

A COMPARATIVE STUDY OF PUBLIC AND PRIVATE LIFE INSURANCE COMPANIES IN INDIA

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ABSTRACT

India is one of the fastest growing economies of the world. It is now Asia's third largest economy. The insurance industry has contributed in India's growth story in recent years. The contour of insurance business have been changing across the globe and the rippling effect of the same can be observed in the Indian market as well as insurance industry is a growth oriented industry. In India too, the industry has started to reveal the potential after liberalization and privatization of the sector.

Keywords: Insurance, Global Economy, Gross Domestic Products, Liberalization and Privatization

Introduction

Insurance is an upcoming sector. In India the year 2000 was a landmark year for life insurance industry, in this year the life insurance industry was liberalized after more than fifty year. Insurance sector was once a monopoly, with LIC as the only company, a public sector enterprise. But now a day the market opened up and there many private players competing in the market. There are twenty four (annual report 2012-13 issued by IRDA) Private life Insurance companies entered in the industry. After the entry of these private players, the market share of LIC has been considerably reduced. For the past some year's private players have launched many innovations in the industry in terms of products, market channels and advertisement of products, agent training and customer services etc.

Objective

It is no wonder that the re-entry of private insurance has marked a second coming for the sector. In just ten years, the sector has undergone a make over, offering more choice, better services, quicker settlement, tighter regulation and greater awareness. The environment become more and more competitive and services and products become alike, creating a differentiation is becoming extremely tough.

The objective of the present study is to compare the performance of public and private life insurance companies.

Research methodology

The research article is based upon descriptive as well as exploratory research. Secondary sources of data collection have been adopted for the study. The relevant and required data are collected from the text books, national and international articles, as well as annual reports of LIC, Statistical Handbook of Insurance and IRDA.

Results and Discussion

In December 1999, a bill was passed in the parliament with the passage of Insurance Regulatory and Development Authority for its reform process. However with the setting up of IRDA, the government has once again deregulated the sector by opening it for the private

players. Table 1 shows the details of registered private life insurers in India as on September 30, 2013.

Table 1: Players in life insurance business in India

| S. No. | Name of the company | Date of registration | Foreign Partners |
|--------|-------------------------------------|----------------------|--|
| 1. | Life Insurance Corporation of India | 01.09.1956 | — |
| 2. | HDFC Standard | 23.10.2000 | Standard Life |
| 3. | Max New York | 15.11.2000 | Assurance, UK New York Life, USA |
| 4. | ICICI –prudential | 24.11.2000 | Prudential Plc, UK |
| 5. | Kotak Mahindra Old Mutual | 10.01.2001 | Old Mutual, South Africa |
| 6. | Birla Sun Life | 31.01.2001 | Sun Life, Canada |
| 7. | TATA-AIG | 12.02.2001 | American International Assurance Co., USA |
| 8. | SBI Life | 29.03.2001 | BNP Paribas |
| 9. | ING Vysya | 02.08.2001 | Assurance SA, France ING insurance International B.V., Netherlands |
| 10. | Bajaj Allianz Life | 03.08.2001 | Allianz, Germany |
| 11. | Metlife India | 06.08.2001 | Metlife International Holding Ltd., USA |
| 12. | Reliance | 03.01.2002 | — |
| 13. | AVIVA | 14.05.2002 | Aviva International Holdings Ltd., UK |
| 14. | Sahara | 06.02.2004 | — |
| 15. | Shriram | 17.11.2005 | Sanlam, South Africa |
| 16. | Bharti AXA | 14.07.2006 | AXA Holdings, France |
| 17. | Future Generali India | 04.09.2007 | Generali, Italy |
| 18. | IDBI Federal | 19.12.2007 | Ageas, Europe |
| 19. | Canara HSBC OBC | 08.05.2008 | HSBC, UK |
| 20. | Aegon Religare | 27.06.2008 | Aegon Netherlands |
| 21. | DLF Pramerica | 27.06.2008 | Prudential of America, USA |
| 22. | Star Union Dai-ichi | 26.12.2008 | Dai-ichi Mutual Life Insurance, Japan |
| 23. | IndiaFirst | 05.11.2009 | Legal & General Middle East Limited, UK |
| 24. | Tata AIA Life insurance Co. Ltd. | | |

As a global sweet spot, India attracts the attention of every major insurer. The country started in 20th place in the global insurance league table when the market opened to private players in 2000, and it moved up to 11th place in 2013. Since 2000, a total of 22 life insurance companies have set up operations in India. Most major multinational insurers are represented through joint ventures (the only option for foreigners), and all but two new players are licensed as joint ventures. Total foreign direct investment in insurance companies stands at close to IRs 51 billion (about US \$1.1 billion).

While the state-owned life Insurance Corporation (LIC) still holds a significant majority of market share, other companies have established footholds.

Table 2 shows the details of market share of public and private life insurance companies as on September 30, 2013.

Table 2 : Market share

| Sl No. | Life Insurance Companies | Per Cent |
|--------|--|----------|
| 1. | Life insurance corporation of India | 72.70 |
| 2. | ICICI pru life | 5.3 |
| 3. | SBI life | 5.1 |
| 4. | HDFC life | 2.8 |
| 5. | Bajaj Allianz | 2.6 |
| 6. | Reliance life | 2.3 |
| 7. | Other private life Insurance companies | 9.8 |

Source : Annual Report of IRDA, 2012-13

Fresh Business Premium

The fresh premium of LIC of India was increased from year to year. It was Rs. 56223.56 crore in 2006-07 and was increased to 76611.50 in 2012-13. But the growth rate of fresh premium of LIC of India shows the fluctuating trend. The growth rate was 97.17 percent in 2006-07 and it was decreased to -11.36 percent in 2008-09. There is a persistent boost till 2010-11 and again it was decreased in 2011-12. Compared to the previous year, it was decreased by 0.29 per cent in 2012-13. In private sector also there is a continual decrease in the fresh business premium during the years from 2006.07 to 2012-13. It was Rs. 19425.65 crore in 2006-07 and was increased to Rs. 30734.58 crore in 2012-13. The rate of growth of private sector also shows the downward trend. The rate of growth was 89.16 percent in 2006-07 and it was decreased to -4.22 in 2012-13. Compared to LIC of India, the growth rate of fresh business premium of private life insurance companies was low.

Table 3 displays the details of fresh business premium collected by public and private life insurance companies from 2006-07 to 2012-13.

Table 3 : Fresh business premium

| Life Insurer | LIC | Growth rate (Per cent) | Private | Growth rate (per cent) |
|--------------|----------|---------------------------|----------|---------------------------|
| 2006-07 | 56223.56 | 97.17 | 19425.65 | 89.16 |
| 2007-08 | 59996.57 | 6.71 | 33715.95 | 73.56 |
| 2008-09 | 53179.08 | -11.36 | 34152.00 | 1.29 |
| 2009-10 | 71521.90 | 34.49 | 38372.01 | 12.36 |
| 2010-11 | 87012.35 | 21.66 | 39385.84 | 2.64 |
| 2011-12 | 81862.25 | -5.92 | 32103.78 | -18.49 |
| 2012-13 | 76611.50 | -6.41 | 30749.58 | -4.22 |

Source: Annual report of IRDA, 2012-13.

New Policies

During 2012-13, life insurers issued 441.87 lakh new policy out of which LIC issued 367.82 lakh policies (83.24 percent of total policies issued) and the private life insurers issued 74.05 lakh policy (16.76 percent). While LIC registered a growth of 2.88 percent (3.47 percent decline in 2011-12) in the number of new policy issued against the previous years.

Table 4: Number of new policies issued

| Insurer | 2011-12 | 2012-13 |
|---------|----------------|----------------|
| LIC | 357.51 (-3.47) | 367.82 (2.88) |
| Private | 84.92 (-24.04) | 74.05 (-12.28) |
| Total | 441.93 (-8.22) | 441.81(-0.01) |

Source : Statistical Hand book Insurance 2012-13.

Total Life Insurance Premium

Table 5 indicates that the total life insurance premium of LIC of India was 56223.56 crore in 2006-07 and it was increases to 76611.50 crore in 2012-13. There is instability in the growth rate of LIC of India. It was 21.66 % in 2010-11 and it was increased to 6.41 % during the year 2012-13. The total life insurance premium of private insurance companies was 19425.65 crore in 2006-07 and it was increased to 30749.49 crore in 2012-13. The growth rate of private insurance companies was reduced from year to year. It was 2.64 % in 2010-11 and decreased to 4.22 % in 2012-13. Compared to LIC of India, the growth rate of total premium of private life insurance companies was high. Table 5 shows the details of total insurance premium of public and private insurance companies

Table 5 : Total life insurance premium

| Year | LI6611C | Growth Rate (Per Cent) | Private | Growth Rate (Per Cent) |
|---------|----------|---------------------------|----------|---------------------------|
| 2006-07 | 56223.56 | 97.17 | 19425.65 | 89.16 |
| 2007-08 | 59996.57 | 6.71 | 33715.95 | 73.56 |
| 2008-09 | 53179.08 | -11.36 | 34152.00 | 1.29 |
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Source: Statistical Hand Book of Insurance 2012-13.

Conclusion

The urgent response that is required from the existing public insurers is clear that they must remain competitive by doing thing better and faster, and by ensuring cost effectiveness with performance. Large number of initiatives have been taken by these public sector companies to compete with private sector companies, But still the public sector companies need to reassess their present status after having modified their approach & philosophy in the post-reform period. Today in this liberalized world. In order to sustain them. The insurance companies have to ensure quality products at a competitive price, Companies can lower the price of the product by product by reducing the cost. Their survival depends upon their performance in profitability, productivity, efficiency and service quality.

References

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