying for life insurance plans became online, offering quick, secure, and cost-effective options.
5. **Flexible features** – Previously, life insurance plans had only one mode of payment, primarily monthly, and payouts were provided as lump sum death benefits. Insurers have now customized plans to offer flexible premium payment options, allowing policyholders to pay premiums monthly, quarterly, semi-annually, or annually. Payouts can be received as a lump sum or as regular income for a specified period.

GOVERNMENT INITIATIVES

The Government of India has implemented several initiatives to boost the insurance industry. Some key initiatives include:

- **Union Budget 2023-24:** The budget proposed limiting the income tax exemption on the proceeds of high-value life insurance policies. Income from life insurance policies with an aggregate premium up to Rs. 5 lakh (US\$ 6,075) will be exempt from taxation, emphasizing better targeting of tax concessions and exemptions.
- **Pradhan Mantri Fasal Bima Yojana (PMFBY):** This flagship initiative for crop insurance has significantly increased premium income for crop insurance.
- **Ayushman Bharat (Pradhan Mantri Jan Arogya Yojana) (AB PMJAY):** This scheme aims to provide health cover of Rs. 5 lakh (US\$ 6,075) per family per year for secondary and tertiary care hospitalization.
- **PM Suraksha Bima and PM Jeevan Jyoti Yojana:** These schemes provided insurance cover to 44.6 crore persons during FY23.
- **LIC IPO:** In 2022, the Indian government planned to sell a 7% stake in LIC for Rs. 50,000 crore (US\$ 6.62 billion), marking the largest IPO in India.
- **Health Services Improvement Project:** In November 2021, the Indian government signed a US\$ 40 million agreement with the World Bank to enhance the quality of health services in Meghalaya, including the state's health insurance programme.
- **Export Insurance Cover:** In September 2021, the Union Cabinet approved an investment of Rs. 6,000 crore (US\$ 804.71 million) into entities offering export insurance cover to facilitate additional exports worth Rs. 5.6 lakh crore (US\$ 75.11 billion) over the next five years.
- **General Insurance Business (Nationalization) Amendment Bill:** In August 2021, the Parliament passed this bill, aiming to allow the privatization of state-run general insurance companies.

ROAD AHEAD

- The future of the life insurance industry looks promising, with several regulatory changes expected to impact how the industry conducts business and interacts with customers. The industry in India is projected to grow by 14-15% annually over the next three to five years. The scope of IoT in the Indian insurance market is expanding beyond telematics and customer risk assessment. Currently, there are over 110 InsurTech startups operating in India, which are expected to significantly boost the industry and increase India's insurance penetration, crucial for the country's overall development.

The Indian government has historically played a crucial role in expanding the scope of the insurance sector through various policies and schemes, a trend expected to continue. Schemes like the Pradhan Mantri Fasal Bima Yojana (PMFBY) for crop insurance and the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) for affordable life insurance coverage for the youth will further this growth. These schemes, along with India's demographic factors such as a growing middle class, a young insurable population, and increasing awareness of the need for protection and retirement planning, will support the growth of the Indian insurance sector.

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