

RESEARCH ARTICLE

Performance Analysis of Life Insurance Industry in India.

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ABSTRACT:

Indian Insurance industry today is the 6th largest industry in the world as per the data published by Swiss Re during 2010-11. However, during the same period, the global life insurance premium expanded by 3.2 percent. The share of Indian life insurance sector in global market was 2.69 percent during 2010 as against 2.45 percent in 2009. The total business of LIC is in an increasing trend. Indian insurance penetration had gone up from 2.15 percent in 2001 to 4.40 in 2010. The Indian insurance industry density was in the growth trend as it increased from 11.5 % in 2001 to 64.4 % in 2010 and also its penetration was increased from 2.71 % in 2001 to 5.10 % in 2010. Indian life insurance industry had been experienced many ups and downs since its inception in order to obtain the present status. However, the income earning capacity, eagerness and awareness of the general public are the key determinants of the any insurance industry. In India, the insurance was not penetrated much among the general public before 1999. Indian life Insurance industry was an outstanding improvement in the Indian Insurance industry due to healthy competition after introduction of LPG.

In this research paper attempt has been made to study the current status, growth, volume of competition and SWOT analysis of the Life Insurance Industry, to analyze the overall performance of Life Insurance Industry of India between pre and post reform era and to measure the effectiveness of investment strategy of LIC of India during the period 1998 to 2010-11. The collected data were analyzed by using Coefficient of Variation, student t test and Anova. The study reveals that there is tremendous growth in the performance of Life Insurance Industry and LIC due to the policy of LPG. More over Insurance Industry improved a lot due to the emergence of private sector and allowing foreign players. There is huge change in the investment strategy of LIC. Private sector performance in terms of total premium earned, number of policies issued and market share is in increasing trend where as LIC market share is in declining trend except in total premium earned and total policies issued. LIC 's investment towards stock market instruments is in increasing trend. The investment of LIC increased from 77.5 % in 1998 to 95.81 % in 2010-11 due to effective regulation of SEBI and increasing transparency and performance of Indian corporate securities.

KEYWORDS: Insurance, Investment strategy, Performance, SWOT analysis and LPG.

INTRODUCTION:

Life is full of risks, being a social animal and risk averse, man always tries to reduce risk.

An age-old method of sharing of risk through economic cooperation led to the development of the concept of 'insurance'.

Insurance can be defined as a legal contract between two parties where by one party called the insurer undertakes to pay a fixed amount of money on the happening of a particular event, which may be certain or uncertain. The

other parties called the insured pays in exchange a fixed sum known as premium. The insurer and the insured are also known as assurer, or underwriter, and assured respectively. The document which embodies the contract is called the policy. Life insurance is universally acknowledged to be an institution, which eliminates risk, substituting certainty for uncertainty and comes to the timely aid of the family in the unfortunate event of death of breadwinner. Life insurance is civilization's partial solution to the problems that caused by death. In short, life insurance is concerned with two hazards that stand across the life – path of every person: 1. That of dying prematurely is leaving a dependent family to fend for itself. 2. That of living till old age without visible means of support.

The nationalization of insurance business in the country resulted in the establishment of Life Insurance Corporation of India (LIC) in 1956 as a wholly –owned corporation of the government of India. India's life insurance market has grown rapidly over the past six years, with new business premiums growing at over 40% per year. The premium income of India's life insurance market is set to double by 2012 on better penetration and an higher incomes. Insurance penetration in India is currently about 4% of its GDP, much lower than the developed market level of 6-9%. The insurance sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country's GDP. A well-developed and evolved insurance sector is a boon for economic development as it provides long- term funds for infrastructure development at the same time strengthening the risk taking ability of the country.

India has 25 life insurers and the state owned Life Insurance Corp. of India dominates the Industry with over 70% market share, though private players have been growing aggressively. Considering the world's largest population and an annual growth rate of nearly 7 percent, India offers great opportunities for insurers. US based online insurance company ebix.com plans to enter to the Indian market following deregulation of its insurance sector. The performance of LIC has under gone ups and downs after the liberalization. Due to intensified competition, high operating expenses, high capital cost and low awareness in rural areas. Most of the insurers are incurring losses even after 10 years of operations. The insurance penetration and insurance density of Life Insurance Industry of India is less than that of developed economies. In view of the above changes in the insurance sector, an attempt has been made to analyze the Performance of Life Insurance Industry of India.

REVIEW OF LITERATURE:

In the present section an attempt has been made to examine the review of literature related to the study. Arora¹ highlighted that LIC was likely to face tough competition from private insurers having large established network and their trained intermediaries throughout India. Verma²

analyzed the various types of products offered by public sector giant and the new global players in the private sector. Sinha and Ram Pratap³ analyzed that the public sector insurers dominates the private sector insurers in terms Of mean technical efficiency in constant returns to scale, while the private sector insurers have a slightly higher mean technical efficiency than the public sector insurers in variable returns to scale. Goswami⁴ described that prior to privatization of insurance sector; Life Insurance Corporation (LIC) of India was the monopoly in the life insurance industry in India. In six years since the entry of private players in the insurance market, LIC has lost 29% market share to the private players, although both, market size and the insurance premium being collected, are on the rise. Ray, Subhasis and Pathak⁵ revealed that ever since the privatization of the insurance sector in India in 2000, the industries has been witnessing the birth of numerous private players, mostly joint ventures between foreign insurance giants and Indian diversified conglomerates and each one is trying to make an inroad into the huge untapped market.

Bhattacharya⁶ advocated that banc assurance provided the best opportunities to tap the large potential in rural and semi urban areas as banks have a strong network of more than 40000 branches in these areas. He suggested that the insurers should focus on single premium policies, Unit Linked Insurance, Pension Market and Health Insurance. Kumar and Taneja⁷ highlighted the opportunities and challenges before the insurance industry in India due to liberalization, globalization and privatization. Jain⁸, examined 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 was very amenable to the changes to changes in insurance as an avenue where exhilarating opportunities are opened up in changed environment. Goyal⁹ analyzed that private insurance companies had reason to celebrate with the lifting of the scrotal cap in the insurance sector to 49 % in the Union Budget 2004-05, as against 26 % earlier. Rao¹⁰ analyzed that India is still an under developed insurance market, it has a huge catch-up potential. According to him even though there is strong potential for expansion of insurance into rural areas, Growth has so far remained slow. Considering that the bulk of the Indian population still resides in rural areas, it is imperative that the insurance industry's development should not miss this vast sector of the population. Krishna Murthy et al¹¹ in their article, "Insurance Industry in India: Structure Performance and Future Challenges" discussed the growth and development of insurance industry in India. They also discussed the prospects and problems of Indian insurance industry. Venkateswara Rao¹² in his article, "LIC- New Business Lacks Vigor" felt that though LIC retained its leadership share in the insurance market, its market share in terms of new business premium income declined to a low of 78.07percent in 2004-05. In view of this, he suggested to LIC to focus on key result areas such as improving the

productivity of agents, marketing of high sum assured policies and also the introduction of customer friendly plans or products. Rajesham and Rajender¹³ in their article, "Changing Scenario of Indian Insurance Sector" highlighted the developments of insurance sector in India in a phased manner. They also discussed the reasons for the entry of private and foreign insurance players into the Indian Insurance market. Further, they suggested strategies that need to be adopted by Indian Insurance companies in the light of global scenario.

OBJECTIVES OF THE STUDY:

1. To study the current status, growth, volume of competition and strengths weakness opportunities threats analysis of life insurance industry in India.
2. To analyze the overall performance of Life Insurance Industry between Pre and Post Economic Reform Era.
3. To measure the change in the effectiveness of the investment strategy of LIC over the period 1998 to 2011.

HYPOTHESIS

H₀₁: There is no significance difference in the performance of Life Insurance Industry between pre and post economic reform era.

H₀₂: There is significance change in the pattern of the investment strategy of LIC over the period 1998-2011.

RESEARCH METHOD AND DESIGN:

The following methodology is adopted to achieve the above objectives. This research article is based upon descriptive as well as exploratory research. Secondary sources of data have been collected for the study. The relevant and required data are collected from the text books, national and international articles, RBI Bulletin (various issues) as well as annual reports of LIC. The statistical tools used in this research article are Coefficient of Variation, t-test and ANOVA to study the current status, growth, volume of competition and SWOT analysis of this Industry, to analyze the overall performance of Life Insurance Industry between pre and post economic reform era and to measure the effectiveness of the investment strategy of LIC over the period 1998 to 2011. For the processing the data and estimating the results SPSS -17 and Excel have been used.

ANALYSIS OF THE STUDY:

Status and Position of Indian Life Insurance Industry in the Pre LPG Era

Life insurance activity in its modern form started in India in 1818 to provide insurance cover for English widows when Oriental life insurance company started by Europeans in Calcutta. All the insurance industries established during the period of time were brought up with the purpose of looking after the needs of European community and Indian natives were not being insured by these companies. Later on with the efforts of eminent people like Babu Muttlyal Seal, the foreign life insurance companies started insuring Indian lives. But still Indian lives were being treated as sub standard lives and heavy extra premiums were being

charged on them. However in the year 1870, Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company and covered Indian lives at normal rates. Bharat Insurance Company (1896) was another one of such companies inspired by nationalism. The Swadeshi movement during 1905 -1907 gave rise to life insurance companies. The United India in Madras ,National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906.The Indian Mercantile, General Assurance and Swadeshi Life (later Bombay Life) were some of the companies that established during the same period .Prior to 1912, the Life Insurance Companies Act ,and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary, but in actual the Act discriminated between foreign and Indian companies on many accounts, putting the Indian companies at a disadvantage.

The first two decades of the twentieth century saw lot of growth in insurance industries .From 44 companies with total business in force of Rs.22.44 crore, it rose to 176 companies with total business in force of Rs.298 crore in 1938.During the mushrooming of insurance companies many financially unsound concerns were also floated which failed miserably. The Insurance Act 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business. The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum in1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly .However, it was much later on the 19th of January, 1956, that life insurance in India was nationalized .About 154 Indian insurance companies, 16 foreign companies and 75 provident were operating in India at the time of nationalization. Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an ordinance, and later, the ownership too by means of a comprehensive bill.

Progress of Indian Life Insurance Industry in the Post LPG Era Insurance Sector Reforms

In 1993, Malhotra Committee headed by former Finance Secretary and RBI Governor R.N.Malhotra was formed to evaluate the Indian Insurance Industry and recommend its future direction. The Malhotra committees submit its report in 1994 with the following recommendations^{14, 19}:

1) STRUCTURE

- LIC¹⁸ should be registered as a company under the companies Act 1956 and its paid up capital raised from Rs. 5 crores to Rs. 200 crores with Government holding only 50 % and the rest by the public at large. Government stake in the insurance Companies to be brought down to 50%.

- Government should take over the holdings of GIC and its subsidiaries so that these subsidiaries can act as independent corporations.

- All the insurance companies should be given greater freedom to operate

2) COMPETITION

- Private Companies with a minimum paid up capital of Rs.1 bn should be allowed to enter the industry.

- No Company should deal in both Life and General Insurance through a single entity.

- Foreign companies may be allowed to enter the industry in collaboration with the domestic companies.

- Postal Life Insurance should be allowed to operate in the rural market.

3) REGULATORY BODY

- The Insurance Act should be changed.

- An Insurance Regulatory body should be setup.

- Controller of Insurance (Currently a part from the Finance Ministry) should be made independent.

4) INVESTMENTS

- Mandatory Investments of LIC Life Fund in government securities to be reduced from 75% to 50%.

- GIC and its subsidiaries are not to hold more than 5% in any company (There current holdings to be brought down to this level over a period of time)

5) CUSTOMER SERVICE

- LIC should pay interest on delays in payments beyond 30 days.

- Insurance companies must be encouraged to setup unit linked pension plans.

- Computerization of operations and updating of technology to be carried out in the insurance industry.

- The institution of ombudsman should be setup to settle disputes on personal claims up to Rs.5 lakhs more quickly and reduce litigations.

But at the same time, the committee felt the need to exercise caution as any failure on the part of new players could ruin the public confidence in the industry. Hence, it was decided to allow competition in a limited way by stipulating the minimum capital requirement of Rs .100 crores. The committee felt the need to provide greater autonomy to insurance companies in order to improve their performance and enable them to act as independent companies with economic motives. For this purpose, it had proposed setting up an independent regulatory body.

At last Insurance sector has been opened up for competition from Indian private insurance companies with the enactment of Insurance Regulatory and Development Authority Act, 1999 (IRDA Act)^{15, 17}. As per the provisions of IRDA Act 1999, Insurance Regulatory and Development Authority (IRDA) was established on 19th April 2000 to protect the interests of holder of insurance policy and to

regulate, promote and ensure orderly growth of the insurance industry. IRDA Act 1999 paved the way for the entry of private players into the insurance market which was hitherto the exclusive privilege of public sector insurance companies / corporations .The Authority has notified 27 Regulations on various issues which include Registration of Insurers, Regulation on insurance agents, Solvency Margin, Re-insurance, Obligation of Insurers to Rural and Social sector, Investment and Accounting Procedure, Protection of policy holders interest etc. Applications were invited by the Authority with effect from 15th August, 2000 of issue of the certificate of Registration to both life and non-life insurers. IRDA has so far granted registration to 51 private insurance companies are included; there are currently 24 insurance companies in the life side and 27 companies operating in general insurance business.

Strength Weakness Opportunities Threats (SWOT) Analysis in Insurance Sector.

SWOT analysis involves an examination of a firm's strength, Weaknesses, opportunities and threats .It helps in evaluating a firm's strategy to exploit its competitive advantage or defend against its weakness. Strengths and Weakness involve identifying the firm's internal abilities or lack thereof. Opportunities and threats include external situations such as competitive forces discovery and development of new technologies government regulations and domestic and international economic trends.

A) Strengths of Insurance Sector:

- a) Dedicated employees
- b) Well efficient management.
- c) Technology
- d) Diversification of funds
- e) Strong and Popular Brand name
- f) Adaptability to change
- g) Good customer service
- h) High quality products
- i) Strong financial services
- j) Innovative RandD

To remain strength they must continue to be developed maintained and defended through prudent capital investment policies.

B) Weakness of Insurance Sector:

- a. Lack of efficient services
- b. Lack of awareness about insurance amongst people.
- c. Less coverage in rural areas.
- d. High operating expenses

Weakness result when competitors have potentially exploitable advantages over the firm. Once weaknesses are identified the insurance sector can select strategies to mitigate or correct the weaknesses.

C) Opportunities for Insurance Sector

- a. Fast growing economy
- b. Increasing per capita income in India
- c. Savings behavior of people
- d. Major thrust on rural population.

D) Threats for Insurance Sector

- (1) Strikes by employees.
- (2) Rural population still ignorant as regards insurance services and products
- (3) Slowing domestic economy

(4) Additional regulatory measures

By recognizing and understanding opportunities and threats the insurance sector can exploit opportunities and mitigate threats.

Table 1: C.V for the Total Life Insurance Premium (Rs.in crore)

Year	Insurer		Total	Growth over the Previous Year (%)
	LIC	Private Total		
2001-02	49,821.91	272.55	50,094.46	43.54
2002-03	54,628.49	119.06	55,747.55	11.28
2003-04	63,533.43	3,120.33	66,653.75	19.56
2004-05	75,127.29	7,727.51	82,854.80	24.31
2005-06	90,792.22	15,083.54	1,05,875.76	27.78
2006-07	1,27,822.84	28,253.00	1,56,075.84	47.38
2007-08	1,49,789.99	51,561.42	2,01,351.41	29.01
2008-09	1,57,288.04	64,503.22	2,21,791.26	10.15
2009-10	1,86,077.31	79,373.06	2,65,450.37	19.69
2010-11	2,03,473.40	88,131.60	2,91,605.00	9.85
Total	1158354.92	339145.29	1497500.2	-----
Average	115835.4920	33914.5290	-----	-----
S.D	56522.51574	34125.71018	-----	-----
C.V	48.80	100.62	-----	-----

Source: Computed data

Table 2: Market Share of Life Insurance Companies in terms of Total Premium underwritten (%)

Year	Insurers				Total	
	LIC of India		Private Insurers		Total Premium (Rs In crore)	Total market share
Year	Total Premium (Rs.in crore)	Market Share (%)	Total Premium (Rs.In crore)	Market Share (%)	Total Premium (Rs In crore)	Total market share
2000-01	34890.02	99.98	6.45	0.02	34898.47	100
2001-02	49,821.91	99.46	272.55	0.54	50,094.46	100
2002-03	54,628.49	97.99	119.06	2.01	55,747.55	100
2003-04	63,533.43	95.29	3,120.33	4.71	66,653.75	100
2004-05	75,127.29	90.67	7,727.51	9.33	82,854.80	100
2005-06	90,792.22	85.75	15,083.54	14.25	1,05,875.76	100
2006-07	1,27,822.84	81.92	28,253.00	18.08	1,56,075.84	100
2007-08	1,49,789.99	74.39	51,561.42	25.61	2,01,351.41	100
2008-09	1,57,288.04	70.92	64,503.22	29.08	2,21,791.26	100
2009-10	1,86,077.31	70.10	79,373.06	29.90	2,65,450.37	100
2010-11	2,03,473.40	69.78	88,131.60	30.22	2,91,605.00	100

Source: Compiled from various Annual Reports of IRDA from 2000-01 to 2010-11.

Current status and Volume of competition:

- Indian Insurance in the global scenario: In life insurance business, India ranked 9th among the 156 countries as per the data published by Swiss Re. During 2010-11, the estimated life insurance premium in India by 4.2 % (inflation adjusted). However, during the same period, the global life insurance premium expanded by 3.2 percent. The share of Indian life insurance sector in global market was 2.69 percent during 2010 as against 2.45 percent in 2009
- The insurance density of life insurance sector of India had gone up from USD 9.1 in 2001 to USD 55.7 in 2010. Similarly, insurance penetration had gone up from 2.15 percent in 2001 to 4.60 in 2009 and slipped to 4.40 in 2010 because of slower growth rate in the life insurance premium as compared to the rate of growth of the Indian economy. The Indian insurance industry density was in the

growth trend as it increased from 11.5 % in 2001 to 64.4 % in 2010 and also Indian insurance penetration was increased from 2.71 % in 2001 to 5.10 % in 2010.

- There are 49 registered insurance companies operating in India by the end of March 2012. Out of 49 companies, 24 life insurance companies including state owned insurer, 24 general insurers of which 6 public sector and 18 private sector insurers and only one re-insurer.
- Individual agents are the major source for getting new business in life insurance industry. It is evident from the fact that LIC and private life insurers got 88.66 % and 66.3 % of their total new business respectively through individual agents during the year 2006-07. The total number of agents were 476902 in 2002 and it increased to 2639392 in 2011. Whereas the total number of corporate agents were 275 in 2002 and it increased to 2165 in 2011. The number

offices of life insurers were in increasing trend from 5373 in 2007 to 12018 in 2010 and then decreased to 11815 in 2011. Therefore, life insurance industry is expanding in India.

- Life insurance industry recorded a premium income of Rs.2,91,605 crore during 2010-11 as against Rs.2,65,447 crore in 2009-10 registering a growth rate 9.85 %. While private sector insurers posted 11.04 % growth over 23.06 % in 2009-10 in their premium income and where as LIC recorded 9.35 % growth in 2010-11 over 18.30 % in 2009-10. The renewal premium accounted for 56.66 % (58.60 % in 2009-10) of the total premium received by the life insurers, first year premium contributed the remaining 43.34% (41.40 % in 2009-10). During 2010-11, growth in renewal premium was 6.22 % (15.69 % in 2009-10). The growth in the first year premium was higher at 15 % in 2010-11 where as growth rate in first premium in the year 2009-10 was 25.84 %.

- The total assets under management of life insurers were Rs.194009.60 crore in 2001 and increased to Rs.1430117 crore in 2011 and it grew at the rate of 17.95 % over 2010 year.

- The market share of LIC declined marginally from 70.10 % in 2009-10 to 69.78 % in 2011 based on the total premium income earned and the market share of private life insurers has gone up marginally from 29.90 % in 2009-10 to 30.22 % in 2010-11. The market share of private life insurers in first year premium was 31.15 % in 2010-11 which decreased marginally from 34.92 % in 2009-10 and where as LIC market share stood at 68.85% in 2011 which was increased from 65.03 % in 2010. However, in renewal premium, LIC had a higher share of 70.49 % in 2010-11 which decreased from 73.64% in 2009-10 and private sector life insurers were a share of 29.51 % in 2010-11 which increased from 26.36 % in 2009-10.

- The commission expenses ratio of life industry was decreased from 6.81 % in 2009-10 to 6.29 % in 2010-11 and in case of LIC it was marginally increased from 6.52 % in 2009-10 to 6.56 % in 2010-11 where as private sector insurer's ratio was decreased from 7.48 % in 2009-10 to 5.65 % in 2010-11. The operating expenses of life insurers increased by 14.04 % in 2010-11 (11.84% in 2009-10) and the operating expenses ratio of industry was increased from 10.88 % in 2009-10 to 11.30 % in 2011. The operating expenses ratio of LIC was increased from 6.58 % to 8.34 % in 2010-11 where as private sector insurer's operating expenses ratio was decreased from 20.97 % in 2009-10 to 18.11% in 2010-11 which is good sign in case of private insurers but operating ratio of industry was increased which is great concern for regulator.

- The claim settlement ratio of LIC was better than that of the private insurers. The ratio for LIC was increased to 97.03 % in 2010-11 from 96.54 % and the percent of repudiations declined from 1.21 % in 2009-10 to 1.00 % in 2010-11. Similarly for private life insurers, claim settlement

ratio has increased to 86.04 % during 2010-11 when compared to 84.87 % during 2009-10 and the percent of repudiations for them was increased to 8.90 % in 2010-11 from 7.61 % in 2009-10. The overall industry's claim settlement ratio has improved slightly at 95.58 % in 2010-11 from 95.24 % in 2009-10 and the repudiation ratio has also gone up to 2.04 % in 2010-11 from 1.93 % in 2009-10. The ratio of claims written back has, however, declined at 0.45 % as against 0.75 % in the previous year. In case of under group claims, the industry's settlement ratio has slightly decreased to 96.73 % in 2010-11 from 98.90% in 2009-10 and the repudiation ratio has slightly gone up to 0.55 % in 2010-11 from 0.49 % in 2009-10.

- The experience of the insurance markets globally indicates that companies in the life sector take seven to ten years to break even. The life insurance industry posted a net profit of Rs.2,657 crore as against net loss of Rs.989 crore in 2009-10. Out of 23 life insurers in operations during 2010-11, 12 companies earned profits. They are LIC, ICICI Prudential, Birla Sun life, Max New York, Bajaj Allianz, SBI life, Kotak Mahindra, TATA AIG, MetLife, Aviva, Sahara India and Shriram life insurance. LIC of India has earned net profit of Rs.1,172 crore during 2010-11 which is an increase of 10.47 % 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 (Rs.258 crore in 2009-10) after incurring losses for 8 years. The cumulative losses of insurers for the financial year 2010-11 stood at Rs.1,498 crore as against Rs.3,261 crore for 2009-10. The average lapse ratio of the life industry with respect to non-linked business is in increasing trend from 2006-07 to 2010-11 except in 2010-11. LIC of India has lowest lapse ratio when compared with private insurers in the industry. Among private insurers, HDFC Standard life insurance has lowest lapse ratio.

Coefficient of Variation:

The consistency and reliability of the total life insurance premium underwritten by the LIC of India and Private Life Insurers is analyzed by the coefficient of variation (table-1).

The above analysis indicates that LIC of India is more consistent than Private life insurers as it is inferred that total life insurance premium underwritten by private life insurance companies during the period 2001 to 2011 experienced considerable variations of 100.62 % and only 48.80 % by LIC of India.

Growth of Premium Income in Indian Life Insurance Industry

Premium income is the second major source of income of life insurance industry. The table no 2 below reveals that total premium earned.

Table3: Coefficient of Variation (C.V) for the No. of Policies Under Written by Life Insurers

Year	LIC of India	Private Insurers total	Total Policies	Growth over the Previous Year (%)
2002-03	24545580	825094	25370674	-----
2003-04	26968069	1658847	28626916	12.83
2004-05	23978123	2233075	26211198	-08.44
2005-06	31590707	3871410	35462117	35.29
2006-07	38229292	7922274	46151566	30.14
2007-08	37612599	13261558	50874157	10.23
2008-09	35912667	15010710	50923377	0.10
2009-10	38862567	14362000	53224667	4.52
2010-11	37038000	11114000	48152000	-9.53
Total(lacs)	2947.39	702.59	3649.97	----
Average(lacs)	327.4878	78.07	-----	----
S.D(lacs)	61.08	57.95	-----	----
C.V	18.65	74.23	-----	-----

Source: Computed Data from various IRDA Annual Reports

Table 4 : Total life insurance premium

(Crore)	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
INSURER											
LIC	203473.40 (9.35)	186077.31 (18.30)	157288.04 (5.01)	149789.99 (17.19)	127822.84 (40.79)	90792.22 (20.85)	75127.29 (18.25)	63533.43 (16.30)	54628.49 (9.65)	49821.91 (42.79)	34892.02
Aegon	388.61	165.65	31.21	-	-	-	-	-	-	-	-
Religare											
Aviva	2345.17	2378.01	1992.87	1891.88	1147.23	600.27	253.42	81.50	13.47	-	-
Bajaj	9609.95	11419.71	10624.52	9725.31	5345.24	3133.58	1001.68	220.80	69.17	7.14	-
Allianz											
Bharti	792.02	669.73	360.41	118.41	7.78	-	-	-	-	-	-
AXA											
Birla	5677.07	5505.66	4571.80	3272.19	1776.71	1259.68	915.47	537.54	143.92	28.26	0.32
Sun Life											
Canara	1531.86	842.45	296.41	-	-	-	-	-	-	-	-
HSBC											
DLF	95.04	38.44	3.37	-	-	-	-	-	-	-	-
Pramerica											
Future	726.16	541.51	152.60	2.49	-	-	-	-	-	-	-
Generali											
HDFC	9004.17	7005.10	5564.69	4858.56	2855.87	1569.91	686.63	297.76	148.83	33.46	0.002
Standard											
ICICI	17880.63	16528.75	15356.22	13561.06	7912.99	4261.05	2363.82	989.28	417.62	116.38	5.97
Prudential											
IDBI	811.00	571.12	318.97	11.90	-	-	-	-	-	-	-
Federal											
IndiaFirst	798.43	201.60	-	-	-	-	-	-	-	-	-
ING	1708.95	1642.65	1442.28	1158.87	707.20	425.38	338.86	88.51	21.16	4.19	-
Vysya											
Kotak	2975.51	2868.05	2343.19	1691.14	971.51	621.85	466.16	150.72	40.32	7.58	-
Mahindra											
Max	5812.63	4860.54	3857.26	2714.60	1500.28	788.13	413.43	215.25	96.59	38.95	0.16
New York											
MetLife	2508.17	2536.01	1996.64	1159.54	492.71	205.99	81.53	28.73	7.91	0.48	-
Reliance	6571.15	6604.90	4932.54	3225.44	1004.66	224.21	106.55	31.06	6.47	0.28	-
Sahara	243.41	250.59	206.47	143.49	51.00	27.66	1.74	-	-	-	-
SBI Life	12911.64	10104.03	7212.10	5622.14	2928.49	1075.32	601.18	225.67	72.39	14.69	-
Shriram	821.52	611.27	436.17	358.05	184.17	10.33	-	-	-	-	-
Star	933.31	530.37	50.19	-	-	-	-	-	-	-	-
Union											
Dai-ichi											
TATA	3985.22	3493.78	2747.50	2046.35	1367.18	880.19	497.04	253.53	81.21	21.14	-
AIG											
Private	88131.60	79369.94	64497.43	51561.42	28253.00	15083.54	7727.51	3120.33	1119.06	272.55	6.45
Total	(11.04)	(23.06)	(25.09)	(82.50)	(87.31)	(95.19)	(147.65)	(178.83)	(310.59)	(4124.31)	
Industry	291605.00	265447.25	221785.47	201351.41	156075.84	105875.76	82854.80	66653.75	55747.55	50094.46	34898.47
Total	(9.85)	(19.69)	(10.15)	(29.01)	(47.41)	(27.78)	(24.31)	(19.56)	(11.28)	(43.54)	

Source: IRDA Annual Report of 2010-11.

Note: Figures in parenthesis indicates that growth % over previous year.

Ho: There is no significance difference in the performance of premium earned by among the life insurers.

The above table reveals that Even though the LIC of India is the industry leader but its market share is in decreasing trend during the study period from 2000 to 2011. The share of LIC premium and Private sector premium as well as market share is in increasing trend during the study period.

New Policies Underwritten by Life Insurance companies

Under writing is the process through which insurers select what risks to insure and decide how much premium to charge for accepting those risks. In order to measure the consistency and reliability of the new policies underwritten by the LIC of India and Private Life Insurance companies, it is evaluated through coefficient of variation (C.V).During 2010-11, life insurers issued 482 lakh polices (76.91% of total policies issued) and the private life insurers issued 111 lakh policies (23.09 %).While L IC suffered a decline of

4.70% in the number of new policies issued against the previous year, the private sector insurers reported a significant decline of 22.61% in the number of new policies issued. Overall, the industry witnessed a 9.53% decline in the number of new policies.

Table 5

ONE WAYANOVA					
PREMIUM					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.172E11	22	5.329E9	22.223	.000
Within Groups	3.597E10	150	2.398E8		
Total	1.532E11	172			

Source : Computed on the basis of the above table

Table 6: Investment made by LIC of India (Rs. In Crore)

Year	Sector –wise				Instrument wise of which			Total (2 to 5) Or (6 to 7)
	Public	Private	Joint	Cooperative	Stock exchange Securities	Loans		
1	2	3	4	5	6	7	8	
1998	79235.7	11834.3	500	2030.3	72537	18489.9	93600.3	
1999	96410.5	15048.4	549.3	2094.5	90823.8	26109.7	114102.7	
2000	117059	19268.4	575.5	2129.3	114032.3	28925.5	139032.2	
2001	141256.2	22779.5	799.7	2168.4	140106	32155.4	167003.8	
2002	180574.1	23707.8	792.8	2128.6	178943.3	34913.2	207203.3	
2003	219596.7	29406.8	684.5	2082.3	222449.3	27539.8	251770.3	
2004	271778.5	51923.6	959.6	2079.5	297566	31800.4	326741.2	
2005	322021.8	68484.5	1270.2	1408.2	355634.7	37529.5	393184.6	
2006	378807.2	105148.1	1915.5	1356.5	450557.2	37135.3	487227.2	
2007	433810.3	84294	75.2	3555.1	480426.8	41307.8	521734.6	
2008	503388.4	128467.8	73.7	3817.6	590466.6	45281	635747.5	
2009	572050.3	187140.8	71.7	3628.9	715710.4	47181.4	762891.7	
2010	678374.5	236134.7	70.9	3336.5	872061.7	45854.9	917916.5	
2011	775992.5	265798.3	82.1	3666.6	1001755	43784.2	1045539	

Note: 1) Data for 2011 are provisional. Source: Life Insurance Corporation of India.

Ho: There is significant change in the investment pattern of LIC with reference to its investment in Stock exchange securities and loans.

Table7: t –test for two sample assuming equal variances

Parameters	Variable1(Stock exchange securities)	Variable 2 (Loans)
Mean	398790.7	35572
Variance	90377075080	73673371
Observations	14	14
Hypothesized mean difference	0	
Degrees of Freedom (d.f)	26	
t two tail cal	0.000119704	
t Critical at 0.05 level of significance for 26 df	2.779	

Source: computed on the basis of the table 6

The table 3 indicates the fact that the new policies underwritten by Private Life Insurers during the period 2002 -2011 experienced considerable variations of 74.23 % and only 18.65 % by LIC of India. The coefficient of variation percent for LIC of India is less than the coefficient of variation percent for Private life insurers. Hence it is concluded that LIC of India is more consistent than private life insurance companies.

The table 2,4 and 5 shows that total life insurance premium during the year 2001-02 to 2010-11.The proportion of premium collected by LIC India out of total premium

collected by Life Insurance Industry is declined from 99.98 % in 2001-01 to 69.78 % in 2010-11.It indicates the increasing competition private sector.

ICICI Prudential is the top performer among the private sector players as it is keeping over a lot of business of LIC .But still there is a lot of scope in the development of life insurance industry where private sector will be a challenge in front of LIC .By applying ANOVA at 5 % level of significance. F calculated value (22.22) is greater than F table (1.67) .The Ho is rejected .Hence, there is significant difference in the performance of premium earned by life insurance companies in India.

Investment made by LIC

Table 6 and 7 shows that the investment strategies of LIC from 1998 to 2011.Total investment of LIC in stock exchange securities were Rs .72537 crores in1998 which further increases to Rs.1001755 crores in 2011. Investment of L I C was in increasing trend with reference to stock exchange securities where as its investment in Loans was also in increasing trend up to 2002 and later it decreased in 2003 .From 2004 onwards it was increased up to 2009(except in 2006) and then it decreased. The investment of LIC was 77.50 % in stock exchange securities out of total

investment made in 1998 where as its investment in loans was only 22.5 % in that year. More over its investment in stock exchange securities was increased to 95.81% in 2011 and 4.19 % only in loans of that year.

By various studies it is being observed that under that there is significant change in the pattern of the investment strategy of LIC over the period 1998 to 2011. In order to validate this t test has been used on the investment pattern of LIC in the stock exchange securities and loans. As $t < t_{critical}$ value. So, we can't reject H_0 . Therefore, there is significant change in the investment pattern of LIC with regard to investment in stock exchange securities and loans over the period 1998 to 2011.

CONCLUSION:

The analyzed data revealed that Indian Insurance in the global scenario: In life insurance business, India ranked 9th among the 156 countries as per the data published by Swiss Re during 2010-11. However, during the same period, the global life insurance premium expanded by 3.2 percent. The share of Indian life insurance sector in global market was 2.69 percent during 2010 as against 2.45 percent in 2009. The total business of LIC is in an increasing trend. The insurance density of life insurance sector of India had gone up from USD 9.1 in 2001 to USD 55.7 in 2010. Similarly, insurance penetration had gone up from 2.15 percent in 2001 to 4.60 in 2009 and slipped to 4.40 in 2010 because of slower growth rate in the life insurance premium as compared to the rate of growth of the Indian economy. The Indian insurance industry density was in the growth trend as it increased from 11.5 % in 2001 to 64.4 % in 2010 and also Indian insurance penetration was increased from 2.71 % in 2001 to 5.10 % in 2010. There are 24 registered insurance companies operating in India by the end of March 2012. Out of 24 companies, 23 life insurance companies in private sector and only one state owned life insurer (LIC). The total assets under management of life insurers were Rs.194009.60 crore in 2001 and increased to Rs.1430117 crore in 2011 and it grew at the rate of 17.95 % over 2010 year. The life insurance industry posted a net profit of Rs.2,657 crore as against net loss of Rs.989 crore in 2009-10. Out of 23 life insurers operating in India, only 12 companies were earned profits during 2010-11. The performance of LIC of India (Public sector) is more consistent than that of private sector players.

The collected and analyzed data prove that the LPG has a positive influence on LIC of India and its performance. Total investment of LIC enhanced from Rs.93600 crore in 1998 to Rs.1045539 crore in 2011. Proportion of premium collected by LIC out of total premium collected by life insurance industry is declined from 99.46 % in 2001-02 to 69.78 % in 2010-11. It indicates the enhancing competition from private sector insurers. ICICI Prudential is becoming leader in private sector insurers by taking over a lot of business of LIC due to aggressive strategies, innovative product range a, strong branch network and efficient work

force. The commission expenses and operating expenses ratios of public sector are in increasing trend where as that of private sector is in decreasing trend. Operating expenses ratio of industry has increased from 10.88 % in 2009-10 to 11.30 % in 2011. The claim settlement ratio of LIC is very high and it is more than private sector. Private sector claim settlement ratio is in increasing trend. Indian insurance industry density and penetration is low when compared with emerging markets in the world. India is the second most populous country in the world. The rural market in India has vast potential. Therefore; there is a lot of scope for development in the life insurance industry where private sector players will give tough competition for LIC of India.

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