

Salient Life Insurance Statistics.

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Life Insurance Industry is a highly technical area and requires specific expertise. Life Insurance is not new to India, at least it has history of nearly two centuries. Currently there are 25 Life companies, 25 general cos, 5 standalone Health cos, 2 specialised insurers and 12 Reinsurers all totalling to 69 companies. There are 11,256 offices of insurance companies in India. Insurance penetration levels have been significantly low at 3.% (Life) and 1% (Non_life) to GDP. Since India is striving to be No.3 economy in the world and of volume of 5 trillion, these numbers expose the huge untapped potential for growth. The number of financial specialists conversant with Insurance industry are also not significant. So it is in this background the following information would be useful to those who are interested in understanding the Life Insurance Business from the Balance Sheets.

Before delving deep into the financial statements of a life insurance company, a basic understanding of a few terms is a must and the same have been explained below.

Revenues of a Life Insurance company is majorly premium income. Next is the considerations for annuities granted and next comes Interests, Dividends and Rents received etc.

Premiums again are classified as First Premium (FP) which is the first instalment premium received along with the application; First Year Premiums (FYP) includes all other Instalments of premiums received in the first policy year; Renewal Premiums (RP) are those instalments of premiums related to second policy year and thereafter, during the policy term. All the above are known as Regular premiums and

Instalments of Premiums can be paid in various modes of duration namely Yearly , Half yearly (Twice a year), Quarterly (4 times a year), monthly (every month, 12 times a year) and also as a lump-sum or single premium (payable only once, at the time of taking up of the insurance policy).

Insurance policies are normally sourced and solicited by insurance intermediaries, who are otherwise known as Agents or brokers. These are the people who work in the field and they are remunerated through payment of commission. The commission is a fixed percentage of the respective class of premium.

So like premiums commissions are classified as First Commission FC (due on first premium paid), First Year Commission (due on FYPs), Renewal Commission RC (due on renewal premiums). some insurers will pay an additional commissions known as Bonus commission (a fixed percentage of TFYC) when prescribed criteria is met.

The marketing personnel in the organisation are paid a perquisite on the business procured, sometimes known as Incentive Bonus Commission.

Life Insurance business includes Annuities contracted. So the Consideration for Annuities Granted (CAG) is the premiums received under this category.

majority of the life insurance business is normally contracted under "Non Medical" basis, without medically examining the proposed, but subject to satisfactory completion of a few conditions. Remaining business is processed on the basis of reports completed by the appointed/empanelled medical examiners, path-labs. So, whenever risk is considered , these medical people are paid a fee, rates previously agreed upon.

There is no profits in Life insurance business, as it works on solvency. If the Life fund is in excess of the total liabilities , then a surplus is generated, which is returned to the with profit policy holders and other specified stake holders at agreed rates.

Claims are payable against life insurance contracts when the insured events occur within the duration of the policy or as per the terms of the contract. Claims in Life Insurance can be of two types. Death Claim and Maturity Claims. An additional category of maturity claim is “survival benefits” paid under Anticipated Endowment contracts, otherwise known as Money Back Policies.

Policies of life assurance are assets, as they have a value attached to them, which is payable if the assured surrenders the rights under the contract. These values are known as “Surrender Values”. In many kinds of life insurance contracts, the assured may raise a loan against the surrender values of the policy, without actually relinquishing his rights.

So, with this basic understanding, we can look at the following statistical computations that can be made from the financial statements of the life insurer:

1. New Business:

(A) No. of Policies :
Individual
Group & Superannuation (G&S)

(B) Sum Assured (S.A.)
Individual
G & S

(C) Average S.A. per policy
(Individual)

2. Premium related figures:

(A) First Premium (Individual)
(B) Other First Year Premium (ind.)
(C) Total First Year Premium (Individual)
(Total A + B)

(D) First Year Premium (G & S)

(E) First Year Premium
(Individual + G & S)
(Total 2C + 2D)

3. Percentage increase/decrease of First Year Premium

(Individual) (i.e. Item 2C) over previous year.

4. FP & FYP related

(A) Average First Premium per 1000 S.A.
= (Total FP/Total SA)*1000
(Under Individual Business only)

(B) Average First Year Premium per 1000 S.A.
= (Total FYP/Total SA)*1000
(Under Individual Business only)

5. RP Related

(A) Renewal Premium Individual
(B) Renewal Premium (G & S)
(C) Renewal Premium (Individual & G & S)
(Total 5A + 5B)

6. Percentage Increase / Decrease of Renewal Premium

(i.e. Item 5A) over that of previous year.

7. Conservation Ratio (Individual Assurance)

[(Renewal Premium (Ind.) of the
Current Year.(Item 5(A))/(Total Prem.(T.F.Y.
Prem. + R. Prem. Ind. of previous year (Item 2C +
5A))]*100

8. Single Premium Related

(A) Single Premium Individual
(B) Single Premium (G & S)
(C) Single Premium (Individual & G & S) (Item
No.8A + 8B)

9. Consideration for Annuities Granted(CAG) related

(A) Consideration for Annuities Granted (Ind.)
(B) Consideration for Annuities Granted (G & S)
(C) Total Consideration for Annuities Granted
(Ind.& G & S)
(Item 9A + 9B)

10. Total Premium Income related

(a) Total Premium (Item 2E + 5C + 8C + 9C)

(b) Percentage increase over previous year

(c) Budgeted total premium income

(d) Realisation of total premium to Budgeted Premium (as a %)	(D) Deposits adjusted during the year
11.(i) Expenses of Management	18. SSS or PRS related
a) Commission and other Benefits to Agents	(A) SSS Collns credited
b) Salaries and other benefits to Employees	(B) SSS Apprns. Made
c) Other expenses of Management	(C) Balance of SSS Collns.
d) Total expenses of Management	(D) %age of Outstanding Collns. to Total Premium (SSS)
ii) Budegeted total expenses of Management	19. Claims Intimated
iii) Percentage of Actual Expenses to Budgeted total expenses of Management	(A) Death
	(B) Maturity
12. Renewal Expense Ratio	20. Claims Outstanding
[Total Expenses of Management Less : (89.4% of F.Y.Prem. (Ind. & G & S) and 7.5% of Single Prem. & Consideration for Annuities Granted (Ind. & G & S)/Total Renewal Premium]*100	(A) Death
i.e. (Item 11 minus (89.4% of Item 2E and 7.5% of Item 8C + 9C/ Item 5C)	(B) Maturity
13. Overall Expense Ratio	21. Claims settled during the year (including written bac
(Total Expenses of Management (Item 11)/Total Premium Income (Item No.10))*100	(A) Death
14. %age of First Year Commission (including Bonus Commission to Agents) to First Year Premium (Individual)	(B) Maturity
15. %age of Renewal Commission to Renewal Premium (Individual)	22. %age of Outstanding Claims as at the end of the Financial Year to Claims Payable* during the year.
16. Cash and Bank Balances	(a) Death Claims
17.	(b) Maturity Claims
(A) Outstanding Deposits (if any)	(*) Claims payable (Claims outstanding at the beginning of the year plus claims intimated during the year)
(B) %age of Outstanding Deposits to Total Premium %age of Item 17(a) to Item No.2E + 5C	23. Outstanding Premium
(C) Deposits created during the year	(A) First Year Premium
	(B) Renewal Premium
	24. Outstanding (O/S) Premium related
	(A) %age of Outstanding F.Y.Premium to F.Y.Premiu (%age of Item No.23A to Item No.2C)
	(B) %age of Outstanding Renewal Premium to Renewal Premium (%age of Item No.23B to Item No.5A)
	(C) %age of Total Outstanding Premium to Total

Premium (%age of Item No.23A & B to Item No.2C and 5A)

25. Outstanding (O/S) FY Commission related:

(A)Outstanding F.Y.Commission (Ind.)

(B)%age of Outstanding F.Y.Commission to First Year Commission (Ind.)

26. O/S REn. Commission related

(A)Outstanding Renewal Commission (Ind.)

(B)%age of Outstanding R.C. to R.Commission (Ind)

27. Outstanding Commission (G & S)

28. Perks to Field Staff Related

(A)Outstanding Incentive Bonus to Class II(Field Staff)

(B)Incentive Bonus to ClassII

(C)%age of 28A to 28B

29. Percentage of Interest on Policy Loans to mean balance of outstanding loans (i.e. aggregate of Loan Balance at the beginning and end of the year divided by 2)

30.

(A) Surplus Funds transferred during the year

(B) Percentage increase over the previous year

31. Other Accounting Ratios :

(A)Average Medical Fees per thousand Medical Sum Assured (Ind.)

(B)Average Policy Stamps per thousand Sum Assured (Ind.)

(C)Cost of Printing and Stationery per In-force Policy

(D)Cost of Postage, Telegram & M.O. Commission per In-force Policy

(E) Cost of Telephone Charges per In-force Policy

(F) Percentage of closing Stock to Expenditure on Printing & Stationery

32. Common Financial Ratios:

1. Average Sum Assured per Policy (Individual)

2. Percentage of SSS Sum Assured to Total Sum Assured (Individual)

3. Percentage of Medical Sum Assured to Total Sum Assured.

4. Average Medical Fees per 1000 Medical Sum Assured

5. Average Policy Stamps (Incl.) per 1000 Sum Assured (Individual)

6. Average First Premium per 1000 S.A. (Individual)

7. Average F.Y.P. per 1000 S.A. (Individual)

8. Conservation Ratio

9. Renewal Expense Ratio

10. Overall Expense Ratio

11. % age of First Year Commission (Indvl.) to F.Y.Premium (Individual)

12. % age of RenewalComm. (Indv1.) to Renewal Premium (Individual)

13. Cost of Printing & Stationery per inforce policy

14. Cost of Postage, Tele. & M.O. Commission per inforce policy

15. Cost of Telephone Charges per inforce policy

16. % age of Surplus Funds to total Premium.
