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Performance of LIC and other Private Player

(Special reference to HDFC, BAJAJ, ICICI and SBI Life Insurance)

Mukesh Kumar, Research Scholar
Singhania University, Pacheri Bari, Jhunhjhunu (Rajasthan)

Abstract

Journey started of insurance sector on 1st of September 1956. As we know that since beginning insurance sectorplayingsignificant role to insuring the life of human.After 2000 the private companies had been entered to compete the LIC. The working or the private player was very good in the beginning and till now. Due to the better life protection togather with good customer relation and saving plans by of private company capture maximum part of the market. This paper is the research study of the growth rate of premium generated, benefits paid, expenses of LIC and four Private major companies HDFC, BAJAJ, ICICI and SBI. The research paper is based on secondary data obtained by annual reports of the LIC and Private Players.

I INTRODUCTION

As we know Life is full of risks and uncertainties of different types. Therisks may be of death and various types of disability in human life. At the happing of any event, the human being or business may suffer a huge loss. That's why Insurance is the only solution to minimize or reduce the impact of these types of hazards.

Insurance is a agreement or contract in between the two persons, whereby one person decide to cover the loss or risk suffered by the other person by charging some amount, this amount known as premium.

Some important words in the field of Insurance

- **Insurer:** The insurer is the person or individual or corporate who agree to reduce uncertainty or we can say insurer is a corporate firm who, does the insurance. In other words, who ready to compensate the loss or risk of person or insured is describe insurer. It is also known as insurance company.

- **Insured:** the person or business firm whose insurance is done, i.e. whose responsibility of uncertainty or risk is under taken by insurance company and ready to give compensation of loss. So insured is a person who, a pays regular amount of in the form of premium to insurance company.
- **Premium:**Premium is the amount charged by the insurance company on account of providing services to the insured. It may be quarterly, half-yearly or annually.
- **Policy:** Policy is the document, which contains the rules, regulation or terms and conditions concerned to the contract of insurance.
- **Sum Assured:**It is the amount, which is paid by the insurance company at the happing of any event or maturity.

Types of Insurance:

1. Life Insurance
2. General Insurance

1. **Life Insurance:**

Life of all the persons is uncertain. Every person is involve different types of risk. The risk may be of early death due to an accident or any type of natural disaster like earth quake, drought, flood etc. due to this, there is necessity for insurance policy, which help to support the family in case of death or during old age.

So Life Insurance contract is a contract, under which the insurer agrees to pay a specified amount on the death of the assured or on the maturity. The person whose life is insured is called assured and the insurance company is the insurer and the consideration paid by the assured is the premium.

Types of Life Insurance Policy:

- **Whole Life Policy:**

  This policy is for the whole life of the assured or until his death. Under this policy the amount is paid only on the death of the insured. The premium on this policy may be payable regularly throughout the life of the assured or for a fixed period.

- **Endowment Life Assurance Policy:**

Under this policy, the insurer pays a particular sum at the death of the person or on attaining a particular age or on the expiry of a fixed period of time whichever is earlier. If the insured dies, the compensation is paid to the legal heirs. If the insured survives, he himself gets the compensation amount.

- **Joint Life Policy:**

The policy which covers the lives of two or more persons jointly is called joint life policy. Basically these types of policies are taken by the partnership firm.

2. **General Insurance:**

Insurance contract other than life insurance contracts are called general insurance contracts. General insurance provides insurance against Theft, Fire, Marine, Accident etc.

- **Insurance Vs. Assurance**

Insurance:

It refers to a contract in which the sum assured is paid when the insured suffers a particular loss. For example, in case of fire insurance, the compensation is fiven to the insured when he suffers a loss due to fire.

Assurance:

It refers to contract in which the sum assured is bound to be paid sooner or later. For example, in case of life insurance, the insurer is bound to pay the policy amount either or the death of the insured or an expiry of tie period of policy, whichever is earlier.

History of Insurance

The journey of insurance is as long as the life of human being. But in India the Life Insurance came from England during 1818. This is the foreign life insurance companies and it started insuring Indian peoples on heavy premiums.

The first Indian company come in to the existence in 1870 it was the first Indian life insurance company it is known as The Bombay Mutual Life Assurance Society. This company started to cover people of India at normal rates. One another company also come in 1896 the name of this company is Bharat Insurance Co. Ltd. During the 1905 to 1907 there was boom in insurance sector.

The provident fund act and the LIC act was passed in 1912. When we talk about the nationalization of the Indian insurance market so Indian Insurance market was nationalized in 1956 at this time LIC of India was only the major player in the Indian insurance market.

Insurance Development Regulatory Authority (IRDA) has setup in 2000. After this private companies are started to operate in collaboration with foreign Insurance players.

II Objectives of the Study

Importanceof proposed ResearchWork

The purpose of research is to discover answers to questions through the application of scientific procedures. The main aim of research is to find out to the performance of LIC & other Private Player in the field of Life Insurance.

III Review of Literature

The study of perceptions and preferences of policyholders towards insurance products offered by LIC of India in Tirunelveli District is the first of its kind. However, there are certain studies related to the overall perceptions and preferences of policyholders of the public Life Insurance Companies. The reviews of related literature presented in this chapter are the overall perception and preference of policyholders towards life insurance companies in India.

Mishra, K.C. and Simita Mishra (2000) in their article on "Insurance Industry: Recipe for a Learning Organization" say that like any other industry, insurance industry in India suffers from one challenge repeatable a hundred times, that is the constraints of infrastructure.

Balasubramanian, T.S. and Gupta, S.P. (2000) in their book on "Insurance Business Environment" explain at length the global and Indian pictures of Insurance systems. The impact of globalization and also liberalization on Insurance business environment is also discussed analytically to have a clear understanding of the challenges faced by the insurance industry.

Mitra Debabrata (2000) in the thesis entitled "Employees and the PSU: A Study of their Relationship with Special reference to Jalpaiguri Division of the Life Insurance Corporation of India" opines that the State-owned Undertakings provide all sorts of facilities and amenities to employees along with usual emoluments. But, their productive rate is low when compared it with the private sector undertakings. In the Jalpaiguri Division, the employee relationship with the LIC is clearly discussed and some suggestions are also given in the thesis.

Wadikar Ashok Laxaman (2001) in his thesis on “Innovativeness in the Insurance Industries”, Ph.D. Thesis submitted to the Department of Management, University of Pune, Pune, 2001. Confirms a general opinion that innovativeness in every activity alone rules and dominates the industry. But, at the same time, the practicality and economic justification of that innovativeness are also to be analysed.

BalachandWran, S. (2001) in his book on “Customer Driven Services Management” concludes that the insurance industry is fast growing and mostly becoming a customer driven and customer centric one. He also advocates that when the insurance products are attractive to the customers, then only the insurance industry flourishes in the market and serves its purpose of profit earning and also income generation.

Srivastava, D.C. and Srivastava, S. (2001) in their book on “Indian Insurance Industry–Transition and Prospects” discuss analytically the financial significance of insurance industry, its contribution to Indian economy and alsothe transitory prospects and challenges of insurance industry due to liberalization and the opening up of the sector to private players.

Mark S. Dorfman (2002) in his book on “Introduction to Risk Management and Insurance” reviews the salient features of the insurance industry and also the role played by the private enterprise. The different types of insurance intermediaries are also discussed at length with suitable illustrations incorporated wherever necessary.

Charles P Jones (2002) in his book on “Investment Analysis and Management” explains clearly about the framework for evaluating portfolio performance through return and risk considerations. The Risk-Adjusted measures of performance and also the problems associated with Portfolio Measurement are also discussed.

Ajay Mahal (2002) in his article on “Assessing Private Health Insurance in India–Potential Impacts and Regulatory Issues” asserts that the entry of private health insurance companies in India is likely to have an impact on the costs of health care, equity in the financing of care and the quality and cost-effectiveness of such care. However, he mentions that an informed consumer and a well-implemented insurance regulation regime in many cases eliminate some of the bad outcomes.

Dan Segal Leonard N. Stern School of Business New York University "An Economic Analysis of Life Insurance Company Expenses" has analysed the expenses of the Life Insurance Companies.

IV Research and Methodology

Data Collection: The present study covers secondary data. Data and information have been extracted from Annual Reports LIC of India and four private companies i.e. HDFC, Bajaj Allianz, SBI and ICICI Prudential. The researcher has collected 10 years Balance Sheet and Profit & Loss Account of the sampled unit. It is also supported by various published journals, literatures of the of insurance companies (LIC & Private Insurance Companies).

Ratio analysis will be used to measure the variance in the performance of the study.

Sampling: The Insurance industry now a day has so many Life Insurance institutions in India; the researcher will select LIC of India and other private insurance companies as a sample.

Period of the Study: The period of the study was from 2006 to 2015 i.e. of 10 years.

Tools & Techniques of the Study: The researcher has used the tools as per the need and type of the study. The information so collected has been classified, tabulated and analysed as per the objectives of the study. As per the nature of the data available the graphical presentation was also done.

Significance of the study: Life insurance is a very significant factor in human life. The present study gives the perfect knowledge of life insurance and current situation of insurance plans. Life insurance being an important form of social security. In this present world human life become so risky.

Hypothesis of the study: Following is the hypothesis of the study.

Ho: There is no significant contribution of LIC in comparison to private insurance companies during the period of study.

H1: There is significant contribution of LIC in comparison to private insurance companies during the period of study.

V Scope of the Study

The present study covers secondary data of insurance industries during 2011 to 2015. In this study include the performance evaluation of LIC and four private insurance companies.

VI Limitations of the study

This study is restricted to only life insurance aspects private as well as government sector.

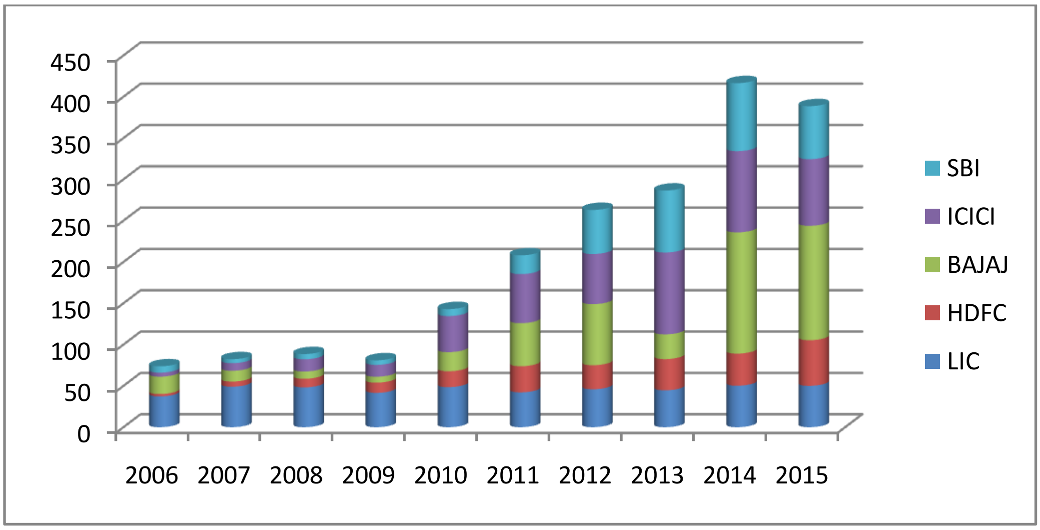
It should be need more suggestions and conclusion viewed here would be as per the date collected by researcher.

II Data Analysis

Table 1 (Source: Annual Reports)

Data: Secondary Data

Year	Claim paid to premium FROM 2006 TO 2015				
	LIC	HDFC	BAJAJ	ICICI	SBI
2006	37.37	2.898	20.89	4.92	7.68
2007	49.09	6.183	13.09	9.21	4.79
2008	48.24	10.408	8.77	14.88	6.25
2009	41.61	12.345	7.14	14.4	5.51
2010	48.53	19.234	23.09	43.75	8.45
2011	42.24	31.613	52.06	59.44	22.72
2012	45.96	29.095	73.92	60.7	53.35
2013	44.69	37.766	29.99	99.04	75.04
2014	50.17	38.925	146.78	98.3	82.39
2015	50.07	55.291	138.37	80.77	64.14



From the above table it is observed, that the claims to premium of the LIC were higher in 2014 and 2015 as 50.17% and 50.07% respectively. It is observed that there is moderate fluctuation was found during 2006 to 2015. This fluctuation shows during the 2006 to 2015 company has increased its efforts and made a handsome business strategy in after 2010. (Table 1)

From the above table one can infer that the claims to premium of the HDFC Company were higher in 2015 as 55.291%. The very lower rate of claims to premium was found in 2007 as 2.898% and in 2008 it was found as 6.183%. The claims to premium show poor business strategy in the year 2007, 2008, 2009, and 2010. This fluctuation shows after 2013 company has increased its efforts and made a handsome business strategy in 2013, 2014, 2015. (Table 1)

From the above table one can infer that the claims to premium of the Bajaj Allianz were higher in 2014 as 146.78%. The very lower rate of claims to premium was found in 2009 as 7.14% and in 2008 it was found as 8.77%. The claims to premium show poor business strategy in the year 2014 and 2015. (Table 1)

This table shows the actuarial efficiency ratio of ICICI during 2006-2015. Actuarial efficiency ratio is the ratio which shows the percentage of claims paid over the premium received. It is observed that in 2013 company have paid higher claim i.e. 99.04%. there is tremendous increase in the actuarial efficiency ratio after 2006. It was in slow rate up to 2009 i.e. to 14.40% but after 2009 it increased in the increasing rate up to 2013 i.e. 99.04%. but after 2013 it started decreasing. (Table 1)

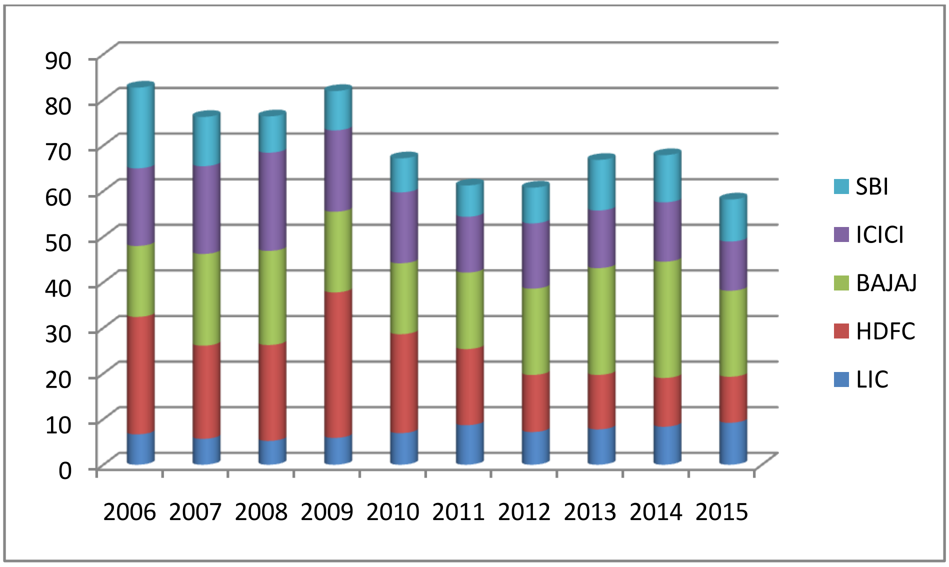
This table is the view of the Actuarial EfficiencyRatio of (Claims to Premium Ratio) during 2006-2015. Higher of the ratio means the negative business and low profits and lower the ratio means positive business and high profits. In the year 2014 company paid maximum claims i.e. 82.39%. but in 2007 the ratio observed 4.79%. So we can say company made handsome profits during the 2006 to 2010. But after 2010 due to the higher ratio of claims to premium company could earn normal profit only. (Table 1)

Findings : Higher Actuarial Efficiency Ratio means the negative business and lower Actuarial Efficiency Ratio means positive business of the company. During my study it was found that ratio of Claim paid to premium is more then the government sector up to 2012-13, after that the ratio of private player's started improve. In this context the Bajaj played a significant role in 2015. On the other hand this ratio of ICICI and SBI life insurance was low in comparison to LIC of India and HDFC Standard Life insurance during 2006 to 15 as per the secondary data of annual reports of the insurance players.

Table 2(Source: Annual Reports)

Data: Secondary Data

Year	Operating Expenses to premium FROM 2006 TO 2015				
	LIC	**HDFC**	**BAJAJ**	**ICICI**	**SBI**
2006	6.65	25.76	15.56	17.01	17.71
2007	5.67	20.43	20.11	19.25	10.8
2008	5.22	21.03	20.64	21.53	7.96
2009	5.88	31.9	17.69	17.85	8.62
2010	6.93	21.69	15.55	15.54	7.47
2011	8.65	16.7	16.78	12.23	6.86
2012	7.17	12.51	18.92	14.32	7.83
2013	7.75	11.94	23.41	12.65	11.09
2014	8.33	10.69	25.5	13.01	10.35
2015	9.2	10.09	18.86	10.79	9.22



The above table is showing the percentage of operating expenses to premium of LIC during the 2006 to 2015. In such a way the higher operating expenses to premium were found in 2015 i.e. 9.20% and lower rate of operating expenses to premium was found in 2008 as 5.22%. There has been ups and downs in the operating expenses to premium during 2006 to 2015. (Table 2)

The percentage of operating expenses to premium of HDFC was presented in the above table. The premium is higher means the positive business, whereas the expenses higher show negative business. In such a way the higher operating expenses to premium were found in 2009 and lower rate of operating expenses to premium was found in 2015 as

10.09%. There has been ups and downs in the operating expenses to premium during the study period. (Table 2)

The percentage of operating expenses to premium of Bajaj Allianz was presented in the above table. The premium is higher means the positive business, whereas the expenses higher show negative business. In such a way the higher operating expenses to premium were found in 2014 i.e. 25.50% and lower rate of operating expenses to premium was found in 2010 as 15.55%. There had been normal ups and downs in the operating expenses to premium during the study period. (Table 2)

The above table shows the % of operation expenses to premium ratio. As we know, higher rate of premium means positive business, whereas higher expenses show negative business. There was positive business in 2015 because the operating expenses ratio was 10.79% but the year 2008 shows negative business due to the huge operating ratio i.e. 21.53% . There was a little fluctuation in the operating expenses to premium ratio during the 2006 to 2015 in ICICI.(Table 2)

As we know, higher rate of premium means positive business, whereas higher expenses show negative business. There was positive business in 2011 as compare to other years because the operating expenses ratio was 6.86% but the year 2006 shows negative business due to the huge operating ratio i.e. 17.71%. There was a little fluctuation in the operating expenses to premium ratio during the 2008 to 2012 in SBI.(Table 2)

Findings : The premium is higher means the positive business, whereas the expenses higher show negative business. During my study it was found that ratio of operating expenses paid to premium is more less the government sector. but in case of private players operating expenses are higher during the study period. So as per the table 2 data obtained form the annual reports of the insurance companies it was found that government Sector Company’s business is positive business during this tenure 2006 to 2015. The average expenses of the government company are less than the private sector companies.

VIII SUGGESTIONS

FOR Government Sector Company (LIC)

The growth of developing country depends on elevation of the social status is linked to financial security. LIC being an organization meant for the security of the citizens must have a higher responsibility in improving the status of women. Hence the corporation must take steps to bring in more female policyholders.

The LIC should standardize the time for each service that will definitely help and improving the goodwill of the corporation.

The LIC should make the present and prospective policyholders aware of the present and prospective policyholders aware of the service package offered by it distributing information booklets.

By organising a “Policyholders Meet” with the Branch manager at least once in a month, the corporation may have an idea about opinion of the policyholders about the services rendered by the LIC.

By installing a computer network through India, the corporation may reduce the burden of the employee in performing the various services effective to the satisfaction of the policyholders.

FOR PRIVATE INSURANCE

The private insurance companies are concentrating the high level income group and fix the schemes to cater their needs. This scenario must be changed. They must also try to cater the needs and requirements of middle and lower income groups.

The premiums fixed by the private insurance companies are not minimum and affordable. Hence the companies are advised to reduce the premiums and policy sum assured amounts.

The life cover schemes are to be free from more formalities. Hence the private insurance companies are to do the paper works and consultations to reduce the formalities.

Since the private insurance companies are concentrating more on the accident covers the people won‟t go for private schemes. Thus, the private insurance companies are required to go for the life covers of the insured on the whole without hesitation and formalities.

Even the single premium for a year is paid without continuation of the schemes the premium paid for a year must be returned to the insured after the completion of a minimum period. This has to be concentrated by the private insurance companies with utmost care.

CONCLUSION

Customer service is great important in the insurance sector. The expectation of customer and their demands are increasing day by day. In India with economic liberalization and insurance companies are functioning under tremendous competitive edge to focus on developing long-term relationship with customers.

The salient features like social aspects, low end of technologies, sophistication, unionized work force and cumbersome legal system basically mark Indian insurance. Therefore Indian insurance must develop its own body of concepts and principles revolving around distinctive characteristics of services tempered with the imperatives of Indian situation.

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