



Recent trends in Life Insurance Business in India: A Comparative Study of LIC and Private Players in Post Liberalization Era

P. Divakara Rao, Lecturer in commerce, HOD, Department of Commerce, Govt.
Degree College, TUNI, E.G. Dist., A.P.

Abstract

The present paper is an analytical and descriptive study with an objective to analyze the overall impact of liberalization on Life Insurance business, in terms of total premium income, total income, market share and number of policies and other aspects. Ten years from 2001 – 2010 of secondary data have been collected. It is observed that India is fast emerging on the world map as a strong economy and a global power. With a huge population and large untapped market, Life Insurance happens to be a big opportunity in India. After 1991, the Indian Life Insurance industry has geared up in all respects, as well as it being forced to face a lot of healthy competition from many national as well as international private Insurance players. Private Insurance companies are expanding their business and giving tough competition to LIC, continuous down fall in the market share of LIC after privatization, new business is increasingly going towards private Insurance companies, but still LIC holding the dominant position and the most trusted brand among the people. In the post liberalization period, the Life Insurance industry of India witnessed a marvelous growth and touched its historical heights are some of the major findings of study. The suggestions recommended by the researchers will be useful for Life insurers to bring further improvement in the business of Life Insurance and its penetration.

Key words: liberalization, Life Insurance business, privatization, globalization

1. Introduction

Life Insurance Corporation of India was the only company prior to liberalization and the monopoly of LIC breaks with the entry of private companies in life insurance business. The Indian insurance industry was opened for private insurers in the year 1999, with the enforcement and establishment of industrial regulatory and development authority act. Insurance sector in India is one of the booming sectors of the economy and presently growing at the rate of 35-40% per cent annually with a total insurable population of less than forty percent. Huge untapped population provides

unlimited scope to life insurance companies for market expansion and penetration. There was a remarkable improvement in the Indian insurance industry soon after the Indian economic reform 1991 which is characterized by three important elements i.e. Liberalization, privatization, and globalization (lpg). In the post liberalization period, the life insurance industry of India witnessed a remarkable growth and it is being forced to face a lot of healthy competition from many domestic as well as international private insurance players.



2. Liberalization of Insurance Industry

Liberalization means to free the economy from the direct control of the govt. and is an essential tool for privatization .the need for private sector entry has been justified on the basis of enhancing the efficiency of operations, achieving a greater density and penetration of life insurance in the country, and for a greater mobilization of long-term savings for an economy development. Until 1999, the business of life insurance in India was the monopoly of life insurance Corporation of India. Privatization witnessed dynamic changes and phenomenal growth in life insurance businesses. Most of the private insurance companies are joint ventures with recognized foreign players across the globe. In the post-liberalized era in India, there has been phenomenal growth in the insurance sector. As of today, 22 private life insurers are competing with each other and most of the private insurance companies are joint ventures with recognized foreign players across the globe. Liberalization and privatization of insurance industry brought tremendous growth in life insurance business. Certain positive developments experienced by the industry are given as below:

Wide range of products: Private sector offer a huge range of new and innovative products for different segments of the population with a wide variety of benefits like competitive premium rates, rider options, maturity periods etc.. Now days, the consumers have flexible options to select as per their requirements.

Insurance awareness: with increased level of advertising budgets, insurers now-a-days, have greater reach to almost every nook and corner of the country.

Insurance penetration: Life insurance penetration in India improved since liberalization in 2000. From 2.15% in 2001-02, insurance penetration rose to 4.0% in 2009-10. Expansion of business, wide range of innovative products, development and effective use of new distribution channels by private life insurance players.

Increasing contribution in GDP- The level of penetration which is the measure of premiums as a percentage of a country's GDP in life insurance has a strong positive correlation to income levels. India, with its huge middle class households, exhibits untapped potential for the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. Thus India continues to be an attractive market for most insurance players both domestic and foreign.

3. Review of Literature

C. Barathi, C. D. Balaji and Ch. Ibohal Meithei (2011), in the research paper titled“ Innovative Strategies To Catalyse Growth Of Indian Life Insurance Sector- An Analytical Review” have clearly discussed about the impact of global recession on the fastest growing Indian insurance market. They find the entry of many private companies has created a paradigm shift in insurance marketing in India in terms of products, tariffs; customer service etc. Krishnamurthy S, Mony S.V, Jhaveri. N, Bakhshi.S, Bhat.S and Dixit M.R (2005), in their paper clearly explained the status and growth of Indian Insurance Industry after liberalization and also present future challenges and opportunities linked with the Insurance. Kundu (2003) discussed the changes in various issues of Insurance Industry after the entry of new players. Kapse.S and Kodwani d.g (2003)



in their article, argued that in the changing scenario for the insurance sector there is going to be a good opportunities for insurance sector to expand its market base. For this purpose there is need to improve the features of the insurance products to make them more liquid or short term schemes could be increased. Performance of Life Insurance Corporation is explained by Murthy, R.Babu and Ansari (2009). Paramita Chatterjee (2009) evidently said private insurers recorded 62% growth rate in April-December 2008 against 45% in the same period of last fiscal. ICICI Prudential, HDFC Standard, SBI Life and Bajaj Allianz are the dominant players of the life Insurance sector. LIC a market leader recorded a decline of 28% and experts said the Industry has witnessed a reasonable growth despite the tight financial conditions. Tripathi. S (2009) in his dissertation report mentioned that Private companies are giving direct competition to LIC, LIC is a dominating player even after privatization and abundance scope of insurance expansion in the Indian market, LIC is having huge customer base being an old giant are some of the main findings of this study. He concluded that LIC is a most popular and leading brand but with aggressive marketing approach; private companies are giving direct competition to LIC.

4. Need of the Study

When compared with the developed foreign countries, the Indian life insurance industry has achieved only a little because of the lack of quality strategies adopted by the LIC, lack of standard education and awareness about savings, capital and lack of employment opportunities. Since the introduction of new economic policy (lpg) in the year 1991, the shape of the Indian life

insurance industry has been changing and it has geared up. The huge and ever rising population levels in our country provide an attractive opportunity for the global insurance majors to seek their fortunes here. That is the reason we find so many private players today competing with LIC the only life insurer prior to liberalization for insuring Indian lives. The study is basically intended to analyze the status of life insurance industry after liberalization. The insurance industry is one of the fastest growing industries in the country and offers unlimited growth potential. The LIC was the only company in life insurance business in India from 1956 to 1999. The low performance, poor customer services, ineffective marketing, low insurance penetration were some of the problems with LIC. With a view to overcome these problems and improve market penetration, liberalization of Indian insurance industry was announced in IRDA reform 1999. Hence the researcher has taken up the present study to analyses the present condition of life insurance in post liberalization and benefits to the industry after opening up of the sector to the private insurers.

5 Objectives of The Study

The study will be carried out with the following objects:-

- To examine the context of liberalization in Indian life insurance industry.
- To analyze the condition of life insurance business in post-liberalization period.
- To analyze the impact of liberalization on Indian life insurance business.
- To compare the performance of LIC and private life insurers.



- To offer suggestions for laying down effective strategies for promoting the insurance business in the country.

6 Research Methodology: The research paper is based on secondary data **and followed** descriptive and Analytical method. Data was collected for ten years period i.e., 2001 – 2010

7. Analyses & Discussion

Since opening up the sector, the life insurance market in India witnessed dynamic changes and the entry of a number of global life insurers has increased competition in the Indian life insurance market. The present intense competition has forced the life insurance industry to improve its risk management abilities that has greatly benefited the policyholders. Today customers are more aware and conscious of the need of the life insurance to meet uncertainties like sudden death, accident or protection against old age. The number of private

life insurers has more than doubled from 10 in 2001 to 22 in 2010 with expansion of existing as well as new players continuing to rise.

Impact of Liberalization on Life Insurance Industry

LIC and private life insurers have a significant role in the growth of an economy. A performance analysis of both the sectors have been done based on some important parameters such as total life insurance premium income, number of policies, total income and market share.

Total Premium Income: Total premium income is one of the important and main indicators of the performance of the insurance business. The total premium income of LIC and the private players during 2001-02 to 2009-10 has been presented in table no. 1. This table presents the growth in total premium income of both the sectors and the industry in a period of over ten years.

Table No.1: Total Life Insurance Premium Income for the year 2001-2010 (Rs. In Crores)

Name of the Insurer	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
LIC	49821.91	54628.49	63533.43	75127.29	90792.22	127822.84	149789.99	157288.04	186077.3
Private	272.55	1119.06	3120.33	7727.51	15083.54	28242.48	51561.42	64497.43	79323.06
Industry	50094.46	55747.55	66653.75	82854.80	105875.76	156065.32	201351.41	221785.47	265450.3

Data Interpretation: It has been clearly pointed out from the table 1, that the total premium income of LIC and private players during 2001-02 to 2009-10 was varied from Rs. 49821.91 crores in 2001-02 to and Rs 186077.3 respectively. The growth in the total premium income

was recorded maximum in the year 2002-03 and due to recessionary affect the downfall was more in the year 2008-09 as against the other years. There has been a constant increase in the total premium income of LIC.



Table No.2: Growth over Previous Year in Total Premium Income for the year 2001-2010 (In %)

Name of the Insurer	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
LIC	42.79	9.65	16.30	18.25	20.85	40.79	17.19	5.01	18.30
Private	412.41	310.59	178.83	147.65	95.19	87.24	82.57	25.09	23.06
Industry	43.54	11.28	19.56	24.31	27.78	47.38	29.01	10.15	19.69

Interpretation: table 2 presents the growth in total premium income over the previous years. In the case of LIC, the premium growth was 42.79 % in 2001-02 and it come down to 9.65% in the year 2002-03 and again increased to 16.30% in 2003-04.there has been a continuous growth in the amount of premium income from 2004-05 (18.25%) onwards to up to 2006-07 (40.79%). In 2007-08, the growth was 17.19% and it decreased to 5.01% in 2008-09 and again increased to 18.30% in 2009-10. Likewise, private insurers have recorded a growth of 412.41% in the initial year of entry in life insurance industry. From 2002-03 onwards, the growth in premium income has been decreased in every successive years as against the previous year. Private insurers has shown maximum decline in the year 2008-09 that is 25.09% as against the previous year of 82.57%. The

maximum premium growth of the industry has seen in the year 2001-2002 (43.54 %) and 2006-07 (47.38%) as against the previous year. Premium income of the industry has been increased every year, except a downfall in the growth in 2002-03 and 2008-09.

Number of Policies: New Business

It is another important indicator of growth and performance of the insurance companies. It is a pointer towards the spread of message of insurance among those people who have never availed of the benefits of life insurance as well as the existing policyholders. The table no. 3 presents the complete picture of the performance of new business in terms of number of policies of both LIC and private life insurers in a period of ten years from 2001 to 2010.

Table No. 3: Total Number of Policies (In Lakhs)

Name of the Insurer	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
LIC	232.75476	245.29946	269.68069	240.27393	315.90515	382.29292	376.12599	359.12667	388.6378
Private		836.621	165.8846	223.3075	387.1410	792.2294	132.61558	150.10710	143.62
Industry	232.75476	108.19204	286.26916	262.11198	354.62117	461.51586	508.74157	509.23377	532.25



Interpretation: It has been revealed out from the table no.3, that the performance of LIC in terms of new policies business has deteriorated and those of private players have been improved tremendously. In 2001-02, the number of policies of LIC was only 232.75476 lakhs which increased to 269.68069 lakhs in 2003-04. But in 2004-05, instead of increase, there is fall in the no. pf policies to 240.27393 lakhs. Further, the no. of policies increased to 388.637 lakhs in the year 2009-10. Whereas in the case of private players, in the year 2002-03 the no. Of policies was only 836.621 lakhs and it further dropped down to 165.884 and 223.307 crores in the year 2003-04 and 2004-05 respectively. Further, the

no. of policies has increased to 792.229 lakhs in the year 2006-07 against 387.141 crores of the previous years 2003-04. .with every successive year, private players are gaining the trust of the pubLIC and have quite successful in snatching the business from LIC. The number of policies of industry has increased in all years except 2004-05, where a decrease of 262.11198 is recorded from 286.26916 of the previous year. The increase in number of policies was maximum in the year 2005-06 and 2006-07. Hence it can be inferred that, there is considerable growth in the number of new policies business in a period of post liberalization.

Table No. 4: Growth Over Previous Year in Number of Policies (In %)

Name of the Insurer	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
LIC	-	5.39	9.93	-11.09	31.75	21.01	-1.61	-4.52	8.21
private	-	-	-80.17	34.62	73.37	104.6	67.40	13.19	-4.32
Industry	-	8.9	8.6	-8.4	35.30	30.10	10.20	0.10	4.52

Interpretation: It is revealed from the table no.4 and graph no.2, that new business of LIC in terms of number of policies has increased in all years, except the year 2004-05, 2007-08 and 2008-09 with a negative growth rate of -11.09%, -1.61% and -4.52 % respectively. Likewise private players have also been shown positive growth against the previous year, except the year 2003-04 and 2009-10 with a negative growth of -80.17% and -4.32% respectively. The growth of industry was 8.9% in 2002-03 and decreased to 8.6% in 2003-04, a negative growth of -8.4% has seen in the year 2004-05. In the year 2005-06, the growth in number of policies was remarkably high (35.3%) as against the negative growth of the previous year.

There was many up and downs seen in the policy growth of industry. The growth was registered maximum in the year 2005-06 and lowest in 2008-09 due to the global slowdown of the economy.

Market Share

Market share is also an important indicator of growth and performance of the insurance companies. Market share is the percentage of share captured by any company. A company with high market share reflects strong market position against the competitors and vice-versa. Table No. 7 presents the market share in terms of total premium of both LIC and private life insurers from the period 2001 to 2010.



Table No.5 Market Share in Terms of Total Premium (In %)

Year	LIC	Private Players
2001-02	99.46	0.56
2002-03	97.19	2.01
2003-04	95.29	4.71
2004-05	90.67	9.33
2005-06	85.75	14.25
2006-07	81.90	18.10
2007-08	74.39	25.61
2008-09	70.92	29.08
2009-10	70.10	29.90
TOTAL	100	100

(Source: Compiled From IrDA Annual Reports)

Interpretation: It has been revealed out from the table no. 7 and graph no. 4, that the market share of all the private players has sharply risen from 0.56% in 2001-02 to 29.9% in 2009-10. Contrary to this, the market share of LIC has been decreasing year by year with the entry of private players in life insurance market. It has decreased from 99.46% in 2001-02 to 70.1% in 2009-10. Thus after the entry of private players in this sector, there has been constant fall in the market share of LIC in terms of total premium. This indicates that the private players are doing quite well and are improving year by year, thus affecting the performance of LIC.

5. Findings:

The total premium income of the industry has increased from Rs. 50094.46 crores in 2001-2002 to Rs. 265450.37 in 2009-2010. This shows that life insurance industry has achieved a remarkable growth in the premium income after the entry of private insurers

If we see the total number of policies issued by LIC and private insurance companies, we find that there is a huge gap between them. No doubt that LIC is a well established player in the field of

insurance and many private companies have just started their business. Hence it is obvious that LIC is having large number of policyholders.

Number of policies has subsequently increased year after year but the performance of LIC has deteriorated and those of private players have been improved tremendously. With every successive year, private players are gaining the trust of the public and have quite successful in snatching the business from LIC.

Though the income of private insurance companies is negligible when compared with LIC but then also the pace with which they are increasing their income is tremendous. Private insurance companies are expanding their business and will certainly going to give a tough competition to LIC in the coming days.

The total income of LIC was Rs. 53968 in 2001-2002 and it has increased to Rs. 132147 in 2005-06 and further it rose to Rs. 261773 in the year 2009-2010. The total income of all private insurers was only Rs. 2617 crores in 2002-03 and it has increased to Rs. 125826 crores in the year 2009-10. Thus it can be inferred that a



life insurance industry has achieved a remarkable growth after privatization.

LIC, being the oldest player in the existing insurance market, has the biggest market share of 64.39% which was 99% in the year 1999-2000. We see that private insurance companies are penetrating in the customer base of LIC. Private insurance companies are giving a tough competition to the LIC.

LIC is today competing in the industry with 22 private sector insurers and from the table 5.7 it is revealed out, that the market share of LIC has declined to 70.10% in 2009-10 from 99.46% in 2001-02. The market share of private insurers has been increased noticeably in over of period of ten years of post liberalization.

Based on the performance analysis of LIC and private insurers, it is found that premium income, number of policies, total income and market share of LIC is more than the private insurers. This shows that LIC is better than private insurers and people most trusted brand with leading market position even after privatization.

6. Conclusion

India is among the important emerging insurance markets in the world. Life insurance will grow very rapidly over the next decades in India. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. Competition has brought more product innovation and better customer servicing and bring positive influence on the life insurance business. India insurance is a flourishing industry, with several national and international players competing and growing at rapid rates. The overall business of life insurance has been significantly increased after privatization but still a huge Indian population

References:

- C. Barathi, D. Balaji And Ch. Ibohal Meitei (2011), "Innovative Strategies To Catalyse Growth Of Indian Life Insurance Sector-An Analytical Review", Indian Journal Of Commerce And Management Studies, Vol. Ii, Issue IV, May 2011.
- Chatterjee. P (2009) In Her Article Titled "Private Insurers Command Majority Share Of Life Insurance Market".
- Krishnamurthy. S, Jhaveri. Nani, Bakshi. S (July-Sept 2005), Insurance Industry in India: Structure, Performance and Future Challenges, Vikalpa, Iima Volume 30, No. 3, Pg No. 93-95.
- Kundu. S (2003), "What's Next In India's Insurance Market", Knowledge Digest Com., May 12.
- Murthy.T.N (2009), "Performance Evaluation of Lic", Icfai Journal of Risk & Insurance, Jan- April 2009, Vol. II.
- Rastogi. S and Sarkar.R (2006), "Enhancing Competitiveness: The Case Of The Indian Life Insurance Industry", Conference On Global Competition & Competitiveness Of Indian Corporate", IIMK, September 2006.
- Sampada Kapse & D.G Kodwani (2003), "Insurance As an Investment Option", the Insurance Time, May 2003, Pg No. 12.
- Sumninder Kaur Bawa (2007), 'Life Insurance Corporation of India: Impact of Privatization And Performance', Regal Publication, New Delhi.
- Tripathi.S (2009), "A Comparative Analysis of Life Insurance Corporation and Private Insurance Company" Dissertation Fms Banaras Hindu University, Page No. 53-58.
- IRDA Annual Report 2009-10.
www.irda.org