

**A PERFORMANCE EVALUATION OF LIFE INSURANCE
CORPORATION OF INDIA AND OTHER PRIVATE LIFE
INSURANCE COMPANIES**

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ABSTRACT

It is worth interesting to note that the origin of the concept of insurance is very old and dates back almost 4500 years go in the ancient empire of Babylonia. This concept prevailed and developed during the medieval period in Europe. Public sector life insurer and private sector life insurer in India or playing

An important role in promoting India's economic development in tertiary sector, life insurer generating the surplus savings from the public which will be invested in to various central and state government approved securities in different avenues. Life insurer covers the life risk of both individual and group which benefits most of the insurable population of the country in the form of density and penetration. Attraction of life insurance business is mainly depends upon their products and services. There was a lot of cut throat competition as well as profiteering. As a result life insurance corporation of India (LIC) came to existence on 1st September, 1956 after nationalization of all the insurance companies engaged in the life insurance business. Consequently, Insurance Regulatory and Development Authority (IRDA) have been established under IRDA Act, 1999 to regulate the insurance business in the country. As a result, private sector has been allowed entry

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both in general and life insurance sector in India. 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 and international private sector insurance players. The descriptive and analytical secondary data based study was conducted with an objective to evaluate the

Performance of Life Insurance Corporation of India and other private insurance companies. The suggestions and findings recommended by the researcher will be extremely useful for the life insurance companies to apply and follow in the future.

KEYWORDS:

Market Share, Phenomenal Growth, Profit, Micro Insurance, Liberalization

INTRODUCTION

Life Insurance Corporation of India was the only company prior to liberalization and the monopoly of LIC breaks with the entry of private insurance companies. 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 sector of the economy.

Life Insurance is a professional service which is characterized by high involvement of the customers, due to the importance of tailoring specific need, the variability of the products available, the complexity involved in the policies and processes and ultimately the need to involve the consumer in every aspect of transaction. Life insurance more fondly known as Life Assurance has, in recent times ceased to be only a 'protection' or 'Legacy' for the family and has turned into an important investment outlet.

Insurance industry seems to surpass the tough times in the world with the help of support provided by government. The Insurance sector in the world seems to be emerging through difficult times, with significant support from the government. The Insurance sector in India has completed a full circle from being an open competitive market to nationalization and back to a liberalized market again. From 2000, many private players entered into insurance industry with effect of privatization of insurance sector as per R.M.Malhotra commission's recommendations and formation of IRDA.

Insurance industry contributes to the financial sector of an economy and also provides an important social security net in developing countries. The growth of the insurance sector in India has been phenomenal. The insurance industry has undergone a massive change over the last few years

and the metamorphosis has been noteworthy According to government sources, the insurance and banking services' contribution to the country's gross domestic product (GDP) is 7% out of which the gross premium collection forms a significant part. The funds available with the state-owned Life Insurance Corporation (LIC) for investments are 8% of GDP.

REVIEW OF LITERATURE:

RAO in his paper examined the efficiency of the LIC, in physical and financial terms. Insurance, being essentially a service industry a distinct set of criteria (both physical and financial) had been developed to evaluate its overall efficiency. There has been a significant improvement in the physical performance of LIC, But the financial performance in terms of Profitability had not been up to the expected level. The LIC should vigorously try to improve the operational efficiency to benefit the policyholders and to compete in a liberalized environment.

Krishnamurthy, S.Mony S.V. Jhaeri, N. Bajsgu. S. Bhat S and Dixit M.R. (2005), in the paper titled "Insurance Industry in India; Structure, performance and Future Challenges", has clearly explained the status and growth of Indian Insurance Industry after liberalization and also presents future challenges and opportunities linked with the Insurance Industry. Insurance is the backbone of country's risk management system and influence growth of an economy in several ways. Penetration of Insurance largely depends on availability of Insurance products, Insurance awareness and quality of services. The future growth of this sector will depend on how effectively the insurers are meeting the expectations of their customers and able to change the perceptions of the Indian consumers and make them aware of the insurable risks. On the demand side, the rises in income will trigger the growth of Insurance. The process of reforms has enhanced competition, provided a choice to the customers, improved the efficiency level of the industry and obligated the insurers to provide social and rural sectors. LIC continues to remain strong in rural areas while in major urban and metros the private insurers have made their presence felt.

Tripathy S (2009) in his dissertation report on "A comparative analysis of LIC and Private Insurance companies". The main objective of the study is to compare the performance of LIC and private life insurance companies. The study was analytical and based on secondary data sources. Comparison between LIC and private insurers has been done on the basis of size, growth, productivity, and grievance handling mechanism. 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.

IMPORTANCE OF THE STUDY:

In a period of less than half century, the insurance sector in the country has competitive market. The entry of private players in the Indian insurance market has changed the nature of competition and the companies of these players have increased customer awareness. This has led to rapid increase in insurance business and a sizable gain of this has also been reaped by LIC. It amazing to note that new players have already started capturing the market share of LIC.

OBJECTIVES:

- To know the performance of life insurance corporation of India and other private life insurance companies in this competitive scenario.
- To evaluate the status of Life insurance corporation of India with other private insurance companies.

RESEARCH METHODOLOGY:

Type of Research : Descriptive and Analytical Research

Data Collection : Completely Secondary Based

Statistical Tools : Bar graphs and simple tabulation.

DATA ANALYSIS AND DISCUSSION:

Post-Liberalization period (2001-2012)

Since from the inception the life insurance market in India witnessed dynamic changes and the entry of number global life insurers has increased competition in the Indian Life insurance market. In the present scenarios 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.

IMPACT OF LIBERALIZATION ON LIFE INSURANCE INDUSTRY:

LIC and private insurers have a significant role and exorbitant contribution in the growth of an economy. A performance analysis of both the sectors have been done based on some important parameters like growth , profit and market share.

INSURANCE PENTRATION AND DENSITY IN INDIA:

Year	Density	Penetration	Year	Density	Penetration
2001	9.1	2.15	2007	40.4	4.00
2002	11.1	2.59	2008	41.2	4.00
2003	12.9	2.26	2009	47.7	4.60

2004	15.7	2.53	2010	55.7	4.40
2005	18.3	5.53	2011	49.0	3.40
2006	33.2	4.10			

GROWTH OF PREMIUM INCOME IN INDIAN LIFE INSURANCE INDUSTRY:

Premium income is the second major source of income of life insurance industry. It reveals that total premium earned by life insurance industry increased from Rs.34898.47 crore in 2000-2001 to Rs.156041.79 crore in 2006-2007, registering a growth rate of 37.6 percent during the period of study. Similarly, total premium earned by LIC increased from Rs. 348909.02 crore in 200-01 to Rs.127822.84 crore in 2006-07 which showed a lesser growth rate of 21.3 per cent during the same period. At the same time total premium earned by private life insurers increased from Rs.6.45 crore in 2000-001 to Rs.28218.95 crore in 2006-07, registering a tremendous growth in rate of 250.4 per cent during the period of study. As a result the share of private life insurers in total premium increased from 0.02 percent in 2000-01 to 18.08 percent 2006-07. Life Insurance sales up 14% (private life insurance companies have reported a 73% increase in first premium income. Life Insurance corporation industry reported a 14% increase in first premium income at Rs.14,320.20 crore in April, June 2008,(Rs.12,511.80 crore in April ,June 2007.) The 18 private life insurance companies reported a 73% increase in first premium at Rs.795.64 crore Rs.3,930.95 crore) LIC of India reported a 12% decline in premium income at 7,524.56 crore (8,580.84 crore)

GROWTH OF TOTAL PREMIUM EARNED BY LIFE INSURANCE INDUSTRY:

NUMBER OF LIFE INSURANCE OFFICES:

INSURERS	2007	2008	2009	2010	2011	2012
PRIVATE	3072	6391	8785	8768	8175	7712
LIC	2301	2522	3030	3250	3371	3455
Industry	5373	8913	11815	12018	11546	11167

Source: IRDA Annual report 2011-12

TOTAL PREMIUM EARNED BY LIC & OTHER PRIVATE COMPANIES

Year	Ttotal premium earned LIC (Rs. In crores)	Private companies total premium (Rs.in crore)	Industry
2000-01	34890.02	6.45	34898.47
2001-02	49821.91	272.55	50094.46

2002-03	54628.49	1119.06	55747.55
2003-04	63533.43	3120.33	66653.75
2004-05	75127.29	7727.51	82854.80
2005-06	90792.22	15083.54	105875.76
2006-07	127822.84	28218.95	156041.79
2007-08	149789.99	51561.42	201351.41
2008-09	157288.04	64497.43	221785.47
2009-10	186077.31	79373.06	265450.37
2010-11	67135.31	27864.73	95000.04

DISTRIBUTION OF OFFICES OF LIC INSURERS

INSURERS	METRO	URBAN	SEMI URBAN	OTHERS	TOTAL
PRIVATE	741	1393	3822	1756	7712
LIC	365	563	970	1557	3455
INDUSTRY	1106	1956	4792	3313	11167

Data collected from life insurers through a special return.

Source: IRDA Annual report 2011-12.

NEW POLICIES ISSUED LIFE INSURERS:

INSURERS	2010-11	2011-12
LIC	370.38 (-4.70)	357.51 (-3.47)
PRIVATE SECTOR	111.14 (-22.61)	84.42 (-24.04)
TOTAL	481.52 (-9.53)	441.93 (-8.22)

Life Insurance companies in the private sector have posted a negative growth in May 2009 in new business premium collections. According to IRDA the overall life insurance sector collected Rs.8654 crore premiums (Rs.8119.28 crore in May 2008).

Private life insurance posted 16% drop in new business premium. Collection to Rs.3,299 crore (3,948 crore) The public sector was buoyed by LIC of India which recorded 28% growth in new business premium collection to 5,355 crore (4171 crores). Private life insurers have been doing business during the financial year 2010-11 with a growth of approximate 2% on an average whereas LIC has been able to regained the market share to the extent of approximate 23% with total premium collection to the extent of Rs.86,444 crores. In the budget for 2011-12 the Finance Minister Sri Pranab Mukherjee has slapped services tax on certain category of life insurance business which will

enhance the cost of the life insurance premium. Further no relief has been announced for insurance sector in any way. The insurance sector deserves sufficient incentive for savings through long term insurance policies which caters to the need of the lower middle class and middle class population of the country.

GROWTH OF LIC OF INDIA - An overview

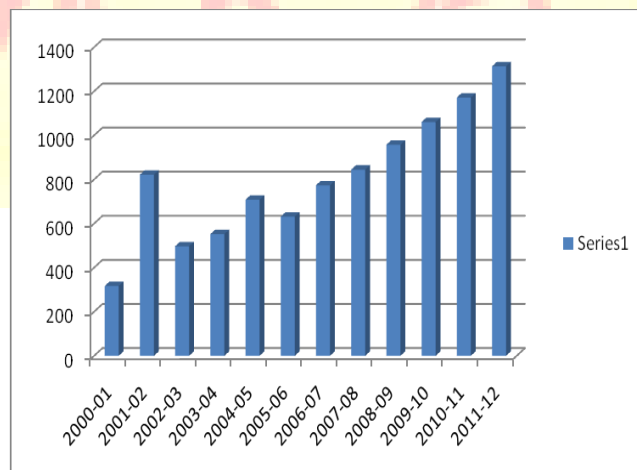
AAM AADMI YOJANA: A new social security scheme for rural landless household was launched on 2nd October 2007. Upto 31-03-2011, 17 states covered 1,77,47,480 heads of families of rural landless household covered.

This shows tremendous changes in LIC’s history. In a competitive market there is greater need to provide Insurance products that meet the needs of our customers. LIC therefore offers a wide variety of products which fulfills the needs of different segments of the society. LIC had totally 52 products five new products introduced in the financial year 2010-11 LIC’s Pension Plus, LIC’s Endowment Plus, LIC’s BIMA Account –I, LIC’s BIMA-Account –II, LIC’s Samridhi plan.

MICRO INSURANCE: There is a phenomenal growth in Micro Insurance. The LIC’s commitment on Micro insurance is a boon to rural insurance. LIC’s commitment is “To take life insurance to the every nook and corner of the country.” Micro Insurance policies are sold through a specialised well placed distribution channel and there are totally 9724 Micro insurance agents and so for 441 villages declared as “Madhur Bimagram” under which each village gets an incentive in the form of a community amenity financed by LIC.

PROFIT OF THE LIFE INSURANCE CORPORATION OF INDIA (Rupees in Crores)

Year	Profit
2000-01	316.55
2001-02	821.79
2002-03	496.97
2003-04	551.81
2004-05	708.37
2005-06	631.58
2006-07	773.62
2007-08	844.63
2008-09	957.35
2009-10	1060.72
2010-11	1171.80



2011-12	1313.00
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LIC of India has reported net profit of Rs.1313 crore i.e. an increase of 12.08 per cent over 1172 crore in 2010-11. During the financial year 2011-12 Life Insurance Industry reported net profit of Rs.5,974 crore as against Rs.2657 crore in 2010-11. Life Insurance industry recorded a premium income of Rs.2,87,072 crore during 2011-12 as against Rs.2,91,639 crore in the previous financial year; registering a negative growth 1.57 percent while private sector insurers posted 4.52 percent decline (11.08 percent growth in previous year) in their premium income, LIC recorded 0.29 percent decline (9.35 percent growth in previous year.)

Life Insurance sector made Rs.2, 657 – crore profits in 2010-11. The country’s largest public sector insurer, LIC, reported net profit of Rs.1,172 crore, an increase of 10.47 percent over Rs.1,061 crore in 2009-10. The largest private sector life insurer ICICI Prudential reported profit of Rs.808 crore for the second year in a row after incurring losses for eight consecutive years. The life insurance industry recorded a premium income of Rs.2,91,605 crore during 2010-11 against Rs.2,65,447 crore in the previous financial year, registering a growth of 9.85 per cent. The LIC’s active agents strength has declined from 13,40,067 to 12,93,816 in 2011. The LIC’s premium points have increased in numbers from 10,980 to 15,567 this shows a good trend in LIC’s growth.

TRAINING FOR FILED PERSONNEL AT IN-HOUSE TRAINING CENTRES OF LIC AGENTS DETAILS OF LIC ZONEWISE: (According to 2010-2011 data)

Zone	Agent
Central	27,666
Eastern Zone	42,074
Eastern Central Zone	40,045
North Zone	1,51,173
North central zone	85,968
South zone	67,428
South Central zone	59,699
West Zone	2,33,679
Total	7,07,732
Previous year	10,66,148

PROFIT & LOSS OF OTHER PRIVATE INSURANCE COMPANIES:

Year	Birla Sunlife	ICICI Prudential	Bajaj Allianz	SBI Life	AVIVA
2000-01	(80.32) Loss	0.22 Profit	NA	NA	NA

2001-02	(36.10) Loss	(105.09) Loss	(15.65) Loss	(29) Loss	NA
2002-03	(60.96) Loss	(147.18) Loss	(26.55) Loss	(74.9) Loss	NA
2003-04	(77.74) Loss	(223.91) Loss	(26.81) Loss	(16.41) Loss	(64.20) Loss
2004-05	(60.61) Loss	(211.62) Loss	(36.75) Loss	(11.50) Loss	(90.97) Loss
2005-06	(61.13) Loss	(187.88) Loss	(98.54) Loss	20.3 Profit	(143.87) Loss
2006-07	(139.74) Loss	(648.91) Loss	(71.70) Loss	38.30 Profit	(131.75) Loss
2007-08	(445.28) Loss	(1395.06) Loss	(213.89) Loss	34.38 Profit	(202.49) Loss
2008-09	(702.14) Loss	(779.70) Loss	(70.68) Loss	(26.31) Loss	(495.05) Loss
2009-10	(435.50) Loss	257.97 Profit	542.28 Profit	276.45 Profit	(344.72) Loss
2010-11	305.00 Profit	807.97 Profit	1057.04 Profit	366.34 Profit	28.75 Profit
2011-12	461.00 Profit	1384.00 profit	1311.00 Profit	566.00 Profit	74.00 Profit

Source www.irdaindia.org (Annual Reports of last Eleven yrs)

Interpretation: It has been revealed from the above table that the profit of Life Insurance corporation of India is shown a growth in the period of 2001-2002, and there is a declining trend of profit in 2003-2004, and again a healthy competitive trend shared with Private insurance companies. From 2008-09 consistently there is an increasing in the profit of LIC. The policies have increased and another reason is the impact of awareness and entry of private life insurance in the market makes healthy competition.

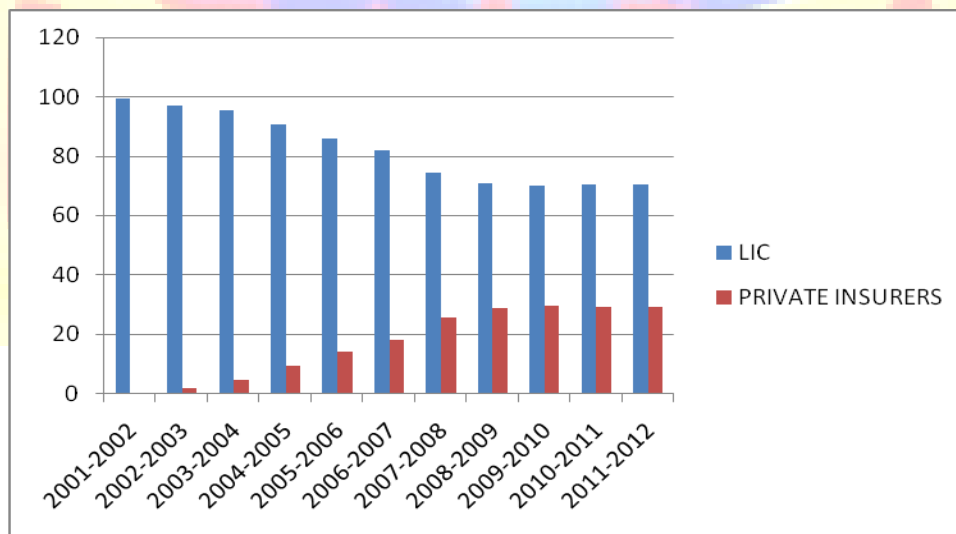
- Out of the 23 life insurers in operation during 2010-11, twelve companies reported profits. The companies include Life Insurance Corporation (LIC), ICICI Prudential, Birla Sunlife, Max New York, Bajaj Allianz, SBI, Kotak Mahindra, TATA AIG, MetLife, Aviva, Sahara India and Shriram.
- Birla Sunlife, Max New York and TATA AIG reported profits of Rs.305 crore, Rs.194 crore, and Rs.52 crore respectively after incurring losses for nine successive years.
- The operating expenses towards life insurance business stood at Rs.32,942 crore in 2010-11, against Rs.28,888 crore in 2009-10.
- The cumulative losses of the life insurance industry as at 31, 2011, stood at Rs.20,569, compared with Rs.20,143 crore in 2009-10.
- The largest private sector life insurance ICICI Prudential reported profit of Rs.1,384 crore for the third year in a row (808 crore in 2010-2011).
- After incurring losses for eight consecutive years Birla Sunlife, Max Life and TATA AIA reported profits of Rs.461 crore, 460 crore, and 260 crore respectively for the second year in succession after incurring losses for nine successive years.

- Bajaj Allianz reported net profit of Rs.1311 crore for the third consecutive year(1057 crore in 2010-11)
- SBI life reported profit of Rs.556 crore, The insurer reported profits 6 out of 7 yrs that is other than 2008-09.
- AVIVA reported profit of Rs.74 crore for a second time a row (29 crore in 2010-11).

MARKET SHARE IN TERMS OF TOTAL PREMIUM (IN %)

FINANCIAL YEAR	LIC	PRIVATE INSURERS
2001-2002	99.46	0.56
2002-2003	97.19	2.01
2003-2004	95.29	4.71
2004-2005	90.67	9.33
2005-2006	85.75	14.25
2006-2007	81.90	18.10
2007-2008	74.39	25.61
2008-2009	70.92	29.08
2009-2010	70.10	29.90
2010-2011	70.67	29.33
2011-2012	70.68	29.32

Source: LIC Annual Reports



Interpretation: It has analysed that the market share of LIC's market share has declined consistently. Though LIC is dominant player but private insurance companies gradually capturing the market in

the insurance sector. It has observed that private insurance companies are consistently showing increased trend in the market share. At the sametime Life insurance corporation of India has crossed the land mark of 2.5 crores of policies as on 2011.

During 2011-12, LIC at the national level had sold 357 lakh policies, commanding 80.90 per cent of the market share of new policies issued and its total first-year premium was pegged at over Rs.81,514.49 crore including Rs.38,9055.06 crore premium through pension and group schemes tagging 71.38 percent of the market share.

DIVERSIFIED ACTIVITIES:

LIC Housing Finance Ltd with its corporate office in Mumbai has 7 Regional offices, and 13 back offices ,other than this 183 marketing offices and 1 customer service point in the country. The company's share are listed on the Bombay stock Exchange and National Stock Exchange and its Global Depository shares (GDS) listed on the Luxembourg stock exchange. The company is rated 'AAA' by CRISIL and CARE.

- Outstanding loan as on 31-03-2011, Rs.51090 crores Growth for the year +34 percent
- Loan amount sanctioned during the year 2010-11, Rs.22603 crores +25 percent
- Loan amount disbursed during the year 2010-11, Rs.19912 crores + 34 percent
- Net profit for the year 2010-11, Rs.974.49 crore + 47 percent

FINDINGS:

- The life insurance industry recorded a high premium income of Rs2,91605 during 2010-11.
- LIC's profit has consistently shows a positive trend to ahieve profit in the cut throat competition of the insurance sector.
- The private life insurance companies with great struggle out of 23 insurance companies ,11 companies has achieved a profit and shows a positive trends are showing to achieve in the future also.
- It has analyzed that LIC's market share has declined consecutively from 2005 .
- LIC had a lion's share in profit, growth and market share it shows that LIC would maintain the profit and growth and simultaneously will get the market share.
- It will be a red letter day in LIC's history to achieve their records in AAM AADMI YOJANA, and MICRO INSURANCE schemes.

- If we see the total number of policies issued by LIC and private insurance companies, we find that there is much more gap between them.
- Though the income of private insurance companies is negligible when compared to LIC but then also the pace with which they are increasing their income is tremendous.
- It shows private insurance companies are expanding their business and will certainly going to give a very tough competition to LIC in forthcoming years.
- Based on the performance evaluation 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.

SUGGESTIONS:

- Awareness about life insurance and its utility value has still to be spread over within the lower middle class segment for their safety and security and make them habitual investor for their future need.
- To achieve better insurance penetration, the healthier competition has to be intensified by both the sectors and they should come up with new innovative products to offer greater variety or choice to the customers and also make improvement in the quality of services and sell products through appropriate distribution channel to win-win situation for both the parties.
- To boost up the LIC's policies agents are the root cause , in this connection the agents should play a vital role in the insurance sector.

CONCLUSION

India is among the important emerging and effective insurance markets in the world. Life insurance will grow very rapidly over the next decades in India. From the above discussion it is evident that life insurance industry expanded tremendously from 2000 onwards in terms of offices, agents, new business polices, premium income etc. It shows that LIC's market share deteriorating and again there is a trend to slowly get back to the previous. Even Life Insurance Corporation is doing better business than 10 years before, with the entry of private life insurers awareness of life has gone up and the LIC of India is taking utmost advantage of the same. Micro insurance and rural insurance is the need of the hour. Private Insurance companies with its new innovative products and

better strategies expanding their business and will certainly going to give a tough competition to LIC in the forthcoming days.

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