



Current Scenario of Life Insurance Industry of India

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Abstract

The life insurance sector has a small market and cover approx. 3 % of population in India. As a growing sector, it is important that all players get a level playing field. The competition act is to provide for a level playing field to all players to encourage competition in market. Through my study I have tried to substantiate this with facts and evidence proving that LIC as a state owned enterprise enjoys a dominant market. The enterprise having a dominant position is not per se illegal but abuse is. The dominance of LIC is not deliberate rather it is by virtue of the regulations that the market is deprived of a level playing field and market has an anti-competitive environment.

Introduction

Life insurance is actually an agreement between the insured and the insurer in which the policy holder accepts to pay regular premium to the insurer. In return, the insurer guarantees monetary protection to the insured in case of any accident or mishaps. The Life Insurance Corporation (LIC) of India founded in 1956 is the largest life insurance company in India owned solely by the Government of India. Headquartered in Mumbai, which is considered the financial capital of India, The Company began its operations with 5 Zonal Offices, 33 Divisional Offices and 212 Branch Offices. Today LIC functions with 2048 fully computerized branch offices, 113 divisional offices, 8 zonal offices, 992 satellite offices and the corporate office. Its main asset is its staff strength of 1.4 lakh employees.

In spite of phenomenal progress of LIC of India, especially in the 80s, the government and public at large were not quite satisfied with it. By signing GATT, the government of India committed to opening of insurance sector to private sector. A committee under the chairmanship of late R.N.Malhotra (Ex- governor of RBI) was appointed by the government to look into all the aspects of insurance industry in India. The committee too, opined that in its about 40 years of existence, LIC had been able to insure only 22 percentage of the insurable population. After a great deal of discussion, finally the Lok Sabha has enacted the Insurance Regulatory and Development Authority Act, 1999. Foreign insurance companies can enter into the insurance sector in India only with an Indian partner, as a joint-venture, with a capital contribution up to a maximum of 49 percentage of the capital in the joint-venture. This sector is highly lucrative and therefore increasing the FDI cap would be a step to enhance competition in this sector and also cover a large population. Exclusive networking, sovereign guarantee and entry barriers like limited FDI creates an anti-competitive environment in market.

OBJECTIVES OF THE STUDY

The objective of the present study is to compare the performance of public and private life insurance companies. The performance of public and private life insurance companies. Life Insurance Corporation of India (L.I.C.I) dominated the Indian Life Insurance market. But the situation drastically changed since the beginning of the year 2000. With the development of the IRDA Act in 1999, private players started entering into the life insurance market. At the end of the FY 20011-12 there were 24 life insurance companies including of 1 public sector player, The other 23 private life insurers enjoyed a market share of 32.90%.

HYPOTHESES OF THE STUDY

For the purpose of this study, the following null hypotheses are formed”

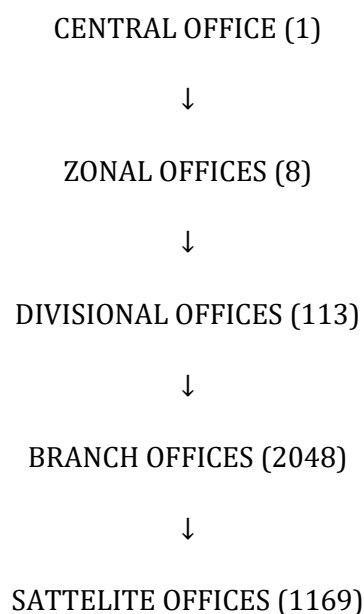
1. There is no significant difference in the growth rate of fresh business premium between public and private life insurance companies.”
2. There is no significant difference in the growth of number of new policies issued among public and private life insurance companies.”
3. There is no significant difference in the growth rate of total life insurance premium among 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,

Organizational Structure of LIC

The life Insurance Corporation of India has a five tier organizational structure as shown in following chart:



The board of the corporation is constituted by the central Government after every two years and the numbers of the members of the Board does not exceed 16. Out of these members one is appointed as Chairman and three are appointed as managing Directors of the Board. The chairman acts as Chief Executives of LIC. The Chairman and Managing Directors are full time employees of LIC and they constitute the highest decision making body known as Board of Directors of the Corporation. The corporation constitutes various committees under the life insurance act viz., Investment Committee, Executive Committee and Advisory Committee, Development Advisory Committee and Budget Advisory Committee).The Chairman of the Corporation is the chairman of all these committees

Insurance companies in India Today there are 23 life insurance companies operating in the country.

List of Life Insurers

Apart from Life Insurance Corporation, the public sector life insurer, there are 23 other private sector life insurers, most of them joint ventures between Indian groups and global insurance giants.

Life Insurer in Public Sector

1. Life Insurance Corporation of India

Life Insurers in Private Sector

Insurance Industry in the year 2000-2012 had 23 new entrants, namely:

Private Life Insurers

S.No.	Date of Reg.	Name of the Company
1	23.10.2000	<u>HDFC Standard Life Insurance Company Ltd.</u>
2	15.11.2000	<u>Max New York Life Insurance Co. Ltd.</u>
3	24.11.2000	<u>ICICI Prudential Life Insurance Company Ltd.</u>
4	10.01.2001	<u>Kotak Mahindra Old Mutual Life Insurance Limited</u>
5	31.01.2001	<u>Birla Sun Life Insurance Company Ltd.</u>
6	12.02.2001	<u>Tata AIG Life Insurance Company Ltd.</u>
7	30.03.2001	<u>SBI Life Insurance Company Limited .</u>
8	02.08.2001	<u>ING Vysya Life Insurance Company Private Limited</u>
9	03.08.2001	<u>Bajaj Allianz Life Insurance Company Limited</u>
10	06.08.2001	<u>Metlife India Insurance Company Ltd.</u>
11	03.01.2002	<u>Reliance Life Insurance Company Limited.</u>
12	14.05.2002	<u>Aviva Life Insurance Co. India Ltd.</u>
13	06.02.2004	<u>Sahara India Insurance Company Ltd.</u>
14	17.11.2005	<u>Shriram Life Insurance Company Ltd.</u>
15	14.07.2006	<u>Bharti AXA Life Insurance Company Ltd.</u>
16	04.09.2007	<u>Future Generali India Life Insurance Company Limited</u>
17	19.12.2007	<u>IDBI Federal Life Insurance Company Ltd.</u>
18	08.05.2008	<u>Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd.</u>
19	27.06.2008	<u>Aegon Religare Life Insurance Company Ltd.</u>
20	27.06.2008	<u>DLF Pramerica Life Insurance Company Ltd.</u>
21	04.03.2009	Star Union Dai-ichi Life Insurance Co. Ltd.,
22	05.11.2009	India First Life Insurance Company Ltd.
23	10.05.2011	Edellweiss Tokio Life Insurance Company Ltd.

Source: -IRDA Journal

PROGRESS OF INDIAN LIFE INSURANCE INDUSTRY IN THE POST LPG ERA

In the post LPG period, the Life Insurance Industry of India witnessed a marvelous growth and touched its historical height. In this tenure, the LIC of India introduced many phenomenal business strategies by way of offering colorful schemes and products. The reason for these kinds of extraordinary effect was only because of the stiff competition emerging by the private insurance players. However, the LIC of India has the powerful network. This healthy competition motivated the general public to go in favour of more investments in insurance. While comparing the efficiency and progressiveness of life insurance business in pre and post LPG era, the Indian Life Insurance Industries are achieving a magnificent growth.

Market Share of LIC and Private Players (FY2001-02 to 2010-2011)

Year	First year Premium		No. of policies Income	
	LIC	Private Insurers	LIC	Private Insurers
2001-02	98.64%	1.36%	NA	NA
2002-03	94.30%	5.70%	96.75%	3.25%
2003-04	87.66%	12.34%	94.20%	5.80%
2004-05	78.77%	21.23%	91.48%	8.52%
2005-06	73.52%	26.48%	89.08%	10.92%
2006-07	74.32%	25.68%	82.83%	17.17%
2007-08	64.02%	35.98%	73.93%	26.07%
2008-09	60.89%	39.11%	70.52%	29.48%
2009-10	65.08%	34.92%	73.01%	26.99%
2010-11	68.70%	31.30%	76.91%	23.09%

Source: Annual Reports of LIC

CONCLUSION

Life insurance has today become a mainstay of any market economy since it offers plenty of scope for garnering large sums of money for long periods of time. Though privatization of the insurance sector is feared to affect the prospects of the LIC, the study shows that the LIC continues to dominate the sector. Private sector insurance companies also tried to increase their market share. Private life insurers used the new business channels of marketing to a great extent when compared with LIC. Investment pattern of LIC and private insurers also showed some differences. Solvency ratio of private life insurers was much better than LIC in spite of big losses suffered by them.

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