IJESRR International Journal of Education and Science Research Review
ISSN 2348-6457
ISSN 2349-1817
www.ijesrr.org April- 2019, Volume-6, Issue-2 Email- editor@ijesrr.org

A COMPARATIVE ANALYSIS BETWEEN PUBLIC SECTOR AND PRIVATE SECTOR LIFE INSURANCE COMPANIES: A STUDY AFTER GLOBALISATION

[1]Dr Devesh Kumar, [2]Rahul Siddharth
[1]Associate Professor, [2]Research scholar
[1,2]School of Commerce & Management Shri Venkateshwara University, Uttar Pradesh

ABSTRACT

Increased levels of wealth created by the individuals and brighter economic prospects for the future have substantially increased the demand for sound professional advice on investments, retirement, tax and estate planning. There is an ever increasing need felt by the investors to now all about various types of wealth creation products. Bank and finance executives are often called upon to advise their clients on the right choice of investments, taking into account his money savings and other assets to help one reach those goals. Financial planning also includes getting the most out of other financial resources, including insurance, equity and debt securities.

Key Words: Sound professional, financial resources, Insurance organizations

1.1 INTRODUCTION: The onset of reforms in India has ensured accessibility of various investment avenues to almost everybody. Markets which were hitherto exclusive to bans and institutional treasuries have now opened up for public. It is evident that bank and finance executives need to not only manage their wealth, but they also have an important role in shaping others' wealth profile. Thus there is no clear cut job profile when it comes to designing or marketing financial instruments. Yet a professional financial planner should position himself/herself to take full benefit in this rapidly expanding field.

The early development of life insurance was closely lined with that of marine insurance, as policies on the life of master and crew of the ship a merchants came to be issued once marine insurance was well established. Unlike the practice today, the early life insurance contracts were, however, for short periods only. The first life insurance policy was issued on 18th June 1583 on the life of one William Gibbons for a period of 12 months. It was in the 18th century that Societies began to be formed in the UK for issuing life policies. Among such Societies, the Amicable Society (1705), the Equitable Assurance Society (1762), the West Minster Society (1792), were the important ones. In India, the first life insurance company to be established was an English company, the European and the Albert, set up in 1870. The first Indian life company, the Bombay Mutual Assurance Society Ltd., was also formed in the same year (1870).

The history of the Indian insurance sector dates back to 1818, when the Oriental Life Insurance Company was formed in Kolkata. A new era began in the India insurance sector, with the passing of the Life Insurance Act of 1912. The Indian Insurance Companies Act was passed in 1928. This act empowered the government of India to gather necessary information about the life insurance and non-life insurance organizations operating in the Indian financial markets. The Triton Insurance Company Ltd formed in 1850 and was the first of its kind in the general insurance sector in India. Established in 1907, Indian Mercantile Insurance Limited was the first company to handle all forms of India insurance.

A Historical Perspective The history of insurance in India can be traced with the establishment of a British company called the Oriental Life Insurance Company in 1818, followed by the Bombay Assurance Company in 1823, and the Madras Equitable Life Insurance Society in 1829. All these companies operated in India but did not insure the lives of Indians. They were insuring only the lives of Europeans living in India. The first general insurance company known as Triton Insurance Company Ltd., was established in 1850. It was owned and operated by the British. The first indigenous general insurance company was the Indian Mercantile

Insurance Company Limited set up in Bombay in 1907. The wholly Indian-owned insurance company, namely, The New India Assurance Company Limited was incorporated on July 23, 1919 which commenced its operations in October the same year.

There was no exclusive legislation to govern the activities of insurance companies during the 19th century. To control the operations of life insurance in India, the Indian Life Insurance Companies Act, 1912 was enacted. However, the first comprehensive legislation was introduced with the passing of Indian Insurance Act, 1938. The Act made provision for required equity capital to carry out insurance business, ceiling on shareholding pattern, strict control on investments, agency commission etc. Subsequently, a separate wing was established in the Ministry of Finance to administer the provisions under the Act (Sharma and Agarwal, 2005). Though a number of statutory laws and insurance Acts were passed from time to time to regulate and control the business, yet as many as 66 out of 215 life business companies perished between 1935 and 1955. This was largely due to growing business mismanagement and malpractices, manipulation of life funds to indulge in speculative trading, large scale liquidation of insurance companies, inter-locking of funds, and control and influence of large business houses which led to public disenchantment and resentment (Rajan and Dhunna, 2002). This led to the nationalization of life insurance by amalgamating all private companies under one corporation, i.e., L.I.C. The number of companies in the general insurance sector increased steadily, and by 1972 their number had gone to 107.

1.2 Review of Literature: Some sound and healthy studies are being observed during the study, related with the subject, which are being explored below**-**

- Dr. A.K. Jain (2004) revealed that "waves of liberalization have done wonders to proper the insurance occupation to the status of a career with a bright future. The average mindset, particularly of younger generation in India is very amenable to these changes in insurance as an avenue where exhilarating opportunities are opened up in changed environment".
- Rao (2005), in his research paper titled, "LIC Agents : Are They All Productive", found that during 2003-04 the business procured through Agents constitutes 99.78 per cent, while through all other sources is 0.22 per cent only, which shows the basic strength of LIC is its huge agency force. The data from 1996-97 to 2003-04 shows that the number of agents and average business per agent is increasing year by year. But it does not mean that all agents are productive. The analysis revealed that 15per cent of LIC agents are highly productive, and the remaining 85per cent are not so productive.
- AK Sukla (2006) reviewed the measures of liberalization initiated in insurance sector. Six years into competitive market, the Indian insurance industry exhibited a healthy growth trend of new business and market share. The life insurance industry saw the new players stabilize their operations keenly matched by LIC of India and the premium numbers brought out the fact that the size of the insurance market grew over the six years of liberalization.
- Raj Kumari (2007), in her study, identified the customers attitude towards purchase of insurance products and also their knowledge on the banc assurance formats available through banks. The study concluded that insurance awareness is growing rapidly among the people though many of them are still hesitant to insure due to certain barriers. The people go for insurance only to avoid income tax and have future savings. Banc assurance, the new term in insurance distribution, has not been penetrated as most of the people are not aware about this concept. The people understanding banc assurance did not have an idea on Centurion Bank providing this facility.
- Anuradha K. Rajivan (2007) the study reveals that planned actual steps to address constraints like poverty will help express the insurability of the poor in the future and study also shows that micro insurance is on the edge of floating take off in India. The current interest from the different stakeholders, combined with the solid movement provided by the November 2005 directive of IRDA, concrete, complementary catalytic support will enable all the stakeholders to play a more pro-active role.

- Chawla and Singh (2008), in their paper, investigated the service quality factors affecting customer satisfaction levels of the policyholders. The data was collected from 210 policyholders belonging to northern India through a questionnaire. Factor Analysis and reliability analysis were carried out to test the data. The results revealed that the accessibility factor has a higher mean satisfaction as compared to mean satisfaction of reliability and assurance factor.
- R. Rajendran,B. Natarajan (2009) studied the impact of Liberization, Privatization and Globalization on Life Insurance Corporation of India. They concluded that in India the insurance habit among the general public during the independence decade was rare and in the following decades, it slowly increased. There was a remarkable improvement in the Indian insurance industry soon after the acceptance and adaptation of Liberalization, Privatization, and Globalization in the year 1991. After 1991 the Indian life insurance industry had geared up and was forced to face a lot of healthy competition from many national as well as international private insurance players. The fall in the savings rate and increased competition in the primary market and particularly the aggressive mobilization by the Mutual Fund posed serious challenges before LIC.
- Skyline Business School (2010) examined the customer preference for purchasing life insurance product during 2009. Out of the 500 people surveyed, 70.60% respondents said that tax saving was the most important motivator for taking up a Life Insurance Policy. 67.40% said that financial security was the most important motivator. When asked which company the respondent would recommend, most of them i.e. 43.20% said they would recommend LIC of India, reason being the high quality image. 87.80% respondents said they would consider LIC of India while buying their Life Insurance Policy.
- **Simona Laura Dragos (2014),** in the research article, "Life and non-life insurance demand: the different effects of influence factors in emerging countries from Europe and Asia", Economic Research. Many previous researches have shown that Urbanisation, incomes and their distributions, and the population degree of education are relevant factors for the development of insurance sector in any nation. This present paper tried to test the above said variables using econometrics of panel data on 17 emerging economies from Asia and Europe over a 10-year period from 2001-11. This research brought out findings that urbanisation influenced significantly the life insurance demand in Asia countries so it pointed out that the main insurance opportunity will be in emerging Asia (especially China and India), where the urbanisation rate is lower than it is in Central and Eastern Europe. It also highlighted that tertiary education as a proxy for risk aversion is not appropriate for the life insurance sector because of the complexity of wealth accumulation and distribution of wealth products so a reliable solution for this could be the high level of financial literacy.

1.3 HYPOTHESIS

Privatization policy of govt. of India has created tough competition to recover premiums the LIC of India.

- **RESEARCH METHODOLOGY-** The present research paper is based on secondary data, which has been taken from RBI Handbook, it is already compiled data, having with percentage as well as annual growth of the insurance industry. In the paper 23 private sector companies total premium data has been compiled which has been compared with LIC of public sector company. Where the comparison has been done on the behalf of total deposit premiums over the years. It has been tested that LIC still holds as a monopoly safeguard or not.

Table-1.1
Total Life insurance Premium

					(r Crore)
INSURER	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Aditya Birla Sunlife	4833.05	5233.22	5579.71	5723.96	5903.00
Aegon	453.00	559.20	501.60	450.72	531.21

Aviva	1878.10	1796.25	1493.15	1336.51	1344.22
Bajaj Allianz	5843.14	6017.30	5897.31	6183.32	7578.37
Bharti AXA	872.65	1053.32	1208.33	1396.50	1684.39
Canara HSBC	1823.42	1657.02	2059.96	2294.71	2781.06
DHFL Pramerica	305.86	735.10	920.21	1142.10	1844.46
Edelweiss Tokio	110.90	193.08	310.07	441.33	638.26
Exide Life	1830.67	2027.48	2046.99	2408.58	2531.89
Future Generali	634.16	604.25	592.50	739.85	992.29
HDFC Standard	12062.90	14829.90	16312.98	19445.49	23564.41
ICICI Prudential	12428.65	15306.62	19164.39	22354.00	27068.77
IDBI Federal	826.25	1069.62	1239.67	1565.19	1783.24
IndiaFirst	2143.36	2034.11	1967.40	2265.17	2309.01
Kotak Mahindra	2700.79	3038.05	3971.68	5139.55	6598.67
Max Life	7278.54	8171.62	9216.16	10780.40	12500.89
PNB Metlife	2240.59	2461.19	2827.83	3236.08	3953.51
Reliance Nippon	4283.40	4621.08	4398.12	4026.82	4069.37
Sahara	204.63	166.86	157.05	153.94	112.03
SBI Life	10738.60	12867.11	15825.36	21015.13	25354.19
Shriram Life	594.24	734.66	1022.11	1207.94	1497.04
Star Union Dai-ichi	948.75	1134.68	1307.47	1510.88	1783.01
Tata AIA	2323.70	2122.66	2478.96	3171.08	4162.95
Private Total	**77359.36**	**88434.36**	**100499.03**	**117989.25**	**140586.23**
	(-1.33)	**(14.32)**	**(13.64)**	**(17.40)**	**(19.15)**
LIC	236942.30	239667.65	266444.21	300487.36	318223.21
	(13.48)	(1.15)	(11.17)	(12.78)	**(5.90)**
Industry Total	**314301.66**	**328102.01**	**366943.23**	**418476.61**	**458809.44**
	(9.44)	**(4.39)**	**(11.84)**	**(14.04)**	**(9.64)**
Note: 1) Figures in the brackets represent the growth over the previous year in percent.					

- From the table the comparison between Life Insurance Corporation as well as private sector firms are dealing with life insurance has been explained. The total no. of private sector firms associated with life insurance is 23, having total premium during the years, the insurers' premium during 2013-14 (77359.36 Cr.), 2014-15 (88434.36 Cr.). 2015-16 (100499.03 Cr.), 2016-17 (117989.25 Cr.), 2017-18 (140586.23 Cr.) had been deposited. During 2.13-14 it was negative (-1.33) later on it began to accelerate. It was (14.32) during 2014-15, Again it was 13.64 during 2015-16, 17.40 in the year 2.16-17 while it was 19.15 during 2017-18.
- Again the growth of the premium of Life insurance in the context of LIC 2013-14 (236942.30 Cr.), 2014-15 (239667.65 Cr.). 2015-16 (266444.21Cr.), 2016-17 (300487.36 Cr.), 2017-18 (318223.21 Cr.) had been deposited. During 2.13-14 it was negative (-1.33) later on it began to accelerate. It was (14.32) during 2014-15, Again it was 13.64 during 2015-16, 17.40 in the year 2.16-17 while it was 19.15 during 2017-18. While the total premiums of the insurance industry of both private sector life insurance as well

as public sector insurance has been 2013-14 (314301.66 Cr.), having with 9.44 percentage, 2014-15 (328102.01 Cr.), including 4.39 percentage 2015-16 (366943.23Cr.) including 11.84 percent, 2016-17 (418476.61 Cr.), again the percentage 14.04, During 2017-18 (458809.44 Cr.) with the percentage 9.64 had been deposited

CONCLUSION

- To conclude, what is now required is an assessment of the true insurance needs of the insured, with a priority towards cheap, pure term insurance. There is no difference whether the policy is being taken from Private Sector Company or public sector. This is really true after the entrants of private sector, services are being good, helpful to the customers and the volume of premiums is increasing in leaps and bounds. One sure way of guarding against policy lapses in this long-term contractual commitment. The excessively high commission, skewed in favour of high–premium, return–related products, must be dismantled forthwith.
- Thus, in the last on basis of above the discussion we can conclude that need for private sector entry is justifiable on the basis of enhancing the efficiency of operation, achieving greater density and insurance coverage in the country and for greater mobilization of long-term savings for long gestation infrastructure projects. In the wake of such competition it is essential for the government monopolies (LIC) that they quickly up grade their technology, restructure themselves on more efficient lines and operate as broad run enterprise. New players should not be treated as rivalries to government companies, but they can supplement in achieving the objective of growth of insurance business in India.

REFERENCES

1. Arena, M. (December 1, 2006). "Does Insurance Market Activity Promote Economic Growth? Country Study for Industrial and Developing Countries." World Bank Policy Research Working Paper No. 4098.
2. Balaji, C. (2015). "Customer awareness and satisfaction of life insurance policy holders with reference to Mayiladuthurai town." International Journal of Multidisciplinary Research and Development.
3. Dr. Sonal Nena et al. (December 2013). "“Performance Evaluation of Life Insurance Corporation (LIC) of India”." International Journal of Advance Research in Computer Science and Management Studies Volume 1(Issue 7): pg.113-118.
4. Dragos, S. L. (2014). "Life and non-life insurance demand: the different effects of influence factors in emerging countries from Europe and Asia." Economic Research.
5. Harpreet Singh Bedi, D. P. S. (November 2011). "An Empirical Analysis Of Life Insurance Industry In India." International Journal of Multidisciplinary Research Vol.1(Issue 7).
6. Jain, D. Y. (Jan. - Feb. 2013). "Changing Indian Life Insurance market place"." IOSR Journal of Business and Management (IOSR-JBM) Volume 8, (Issue 1 (Jan. - Feb. 2013)): PP 106-115.
7. Jindal, S. (2014). "Ethical Issue in Insurance Companies: A Challenge for Indian Insurance Sector." International Journal of Computer Science & Management Studies Vol. 14(Issue 09).
8. K., N. R. (2010). " Challenges in Designing Need Based Products in Life Insurance for Inclusive Growth in India." Southern Economist: 21.
9. Khurana, S. (2013). "Analysis of Service Quality Gap in Indian Life Insurance Industry." European Journal of Commerce and Management Research (EJCMR) Vol-2(Issue 3)
10. Kumar, M. S. a. R. (2008). "Indian Insurance Industry Outlook in the Post Reform Period." Management Researcher Volume xv(No 1): pp34-45.
11. Kumar, V. (2012). A Contemporary Study Of Factors Influencing Urban And Rural Consumers For Buying Different Life Insurance Policies In Haryana. Commerce. Rohtak, Maharshi Dayanand University.
12. Kumaraswamy, S. (2012). "Swot Analysis For Bancassurance: Application Of Confirmatory Factor Analysis: Review Of Research " Vol.1,(Issue.11).
13. Luqman Adedamola Sulaiman, S. M. T. Y. (2015), "Investigating the factors influencing the life insurance market in Ethiopia"." Problems and Perspectives in Management Volume 13(Issue 2).