

INVESTMENT PATTERN OF LIFE INSURERS IN INDIA**Dr. Trilochan Sharma, Lecturer****Institute of Business Studies****CCS University (Campus) Meerut, UP**

ABSTRACT

We are living in an investment Era. The investment is a very important feature of every business. The future of every business depends on investment decisions. The life insurance business is purely related with human's life. A number of people's money is involved in the life insurance business. The people deposit the premium to secure life against risk and uncertainty. The life insurance is not a life saving or tax saving instrument. It is now an investment instrument. The government is responsible to save the people's money. The government establishes an authority to control the insurance sector. The authority issued some regulation for investment purpose time to time. The authority issued first regulation for insurance investment in the year 2000. It amended many times as per the requirement of the economy and sector. The insurers directed to follow the rules and regulation at the time investment. The insurers must invest at least 50 % money in central and state government securities. The insurers invest more than 50 percent fund in the government securities. The insurers are investing 90% money in approved or ranked securities. The total investment made by insurers in the year 2015 was Rs. 22, 47,522 crores in which Rs. 17, 86,312 crores public sectors and Rs. 4, 61,210 crores private sectors. The percentage of public and private sector was 79.47 and 20.52 respectively in the year 2015. The insurers are investing their fund according to the given rules and regulations.

Keywords: Investment, Insurers, Regulation, Pattern, Life Insurance.

Introduction

The latest growth rate of GDP in India is 7.5 percent. According an international survey India is a safest place for investment and return. It is one of the top five economies is potential and development. It is ranked third in Asia GDP. There are a lot of opportunities in India. The purchasing power is also good in India. Insurance is also a preferable destination for foreign investor. It is advised to investor to found more benefits. The investor should invest for long tenure. The service industry is contributing more than 40 percent in Indian economy. It is a largest contributor in the India's economy.

The term investment is used in different ways. It is a term that can use in a number of contexts. Investment is an application of money. Investment can be defined as commitment of funds that is expected to generate additional money. Investment is also described as vehicle on which funds are placed in the expectation of growth and generation of returns. All person or company invest their money to getting the return. Following three are the basic feature of every investment- (1) commitment of present funds, (2) Profit on commitment in future, (3) Risk is involved every time one it.

Life insurance is an oldest version of insurance in India. There are two types of players in this industry private and public. Public sector Life Insurance Corporation of India is working from 1956. The government opens the insurance sector for private players in the year 1999. It was a game changing step by the government. Many company registered in the life business in last some years. Presently more than 25 companies are working in insurance sector and some are in the pipeline.

The present study shall cover the investment part of the all life insurers. All life insurance companies public as well as private are collecting the premium. The collection amount is growing every year. The present study is to know that how the Life insurance companies are investing the available fund. Insurance Regulating and Development Authority (IRDA) issued rules and regulation for investment. The first regulation for the investment was issued in the year 2000. It was the time when IRDA came into functioning. The several amendments have been made in the year 2001,2002, 2004, and 2008 and in the year 2015. The regulation was amended as per need and development of service/ Insurance sector.

Objective

1. To study the policy and produce of Life insurers investment in India.
2. To study the security wise investment in India.
3. To study private and public sector insurer's investment in India.
4. To study the investment of insurers in traditional and unit linked (ULIP) investment.
5. To study the investment of insurers fund wise in India.

Methodology

Present study is based on secondary data. The data will be collected from annual reports magazines and gazette notification by the government and authorities. The suitable statistical tools will apply to analyze the data. The tables shall be use to show the data properly. Some arithmetic tools shall also apply to find out result.

Investment Policy framed by the Government

The first regulation was notified 15 August, 2000. The authority exercised the powered by section 27A, 27B, 27D and 114A of the insurance act 1938, in the consultation of insurance advisory committee. It is define accretion fund means investment income, gain or role/sale redemption or existing investment and operating surplus. The authority amended the regulation in the year 2002, 2004

and then 2008.

The following rules have been made for life insurers under this regulation. The rules are compulsory for every insurer which is carrying life insurance business in India will invest the fund in the following manners.

Regulation of Investment

The Insurance Regulatory and Development Authority (Investment) Regulations, 2000 shall be substituted for the following -

Life Business- In terms of the explanation to section 27A of the Act, the authority has determined that assets relating to pension business, Annuity business and all categories of Unit linked business shall not form part of the controlled fund for the purpose of that section.

Without prejudice to Sections 27 or 27 A of the Act, every insurer carrying on the business of Life Insurance, shall invest and at all times keep invested his investment assets (other than) fund relating to pension and general annuity business and all categories of Unit linked business) in the following manner -

No	Type of Investment	Percentage
(i)	Government Securities	Not less than 25% of the fund
(ii)	Government Securities or Other Approved Securities	Not less than 50% of the fund (incl. (i) above)
(iii)	Investment as specified in section 27A of Insurance act, 1938 and schedule I of these Regulation subject to exposure prudential norms specified in regulation 5:	
a.	Approved investment and other Investments (Out of (iii)a) 'Other investment' specified under 27A(2) of the Act, shall not exceed 15% of the fund)	Not Exceeding 35% the fund
b.	Investment in housing and infrastructure by way of subscription or purchase of :	
	1. Bonds /debentures of HUDCO and National Housing Bank. Bonds/debentures of Housing Finance Companies either duly accredited by National housing banks, for house building activities, or duly guaranteed by Government or carrying current rating of not less than 'AA' by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulation, 1999 2. Asset Backed securities with underlying housing loans, satisfying the norms specified in the guidelines issued	Not less than 15% of the fund [(iii) b and c taken together]

	under these regulations.	
c.	<p>Investment in Infrastructure :</p> <p>(Explanation: Subscription or purchase of bonds/debentures, equity and asset backed securities with underlying infrastructure assets would qualify for the purpose of this requirement)</p> <p>'Infrastructure facility' shall have the meaning as given in clause (h) of regulation 2 of insurance regulatory and Development Authority (Registration of Indian Insurance Companies) Amendment Regulation, 2008)</p>	

Source: IRDA Insurance investment Regulation (Amended) 2008.

Pension and General Annuity Business- Every insurer shall invest and at all times keep invested funds belonging to his pension and general annuity Business in the following manner-

No	Type of Investment	Percentage
(i)	Government Securities	Not less than 20% of the fund
(ii)	Government Securities or Other Approved Securities	Not less than 40% of the fund (including (i) above)
(iii)	Balance to be invested in approved investments, as specified in schedule I, subject to Exposure / prudential norms specified in regulation 5.	Not exceeding 60% of the fund

Source: IRDA Insurance investment Regulation (Amended) 2008.

This is also clear that all investment must be in graded security which is ranked by a reputed agency. Insurer will invest in that securities which is indexed in stock market and it is linked with business.

Approved Investment for Life Business

All investment available in section 27A, 27B of the Act. The given power of authority-

1. Clause (5) of sub-section (1) Section 27(A), the following investment is decision as approved investment by the authorities which ranked by (standard & poor).
2. All very strong rating viable instruments. Debentures, bond, loan and deposits.
3. RBI recognized primary dealer's deposits with banks.

4. Standard and poor or a rated organization if issued any commercial papers.
5. If a company has very good track record and issued investment venture fund.

Show, difference or any short term or long and deposits of any private Ltd. company shall not be treated as approved investment.

Investment which will not treated as approved investment

1. Investment which is given in clause b of sub-section (1) of section 27(A.)
2. Immovable propriety situated in other country as stated in clause (m) of subsection -1, section 27(A) of Act.

Pattern of Life Insurers Investment

Insurance regulatory development authority issued the guidelines time to time for investment purpose of the companies. The companies must need to be follow the regulation. The investment made by the life insurers are follows.

Table -1 the status of total investment shows from the year 2008 to 2015. The trend of total investment is showing that the maximum part of total investment coming from public sector LIC of India.

Table-1

Total Investment of Life Insurers

(In Cror)

Year	Public Sector	Private Sector	Total	Public Sector %	Private Sector %
2008	678403	87567	765969	89.74	10.26
2009	799593	116772	916365	87.26	12.74
2010	992331	220127	1212458	81.84	18.15
2011	1148589	281528	1430118	80.31	19.68
2012	1269070	312188	1581285	80.25	19.75
2013	1402991	341902	1744894	80.40	19.60
2014	1574246	383169	1957466	80.42	19.58
2015	1786312	461210	2247522	79.47	20.52

Source- Authority Report, year 2008 to 2015 and Self Calculations.

According Table- 1 The total investment in the year 2008 was Rs. 7,65, 969 cror in which the part of public sector LIC was Rs. 6,78,403 and private sector insurers investment was Rs. 87567. The percentage of private and public investment was 90% and 10%. In the very next year the percentage of total investment of public sector was decrease slightly. The percentage of public sector in the total investment reduced in the year 2010 and it came at 81 percent after reduction. But after the year 2010 the trend remains same in the total investment. The public sector LIC maintains the position at 80 percent from 2010 to 2015. The total investment made by the insurers was Rs. 2247522 cror in the year 2015. The percentage of Private and public in the total investment was 80 and 20 respectively.

Table -2**Security Wise Investment of Life Insures****(In cror)**

Securities	Year							
	2008	2009	2010	2011	2012	2013	2014	2015
Central Govt. Securities	296687.4	316009.75	360447	420952	468082	512180	722955	604651
State Govt. Securities	85198.11	107189.59	137236	173733	214515	265989	430554	333951
Housing Infrastructure	63262.13	66673.33	85675	891981	97320	118878	174512	155026
Approved Investment	145553.71	202468.97	257084	304977	385107	456256	5305625	503059
Other Investments	42190.44	51260.39	34477	42159	46262	49084	26193	29118
	632891.85	743602.02	874918	1031002	1211287	1402387	1625804	1884782

Table-2**ULIP Fund Investment****(In cror)**

Year	Securities		Percentage		Total
	Approved	Unapproved	Approved	Other	
2008	111629.43	21448.05	83.88	16.12	133077.48
2009	151489.89	21272.87	87.69	12.31	172762.76
2010	311669	25871	92.34	7.66	337540
2011	371899	27217	93.18	6.82	399116
2012	346340	23632	93.61	6.39	369972
2013	225283	17224	94.97	5.03	342507
2015	352.371	10369	97.14	2.86	362740
2016	322456	9205	97.22	2.78	331661

Table-2 (ii)**Percentage of Investment****(Security Wise)****(100%)**

Year	2008	2009	2010	2011	2012	2013	2014	2015
Central Govt. Securities	46.88	42.50	41.2	40.83	38.64	36.52	37.52	38.36
State Govt. securities	13.46	14.41	15.69	16.85	17.71	18.97	20.54	22.84
Housing Infrastructure	10.00	8.97	9.79	8.65	8.03	8.48	9.54	9.26
Approved Investments	22.99	21.23	29.38	29.58	31.03	32.53	30.94	28.15

Source: Annual Report , Insurance regulatory development authority.

Year: 2008 to 2015.

The Table 2 is showing the security wise investment of Life insurers of last 8 years. The period taken in the study is post recession. According to the regulation table. In which the bifurcation of investment is given. The regulation issued the direction that the 25% investment must be in the central government security and 25% in the state Govt. security is compulsory. The investment made by the insurers as it is showing in the Table-2(i) are more than 50% as it was 60% in the year 2008, 57% in the year 2009, 57% was 2010 and it was remain same till the year 2015.

The investment of ULIP fund is also invested in the approved security. The percentage of ULIP fund investment was 83% in the year 2008, it was 87% in the year 2009 and the percentage of investment of ULIP fund was more than 90 percent 2009 onward in approved securities.

It is proved that the insurers strictly followed the regulation guidelines in the of investment. The percentage of actual investment is matching with the standard percentage. It means in the matter of total investment of funds. The insurers are followed the rules. The ULIP fund is also investing in approved securities. A very nominal percentage less than 10 is investing in other securities. Here the insurers are also fulfilling the standards.

Table-3**Fund-wise Investment of Life Insurance**

Year	Life Fund		Pension and Gen. Annuity		Unit Linked Fund		Total Fund	
	Private	Public	Private	Public	Private	Public	Private	Public
2008	18645	522985	3518	87744	65404	67679	87567	678403
2009	23163	606487	6817	107135	86792	85972	116772	799593
2010	33137	698153	10038	1335588	176951	160569	220127	9922331
2011	42784	798291	16646	173282	22099	177016	281528	1148589
2012	60006	914614	23913	212754	228269	141703	312188	1269070
2013	82343	1037656	31375	251011	228184	114324	341902	1402991
2014	107225	1181000	38761	298818	237183	94479	383169	1574296
2015	135480	1359829	45660	343812	280069	82671	461210	1786312

Source: Annual Report, Insurance regulatory development authority.

Year: 2008 to 2015.

Table -3 it is showing the fund wise investment of life insurers. The fund wise total investment was Rs. 6,78,403 of public sector LIC and Rs. 87,567 crore private sector all insurers in the year 2008. The life insurers are investing the fund in three segments. Life Fund, General Annuity fund and Unit Linked fund. The quantity of Investment fund as total and as separate in all three funds is increasing every year. The life Insurers has not a big impact of financial recession. The total amount investing fund wise by the insurer was Rs. 17, 86, 312 crore by LIC and Rs. 4, 61,210 by private sector insurers.

Conclusion

The insurance regulatory development authority of India issued Insurance investment regulation in the year 2000. The regulation is amended many times. Some special changes has made in the amendment of 2008. The regulation issued the guidelines the insures for investment. The insurers are following the rules. The investment made by the insurers was according the standards. The insurers are investing more than 50% in the central and state government securities. The maximum part of investment is going in the approved securities. More than 90% of ULIP investment is also going in approved securities. The pattern of life insurer's investment is according the standard. The private players slightly miss mach at some level.

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