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A COMPARATIVE ANALYSIS OF THE PERFORMANCE OF LIC AND PRIVATE LIFE INSURANCE COMPANIES

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ABSTRACT

Private and public sector insurance companies, with the guidelines prescribed by IRDA, are performing quite well since decades but there is still tremendous competition between the two sectors and leaves people confused about the current status of the public and private sector life insurance companies. The objective of this study is to compare and analyze the performance of Life insurance corporations of India and private life insurance companies in terms of investment income of life insurers' life fund, pension and general annuity fund., unit linked fund, number of offices, grievances, individual and group agents, premium- first year, single premium, new business, renewal, and total premium, and also consider individual and group death claim i.e. total claim paid, repudiated, written back, pending at the end for the period of 2011-2022. This project has attempted to give a clear vision of which insurance sector is outperforming the other in multiple aspects. From the data analysis, it was found that in terms of annual growth private is performing much better however in terms of market share and stability LIC is leading the insurance industry.

INTRODUCTION

Risk is present in every aspect of a person's life as well as in his or her property, business, trading, etc. in order to ensure the safety of these; insurance's role comes into play. It is not only safeguarding the life of individuals and corporates but also helps in facilitating the overall economic growth of a country.

In India, the life insurance corporation of India was the only life insurance company working in the country before 1999. Since 2000 with the new amendments passed in the IRDA act, the insurance sector was made open to private players as well. Since then, the competition between the public and private sector life insurance companies has started and it is growing even more intense with each passing year. However, in multiple aspects, the private has outperformed LIC and vice-versa. This paper is an attempt to conduct a

comparative analysis of the public and private sector life insurance companies and analyse which is the leading sector.

REVIEW OF LITERATURE

In “The Performance of Life Insurance Corporation of India” Murthy R. Babu and Ansari D (2009) found due to globalization of financial services and liberalization of economy, LIC is facing the intensive competition from the new life insurance players. The objectives of the study are to analyse the growth and development of LIC business before and after liberalization. There is no doubt that Indian life insurance industry has grown significantly after the entry of private players in the meantime the market share of LIC has declined gradually over a period of years. Kumar and Priyan (2012) examined the performance of public and private life insurance companies’ paper that insurance sector along with the other elements of marketing influenced the process of liberalization and globalization in India. It was concluded in the study that life insurance has today become a main story 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 Life Insurance Corporation of India, the study shows that LIC continues to dominate the sector. Private sector insurance companies are also trying to increase their market share with their unending efforts, variety in products and sound distribution network. Neelaveni (2012) evaluated the financial performance of five life insurance companies, viz. Life Insurance Corporation of India, ICICI Prudential Life Insurance Company Ltd, Bajaj Allianz Life Insurance Company Ltd, Birla Sun life Insurance Company Ltd and ING Vysya Life Insurance Company Ltd. CAGR of variables like share capital, fixed assets, current assets, premium income, income from investments, etc. was computed. The paper concluded by stating that market share of LIC was gradually decreasing and performance of private life insurance companies was good. Selvakumar & Piyan (2012) analysed the performance of public and private life insurance companies in India. Researcher opined that today’s market is customer centric, and customer is supposed to be king of market. To satisfy customers innovations are taking place with distinct features to attract the customers. Sumninder Kaur Bawa Samiya Chattha (2013), Financial Performance of Life Insurers in Indian Insurance Industry mentioned that the performance of the company plays a leading role towards the growth of the industry which ultimately leads to the overall success of the economy. The present study attempts to examine the financial performance of Indian life insurers on the basis of various parameters. For measuring it, various financial ratios have been calculated taking into consideration liquidity, solvency, profitability and leverage of the insurance players. Generally, performance can be estimated by measuring the profitability of firm and insurers. In order to accomplish the aim, the study determines the impact of liquidity, solvency, leverage, size and equity capital on the profitability of life insurers in India. The sample for this study includes 18 Indian life insurers (including 1 public and 17 private) and it analyses the data of 5 years from 2007-08 to 2011- 12. The study uses multiple linear regression models to measure the extent to which these determinants exert impact on life insurer’s profitability. The results of the study reveal that profitability of life insurers is positively influenced by liquidity and size and

negatively related with capital. Profitability does not show any relationship with solvency and insurance leverage. Bidyadhar Padhi, Bhubaneswar, Mayadhar Satpathy, (2013) Performance of LIC of India After Liberalization The Government of India liberalized the insurance sector in March 2000 with the passage of the Insurance Regulatory and Development Authority (IRDA) Bill, lifting all entry restrictions for private players and allowing foreign players to enter the market with some limits on direct foreign ownership. After liberalization of insurance sector private insurers are making waves. They have beaten all the forecasts. The type of growth rate they have achieved for themselves has no parallel on the globe. In the year 2000-01, when the insurance industry was opened up to the players, the life insurance premium was ₹ 34898.48 crore. The premium income for the life insurance segment has grown 303% between 2000-01 and 2005-06. This paper will highlight the market share of LIC of India after the liberalization period. It uses a panel dataset of most of the life insurance companies working in India over the period 2001-10, to evaluate the growth and market share. Vikas Sharma, (2013) A Comparative Study of Public & Private Life Insurance The insurance sector, along with other elements of marketing, as well as financial infrastructure, have been touched and influenced by the process of liberalization and globalization in India. The customer is the king in the market. Life insurance companies deal in intangible products. With the entry of private players, the competition is becoming intense. In order to satisfy the customers, every company is trying to implement new creations and innovative product characteristics to attract customers. In this research paper, an attempt is made to analyse the performance of public and private life insurance companies in India. Motwani and Anchiiaa (2013) conducted a study in Udaipur city to study comparative behaviour between public and private insurance companies. The study was based on descriptive research design, in which a Close ended questionnaire was used to collect the primary data from customers of various Insurance companies. Conclusions of study reveal the impact of customers' demography on their choice between Public & Private Insurance companies. Sharma and Chowhan (2013) in the research paper "A Comparative Study of Public & Private Life Insurance", made an attempt to analyse the performance of public and private life insurance companies in India. Researchers concluded that with the entry of private players, the competition is becoming intense. In order to satisfy the customers, every company is trying to implement new creations and innovative product characteristics to attract customers. Sonal Nena (2013) in her study- "Performance Evaluation of Life Insurance Corporation (LIC) of India" has tried to analyse growth and performance of LIC. She analysed the major source of income (Premium Earned) of the LIC, as well as the significant heads of expenses of LIC to measure the performance. This study has proved that LIC has been success in terms of creating value for its policyholders. The performance evaluation also showed consistent increase in its business. During the study period there was no major change in the performance of the LIC. So, it was finally concluded that performance remained unchanged and LIC has maintained the market value of their products.

OBJECTIVE

To compare and analyse the performance of Life Insurance Corporation of India (LIC) and private Life insurance companies.

CALCULATION METHOD

Compounded annual growth rate (CAGR) is calculated to compare the performance of LIC and Private Life insurers.

$$\text{CAGR} = (\text{Ending value} / \text{Beginning value})^{(1/n)} - 1$$

ANALYSIS

PARTICULARS	LIC CAGR	PRIVATE CAGR	BETTER POSITION IN TERMS OF CAGR
Investment income of life fund	0.11	0.24	Private (0.24)
Investment income in pension and general annuity fund	0.16	0.20	Private (0.20)
Investment in unit linked fund	-0.17	0.046	Private (0.046)
Distribution of offices	0.039	-0.025	LIC (0.039)
Status of grievances	0.077	-0.167	Private (-0.167)
Number of individual agents	0.231	0.250	Private (0.250)
Number of group agents	0.0313	-0.083	LIC (0.0313)
Dividend paid	0.086	-0.00076	LIC (0.086)
First year premium	0.084	0.113	Private (0.084)
Single premium	0.14	0.17	Private (0.17)
New business premium	0.327	0.170	LIC (0.327)
Renewal premium	0.06	0.010	LIC (0.06)
Total premium	0.071	0.103	Private (0.103)
Individual death claim			
Total claim paid	0.0017	0.00029	LIC (0.0017)
Total claim repudiated	0.0258	-0.127	LIC (0.0258)
Total claim pending at the end of the year	0.023	0.025	LIC (0.023)
Claim written back	0.021	0.276	LIC (0.021)
Group death claim			
Total claim	-0.0014	-0.0035	LIC (-0.0014)

Investment income of life fund

After calculating the CAGR of LIC and private life insurers we can see that in terms of average annual growth rate, private life insurers are having the higher percentage as compared to LIC. However, if we refer to table 4.1 in chapter 4, we will see that in terms of amounts, LIC is far ahead than taking all the amounts of private sector together. Private sector is having the highest percentage growth which shows that private sector is improving year by year, however at the same time LIC is also showing its improvement in terms of their annual growth and its already in a position that the private sector cannot beat in the nearest coming future. So, this shows that the LIC is having the high market share in investment income of life fund in terms of actual amounts and in case of highest average annual growth rate Private Insurers are leading.

Investment income of pension and general annuity fund

In this in terms of growth rate private sector is having the faster growth rate than LIC is having. But LIC alone is concurring the industry with its percentage change as compared to taking all the private sectors together. If we refer to the table 4.2 in chapter 4 it is clearly visible that in terms of amount LIC beats the whole private life insurers industry. So, this is also showing that LIC is having the highest market share in pension and general annuity fund.

Unit linked fund

In this we can see that private sector is performing better than the LIC, in terms of growth rate as well as in terms of actual amount, that is because of the CAGR is high in the private life insurers and also if we refer to the table 4.3 in chapter 4 it is visible that private sector is having more investment in unit linked fund in amounts. In this LIC is little behind than the private sector.

Distribution of offices

In this we can see that number of offices of LIC is less than Private but the annual growth rate is high in LIC. we know that there are 23 private life insurance companies so taking 23 private life insurance companies it is taking around 8175 offices in the year 2011-2012 but LIC alone is having 3371 offices in that same year throughout India. Thus, we can conclude that in terms of actual figures, Private Insurers are having higher distribution of offices throughout India. However, in terms of growth LIC is growing much faster than the private sector.

Status of grievances

In this LIC is having the highest growth rate in grievances compared to Private. In first year, we can see that private is having the highest grievances but by observing the next few years they are having a negative growth in grievances that is because they have been taking good grievance handling programs that's why the negative growth rate is showing. LIC is lacking behind in this particular area.

Number of individual agents

Taking 23 private insurers yearly average, 8040115 individual agents are working under the private sector but in the case of LIC alone, the average is 10542182 individual agents who are working. So, it is higher than the whole private sector life insurers' individual agents. This shows that the manpower in LIC is higher

than the whole private sector insurers.

Number of group agents

By taking the average of both LIC and Private, LIC is having 2045 group agents working but in the case of Private average group agents are 4352. So, it is showing that the group agents are higher in private but LIC alone have the half of the group agents that 23 private insurers are having all together.

Dividend paid

LIC is much better than the private sector insurers which are visible by the CAGR. Even if we refer to the Table 4, in amount wise LIC is paying higher dividend.

First year premium

In this it has been found that private is having higher growth rate as compared to LIC in yearly basis but if we see the individual amount LIC itself is having higher amount. If we take whole private sectors, it is still not near too what LIC is having. So, in the first year premium LIC concurs the market with its highest market share.

Single premium

It shows that the CAGR is high in private sector that means private sector is improving faster than what LIC is. However, in terms of actual amounts given in Table 4, LIC is leading the market and it will take more time for the private sector to reach to the position that LIC is having in case of Single Premium. LIC's market is bigger.

New business premium

In this the growth rate is higher in the LIC and also the amount is also high in the LIC as compared to private. LIC is having more market in new business premium

Renewal

In the case of renewal, the growth rate is high in private sector in yearly basis but the actual amount is high in the case of LIC. If we compare them in terms of amounts, taking 23 private life insurers total amount is much less than the total amount earned by the LIC alone. LIC is leading in the case of renewal.

Total premium

Total premium also we can see that in the table 4.13 in the chapter 4 LIC's total premium is much higher than the Private. But in the growth rate, the private sector is improving faster but they have to a lot to do to reach the position of LIC.

Individual death claim Total claim paid

In this LIC is having highest percentage in growth rate. It shows that LIC is cleared more claims than Private. That's why LIC is having more customers. But in private, settlement of claim is less so in customer point of view there is no guarantee of the claim settlement, so, there is high risk as compared to LIC.

Claim repudiated

In terms of CAGR it will show that the private is leading because it is having negative CAGR, but it is not a clear picture with respect to the actual percentage of claim rejected. In actual it can be seen that actual claim rejected is much higher in Private sector than LIC. So, in this also LIC is heading the market.

Total claim ending at the end of the year

In this private is having the higher CAGR than LIC. In terms of percentage as well Private is having higher rates than LIC which shows that they are keeping more claims pending. But in the case of LIC the claims pending is less so we can say that LIC is in better position.

Claim written back

LIC is in better position because its CAGR is less and also the percentage changes given in Table 4. LIC is having less. This it shows that LIC have less claims written back as compared to private sector insurers.

Total claims

Even though both are having minus in average growth rate but still LIC is higher than private. So, in total claims LIC is leading.

Group death claim

Total claim paid

In group death claim LIC is having the higher CAGR and also in terms of actual percentage LIC is ahead of the private insurers. So, the maximum market share is in the hands of LIC.

Claim repudiated

Private has repudiated more claims than LIC. It is evident from the CAGR and the actual percentage given in Table 4.20 in chapter 4. This is a factor not preferred by customers and hence can be concluded that LIC is heading the market.

Claim written back

In table 4.21 we can see that total claim written back by Private Life insurers, not in LIC. So, we can see that LIC is in a better position compared to Private.

FINDINGS

- Investment income of life fund, private life insurers are having a high CAGR as compared to LIC, but in the case of highest average annual growth rate private sector is leading.
- Investment income of pension and general annuity fund, terms of growth rate private sector is having the faster growth rate than LIC is having. But LIC alone is concurring the industry with its percentage change as compared to taking all the private sectors together.

- In unit-linked fund we can see that private sector is performing better than the LIC, in terms of growth rate as well as in terms of the actual amount.
- Number of offices of LIC is less than Private but the annual growth rate is high in LIC. However, in terms of growth LIC is growing much faster than the private sector.
- Taking 23 private insurers yearly average, 8040115 individual agents are working under the private sector but in the case of LIC alone, the average is 10542182 individual agents who are working.
- group agents are higher in private but LIC alone has half of the group agents that 23 private insurers are having together.
- In case of divided, LIC is paying more dividends than private life insurers
- In first-year premium the private sector is having higher growth rate as compared to LIC in a yearly basis but in individual amounts, LIC itself is having higher amount.
- In single premium CAGR is high in the private sector but in individual amounts, LIC is leading the market.
- In new business premium annual growth rate and also the actual amount is high in the LIC
- In renewal the growth rate is high in the private sector but the actual amount is high in LIC
- LIC's total premium is much higher than private sector life insurers
- LIC is cleared more claims than private life insurers
- In the case of claims repudiated the private sector is having negative CAGR, which means Private sector insurers rejected more claims than LIC
- CAGR is high in the private sector in the case of total claims pending at the end of the year
- In the claim written back LIC is in a better position because its CAGR is less.
- In the case of total death claim, LIC is paid more claim than private life insurers
- In the case of claim repudiates, private has rejected more group death claims than LIC
- In group death claims the private life insurers written back more claim than life insurance corporation of India

SUGGESTIONS

- On doing the analysis we can understand that there are few areas that LIC is still lacking in comparison with the private sector. First one is unit linked fund, in this area LIC needs to improve its performance.
- In grievance handling measures the number of grievances less in private sector but it is more in LIC. We know that the number of customer handling is much more in LIC due to that LIC is having a greater number of grievances than the private sector but still private sector is applying many grievance handling programmes that's why the number of grievances is less in the recent years in private, but LIC is lacking in this so LIC must more focus in building up programmes that help customers to solve their problems.
- If we compare both LIC and private in terms of amount we will see that LIC is extremely high than what all the private are right now so the private will take time to reach at that position but if we see in the comparison of both in terms of growth rate, each year the private is performing tremendously which means the private is having much higher growth rate than the LIC is having so LIC should focus on how to increase its yearly growth rate in terms of offices in terms of unit-linked fund, pension and general annuity fund and number of individual agents etc.
- Private sector is lacking behind the LIC in terms of market share, premium, death claims etc so this sector needs to concentrate on which area they are lacking behind and also try to reach the position of LIC fast.

CONCLUSION

Life insurance has today become a mainstay of any market. This research paper attempts to study the Public & Private Life Insurance Companies in India and analyse the performance of public and private life insurance companies in India. This study shows that the LIC continues to dominate the sector. Private life 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 to LIC. Selling more unit-linked plans helps private players grab market share from LIC. The annual growth rate is higher in private life insurers which mean year by year the private sector is improving in a better way and trying to grab the market share of LIC. So, we can say that competition from the side of private life insurers is increased and private company becomes a challenge in front of the public sectors. After analysing the chapter number 4 it can be analysed that in terms of yearly average growth rate private is exceeding LIC in terms of investment income of life fund, general annuity fund, unit-linked fund, number of individual agents, first-year premium, single premium, etc. it has surpassed LIC in terms of average growth rate. While if we compare that in the actual amount of LIC and private it can be seen that private is now where near to is right now except in the case of unit-linked fund, in this private is leading to the market. So yearly growth rate of LIC is lagging behind than private sector but in case of amount LIC is still heading the market with the highest market share. But the fact shouldn't be ignored that the private is performing way better than it has started it is improving day by day;

this will be seen in the higher CAGR rate.

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