

A Comparative Analysis of Public and Private Life Insurance Companies In India

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Abstract- The paper studies the characteristics of Insurance Industry in India based on Strength of Insurance Industry in India and Weakness of Insurance Industry in India. In this study, an attempt has been made to make the comparison of the Public Sector Life Insurance Corporation and Private Sector companies with each other for providing best services and best products to the customers. As it is said customer is king of market everyone is trying for new product to satisfy customer's 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. The hypothesis of the study is that there is significant difference in the growth of number of policies issued by Public and Private Life Insurance Companies.

Keywords- Insurance, Public companies & Private companies.

I. INTRODUCTION

The financial service industry has made major changes after liberalization and globalization. Among all, insurance sector is also one of the important sectors in India. The Private and Public insurance industry in India are growing after liberalization. Foreign Direct Investment in insurance business increased from 26% to 49% which shows that insurance business will grow facing tough competition. In order to satisfy the customer there is competition between public and private companies. Hence, in this paper attempt is made to study the performance of Public and Private Sector Life Insurance Companies in India.

II. OBJECTIVES OF THE STUDY

1. To observe the growth of business of public and private sector life insurance companies.
2. To analyze the operating and financial performance of public and private sector life insurance companies.

III. METHODOLOGY

The objective of the paper is to make the comparison of Private and Public sector Insurance industry in India. The period of study taken is for three years that is 2014, 2015&2016. An effort is made to explain the results and

simplify them to insurance industry performance. The study is carried on making content analysis from the data collected from various secondary sources such as annual reports of insurance companies, annual reports of IRDA, IRDA journal, insurance Journal.

IV. INSURANCE INDUSTRY IN INDIA

Criteria	Insurance Industry
Regulators	Insurance Regulatory and Development Authority (IRDA)
Number	General Insurance Companies :31 Life Insurance Companies :24
FDI limit	49%
Largest Player	Life Insurance Corporation of India
Listing on Indian Stock Exchange	None of the insurance companies are listed on Indian stock exchange as of now.
Relevant Acts	Insurance Act, 1938 Insurance Regulatory Development Authority Act, 1999
Source: IRDA websites and other online sources.	

V. OPERATING EXPENSES

Operating expenses are incurred in the daily or normal business transactions. Low operating expenses will indicate that the management of the company is performing well and the firm has better ability to compete with its competitors. The reason for higher operating expenses in public sector is because of various statutory requirements in management of business.

Insurer	2013-14	Growth rate (%)	2014-15	Growth rate (%)	2015-16	Growth rate (%)
Public	23760.70	21.37	22395.45	-5.75	22691.83	1.32
Private	14773.88	-0.48	14466.14	5.56	16091.26	11.25

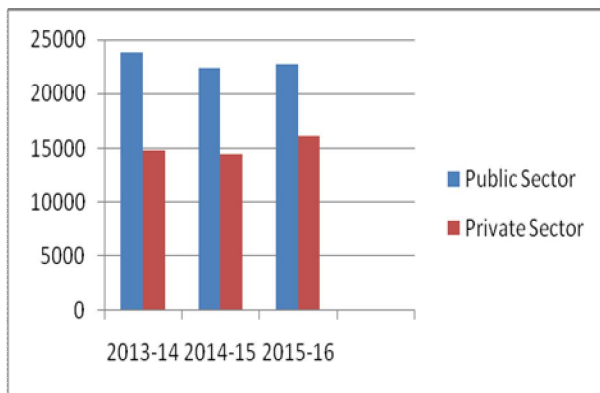


Table I shows the operating expenses of public sector is more as compare to private sector.

VI. MARKET SHARE BASED ON TOTAL PREMIUM

Year	Public Sector %	Private sector %
2013-14	75.39	24.61
2014-15	73.05	26.95
2015-16	72.61	27.39

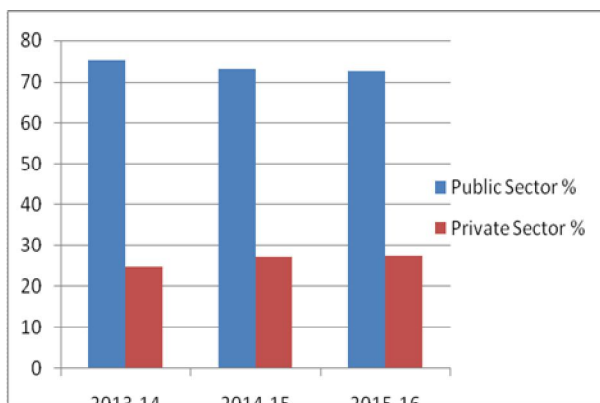


Table II shows the market share of Public and Private sector life insurance companies based on total premium.

The total premium of LIC of India increased continuously since 2013-14 to 2015-16. However a significant decline is noticed in market share from 75.39% in 13-14 to 72.61% in 2015-16. While in case of private sector, the total premium income and market share of total premium have both increased.

The market share of private sector life insurance companies on the basis of total premium has increased from 24.61% in 2013-14 to 27.39% in 2015-16. It reflects that the private sector has been successful in capturing the market share LIC of India. Due to stiff competition from the private player, LIC of India has lost nearly 30% market share based on total premium.

VII. MARKET SHARE BASED ON NEW BUSINESS

Market share based on new business is the first premium collected by the insurance companies from policy holder. It also includes single premium.

Year	Public Sector%	Private Sector%
13-14	75.47	24.33
14-15	69.27	30.73
15-16	70.50	29.50

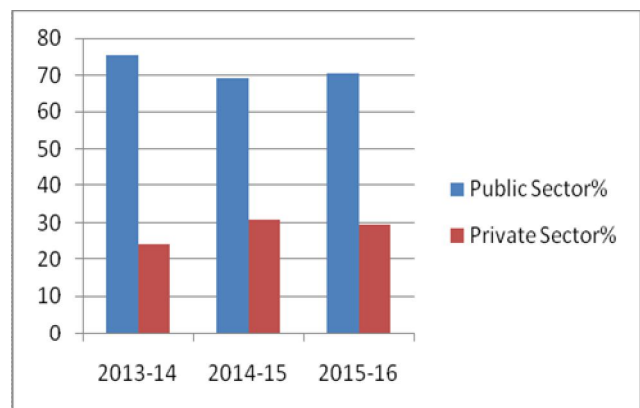


Table III shows the market share of public and private sector life insurance companies based on new business.

The market share of Life Insurance companies of India on the basis of the first year premium in the year 13-14 was 75.47% but it declined to 69.27% in 2014-15 and has slightly risen to 70.50% in 2015-16. While the markets share of private sector life insurance companies was only 24.33% in 2013-14, which increased 30.73% in 2014-15 and slightly declined to 29.50% in 2015-16. The growth in the first year premium of private sector was fuelled by sales of unit linked products.

VIII. MARKET SHARE BASED ON RENEWAL PREMIUM

Increase in the renewal premium is a good measure of quality of the business underwritten by the insurer. It reflects increase in their persistency ratio and enables insurers to bring down overall cost of doing business.

Year	Public Sector%	Private Sector%
13-14	75.34	24.66
14-15	75.04	24.96
15-16	73.09	26.10

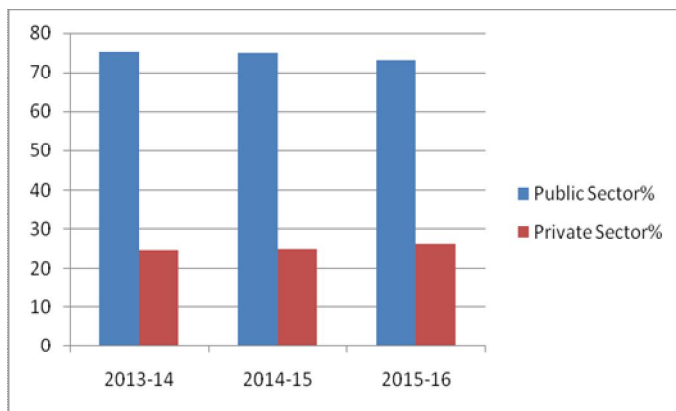


Table IV shows the market share of public and private sector LIC based on Renewal premium.

The public sector recorded 75.34% market share based on renewal premium in 2013-14 but has decreased to 73.09% in the year 2015-16. While that of a private sector recorded 24.66% in the year 2013-14 which increased to 26.10% in the year 2015-16. Private sector has managed to take away nearly 26% of the market share from LIC of India. LIC of India is still the market leader in this segment.

SWOT ANALYSIS OF INSURANCE INDUSTRY IN INDIA

STRENGTH:

- Growing economy with strong market dynamics
- Vast population as prospective consumers
- The Insurance Regulatory Development Authority of India's (IRDA) emphasis on quarterly reporting / monitoring of insurer solvency has enhance capital adequacy and transparency.
- Less risk of slowdown of economy compared to other emerging markets.

WEAKNESS:

- Lack of transparency as financial and operational data for insurers are not readily available as none of India's insurers are directly listed on stock exchanges.
- Dominance of state-owned insurers in market.

OPPORTUNITIES:

- One billion populations can bring enormous opportunities as it has long –term potential as it will increase insurance users.

- Market efficiency will improve due to information dissemination, global operating knowledge and increased competition.
- Increase in FDI limit.
- Globalization will also improve Regulatory and Governance system. Which will improve market conduct and Ethical Business Standard.

THREATS:

- The political environment is not conducive to constructive change or sound economic management.
- The dominance of entrenched players makes it possible that the industry will stagnate.
- The legal framework, bureaucracy and financial infrastructure worsen the insurance business environment.

IX. CONCLUSION

The insurance industries in India has seen a noticeable change by opening of the market and insurance sector for the private and foreign players. The study clearly shows that the strategies of private sector has not reached anywhere near the global standard. People still trust the Government companies and private sector are unable to break the performance of LIC of India. This is due to the after sale service and too much of profit oriented approach of the existing private players. Therefore, they must focus on their role and commitment towards the society to have their own space. They must focus on their business before public welfare and no other way round.

This paper developed a comparative framework that can compare status of public and private insurance companies involved in doing insurance business in India. The findings of the present study will help policy formulators in bringing needed modifications to the existing policy and provisions which may further accelerate the industry.

Life insurance will grow very rapidly over the next decades in India due to increase in the income of middle class, improved rules and regulations and creating awareness of the rising risk.

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