ABSTRACT

The components of privatisation and globalisation incorporated with Indian life insurance industry through the reforms in 2000 absolutely ignited the engine of growth. Yet the structural gaps in the growth, with the proved incapability to insulate from the global economic shocks called for a comprehensive revisit through the operational behaviours of public and private life insurers. This study is an attempt in that direction. Inefficiency in underwriting standards, excessive product focus on linked products, low customer orientation, policy lapsation, low productivity and cost inefficiencies have increased, as scalability of business remained the most important consideration for private players in the decade 2000-2010. The comparative advantage in the productivity of alternate channels other than tied agency tempted the private sector to wed up skewness towards them. The Box plot analysis employed in this study finds that the public and private insurer’s life fund investment portfolio expressed considerable deviations from the regulatory target.

Taking into account the macro economic reflections on life insurance business in India during 2000-2010, the study records the inelastic nature of interest rates and high positive elasticity of stock market index in the determination of life insurance business in India. The study also undertakes an analysis on inter-state inequality in the life insurance spreading and distribution of life insurance related infrastructure. The difference in the geographical spreading of life insurance business in India is not an outcome of the disparity in the concentration of private business, exclusively. The cross-section data analysis finds that the impact of ‘per capita income and literacy rates’ are more significant than ‘urban to total population ratio’ in the determination of life insurance spreading across different States in India.

The survey conducted as a part of the study in the three districts of Kerala unveils the alarming information asymmetry prevailing in the life insurance purchase process.

Key Words

Life Insurance, Dynamics, Privatization, Inter-state disparity, Macroeconomic reflections, Purchase Process, Private-Public Operational Behaviour, Life insurance awareness level