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Impact of Foreign Direct Investment in India on Insurance Industry

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Abstract:

The study concluded that increase in foreign direct investment (F.D.I.) is optimistic move for the future of Indian Life Insurance Sector, since this sector need huge amount of capital investment which can be done effectively only through increase in FDI and it enhance overall performance of insurance sector. Parliament has passed Insurance Laws (Amendment) Bill, 2015. It was first passed in LokSabha on 4 March 2015 and later in RajyaSabha on 12 March 2015, which will become an Act when the President signs it. The bill aims to bring improvements in the existing laws relating to insurance business in India. The bill also seeks to remove archaic provisions in previous laws and incorporate modern day practices of insurance business that are emerging in a changing dynamic environment, which also includes private participation. The insurance sector in India has a great potential even during the downtrend and FDI flow is expected to rise in the mere future.

Keywords: FDI, Investment boundaries, Cash Inflow, Cash Outflow, Life Insurance, General Insurance, Public Sector, Private Sector.

I. INTRODUCTION

Liberalization policy has been introduced in India since 1991 by the Finance Minister Dr. Manmohan Singh, though the contribution of public sector insurance company in the Indian business is immense and noticeable and having 90% of the total business of it. Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country. FDI can serve many purposes for the welfare and development of the country by focusing on the Infrastructure. Insurance sector still have a huge potentiality for building long term finance at least for next 30 years or more.

India's insurance market is far behind other economies in the basic measure of insurance density. Insurance density, which is measured as ratio of premium in US Dollar to total population is abysmally low in India as compared to other countries. Insurance density in India is less than \$70 whereas countries like US, UK, France or Switzerland have insurance density of at least \$4,000. Even low insurance density countries like Thailand and Malaysia have density greater than \$100. Relatedly, insurance penetration, which broadly measures the contribution of the insurance industry in relation to a nation's GDP, is quite minimal. At only 5.1 percent, India is well behind the 12.5 percent for the UK, 10.5 percent for Japan, 10.3 percent for Korea and 9.2 percent for the US.

The insurance industry of India consists of 53 insurance companies of which 24 are in life insurance business and 29 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

Out of 29 non-life insurance companies, five private sector insurers are registered to underwrite policies exclusively in health, personal accident and travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specialised insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance.

II. MARKET SIZE

Government's policy of insuring the uninsured has gradually pushed insurance penetration in the country and proliferation of insurance schemes are expected to catapult this key ratio beyond 4 per cent mark by the end of this year, reveals the ASSOCHAM latest paper.

The number of lives covered under Health Insurance policies during 2015-16 was 36 crore which is approximately 30 per cent of India's total population. The number has seen an increase every subsequent year as 28.80 crore people had the policy in the previous fiscal.

During April 2015 to March 2016 period, the life insurance industry recorded a new premium income of Rs 1.38 trillion (US$ 20.54 billion), indicating a growth rate of 22.5 per cent. The general insurance industry recorded a 12 per cent growth in Gross Direct Premium underwritten in April 2016 at Rs 105.25 billion (US$ 1.55 billion). The life insurance industry reported 9 per cent increase in overall annual premium equivalent in April-November 2016. In the period, overall annual premium equivalent (APE)- a measure to normalise policy premium into the equivalent of regular annual premium- including individual and group business for private players was up 16 per cent to Rs 1,25,563 crore (US$ 18.76 billion) and Life Insurance Corporation up 4 per cent to Rs 1,50,456 crore (US$ 22.48).

India's life insurance sector is the biggest in the world with about 360 million policies which are expected to increase at a Compound Annual Growth Rate (CAGR) of 12-15 per cent over the next five years. The insurance industry plans to hike penetration levels to five per cent by 2020.

The country's insurance market is expected to quadruple in size over the next 10 years from its current size of US$ 60 billion. During this period, the life insurance market is slated to cross US$ 160 billion.

The general insurance business in India is currently at Rs 78,000 crore (US$ 11.44 billion) premium per annum industry and is growing at a healthy rate of 17 per cent.

The Indian insurance market is a huge business opportunity waiting to be harnessed. India currently accounts for less than 1.5 per cent of the world's total insurance premiums and about 2 per cent of the world's life insurance premiums despite being the second most populous nation. The country is the fifteenth largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially in the coming years.

III. INVESTMENTS

The following are some of the major investments and developments in the Indian insurance sector.

New York Life Insurance Company, the largest life insurance company in the US, has invested INR 121 crore (US$ 18.15 million) in Max Ventures and Industries Ltd for a 22.52 per cent stake, which will be used by Max for investing in new focus areas of education and real estate. New York Life Investments, the global asset management division of New York Life, along with other investors like Jacob Ballas, will own a significant minority ownership in Centrum Capital by being one of the leading global investors in buying the available 30 per cent stake worth US$ 50 million of Centrum Capital.

Max Life Insurance Co Ltd and HDFC Life Insurance Co Ltd have signed a merger agreement, which is expected to create India's largest private sector life insurance company once the transaction is completed.

Aviva Plc, the UK-based Insurance company, has acquired an additional 23 per cent stake in Aviva Life Insurance Company India from the joint venture (JV) partner Dabur Invest Corporation for Rs 940 crore (US$ 141.3 million), thereby increasing their stake to 49 per cent in the company.

Insurance firm AIA Group Ltd has decided to increase its stake in Tata AIA Life Insurance Co Ltd, a joint venture owned by Tata Sons Ltd and AIA Group from 26 per cent to 49 per cent.

Canada-based Sun Life Financial Inc plans to increase its stake from 26 per cent to 49 per cent in Birla Sun Life Insurance Co Ltd, a joint venture with Aditya Birla Nuvo Ltd, through buying of shares worth Rs 1,664 crore (US$ 244.14 million).

Nippon Life Insurance, Japan's second largest life insurance company, has signed definitive agreements to invest Rs 2,265 crore (US$ 332.32 million) in order to increase its stake in Reliance Life Insurance from 26 per cent to 49 per cent.

Bennett Coleman and Co. Ltd (BCCL), the media conglomerate with multiple publications in several languages across India, is set to buy Religare Enterprises Ltd's entire 44 per cent stake in life insurance joint venture Aegon Religare Life Insurance Co. Ltd. The foreign partner Aegon is set to increase its stake in the joint venture from 26 per cent to 49 per cent, following government's reform measure allowing the increase in stake holding by foreign companies in the insurance sector.

GIC Re and 11 other non-life insurers have jointly formed the India Nuclear Insurance Pool with a capacity of Rs 1,500 crore (US$ 220.08 million) and will provide the risk transfer mechanism to the operators and suppliers under the CLND Act.

State Bank of India has announced that BNP Paribas Cardiff is keen to increase its stake in SBI Life Insurance from 26 per cent to 36 per cent. Once the foreign joint venture partner increases its stake to 36 per cent, SBI's stake in SBI Life will get diluted to 64 per cent.

IV. GOVERNMENT INITIATIVES IN UNION BUDGET 2017-18

The Budget has made provisions for paying huge subsidies in the premiums of Pradhan Mantri Fasal Bima Yojana (PMFBY) and the number of beneficiaries will increase to 50 per cent in the next two years from the present level of 20 per cent. As part of PMFBY, Rs 9,000 crore (US$ 1.35 billion) has been allocated for crop insurance in 2017-18.

By providing tax relief to citizens earning up to Rs 5 lakh (US$ 7500), the government will be able to increase the number of taxpayers. Life insurers will be able to sell them insurance products, to further reduce their tax burden in future. As many of these people were understating their incomes, they were not able to get adequate insurance cover.

Demand for insurance products may rise as people's preference shifts from formal investment products post demonetization.

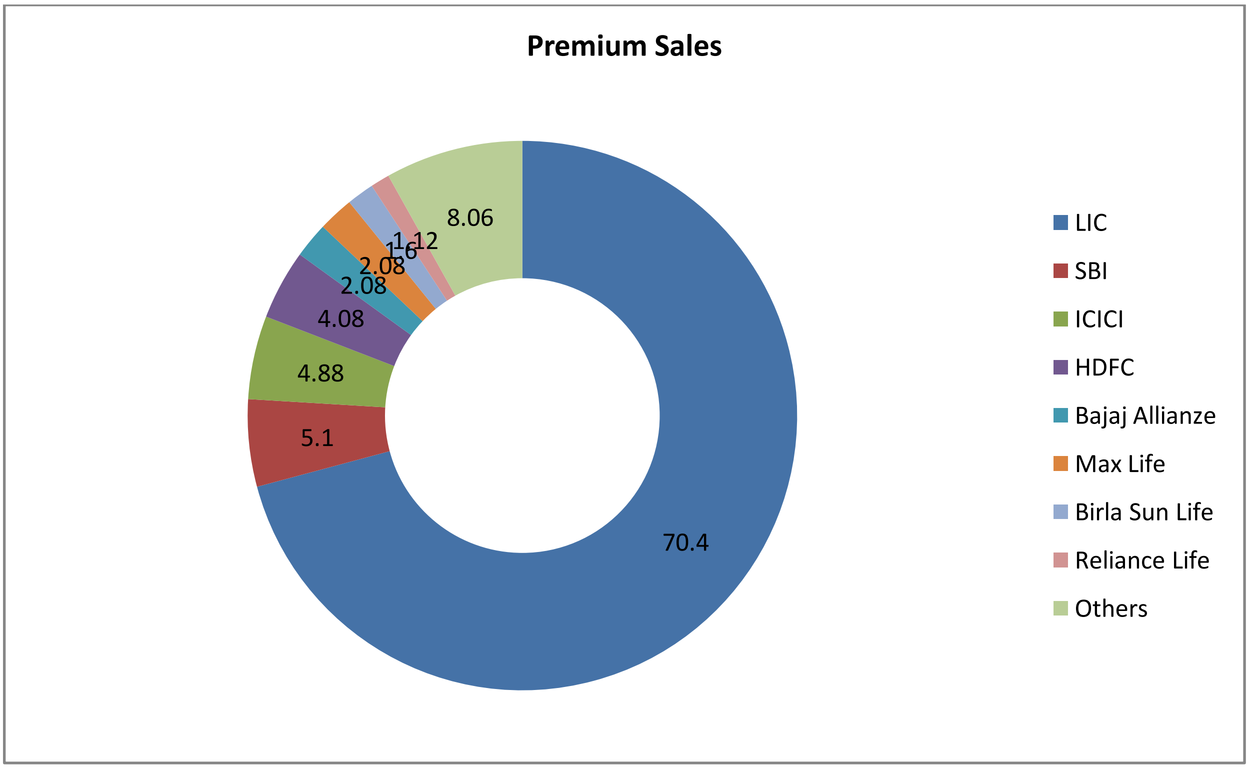
The Budget has attempted to hasten the implementation of the Digital India initiative. As people in rural areas become more tech savvy, they will use digital channels of insurers to buy policies.

The Government of India has taken a number of initiatives to boost the insurance industry. Some of them are as follows:
The Union Cabinet has approved the public listing of five Government-owned general insurance companies and reducing the Government's stake to 75 per cent from 100 per cent, which is expected to bring higher levels of transparency and accountability, and enable the companies to raise resources from the capital market to meet their fund requirements.
The Insurance Regulatory and Development Authority of India (IRDAI) plans to issue redesigned initial public offering (IPO) guidelines for insurance companies in India, which are to looking to divest equity through the IPO route.
IRDAI has allowed insurers to invest up to 10 per cent in additional tier 1 (AT1) bonds, that are issued by banks to augment their tier 1 capital, in order to expand the pool of eligible investors for the banks.
IRDAI has formed two committees to explore and suggest ways to promote e-commerce in the sector in order to increase insurance penetration and bring financial inclusion.
IRDAI has formulated a draft regulation, IRDAI (Obligations of Insures to Rural and Social Sectors) Regulations, 2015, in pursuance of the amendments brought about under section 32 B of the Insurance Laws (Amendment) Act, 2015. These regulations impose obligations on insurers towards providing insurance cover to the rural and economically weaker sections of the population.
The Government of Assam has launched the Atal-Amrit Abhiyan health insurance scheme, which would offer comprehensive coverage for six disease groups to below-poverty line (BPL) and above-poverty line (APL) families, with annual income below Rs 500,000 (US$ 7,500).
The Uttar Pradesh government has launched a first of its kind banking and insurance services helpline for farmers where individuals can lodge their complaints on a toll free number.
The select committee of the Rajya Sabha gave its approval to increase stake of foreign investors to 49 per cent equity investment in insurance companies.
Government of India has launched an insurance pool to the tune of Rs 1,500 crore (US$ 220.08 million) which is mandatory under the Civil Liability for Nuclear Damage Act (CLND) in a bid to offset financial burden of foreign nuclear suppliers.
Foreign Investment Promotion Board (FIPB) has cleared 15 Foreign Direct Investment (FDI) proposals including large investments in the insurance sector by Nippon Life Insurance, AIA International, Sun Life and Aviva Life leading to a cumulative investment of Rs 7,262 crore (US$ 1.09 billion).
IRDAI has given initial approval to open branches in India to Switzerland-based Swiss Re, French-based Scor SE, and two Germany-based reinsurers namely, Hannover Re and Munich Re.

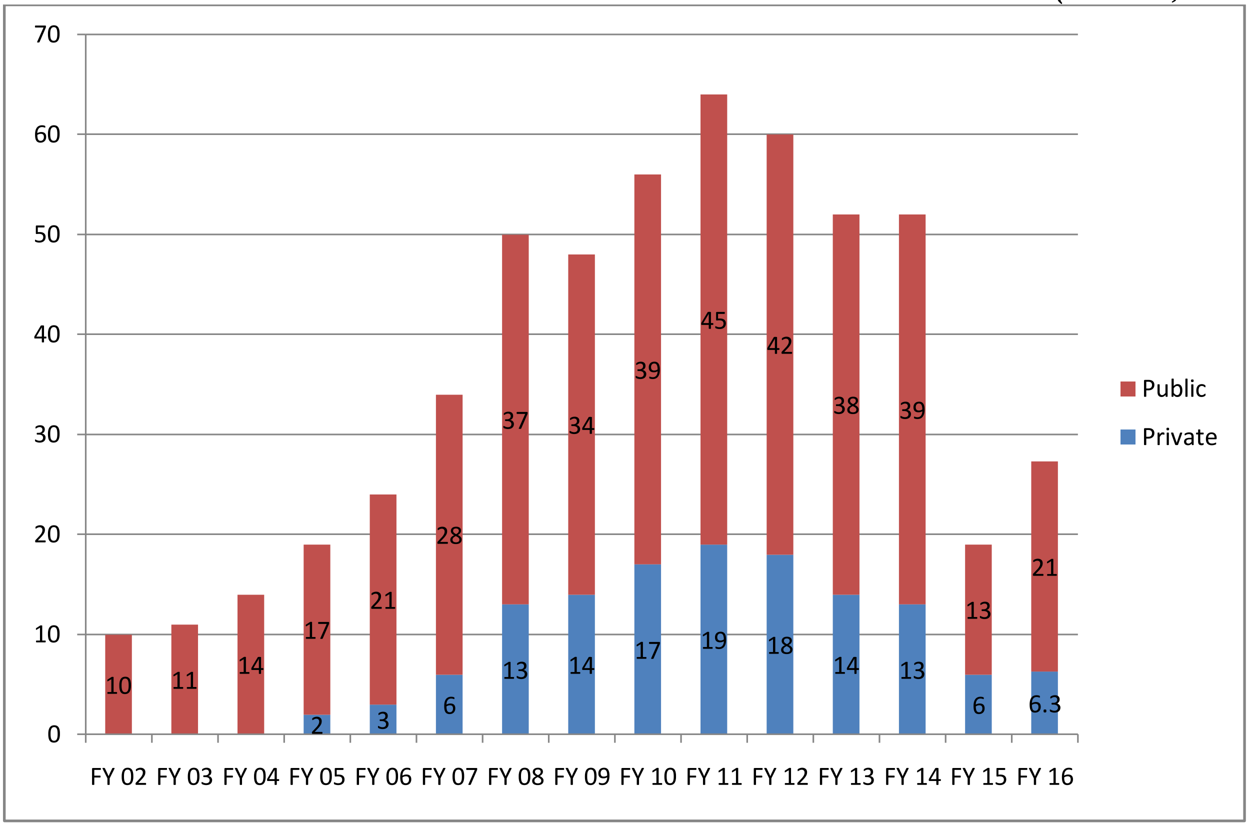
V. PRESRNT INSURANCE INDUSTRY OVERVIEW AND MARKET DEVELOPMENT ANALYSIS

- As of 2016, life insurance sector has 29 private players in comparison to only four in FY02 With 70.4 per cent share market share in FY16,
- LIC continues to be the market leader, followed by SBI (5.1 per cent), ICICI (4.9 per cent) and HDFC (4.1 per cent)

Major Companies Market Share in terms of Insurance Premium collected (FY'16)



[Source: TechSci Research, LIC]



[Source: Insurance Regulatory and Development Authority, TechSci Research]

VI. LITERATURE REVIEW

Singh and Gupta (2013) discussed Indi's foreign capital policy since 1947. They concluded that the policy framework in India dealing with foreign private investment has changed from cautious welcome policy during 1948-66 to selective and restrictive policy during 1967 to 1979. In the decade of eighties, it was the policy having partial liberalization with many regulations. Liberal investment climate has been created only since 1991.

Boopath (2013) revealed that the Press Council of India has commented on synergic alliance or equity participation by way of Foreign Direct Investment. The council opined that Foreign Direct Investment should be allowed to break or halt the growing monopoly of a few media giants in India who offer uneven playground and unhealthy competition to small and medium papers.

Jampala, Lakshmi and Srinivasa (2013) discussed Foreign Direct Investment Inflows into India in the Post-reforms period. They concluded that "as far as the economic interpretation of the model is concerned; the size of domestic market is positively related to Foreign Direct Investment. The greater the market, the more customers and more opportunities to invest."

Pradeep (2013) made an attempt to study of foreign direct investment in India. He emphasized that Investment, or creation of capital, is an important determinant of economic growth. In general, investment may lead to creation of physical capital, financial capital and human capital. In combination with other factors of production and technology, investment determines the levels and growth through changes in production and consumption of goods and services. Other things being the same, less investment leads to lower economic growth with attendant consequences on reduction in income, consumption and employment. Foreign investment can reduce domestic savings gap. Hence, notwithstanding the domestic savings gap, economic growth can be increased in an open economy with inflow of foreign investment. The foreign investment in India would stimulate the domestic investments. The foreign investments are complementary to economic growth and development in developing countries like India. Investment in an economy raises output and improves standard of living of the people. Keeping this end in view both developed and developing countries are trying their best to undertake investment programmes. Since the availability of capital is scarce in many countries due to low rate of domestic savings, hence the importance of foreign investment is ever rising. Foreign capital consists of private foreign capital and public foreign capital. Public foreign capital is otherwise financial foreign aid where as private foreign capital consists of either foreign direct investment or indirect foreign investment. In case of foreign direct investment (FDI), the private foreign investor either sets up a branch or a subsidiary in the recipient country. In the liberalized environment as economics become increasingly open, and trade between countries expand, financial transactions become global through financing trade of goods and services. Capital is the engine of economic development and this statement is gaining importance in the recent times.

Narayana (2012) explained that one of the major concerns of planners and policy makers in India is attracting more and more Foreign Direct Investment. He analyzed the Foreign Direct Investment and its flows into India. He highlighted the basic constraints to investment in general and Foreign Direct Investment in particular.

Juan Pineiro et. al (2008) in the Paper namely "Does Growth and Quality of Capital markets Drive Foreign capital? - The case of cross-. Border M and As" examined the association between the quantum of FDI in a firm and the quality of capital market growth of that firm. The period of study was from 1987 to 2006. After a comparative study of "both the stock market variables and the financial and regulatory reforms variables, they observed that the coefficients was higher than other variables. They concluded that higher reforms in capital markets may result into higher increase in firm level Foreign Direct Investment". Moreover, the results are found to be enormously forceful when they "replaced stock market variables with squared values of the same, reconfirming the fact that bigger is the escalation, better is the inflow of firm level Foreign Direct Investment".

Ningombam, Jayanti (2007) in one of the article entitled "Globalization and Foreign Direct Investment in North East India: A Perspective" has made an attempt to highlight the constraints faced by the north east region (NER) consisting of eight states viz "Assam, Arunachal Pradesh , Manipur Meghalaya , Mizoram , Nagaland , Tripura and Sikkim; focused on the emerging patters and trends in the inflows of foreign investment particularly Foreign Direct Investment in North-East in the wake of economic liberalization initiated in 1991".The findings show that the Foreign Direct Investment has been concentrated in relatively developed states. According to the author, the NER which is at lower stage of development is characterized by extremely attractive scenario yet investment both domestic and foreign is not Northeast friendly due to „crowding out theory‟ does not work in the region. This article suggested that in the absence of public investment mere opening of the region to the global capital flows will further increase disparities. The reactivation of public investment on the basis of appropriate structure of accountability is, therefore; the need of the hour.

Nalsar and Prasad (2007) in a paper titled "Foreign Direct Investment and the Legal Profession in India" have investigated into the results of permitting "FDI and foreign collaboration in the legal services sector in India. Many segments of the Indian economy are now moderately open to foreign venture, with few exceptions". "The government has imposed certain restrictions on Foreign Direct Investment in some highly sensitive sectors, e.g. agriculture, retail trading, railways and real estate. According to them some sectors still entail government support. Within the global economy the significance of trade in services currently amounts to well over two trillion US dollars, a sixth of total world trade".

Mann and Lalit (2007) in a paper on "India Shining: Investment Destination for Retail Segment" have made an attempt to evaluate and appreciate the "flow of Foreign Investment in India". "A thread bare discussion has been made on factors affecting Foreign Direct Investment in Indian Retailing Sector, and factors against the Foreign Direct Investment in retail". "This paper suggests that, India needs today to lessen the rural - urban divide. This can be done through the help of big pocket entrepreneurs entering the country".

VII. GLOBAL FACT ABOUT INSURANCE SECTOR

The global insurance industry is facing a cut throat competition in the today's era. Which automatically imposing the pressure on the company to provide better and efficient service in terms of after sales service and better claim settlement ratio. To achieve this target, all the company now a day's putting their hard core effort to make their underwriting process more transparent, control the overhead cost and improve their claim settlement ratio. With high competition in the insurance industry, companies will need to strengthen their product lines, investment strategies and corporate infrastructure.

The number of lives covered under Health Insurance policies during 2015-16 was 36 crore which is approximately 30 per cent of India's total population. The number has seen an increase every subsequent year as 28.80 crore people had the policy in the previous fiscal. During April 2015 to March 2016 period, the life insurance industry recorded a new premium income of Rs 1.38 trillion (US$ 20.54 billion), indicating a growth rate of 22.5 per cent. The general insurance industry recorded a 12 per cent growth in Gross Direct Premium underwritten in April 2016 at Rs 105.25 billion (US$ 1.55 billion). The life insurance industry reported 9 per cent increase in overall annual premium equivalent in April-November 2016. In the period, overall annual premium equivalent (APE)- a measure to normalise policy premium into the equivalent of regular annual premium- including individual and group business for private players was up 16 per cent to Rs 1,25,563 crore (US$ 18.76 billion) and Life Insurance Corporation up 4 per cent to Rs 1,50,456 crore (US$ 22.48).

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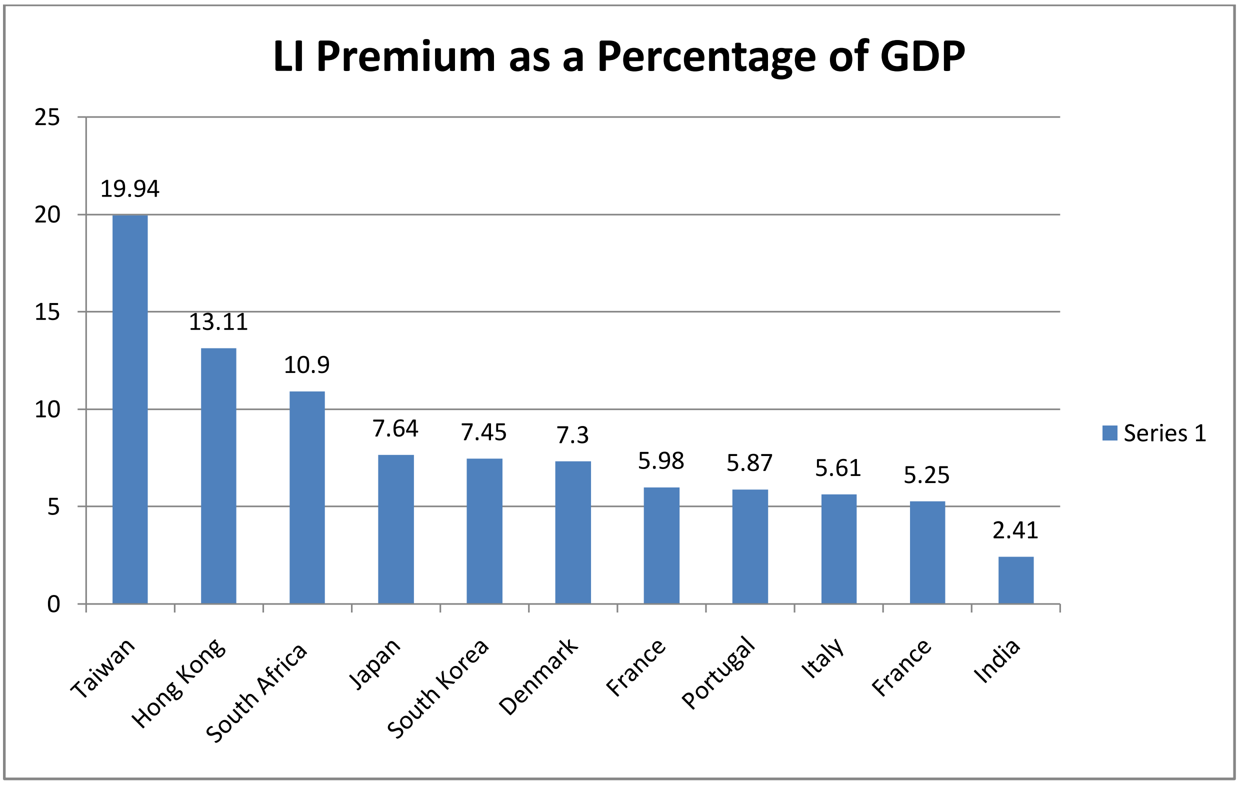
The Indian insurance market is a huge business opportunity waiting to be harnessed. India currently accounts for less than 1.5 per cent of the world's total insurance premiums and about 2 per cent of the world's life insurance premiums despite being the second most populous nation. The country is the fifteenth largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially in the coming years.

Life Insurance premium Volume, Percentage of GDP, 2014

Country Name	Life Insurance Premium
Taiwan	19.94
Hong Kong	13.11

South Africa	10.90
Japan	7.64
South Korea	7.45
Denmark	7.30
France	5.98
Portugal	5.87
Italy	5.61
France	5.25
India	2.41



[Source: IRDA official website: www.irda.org]

OBJECTIVES

- To analyze the impact of FDI on insurance sector.
- To find out the key areas of problem in FDI.
- To refer the Government policy to support the various players in the market.
- To study the public and private sector contribution in the sector.

VIII. METHODOLOGY OF THE STUDY

The study is entirely depends upon the utilization of the secondary data as it is related to the proven result, which has been published in the government magazines, journal, paper, websites, company's financial report, IRDA official website etc.

OVERVIEW OF INSURANCE SECTOR IN INDIA

History of Insurance

A contract of insurance may be defined as a contract whereby, one person, called the 'insurer', undertakes, in return for the agreed consideration, called the 'premium' to pay to another person, called 'assured', a sum of money or its equivalent on the happening of a specified event. The aim of all insurance is to make provisions against dangers which beset human life and dealings. Those who seek it endeavor to avert disasters from themselves by shifting possible losses on the shoulders of others who are willing for pecuniary consideration, to take risk thereof, and in the case of life assurance, they endeavor to assure to those dependent on them a certain provision in case of their death, or to provide a fund out of which their creditors can be satisfied.

In India, insurance has a deep-rooted history. It funds mention in the writings of Manu(manusmrithi), Yagnavalkya(Dharmasastra) and Kautilya (Arthasastra). The writing talks in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a precursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers' contracts. Insurance in India has evolved over tome heavily drawing from other countries, England in particular.

The British Period
1818 saw the advent of life insurance business in India with the establishment of the oriental life insurance company in Calcutta. This company however failed in 1834. 1870 saw the enactment of the British insurance Act. This era, however, was dominated by foreign insurance offices which did good business in India. The Indian life assurance companies act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian insurance companies act was enacted to enabled the government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. In 1938, with a view to protecting the interest of the insurance public, the earlier legislation was consolidated and amended by the insurance act, 1938 with comprehensive provisions for effective control over the activities of insurers.

The Nationalized Period
The insurance amendment act of 1950 abolished principal agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The government of India, therefore, decided to nationalize insurance business. In nationalized era an ordinance passed on 19th January, 1956 nationalizing the life insurance sector and Life Insurance Corporation came into existence in the same year. LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies-245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the insurance sector was reopened to the private sector. Due to new liberalization, privatization and globalization, the insurance sector was reopened to the private sector.

The Liberalized Period
The insurance regulatory and Development Authority was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA opened up the market in august 2000 with the invitation for application for registrations. The bill allows foreign equity stake in domestic private insurance companies to maximum of 26% of the total paid-up capital and seeks to provide statutory status to the insurance regulator. Foreign companies were allowed ownership of up to 26%. In December, 2000, the subsidiaries of the general insurance corporation of India were restructured as independent companies and at the same time GIC was converted into a national reinsurer. Parliament passed a bill de-linking the four subsidiaries from GIC in July, 2002.
Today there are a number of private sector insurance companies. The table below shows the breakup of insurance companies:-
Number of insurance companies in India

Type of Business	No. of Public sector companies	No. of Private sector companies	Total companies
Life Insurance	01	23	24
General Insurance	06	22	28
Re Insurance	01	00	01
Total	08	45	53

[Source: IRDA official website: www.irda.org]

BENEFITS OF INTRODUCING FDI IN INSURANCE
The cabinet committee on economic affairs headed by Prime Minister Narendra Modi has approved the limit of foreign direct investment in insurance sector to 49 percent from the existing 26 percent. The cabinet has cleared the FDI limit in insurance companies through FIPB route which necessitates the management control with the Indian promoters. This was a long due reform which the Modi government has undertaken and is surely bond to benefit the insurance sector.
Let's look at the six key benefits of increased foreign direct investment limit in insurance sector:-
Increased Insurance Penetration– With the population of more than 100 crores, India requires Insurance more than any other nation. However, the insurance penetration in the country is only around 3 percent of our gross domestic product with respect to over-all premiums underwritten annually. This is far less as compared to Japan which has an insurance penetration of more than 10 percent. Increased FDI limit will strengthen the existing companies and will also allow the new players to come in, thereby enabling more people to buy life cover.
Level Playing Field – With the increase in foreign direct investment to 49 percent, the insurance companies will get the level playing field. So far the state owned Life Corporation of India controls around 70 percent of the life insurance market.
Increased Capital Inflow – Most of the private sector insurance companies have been making considerable losses. The increased FDI limit has brought some much needed relief to these firms as the inflow of more than 10,000 crore is expected in the near term.This could go up to 40,000 crore in the medium to long term, depending on how things pan out.
Job Creation –With more money coming in, the insurance companies will be able to create more jobs to meet their targets of venturing into under insured markets through improved infrastructure, better operations and more manpower.
Favorable to the Pension Sector –If the pension bill is passed in the parliament then the foreign direct investment in the pension funds will also be raised to 49 percent. This is because the Pension Fund Regulatory Development Bill links the FDI limit in the pension sector to the insurance sector.

Consumer Friendly – The end beneficiary of this amendment will be common men. With more players in this sector, there is bound to be stringent competition leading to competitive quotes, improved services and better claim settlement ratio.

IX. CONCLUSION

The FDI increase limit helps the industry to match with the competitiveness of the world. The CAGR for the FY'16 was 14.06% which is higher compare to last year. Government of India has taken various initiatives to boost the market in a positive manner. The first one is Tax implication, which offers Tax deduction under the health scheme and it has been increased to USD 409.43 from USD 245.66. Furthermore, increase in FDI limit and revival packages will empower the flow of FDI and Helps Company to raise capital and funds for their future expansion plan. In addition to that, Union Budget brings Insurance (Amendment) Bill 2015, expected to strengthen the IRDA with injection of regulations for gaining sustainable growth. For instance to provide boost to the liberalization policy, government allowed the company to go public, in support of this IRDA allowed those company which has completed 10 years of operation in the Indian Life insurance market to come out with the IPO. With almost 70% of the total market share, LIC continues to be the market leader, followed by the ICICI prudential with 6.9% of market share. In FY'16, the gross premium earn by the General Insurance Company stood for USD 10.2 billion. The contribution of private players in the non-life insurance product is 45.4% in the total revenue generation activities while public sector has 54.6%. The final expectation of the Insurance market to generate USD 280 billion of revenue.

Currently, only 26% of FDI is permitted in insurance sector. The total insurance business would touch US$ 60 billion size. If insurance sector is opened up to an extent of 49% for FDIs, it is expected that FDI's contribution to insurance business would touch nearly US$ 2 billion.

X. FUTURE PREDICTION

India's insurable population is anticipated to touch 750 million in 2020, with life expectancy reaching 74 years. Furthermore, life insurance is projected to comprise 35 per cent of total savings by the end of this decade, as against 26 per cent in 2009-10.

The future looks promising for the life insurance industry with several changes in regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers.

Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian life insurance.

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