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## INDIAN INSURANCE INDUSTRY-PERFORMANCE OF SBI LIFE INSURANCE

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### ABSTRACT

Insurance offers protection from financial crisis. The insurance industry in India was estimated to touch a figure of Rs. 3.75 lakh crores in the year 2012. In the life insurance business, India ranked 10<sup>th</sup> among the 156 countries. India stood at 19th rank in global non-life premium income.

There are fifty-two insurance companies operating in India. The life insurance companies settled 8.22 lakh claims on individual policies, with a total payment of Rs.8,409 crores and life insurers issued 442 lakh new policies during 2011-12.

SBI Life Insurance is a joint venture between State Bank of India and BNP Paribas Cardif. When compared to the other private insurance companies the best services with least premium was available in SBI Life Insurance. With a large network it has the capability to cover crores of insurance holders' needs in India and abroad.

The mission of SBI Life Insurance is to emerge as the leading company offering a comprehensive range of life insurance and pension products at competitive prices, ensuring high standards of customer service and world class operating efficiency.

The objective of the research paper is to assess the status and development of the Indian insurance industry and to evaluate the performance of SBI Life Insurance. For the purpose of evaluation, this research paper is divided into two parts. In the first part, the status of the insurance industry in India has been discussed. In the second part, the performance of SBI Life Insurance Company Ltd. was evaluated and suggestions have been offered to improve its performance.

**Key words:** Life Insurance, Non-Life Insurance, SBI Life Insurance.

## **1. INTRODUCTION**

Insurance offers protection from financial crisis. In addition to the protective cover it offers, life insurance serves the purpose of savings and wealth creation thereby giving freedom to live life to the fullest. During the financial year 2011-12, the life insurance industry went through a transition phase that has changed the dynamics and approach of the insurance players.

## **2. INDIAN INSURANCE IN THE GLOBAL SCENARIO**

In the life insurance business, India was ranked 10<sup>th</sup> among 156 countries. During 2011-12, the life insurance premium in India declined by 8.5 per cent. 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.

The non-life insurance sector witnessed a significant growth of 13.5 per cent during 2011-12. Its performance is far better when compared to global non-life premium, which expanded by a meager 1.8 per cent during the same period. The share of Indian non-life insurance premium in global non-life insurance premium increased slightly from 0.57 per cent in 2010-11 to 0.62 per cent in the year 2011-12. India stood at 19th rank in global non-life premium income.

## **3. APPRAISAL OF INDIAN INSURANCE MARKET**

As on March 2012, there are fifty-two insurance companies operating in India of which twenty-four were life insurers and twenty-eight were non-life insurers.

## **4. GROWTH OF INSURANCE PREMIUM**

Table 1 explains that, in six years of assessment from 2006-07 to 2011-12 the life insurance industry recorded a premium collection of Rs. 2,87,072 crores during 2011-12 as against Rs. 2,91,639 crores in the previous financial year, registering a negative growth of 1.57 per cent.

The life insurance industry in total saw, the public sector life insurers collecting premium of Rs. 2,02,889 crores and private life insurers collecting premium of Rs. 84,183 crores during 2011-12. When compared to the previous year 2010-11, the premium collected by the public and private sector life insurers was declining.

In the non-life segment, the insurers underwrote gross direct total premium of Rs. 54,578 crores in India for the year 2011-12 as against Rs. 44,842 crores in 2010-11, registering a growth of 24.19 per cent as against an increase of 22.98 per cent recorded in the previous year. The public sector insurers exhibited growth in 2011-12 at 21.50 per cent as against the previous year's growth rate of 21.84 per cent. The private sector general insurers registered a growth of 28.06 per cent, which is higher than 24.67 percent achieved during the previous year.

**Table: 1 Total Insurance Premium Collected (Rs. in crores)**

Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Total Insurance Premium of Life Insurers						
Public Sector LIC	1,278,23	1,49,790	1,57,288	1,86,077	2,03,473	2,02,889
Private Sector	28,253	51,561	64,497	79,370	88,165	84,183
Total Industry	1,56,076	2,01,351	2,21,785	2,65,447	2,91,639	2,87,072
Gross Direct Premium of Non Life Insurers						
Public Sector	17,283	17,814	19,107	21,839	26,417	32,263
Private Sector	8,647	10,992	12,321	13,977	17,425	22,315
Total Industry	25,930	28,806	31,428	35,816	43,842	54,578

Source: IRDA Annual Reports

## 5. CHANNEL WISE NEW BUSINESS PERFORMANCE OF INSURERS

Table 2 demonstrates that in the life insurance industry total new business premium reached Rs. 1,13,868 crores, in which Rs. 81,791 crores are from the public sector and Rs. 32,076 crores from the private sector with help of different channels like individual agents corporate banks and others, brokers and direct selling during 2011-12.

The public sector life insurers collected new business premiums mainly from individual agents and direct selling. The private sector life insurers are depending mainly up on corporate banks, individual agents and direct selling.

Based on different channels the non-life insurers' total gross direct premium in 2011-12 was Rs. 57,964 crores. The gross premium from individual agents was Rs. 20,917 and from direct selling was Rs. 18,556 crores collected by non life insurers.

**Table: 2 Channel Wise New Business Performance of Insurers for 2011-12**

(Rs. in crores)

Types of Channel	Individual Agents	Corporate Agents		Brokers	Direct Selling	Total New Business
		Banks	Others			
New Business Premium of Life Insurers						
Public Sector LIC	42,979	1,237	101	43	37,431	81,792
Private Sector	10,134	11,573	2,221	1,417	6,731	32,076
Total Premium	53,113	12,810	2,322	1,460	44,162	1,13,868
Gross Direct Premium of Non Life Insurers						
Total Premium	20,917	3,273	5,104	10,113	18,556	57,964

Source: IRDA Annual Report 2011-12

## 6. BENEFITS PAID TO POLICY HOLDERS

In the year 2011-12, the life insurance companies settled 8.22 lakh claims on individual policies, with a total payout of Rs. 8,409 crores.

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). Overall, the industry witnessed 8.22 per cent decline (9.53 per cent decrease in 2010-11) in the number of new policies issued.

## **7. OBJECTIVES**

Many scholars and organizations have studied the Indian insurance industry but have not focused on SBI Life Insurance. To fill the research gap this area was selected. The objective of the research paper is to explore the growth in India's insurance industry and assess the performance of SBI Life Insurance.

For the purpose of evaluation this research paper is divided into two parts. In the first part, the status of the insurance industry in India has been discussed. In the second part, the performance of SBI Life Insurance Company Ltd. was evaluated and finally concluded with findings and suggestions. The paper is based on secondary data and data analysis is done with the help of different parameters to evaluate performance.

## **8. ROLE OF SBI LIFE INSURANCE IN INSURANCE INDUSTRY**

SBI Life Insurance is a joint venture between State Bank of India and BNP Paribas Cardif. With over 200 years of existence, State Bank group has a presence in 34 countries and extensive network of more than 18,000 branches and 26,000 plus ATMs in India as on March 2012. BNP Paribas Cardif is the life and property and casualty insurance arm of BNP Paribas, one of the strongest banks in the world. BNP Paribas Cardif is one of the world leaders in creditor insurance and has presence in more than 80 countries.

SBI's access to over 100 million accounts across the country provides a vibrant base for insurance penetration across every region and economic strata in the country, thus ensuring true financial inclusion. The agency channel, comprising of the most productive force of over 85,000 insurance advisors, SBI Life offers door to door insurance solutions to customers.

SBI owns 74 percent of the total capital and BNP Paribas Cardif the remaining 26 percent capital in SBI Life Insurance. SBI Life Insurance extensively leverages the State Bank group relationship as a platform for cross-selling insurance products along with its numerous banking product packages.

## **9. PERFORMANCE OF SBI LIFE INSURANCE**

SBI Life Insurance has large a network in the world with the combination of SBI and BNP Paribas Cardif. Within a period of just over ten years SBI Life Insurance Company Ltd. recorded an enviable operational performance and growth including earning of profits.

### **9.1 Profit After Tax & Reserves & Surplus**

The operational efficiency has been the key driver of SBI Life Insurance's profitability. Table 3 denotes profit after tax & reserves & surplus, assets under management and total market share of SBI Life Insurance.

SBI Life Insurance recorded a profit after tax of Rs. 4 crores only in 2006-07, it increased to Rs. 34 crores in 2007-08, it was Rs. 276 crores in 2009-10 and in 2010-11 it rose to Rs. 366 crores. Reflecting on its sustained efficiency in business operations, SBI Life Insurance posted a record profit of Rs. 556 crores, as on March, 2012, an increase of 52 percent over the last financial year 2010-11. For the first time, since its inception in 2001, the company proposes to declare a dividend of 5 percent.

The reserves and surplus was Rs. 1,119 crores in 2011-12. It increased to Rs. 498 crores more when compared to the previous year.

## 9.2 Assets under Management

The SBI Life Insurance assets held were Rs.4589 crores in 2006-07 and they increased to Rs.28,703 crores in 2009-10. The assets under management of SBI Life Insurance recorded a growth of 15.97 percent going from Rs. 40,163 crores to Rs.46,576 crores as on March 2012.

## 9.3 Total Market Share

The SBI Life Insurance has increased its market share from 13.18 percent in the year 2006-07 to 19.22 percent in the year 2010-2011, amongst private life insurers. SBI Life Insurance has a market share of 19.95 percent in respect of new business premium (NBP) amongst private life insurers in 2011-12. The overall market share of SBI Life Insurance in terms of NBP stood at 3.40 percent in 2006-07 and increased to 5.71 percent as on March 2012.

**Table: 3 SBI Life Profits, AUM and Market Share Performance (Rs in crores)**

Year	PAT and Reserves & Surplus		Assets Under Management			Total Market share	
	Profit After Tax	Reserves & Surplus	Equity	Debt	Total	in Private	in Total
2006-2007	4	-30	1,716	2,874	4,589	13.18%	3.40%
2007-2008	34	5	4,621	5,538	10,160	14.18%	5.15%
2008-2009	-26	-22	5,239	9,349	14,588	15.77%	6.18%
2009-2010	276	255	11,550	14,153	28,703	18.34%	6.44%
2010-2011	366	621	17,659	22,504	40,163	19.22%	6.02%
2011-2012	556	1,119	20,577	25,999	46,576	19.95%	5.71%

Source: SBI Life Insurance Annual Reports

## 9.4 Premium Growth

Table 4 explains that, the total premium collected by SBI Life Insurance was recorded at Rs. 2928 crores in 2006-07 and increased to Rs. 13,135 crores in 2011-2012. The new business premium for the SBI Life Insurance stood at Rs. 6,531 crores, down by 13 percent, as compared to private industry decline of 17 percent during the year 2011-12.

**Table: 4 Life Insurance Premiums by SBI Life Insurance (Rs. In crores)**

Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
First year (Single) premium	2564	4793	5387	7041	7590	6531
Total premium	2928	5622	7212	10104	12945	13135

## 9.5 Channel-wise New Business Premium

Table 5 explains that, the SBI Life Insurance's individual total new business premium reached Rs. 3343.30; in that the individual agent's premium was Rs. 1729.97 crores and corporate banks premium was Rs. 1484.62 crores during 2011-12.

The group new business total premium was Rs. 3,188.02 crores, in that, premium collections through channels like corporate banks was Rs.1861.55 crores and from direct selling was Rs. 1165.95 crores during 2011-12.

**Table: 5 New Business Performance of SBI Life-Channel Wise for 2011-12**  
(Premium Rs. in crores)

Channel	Individual Agents	Corporate Agents		Brokers	Direct Selling	Total New Business
		Banks	Others			
Individual	1729.97	1484.62	45.77	81.35	1.58	3343.30
Group	141.70	1861.55	13.52	5.30	1165.95	3188.02

### 9.6 Channel Mix GWP

SBI Life Insurance has a unique multi-distribution model encompassing vibrant bancassurance, retail agency, institutional alliances and corporate solutions distribution of insurance products.

All key distribution channels of SBI Life Insurance demonstrated profitable business growth during the period. The agency channel and institutional alliances provided a significant thrust to the overall business, contributing 47 percent in 2006-07 and contributing 41 percent of total premium in 2011-12 as a result of superior productivity levels of insurance advisors (see table 6).

Bancassurance contributed 36 percent in 2006-07 and contributed 35 percent of the total premium in 2011-12 and group corporate contributed to 24 percent of total premium in 2011-12.

### 9.7 Product Mix

In SBI Life Insurance, among the product mix the linked share was 41.12% and non linked share was 58.88 percent in 2006-07 and in 2011-12 linked product share was 41.47 percent and non linked product share was 58.53 percent (see table 6).

**Table: 6 SBI Life Insurance Performance Channel Mix and Product Mix Wise**

Year	Channel Mix GWP				Product Mix	
	Agency	Bancas surance	Corporate Solutions	Institutional Alliance	Non Linked	Linked
2006-2007	44%	36%	17%	3%	41.12%	58.88%
2007-2008	46%	39%	13%	2%	26.99%	73.01%
2008-2009	45%	29%	24%	2%	37.35%	62.65%
2009-2010	43%	33%	22%	2%	32.69%	67.31%
2010-2011	43%	37%	18%	2%	29.91%	70.09%
2011-2012	39%	35%	24%	2%	41.47%	58.53%

Source: SBI life Annual Reports

### 9.8 Benefits paid to Policy Holders

In the year 2006-07 the paid benefits to policy holders by SBI Life Insurance were Rs. 140 crores only. In the year 2011-12, the SBI Life Insurance settled a total amount of Rs. 4,776 crore which is higher, when compared to the previous year 2010-11 by nearly Rs. 1850 crores (see table 7).

**Table: 7 Benefits Paid to Policy Holders of SBI Life Insurance (Rs. in crores)**

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Death claims	111	160	195	258.8	336	370
Maturity claims	15	68	113	158.6	455	925
Annuities / pension payments	.05	2.7	3.5	6.8	13	34
Surrenders	14	111	61	409	2106	3386
Survival benefits	0.1	9.7	19.5	22.7	31	42
Other claims	0.3	.3	8.4	1.3	4	53
Amount ceded in reinsurance	(0.2)	(2.3)	(5.4)	(6)	(19)	(34)
Total claims	140.25	349.4	395	851.2	2,926	4,776

## 10 FINDINGS AND CONCLUSIONS

It is found that the life insurance companies were showing negative growth and the non life insurance companies were showing positive growth during 2011-12 when compared to the previous years. It is suggested that the Government of India should concentrate and take necessary steps to increase the growth of Indian insurance industry in both life and non life insurance sectors.

The study suggests that the public sector life insurers must concentrate to increase premiums through the channels of corporate agents and brokers. The private sector life insurers should concentrate to improve their premiums through direct selling and brokers' channels. The non-life insurers are suggested to utilize the corporate agents' channel to improve their premiums.

It is found that SBI Life Insurance has a large network and it is operating successfully through different channels.

In the assessment period from 2006-07 to 2011-12 the SBI Life Insurance Company Ltd. recorded an enviable operational performance and growth, including earning of profits except in the year 2008-09. The assets under management were also good. Between 2008-09 and 2009-10 years the growth was Rs. 14,115 crores and in between 2009-10 and 2010-11 years, assets growth was 14,160 crores, finally between 2010-11 and 2011-12 growth was Rs. 6413 crores.

The market share of SBI Life Insurance in private insurance sector is increasing and in the total insurance market the share is decreasing. It is suggested that the SBI Life Insurance should take necessary steps to improve the market share.

In SBI Life Insurance the total premium collected is increasing in all the assessment years. The growth between the years 2006-07 and 2007-08 was Rs. 2,694 crores. The growth between 2008-09 and 2009-10 was Rs. 2,892 crores, but whereas during 2010-11 and 2011-12 the profits were Rs.188 crores only. SBI Life Insurance should take necessary steps to increase profits.

It is suggested that in the channel wise business premium of SBI Life Insurance, the individual insurance segment must improve in broker and direct selling channels.

In group insurance segment the SBI Life Insurance should take care to improve the performance of individual agents and broker channel.

It is found that the percentage of distributed channel like agency and bancassurance were showing negative trend. It is suggested that measures should be taken to improve these channels.

It is found that the persistency level, as per the standard 13-month industry measure, has increased from 68.81 percent to 71.77 percent in the year 2011-12.

It is found that the benefits paid to policy holders were good. Out of total policies sold by SBI Life Insurance 22 percent came from the rural segment. The covered lives during 2011-12 year was 12,05,683 with a range of 378 schemes. But health insurance plans are very few in the above said schemes. It is suggested that the SBI Life Insurance must concentrate to increase health insurance plans for poor and needy people who are unable to bear the corporate hospital expenses.

In conclusion in SBI Life Insurance 74 percent of the shares were owned by SBI. So, the SBI and the Indian government should extend support for the development of SBI Life Insurance so as to cover the needs of life insurance holders in India and abroad.

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