

Life Insurance Industry in India - An Overview of LIC vs. Private Players

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Abstract – Life Insurance Industry in India has been facing many problems and challenges for the last decade. But still, it has attained a very good position among other financial services. The industry has witnessed remarkable growth with the change in the awareness level of consumers and their perception about life insurance. The life insurance sector of India was opened in 1999 for the private sector and since then this sector has seen an immense change because the Private life insurance companies have brought in professionalism, innovations, technology, new products, and operational efficiency in the life insurance sector of India. Earlier Life Insurance Corporation (LIC) has a monopoly in this sector but now it is facing tough competition from the private players. The focus of this paper is to compare the performance of LIC and private life insurance companies in India for the last few years. It also examines the effect of private life insurance companies on the business of LIC and up to what extent LIC is able to retain its market share in this business.

Keywords – Innovations, LIC, Life Insurance Sector, Private Life Insurance Companies.

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INTRODUCTION

The psychology of human beings is to secure the future so as to get least affected by the uncertainties of life, this human nature made him to think about the ways to live life to its fullest without any kind of worries. Even though life cannot be guaranteed but all that can be done is to secure the future of our loved ones to meet the financial requirements of life. So one goes for life insurance policies. Insurance is a service by which fatalities of a small number are compensated out of funds collected as premium from policyholders. The companies payback for financial losses arising out of the occurrence of insured events, e.g. in accidental policy; death due to accident, in fire insurance policy; the insured events are fire and in other cases subject to the risk insured. Hence, insurance is a safeguard against uncertainties. It provides financial recompense for losses suffered due to incidents of unanticipated events, insured within the policy of insurance.

About the Life Insurance

Life insurance is a contract that undertakes the payment of a sum assured to the person who takes policy or to his nominee on the happening of the event insured.

It provides assurance to the insured for the payment of certain sum of money in lieu of premium on the death of the insurer or on the maturity of policy, whichever is earlier. Life insurance provides financial protection against the risk of death. Insurance is also linked to

savings, sometimes by the insurer. The amount of premium paid for by the policyholder amounts to a compulsory saving by the insured. The amount of policy is returned to the insured on the expiry of the policy. On the occasion of pre-mature death of the insured, the nominees or family members of the policyholder will get the sum assured. The funds collected by the insurance companies by way of premiums are invested for the economic development of the country.

New wave of change in Indian insurance sector

Till 1999, there were no private players in Indian insurance sector. The Govt. of India then deregulated the insurance sector and introduced the Insurance Regulatory and Development Authority Act (IRDA) and thereby started allowing private companies into the Indian insurance market. Further, foreign investment was also increased from 26% to 49% in the Indian insurance companies. In the past few years many private players have been entered in the Insurance sector of India. Presently, there are 23 private life insurance companies and one public sector undertaking i.e LIC doing business in India.

Duties, powers and functions of IRDA

Section 14 of IRDA Act, 1999 lays down the duties, powers and functions of IRDA.

- 1) Subject to the provisions of this Act and any other law for the time being in force, the

Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and reinsurance business.

- 2) Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the Authority shall include,
 - a) Issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;
 - b) Protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;
 - c) Specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;
 - d) Specifying the code of conduct for surveyors and loss assessors;
 - e) Promoting efficiency in the conduct of insurance business;
 - f) Promoting and regulating professional organizations connected with the Insurance and reinsurance business;
 - g) Levying fees and other charges for carrying out the purposes of this Act;
 - h) Calling for information from, undertaking inspection of, conducting enquires and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with the insurance.
 - i) Control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938.
 - j) Specifying the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries;
 - k) Regulating investment of funds by insurance companies;
 - l) Regulating maintenance of margin of solvency;
 - m) Adjudication of disputes between insurers and intermediaries

- n) Specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organizations referred to in Clause.
- o) Specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and
- p) Exercising such other powers as may be prescribed

Once IRDA opened the gate of life insurance for private companies ever since LIC of India is being given tough competition by ICICI. Prudential, Allianz Bajaj, SBI life, HDFC Standard, Birla Sun life, Reliance Life, Max New York, Om Kotak, Aviva, Tata AIG, MetLife, ING Vysya, Shriram Life, Bharti Axa Life etc. Private life insurance companies have brought in professionalism, innovations, technology, new products, and operational efficiency in the life insurance sector of India, due to which LIC is facing tough competition from private sector. Earlier LIC used to offer Children plan, Risk cover/term insurance, whole life, and Money back plan and Endowment plan. The scenario changed due to the entrance of various private life insurance companies. In order to maintain its prestige in the market LIC enhanced its product mix by providing new products such as ULIP, Pension Plan, and Health insurance.

REVIEW OF LITERATURE

Parkash, Chary and Sunder (2010) analyzed the impact of globalization on Indian insurance industry. They discussed about low penetration in Insurance sector in India, various challenges facing by the insurance industry and essentials to meet the challenges. The researcher also found that LIC has created a large group of dissatisfied customers due to poor quality of service, higher premiums and outdated products. The products provided by LIC are not suitable to the changing needs of the customers. Due to these reasons, LIC is facing intense competition from the new private insurance companies. They suggested that LIC has to understand the needs of its customers in a better way and the customer base in semi urban and rural areas should be increased, selection of right type of products and distribution channel mix is required and use of better technology to increase its customer base and to meet global challenges.

Reddy (2012) examined the customer perception towards the products of private life insurance companies with reference to Bangalore city. The study aimed to know customers preference between the products of private insurance companies and LIC, whether private insurance companies are up to the expectations of the customers, perception, about hidden cost, awareness regarding health care policies and to judge the awareness level of people and about

IRDA and its role in insurance sector. By studying sample size of 400 respondents of Bangalore city he extracted the idea which reflected that policies offered by private insurance companies are up to customers' expectations but very few policies are better alternatives for LIC, customers are more interested to invest in pension policies in comparison to fixed deposits, the respondents perceive that all policies are coming with hidden cost and there is no risk in investing in private insurance companies as they are controlled and regulated by IRDA.

Sharma (2014) conducted a study regarding the awareness of insurance among the rural and urban population and tried to compare the reach of different advertising and promotional media as being used by the insurance selling companies. He also studied the relative brand awareness and insurance product awareness among the rural and urban people and analyzed the relative faith of the public in private and public insurance players. The data was collected with the help of questionnaire to get better insight of respondents in eastern UP. From the study he observed that LIC has higher brand awareness and brand image in rural areas. LIC agents are more active than other private insurance agents. During the study it was observed that rural people have less faith in private players. So there is need to educate those regarding IRDA regulations and private players have to create a faith among the public it was also found that people are not purchasing insurance only for tax savings but also future investments.

Bansal and Taneja (2015) studied the effect of advertisement campaign and appeals being used by various life insurance companies and the perception of target audience regarding various life insurance advertisements. For this purpose primary data was collected by using structured interview and questionnaires in Punjab. The secondary data was collected from previous research reports, internet, pamphlets, newspaper, television etc. By analyzing the data they come to the result that emotional rational appeals in the advertisement of life insurance companies effect more to the customers, more stress should be on the living things in the advertisements must show different stages of life of an individual and should be shown at prime time because most of the family members sit together at that time and have better recall of the advertisement message. The study reveals that commercial channels are best source for telecasting the life insurance advertisements.

Rajesham and Rajinder (2016) attempted to examine the growth of Indian insurance sector during the period of pre and post liberalization and finally to suggest the strategies that needs to be adopted by Indian insurance sector to meet global challenges so as to enhance its market share. They propounded that the year 1999 brought a jolt to the Indian insurance sector, as a result of major structural changes like ending of government monopoly and passing of IRDA bill, relaxing all entry restrictions for private and foreign players which

resulted in innovation in product mix, smart marketing and aggressive distribution to sign up Indian customers faster than expected.

NEED AND OBJECTIVES OF STUDY

Since the private life insurance companies have been allowed to do business in Life Insurance sector of India, this Sector has undergone an immense change. Earlier, LIC has Monopoly in Life Insurance sector of India but now with the opening of this sector, LIC is facing tough competition from the private life Insurance companies. Thus, a comparative study is required between LIC and private players in Life Insurance sector of India. For this Purpose, following objectives have taken for the study

1. To compare the growth rate in No. of policies issued and premium collection by LIC and Private Life Insurance Companies over Last Six Years.
2. To study the change in market share of LIC and Private Life Insurance Companies over Last Six Years, in the Life Insurance sector of India.
3. To study the cause of change in market share of LIC and Private Life Insurance Companies over Last Six Years.
4. To suggest measures for LIC to make it more competitive with Private Life Insurance Companies.

Sample Design: Presently, There are 23 Private Life Insurance Companies and One Public Sector Companies (LIC) is doing business in the Life Insurance sector of India. The present study covers a period of Six Years from 2013 to 2018. The present study is an attempt to compare the performance of LIC and Private Life Insurance Companies in the Life Insurance Sector of India.

Collection of Data: The present study is based on Secondary data. The information regarding the study has been collected from IRDA Journals, Annual Reports of various Life Insurance Companies, Various Newspapers and Web Sites. The results of the study have been drawn on the basis of comparison of performance of Life insurance companies in India for Last Six Years. To compare the growth rate and the share of public and private life insurance companies in the policies sold and premium collected, the analysis of the data has been done with the help of percentage method. To calculate the share in premium collected by the public and private companies, the following methods has been adopted:

$$\text{Percentage of Premium Collected} = \frac{\text{Total Premium collected by the company}}{\text{Total Premium collected by the whole industry}} \times 100$$

To calculate the policy share of the public and private companies. The following method has been used:

$$\text{Percentage of Policies Sold} = \frac{\text{Total Policies sold by the company}}{\text{Total Policies sold by the whole industry}} \times 100$$

Table 1: Registered Life Insurers in India

Year	Public Sector	Private Sector	Total
2012-13	1	21	22
2013-14	1	22	23
2014-15	1	23	24
2015-16	1	23	24
2016-17	1	23	24
2017-18	1	23	24

Source: Annual reports of IRDA.

Table 1 show that the LIC is the only company working in the public sector while the number of private life insurance companies has increased to 23 over last six year. It is clear from the table that there is rise in penetration of private life insurance companies in life insurance sector of India.

Table 2: Premium Collection of LIC and Private Life Insurance Companies in India

Year	Premium Collected by LIC	% Share of LIC in Premium Collected	Premium Collected by Private Life Insurance Companies	% Share of Private Life Insurance Companies in Premium Collected	Total Premium Collected
2012-13	157288.04	71%	64503.22	29%	221791.26
2013-14	18677.31	70%	79369.94	30%	26544.27
2014-15	203473.40	70%	88131.60	30%	291604.99
2015-16	202889.28	71%	84182.83	29%	287081.11
2016-17	208803.58	73%	78398.91	27%	287202.49
2017-18	236942.30	75%	77340.90	25%	314283.20

Source: Compiled from annual reports of IRDA.
Note: Values given are in Crores.

Table 2 shows the Premium Collection of LIC and Private Life Insurance Companies in India over last six years. It is clear from the above table that the year from 2013-16 the percentage market share in premium collection of LIC is between 70-71%. But in the year 2016-17 it has increased to 73% and further in 2017-18 and it has increased to 75%. While percentage Share of Private Life Insurance Companies in Premium Collection is 29% in the year 2012-2013 and decreased to 25 % in the year 2017-2018.

Table 3: Policies Issued by LIC and Private Life Insurance Company in India

Year	Policies Issued by LIC	% Share of LIC in Policies Issued	Policies Issued by Private Life Insurance Companies	% Share of Private Life Insurance Companies in Policies Issued	Total Policies Issued
2012-13	359.13	71%	150.11	29%	509.24
2013-14	388.63	73%	143.62	27%	532.27
2014-15	370.38	77%	111.14	23%	481.52
2015-16	357.51	81%	84.82	19%	441.93
2016-17	367.82	83%	74.05	17%	441.87
2017-18	345.12	84%	63.60	16%	408.72

Source: Compiled from annual reports of IRDA.
Note: Values given are in Lakhs

Table 3 shows the policies issued by LIC and Private Life Insurance Companies in India over last six years. It is clear from the above table that the market share of

LIC in the policies issued is on the increase from 71% to 84% from 2012-13 to 2017-2018. While the % Share of Private Life Insurance Companies in policies issued has decreased from 29% to 16% for the same period.

Table 4: Number of Offices of Life Insurance Companies in India

Year	No. of Offices of LIC	% Share of Offices of LIC	No. of Offices of Private Life Insurance Companies	% Share of Offices of Private Life Insurance Companies	Total Offices
2012-13	3030	28%	8785	72%	11851
2013-14	3250	26%	8768	74%	12018
2014-15	3371	29%	8175	71%	11546
2015-16	3455	31%	7712	69%	11167
2016-17	3526	34%	7759	66%	10185
2017-18	4839	44%	6193	56%	11032

Source: Annual reports of IRDA.

Table 4 shows the Number of Offices of LIC and Private Life Insurance Companies in India over last six years. It is clear from the above table that the No. of Offices of LIC is on the increase from 28% to 44% from 2012-13 to 2017-2018. While the % Share of Offices of Private Life Insurance Companies has decreased from 72% to 56% for the same period.

FINDINGS OF THE STUDY

- The study reveals that there is a gradual rise in the market share in premium collection of LIC in last six years. While the share of Private Life Insurance Companies has decreased in the same period.
- The study shows that there is a continue rise in the market share policies issued of LIC from 2012-13 to 2017-2018. While the share of Private Life Insurance Companies has decreased for the same period.
- The study shows that the number of offices of LIC from 2012-13 to 2017-2018 has been continually rising. While the Number of Offices of Private Life Insurance Companies has decreased for the same period.
- The result indicates that the market share of LIC is on the increase in last six years and it is giving a tough competition to private life insurance companies. It is clear from the study that LIC is the most trusted brand name and has retained its customers even in this competitive environment.
- The study expresses that due to increase in infrastructure, professionalism, rise in no. of offices etc. The LIC is able to compete with private life insurance companies and its market share has increased over last six years.

SUGGESTIONS

- Private life insurance companies have brought in professionalism, innovations,

technology, new products, and operational efficiency in the life insurance sector of India but still a lot is required to win the confidence of the customers to increase their business.

www.irdaindia.org

www.licindia.com

2. LIC is the oldest and largest life insurance industry still the Indian rural market is untapped. So it is suggested that LIC should increase its business in rural areas.
3. To make it more competitive, LIC should increase operational efficiency, launch new products and brought professionalism in business like private companies. LIC should go global by expanding its business in other countries.

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CONCLUSION

The life insurance sector of India has seen an immense change since the opening up of this sector for the private players. Although the LIC is facing tough competition from private life insurance companies still LIC is able to retain its business. Private life insurance companies have brought in professionalism, innovations, technology, new products, and operational efficiency in the life insurance sector of India but still their performance is not satisfactory. The size of life insurance market of India is so huge that both LIC and private life insurance companies can increase their business up to any extent.

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