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PROFITABILITY

Enhancing Profitability in Indian Life Insurance Industry – A Proposition

Abstract

With more than 35,000+ crore deployed as capital and over 11003 branches becoming operational Life Insurance companies are still grappling to wipe out accumulated losses. Going slow on expansion, Insurance companies are attempting to take an evaluated risk. Commencing operations without grasping the determinants of profitability is bound to be fragmentary and incomplete. Because of the long term nature of Insurance business, there is no predetermined criterion to measure the effectiveness of operating companies. Hence for accounting purpose, insurance companies rely on bookkeeping practices to land at profits for the financial year. This may offer us fractional information but will not provide us with a factual viewpoint. The Concept of embedded value where we examine the future cash flows at present moment is also not widely received as it lacks accepted criterion. During initial years Insurance companies were investing heavily to build distribution but the ROI took an unusually long time. Companies are adopting standard practices thanks to regulatory interventions at frequent intervals which only reiterate a point that cost effective products need to be offered to customers to gain their confidence and market share.

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