



PUBLIC & PRIVATE LIFE INSURANCE COMPANIES IN INDIA –A COMPARATIVE STUDY

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Abstract:

The process of Globalization and Liberalization has influenced Indian Insurance Sector. The Public Sector Life Insurance Corporation and Private Sector companies have been competing with each other for providing best services and best products to the customers. Customer is kind in any market and Insurance Market is no exception. Every company is trying for innovative product to satisfy customers' needs. This research paper attempt to analyse the performance of Insurance Company in Public Sector LIC and Private Companies operating in India under the provisions of IRDA, 1999.

INTRODUCTION:-

Life Insurance service which is a professional service provided to the customers as per their needs. The products provided by these companies are tailor made and are providing good opportunities for investment.

Before 1999, there was monopoly of the state run Life Insurance Corporation of India catering to the Life Insurance Business. Today many Private companies have entered in the Indian Market and are trying to compete with Life Insurance Corporation of India. In this paper attempt is made to study the performance of Public and Private Sector Life Insurance Companies in India.

OBJECTIVES OF THE STUDY :

The objective of the present study is to evaluate and compare a performance of Public and Private Sector Life Insurance Companies.

HYPOTHESIS OF THE STUDY :

1. There is significant difference in the growth rate of Fresh Business Premium between Public and Private Life Insurance Companies.
2. There is significant difference in the growth of Number of policies issued by Public and Private Life Insurance Companies.
3. Life Insurance Corporation of India enjoys the dominance in the Life Insurance Sector.

METHODOLOGY :

An analysis of the data available from secondary sources has been taken into account for

comparing the performance of Public and Private Sector Insurance Companies operating in India.

RESULTS & DISCUSSIONS :

The performance of few private companies has been exceptionally well. ICICI Prudential has been the topper among the private sector companies. It generated the first year premium worth Rs.40.68 billion. It is followed by Bajaj Allianz, which generated new premium worth Rs.30 billion. However, major changes have been seen in the performance of Reliance Life Insurance. It saw the tremendous growth of 302% for the period, which surprised the market. Other big players SBI, also showed tremendous growth rate.

INDIAN INSURANCE INDUSTRY :

Insurers : Insurance industry, as on 01.04.2000, comprised mainly two players – The State Insurers and Private players.

Life Insurers : Life Insurance Corporation of India (LIC)

Year 2000-2001 : (From 2nd April'2000 to 31st December'2001):

Insurance Industry in the year 2000-2001 had 16 new entrants, namely:

Table No. 1 – Life Insurers:

S.No.	Registration Number	Date of Reg.	Name of the Company
1	101	23-10-2000	HDFC Standard Life Insurance Co. Ltd.
2	104	15-11-2000	Max New York Life Insurance Co. Ltd.
3	105	24-11-2000	ICICI Prudential Life Insurance Co. Ltd.
4	107	10-01-2001	Kotak Mahindra Old Mutual Life Insurance Limited
5	109	31-01-2001	Birla Sun Life Insurance Company Ltd.
6	110	12-02-2001	Tata AIG Life Insurance Company Ltd.
7	111	30-03-2001	SBI Life Insurance Company Limited.
8	114	02-08-2001	ING Vysya Life Insurance Company Private Limited
9	116	03-08-2001	Bajaj allianz Life Insurance Company Ltd.
10	117	06-08-2001	Metlife India Insurance Company Ltd.

Year 2001-2002: (From 1st Apr. 2001 to 31st Mar. 2002) :

Insurance Industry in this year had 5 new entrants; namely:

Table No. 2 – Life Insurers :

S.No.	Registration Number	Date of Reg.	Name of the Company
1	121	03-01-2002	Reliance Life Insurance Company Limited .
2	122	14-05-2002	Aviva Life Insurance Co. India Ltd.

Year 2003-04 : (From 1st Apr. 2003 to 31st Mar. 2004) :

Insurance Industry in this year, had 1 new entrants; namely-

Table No. 3 – Life Insurers :

S.No.	Registration Number	Date of Reg.	Name of the Company
1	127	06-02-2004	Sahara India Insurance Co. Ltd.

Year: 2005 :

Insurance Industry in this year, had 1 new entrant, namely-

Table No. 4 – Life Insurers:

S.No.	Registration Number	Date of Reg.	Name of the Company
1	182	17-11-2005	Shriram Life Insurance Co. Ltd.

Year: 2006-2007 :

Insurance Industry in this year, had 1 new entrant; namely-

Table No. 5 – Life Insurers:

S.No.	Registration Number	Date of Reg.	Name of the Company
1	130	14-7-2007	Bharti AXALife Insurance Company Ltd..

Year : 2007 :

Insurance Industry in this year, had 2 new entrants; namely-

Table No. 6 – Life Insurers:

S.No.	Registration Number	Date of Reg.	Name of the Company
1	133	04-09-2007	Future Generali India Life Insurance Company Ltd.
2	135	19-12-2007	IDBI Fortis Life Insurance Company Ltd.

Year : 2008 :

Insurance Industry in this year, had 5 new entrants in Life and 2 new entry in General; namely-

Table No. 7 – Life Insurers:

S.No.	Registration Number	Date of Reg.	Name of the Company
1	136	08-05-2008	Canara HSBC Oriental Bank of Commerce Life Insurance Company.
2	138	27-06-2008	Aegon Religare Life Insurance Company Ltd.
3	140	27-06-2008	DLF Pramerica Life Insurance Company Ltd.
4	142	-	Star Union Daichi Life Insurance Co. Ltd.
5	143	05-11-2009	India First Life Insurance Company Limited

INSURANCE PRODUCTS (AS ON 01.04.2000) :**Life Insurance:**

Popular Products : Endowment Assurance (Participating) and Money Back (Participating). More than 80% of the Life Insurance business is from these products.

COMPARATIVE PERFORMANCE :

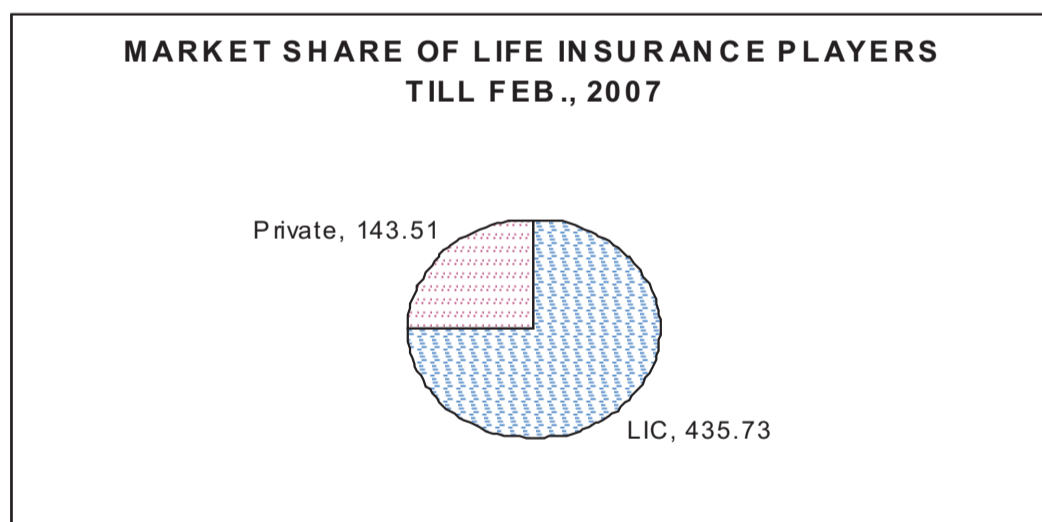
Life Insurance Corporation (LIC) was established in 1956 with the objective of spreading Life Insurance in the country. It is the biggest Life Insurance Player in India. It has a total policy holder base of around 170m. Before 1999, it was the only player operating in India, but with the FDI coming to India in the Insurance Sector, its market share went down over the years to 76% till February 2007, but within a period of time, LIC has changed itself and adopted new practices to beat competition. IT application increased in all its branches, which helped in the fast processing of claims. This makes LIC a most trusted name in Insurance Sector.

LIC : THE BIGGEST PLAYER IN INSURANCE INDUSTRY :

LIC is the biggest player operating in India. It holds 76% of the total Life Insurance market in India. Other private players, which are providing competition to LIC include ICICI Prudential, SBI Life and Bajaj Allianz. It is such a big player that it sold around 25m insurance policies in comparison to only 5m policies by whole private sector till February, 2007. Other than India, LIC also operates in 12 other countries, primarily to cater to the needs of NRIs.

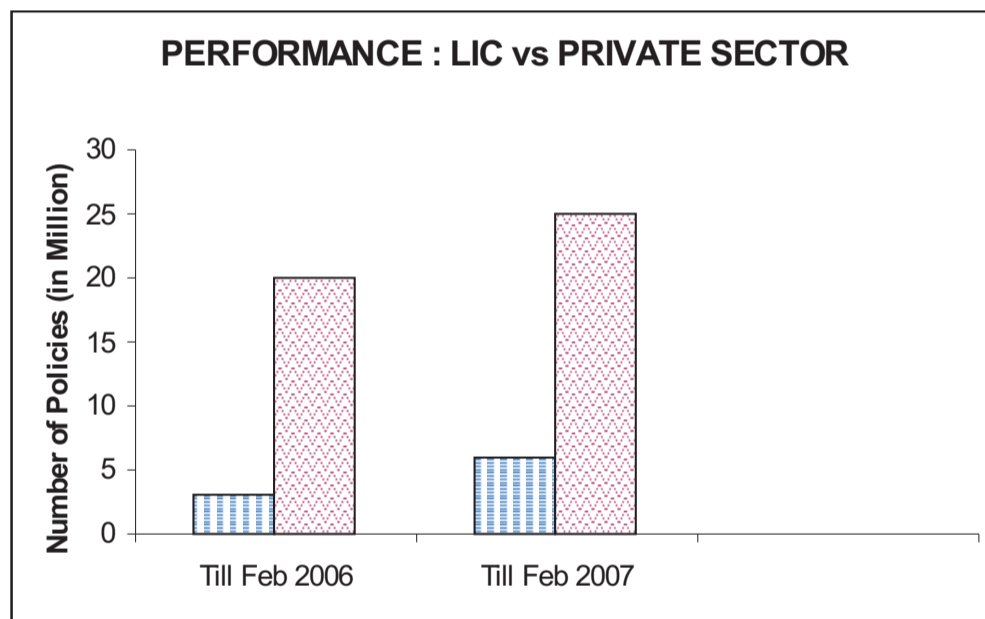
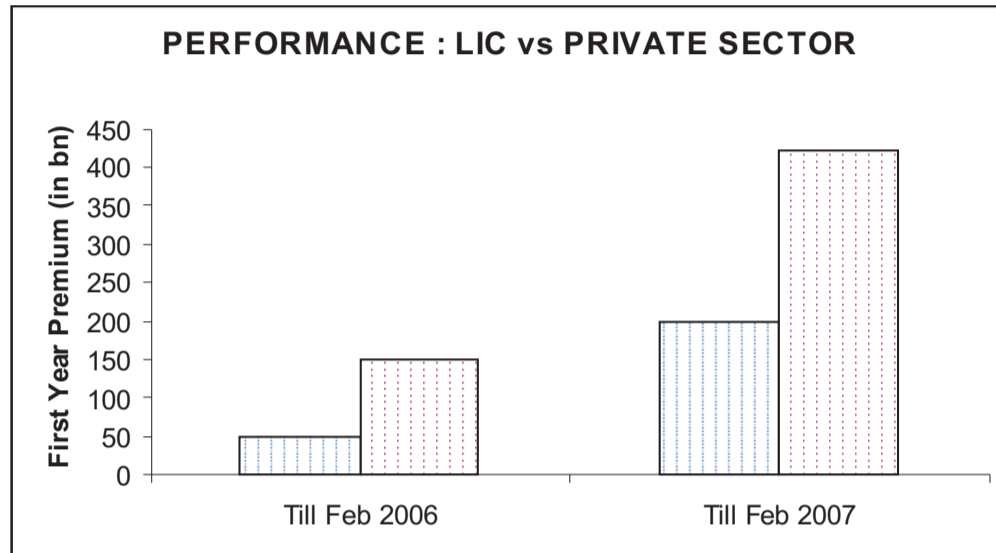
OPERATIONAL PERFORMANCE :

High growth in the First year Premium Collection – LIC saw the growth of 131% in the collection of first year premium till February, 2007 in comparison to the same period a year ago. It collected a total of Rs.435.73 billion of first year premium, which includes all Individual and Group policies. However, private players could generate only Rs.143.5 billion of business in the same period. ICICI Prudential emerged as a leader in private sector. The growth of private sector stood at only 93% for the same period, which was due to the poor show of few private players like Sahara and Aviva.



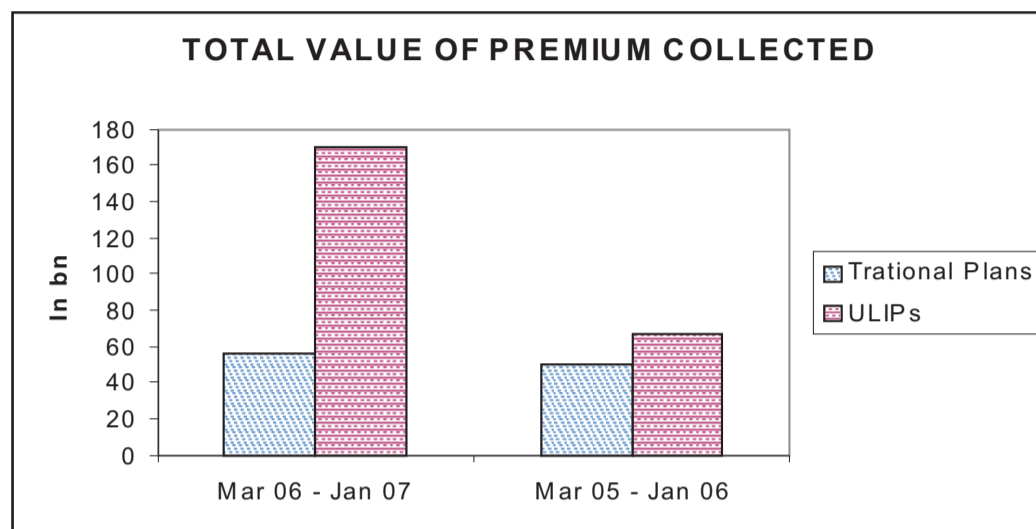
High Growth in the number of policies issues – LIC proved out to be the most trusted company once again in the fiscal year 2006. It managed to open 25m new accounts. Private players could issue only 5.8m new policies till February 2007. However, private players have shown tremendous growth in the issuance of new policies. They registered growth of 95% till February, 2007 in comparison to the same period, last year. LIC could register only 20% growth during the same period. It happened because of the

aggression of private players to grab more business.



SEGMENT PERFORMANCE :

ULIPs : Flavour of the Season – Unit Linked Insurance Plans (ULIPs) have appeared to be the flavour of the season for LIC. It bagged the total business of around Rs.170 billion in the fiscal till January 2007. For the same period a year ago, LIC earned around Rs.56 billion through ULIPs. Traditional Plans including money back, endowment plans and other pure risk covers earned only Rs.65.85 billion in comparison to Rs.50.18 billion a year ago. Around 80% of the ULIP policy holders have invested in the growth fund, which means the major chunk of investments goes into high growth equities. It is a high risk and high return venture. However, LIC has maintained the focus on traditional products, as renewal premium lays the foundation for a viable business in the long term.



RECENT STRATEGIES :

- Premium payments made easier : LIC has launched in association with UTI Bank, a unique service called Online Payment Gateway. It provides the facility of real time online payments on the renewal premium for the registered users.

- Innovation in Services: LIC and Corporation are planning to focus on new areas of mutual business, reverse mortgage and financial inclusion. While LIC will provide its expertise on mortgage related activities, in the case of reverse mortgage, Corporation Bank will focus on the retail part of it.

- Focus on new Marketing Practices: LIC, which has the largest workforce of agents in India, is looking out for expanding its reach through alternate distribution channels. It registered a growth of 109.65% in the previous fiscal year.

LIC is operating in a changed atmosphere if compared to the scenario a decade ago. Now it is facing the challenge of private players who have shown good growth rates in the previous years. LIC has to be in sync with the changed environment. It has to train its staff – front end of the company. LIC being a Public company, is bounded and burdened by the government regulations, but LIC has to take a challenge and launch innovative products, which ensure better return. LIC is one of the largest organization in India, which has pioneered the usage of IT in services and businesses. It is still spending a significant amount of its money on IT related activities. Data pertaining to almost ten crore policies is being held on computers in LIC. Instead of being only in Life Insurance market, LIC needs to explore more opportunities in other areas too. LIC was expected to join Health Insurance business as its riders like CIB serves almost the same purpose. It needs to be in touch with big hospitals to give a competition to stand alone Health Insurance Companies. LIC is also assessing the feasibility of venturing into Credit Card business.

Life Insurance Industry growth story continues with 12% rate. The Life Insurance industry in India has seen a tremendous growth rate of 120% till the month of February in 2007. The total revenue generated as the first year premium for the period stood at Rs.579.24 billion. Major contribution came from LIC, the only public sector player. The revenue generated out of the new premiums was Rs.435.73 billion and the private players could manage to generate only Rs.143.51 billion worth of new premiums. However, there are few players in the private sector that performed exceptionally well, but the growth rate of private sector companies was still lower than LIC because of the bad performance of low end players like Srilam Life. LIC saw a growth of 131.5% for the period and the private players grew by 93%.

The share of the private sector has consistently grown over the last few years since 2001. It reached to the level of 28% till February 2006, but it went down in the following year. For the period till Feb., 2007, the share of private companies was only 25%. It happened as a result of LIC taking a back seat and changed its strategies to beat competition. It lured customers to invest more in ULIPs, which brought major chunk of revenues for it. It also expanded its reach and spread throughout with the help of alternate distribution channels.

Table No. 8 - Fresh Business Premium (In Crore)

Year	LIC	Growth Rate (%)	Private	Growth Rate (%)
2002-03	15976.76	-18.44	965.690	259.65
2003-04	17347.62	8.58	2440.710	152.74
2004-05	20653.06	19.05	5564.570	127.99
2005-06	28515.87	38.07	10269.670	84.55
2006-07	56223.56	97.17	19425.650	88.84
2007-08	59996.57	6.71	33715.950	73.56
2008-09	53179.08	-11.36	34152.000	1.29
2009-10	71521.90	34.49	38372.120	12.36

Source : Annual Report of IRDA, 2009-10

Table No. 9 - Number of New Policies Issued (In Lakh)

Life Insurer	LIC	Growth Rate (Per Cent)	Private	Growth Rate (Per Cent)
2002-03	245.46	96.75	8.25	3.25
2003-04	269.68	9.87	16.59	101.05
2004-05	239.78	-11.09	22.33	34.62
2005-06	315.91	31.75	38.71	73.37
2006-07	382.29	21.01	79.22	104.64
2007-08	376.13	-1.61	132.62	67.4
2008-09	359.13	-4.52	150.11	13.19
2009-10	388.63	8.21	143.62	-4.32

Source : Statistical Hand Book of Insurance 2009-10

From Table No.8, it was observed that the over all Insurance Industry has witnessed a 4.52 percent increase in the number of new policies issued.

From Table No.9, it may be concluded that compare to LIC of India, the growth of total premium of Private Life Insurance Companies was high.

CONCLUSION ON HYPOTHESIS :

1. There is significant difference in the growth rate of Fresh Business Premium between Public and Private Life Insurance Companies - This Hypothesis is accepted.
2. There is significant difference in the growth of Number of policies issued by Public and Private Life Insurance Companies - This Hypothesis is accepted.
3. Life Insurance Corporation of India enjoys the dominance in the Life Insurance Sector - This Hypothesis is accepted.

CONCLUSION :

Inspite of privatization of Life Insurance Business in India, Life Insurance Corporation of India still enjoys the dominating position in the Insurance Sector. The study clearly shows that the strategies and marketing of Private Sector Life Insurance Companies are unable to break the performance of Life Insurance Corporation of India.

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