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A COMPARATIVE STUDY ON PERFORMANCE OF PUBLIC & PRIVATE LIFE INSURANCE SECTORS

Neha Tomar

Research Scholar, Dept of Management, Himalayan Garhwal University, Uttarakhand

Abstract: A contract for the payment of a quantity of money to the person assured in the event that the event insured against occurs is known as life insurance. Typically, the contract stipulates that an amount will be paid on the maturity date, a set date at recurring intervals, or upon the sad death, if it occurs sooner. The contract, among other things, requires the assured to pay premiums to the insurer on a regular basis. Life insurance is widely recognised as an institution that eliminates "risk," exchanging "certainty" for "uncertainty," and comes to the family's aid in the tragic event of the breadwinner's death. Life insurance is, for the most part, civilization's partial solution to the issues brought on by death. In a nutshell, life insurance is concerned with two risks that every person faces in life: dying early and leaving a dependant family to fend for themselves, and surviving to an advanced age without evident means of support. Life insurance provides complete protection against the possibility of the assured's death. In the event of death, the entire sum assured is payable. Long-term savings are encouraged by life insurance. A significant savings can be realised by paying a small premium in manageable payments over a long period of time. When needed, a loan can be obtained against a policy assured. On the premium paid for life insurance, you can get tax relief in the form of income tax and wealth tax.

Keywords: Life Insurance, Outcome, Profit, Funds, Benefits, Economics, Premium

1. INTRODUCTION

Insurance is the result of man's ongoing search for security and for ways and means of coping with the miseries that arise from future uncertainty. People who are exposed to similar risks contribute a set amount on a regular basis, and those who suffer a loss are compensated from these funds. Life insurance is a way to meet the eventualities of physical death and economic death. General insurance deals with the exposure to risk of goods and property, whereas life insurance is a way to meet the contingencies of physical death and economic death. The proceeds of the policy are paid to the beneficiaries in the event of the guaranteed premature death, and annuities safeguard the assured against economic death when he lives too long to provide for his needs. Insurance is the business of protecting the economic worth of assets, and every asset has a value. For the owner, the assets are valued because he expects to gain from them. The benefit could be in the form of money or anything else. Every asset has a limited lifespan during which it performs. None of them can last indefinitely. A family's greatest asset is its human life, which has enormous value. In every person's life, there is a negative or unpleasant situation. Saving through life insurance ensures complete protection against the risk of the saver's death. In the event of death, life insurance guarantees payment of the entire sum assured, plus bonuses if applicable. As a result, insurance is a device that helps to mitigate the impact of such adversity.
On the occurrence of the event insured against, life insurance is a contract that promises payment of an amount to the person assured or his nominee. The contract is valid for the payment of the insured amount within the following periods:

a) The date of maturity of policy
b) Specified dates at periodic intervals of policy terms
c) Unfortunate death, if it occurs earlier

The contract also stipulates that the policyholder must pay the insurer premiums on a regular basis. Life insurance is widely recognized as an institution that reduces "risk" by exchanging "certainty" for "uncertainty" and comes to the family's help in the tragic event of the breadwinner's death. Life insurance is, for the most part, civilization's partial response to the challenges presented by mortality.

1.1 Features of Life Insurance Contract

Human life is a revenue-producing asset. This asset can be lost due to an untimely death or rendered useless due to illness or incapacity caused by an accident. Death, on the other hand, is guaranteed to occur, although the exact moment is unknown. Life insurance provides coverage in the event of a death. A life insurance contract can be defined as a contract in which the insurer agrees to pay a specific sum of money to the insured in exchange for a premium, either on the insured's death or at the end of a specified period. Section 2(ii) of the Insurance Act of 1938 broadens the definition of a

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life insurance contract to include annuity activity. Because a life insurance contract is not an indemnity contract, the insurer's promise to pay a defined sum on policy maturity at death or an amount in instalments for a set term or for the rest of one's life is absolute.

Followings are the features of life insurance contract:

- Nature of General Contract
- Insurable Interest
- Utmost Good Faith
- Warranties
- Proximate Cause
- Assignment and Nomination

The first three features of a life insurance contract are critical, whereas the remaining features are merely supplemental.

1.2 Economic Theories of Insurance

Individuals spend their time in either activities that generate cash or activities that do not. Economists refer to these two states of nature as work and leisure for the purpose of simplicity. How a given individual divides his or her work and leisure time is influenced by one's investment in self, i.e., human capital, one's preferences, time, wealth, income, and a variety of other factors. Work generates money, which is then used to explain consumer spending and saving patterns across time.

As a result, the idea of Human Life Value (HLV) provides a normative economic approach to life and health insurance planning. It suggests how one should act. From a cost standpoint, it gives an economic justification for purchasing life and health insurance. The HLV idea gives an economic justification for purchasing life insurance, but not an explanation. Insurance premium payments restrict current spending in order to protect individuals' or their dependents' later consumption capabilities. Every consumption theory starts with the assumption that rational consumers want to get the most out of their money. Consumer happiness is measured by utility, which is generated from economic products. As a result, maximization of lifetime utility entails consumers attempting to organize their lifetime salaries in such a way as to attain an optimal lifetime consumption pattern. This entails making plans for the future rather than focusing solely on the present. The principle is sound, but on what basis should we expect individuals to allocate resources between the present and the future, or, to put it another way, between present consumption and future consumption? The absolute income hypothesis, relative income hypothesis, life cycle hypothesis, and permanent income hypothesis are four theories in economic literature.

1.3 Statement of The Problem

Since its inception in 1956, LICI has been the only player in the insurance field, with a 100 percent market share. Because it was the only life insurance company marketing this policy at the time, the performance was excellent. However, the performance was far from what it should have been. The entire scenario changed after the Insurance Act was amended in 1999 and the IRDA Act was passed. In India, the insurance industry has changed dramatically during the previous decade. In developing countries, the insurance industry contributes to the financial sector of the economy and also provides a social safety net. This research examines how the insurance business has improved after private insurers entered the Indian market. Profitability, customer happiness in terms of claims settlement, product knowledge, service quality, and the maximum number of lives covered are all critical in today's competitive business environment. Customer loyalty is emerging as a critical competitive advantage. Companies are no longer making platitudes about the premise that "the customer is king," but they still value excellent customer service above their desire to gain market share. In light of the foregoing, it was deemed important to investigate the performance of life insurance companies, with a comparative analysis of the public and private sectors proposed.

2. RATIONALE OF THE STUDY

Since the liberalization, privatization, and globalization of the Indian economy in general, and the insurance sector in particular, the structure of the insurance industry has changed dramatically. For nearly four decades, LIC was the only player in the life insurance market, with a virtual monopoly. In the early 1990s, India's government embarked on a liberalization, privatization, and globalization programme. The goal of this programme was to open up the economy, including most of its essential sectors, to private entrepreneurs. International Corporation's expansion into other commercial and service sectors was also envisaged. This government action drew some private and international firms in the insurance market, which has been one of the most profitable sectors of the financial sector.

Privatization attempts to benefit society by improving customer service and increasing the variety of high-quality items available at competitive pricing. Its main goal is to break into the insurance market in rural and semi-urban areas. As a result, by 2000-01, 12 private companies had entered the Life Insurance market. The entry of so many companies into this industry was bound to have an impact on Life Insurance Corporation's performance. As a result, the public sector

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behemoth of life insurance, i.e. LIC, which had never faced competition before, suddenly had to compete with private players that could boast of their partners' extensive experience in industrialized countries around the world. They've also implemented a variety of creative policies and strategic plans. The whole business of Life Insurance Corporation, in terms of premiums, sum assured, and number of policies, as well as its market share, were likely to be impacted. To maintain its market position, the Life Insurance Corporation had to adapt its marketing techniques and implement new, bolder, and aggressive marketing programmes. It needed to improve customer service and provide more training to its employees. As a result, it is necessary to examine the business performance of Life Insurance Companies following the liberalization policy regime in order to determine any changes that may have occurred, as well as any restructuring that may have occurred, as a result of the entry of private players into the life insurance sector. As a result, evaluating the performance of both public and private life insurance businesses becomes critical.

3. REVIEW OF LITERATURE

After a brief examination of some past studies both at the national and worldwide level relating to different parts of insurance research works and their findings, this research work with the aforementioned statement of problem was presented and undertaken. In India, there is a vast array of papers, books, journals, and other study materials connected to the insurance industry. The following are some of the studies that the researcher has looked at:

Anderson and Nevin (1975) looked at the life insurance purchasing habits of young newlywed couples in their study. A number of explanatory variables were used to assess the link between two dependent variables, the amount of life insurance purchased and the type of life insurance purchased. Multiple classifications analysis is used to look at the independent variables, psychographic variables, and other explanatory factors, some of which have never been looked at previously. Education of the husband, current family income, predicted household income (10 years), net worth of the household, husband's insurance before marriage, and wife's insurance before marriage were all statistically significant in explaining the amount of life insurance acquired. The purchase of more life insurance was found to be much more likely in households where the husband did not attend college, current and expected household incomes were in the low and high ranges, net worth was higher, the husband had purchased no life insurance before marriage, and the wife had purchased term insurance before marriage. Net wealth, wife's insurance portfolio before marriage, and influence of insurance agent were found to be statistically significant in explaining the type of life insurance acquired. The purchase of term insurance was shown to be far more frequent in homes with a higher net worth, a wife who purchased term insurance prior to marriage, and no influence from the insurance agent. This shows that the sort of insurance chosen by young married households is influenced by the woman and the insurance agent.

In his article, Goldsmith (1983) devised and analysed the relationship between a wife's human capital accumulation and household purchases of husband's life insurance. The extent to which households substitute the wife's human capital for husband's life insurance was empirically explored using 1980 data on insurance buyers and non-buyers. To eliminate the problem of selectivity bias, the two-bit estimating technique was used. Households with a more educated wife were found to have a reduced likelihood of acquiring term insurance on the husband, ceteris paribus. Furthermore, characteristics that lessen the uncertainty associated with the wife's human capital's marketability appear to increase replacements of her human capital for life insurance and decrease the likelihood of a purchase. The findings also support the concept that households replace life insurance with accumulating, marketable, non-human capital assets. The present household income, existing coverage, current non-term insurance purchase, household characteristics, and the decision-making environment were all found to have substantial influences on the husband's decision to purchase term insurance. Over the course of her life, the wife's stock of human capital will fluctuate. Human capital is enhanced by health, education, and on-the-job training, while it is depleted by depreciation and obsolescence. As a result, the family's desired amount of life insurance coverage is likely to change over time. Unfortunately, the current structure of the insurance relationship hinders households from making complete changes to their insurance holdings. An supplementary policy can be purchased to boost the level of coverage to the appropriate level. Once a long-term contract is authorised, however, the coverage level can only be modified by ceasing premium payments and, as a result, coverage. This institutional constraint, which limits downward adjustment flexibility, could explain why households with a better-educated wife are less likely to buy term life insurance for the husband.

In his Ph. D. thesis on the "Role of Life Insurance Corporation of India," Golok Ch. Deka (1987) noted that structured life insurance development in the Northeast began only after nationalisation. The study looks at the growth of the life insurance industry in the Northeast from September 1, 1956, to March 31, 1984.

Rao (1989) examined the expansion of the life insurance business in India in terms of new business and coverage area in his essay "Life Insurance Business in India: Analysis of Performance." In comparison to a variety of macroeconomic aggregates, the life insurance industry has made steady improvement. The numerical readings of several indicators indicate that there is a great deal of room for improvement. Organizational reforms such as the decentralisation of divisional office functions and the dispersion of policy servicing at branch offices have contributed to the company's growth. Since the mid-1970s, there has been an upsurge in rural business and group insurance activity. The more

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urbanised Zones have more business, according to the examination of Zonal business. Despite this, the life insurance industry is underserved in terms of coverage and contribution to national income and savings. In India, there is a lot of room for future growth in the life insurance industry. Given the trend toward deregulation, LIC can better position itself to compete with other private insurers in the global marketplace.

4. RESEARCH METHODOLOGY

The research focuses on the performance of India's state and private life insurance businesses. In terms of market share, profitability, premium collection, claim settlement status, and the number of lives covered by policies, the researcher examined the performance of public and private sector insurance organisations. Aside from that, a study of buyer knowledge of life insurance products and customer satisfaction was conducted. The research is divided into two sections: public sector and private sector insurance businesses. The Life Insurance Corporation of India is part of the public sector. In order to pick a sample of private enterprises, the researcher used the judgement sampling method. In this situation, the researcher has only considered companies that were registered under this Act on or before January 1, 2001.
Sample units of study: The researcher has selected following private and public sectors companies for the study.
Private Sector Companies: In 1999, many legislation relating to the insurance industry were modified. In December 1999, the Insurance Regulatory and Development Authority (IRDA) was founded to govern and ensure the insurance industry's orderly expansion. The IRDA was given permission to allow companies incorporated in India to conduct life insurance business as long as foreign shareholding did not exceed 26%.
Public Sector Companies: As the public sector insurance company is only LICI**,** therefore the researcher has collected information from LICI and compared the same with the average performance of all select private insurance companies. In case of interpreting information related to performance of the companies the researcher has collected information on national basis regarding market share, profitability, premium collection by the insurance company. For interpreting the information related to customers awareness for various products and satisfaction level the researcher has collected primary data from the policy holders of public and private life insurance companies located in NCR Region. In this context, NCR Region has been chosen, as majority of private insurance companies are operating in NCR Region.

5. Result and Discussion

Nationalisation of Life Insurance Business - The reasons for the nationalisation of the life insurance sector are well-known, and they mostly involve unethical practises by some players that are detrimental to customers' interests. Nationalization has given the sector unrivalled stability, development, and reach. Furthermore, these achievements were accompanied by a sense of insensitivity to market needs, traditions in the adoption of modern practises to upgrade technical skills, and a sense of lethargy, all of which contributed to the public's perception that the insurance industry was not fully responsive to customer needs. Nationalization of the life insurance industry is required in order to:

- Ensure that policyholders are completely safe.
- Ensure that life insurance monies be used for nation-building purposes.
- In competitiveness, avoid wasting time and effort.
- Dividends provided to insurance company stockholders should be saved.
- Avoid certain unfavorable policies implemented by some insurance company executives.
- Disseminate the message of life insurance to the underserved rural communities.

On January 19, 1956, the Government of India took the first move toward nationalisation of the life assurance industry in India by promulgating an ordinance vesting management and control of the country's life insurance sector in Indian, non-Indian insurers, and Provident Societies. Furthermore, the companies continued to exist as independent entities, with their respective shareholders continuing to own them. They introduced a measure in parliament on June 18, 1956, which became the Life Insurance Corporation Act (XXXI of 1956) and was published the next day. It takes effect in July of 1956. From the scheduled day, all assets and liabilities relating to the life assurance business in India of all registered Indian insurers were to be transferred to and vested in the Life Insurance Corporation of India. A corporation called the Life Insurance Corporation of India (LIC) was founded under this Act, and it began operations on September 1, 1956. Since nationalisation, India's life insurance industry has been inextricably linked to the state-owned LIC, which wields a disproportionate amount of power in the economy in two ways. To begin with, as a national insurance agency, it pools and redistributes risks connected with policyholders' deaths across millions of homes. In many cases, insurance policies include provisions for retirement savings. As a result, life insurance is critical from a social standpoint. Second, as a significant collective savings institution, LIC serves as a key financial intermediary in the economy, channeling investible funds to productive sectors. As a result, insurance enables large-scale mobilization of household savings for rapid industrialization and self-reliance in heavy industries for the country's growth, as well as conducting business in the spirit of trusteeship and giving protection to people in all parts of the country.
During the previous decade, the life insurance industry has experienced remarkable expansion across the country. Our country's economic situation is rapidly changing. Insurance penetration has increased since private insurers entered the market. LICI had a monopoly in the life insurance business before it was nationalised, and afterwards private firms with

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foreign ties entered the Indian market. Consumers have become more critical of service quality as a result of the implementation of government policies on globalisation and liberalisation. Consumers are becoming more aware of the service options available, and their expectations are rising as a result. Provider organisations should be mindful of these expectations. In such a climate, it's past time for the industry to focus on the untapped market prospects in front of them. Comparison of Public and Private Life Insurance Companies in India - Prior to liberalization, LIC was the sole major player in the life insurance industry. In August 2000, the IRDA opened the insurance market to private participants. In terms of (A) market share, (B) number of new policies issued, and (C) total life insurance premium, public and private life insurance businesses are compared.
Market Share of Life Insurers Based on Total Premium - Life insurance businesses' market share is a significant indicator of their growth and performance. It displays a company's total sales for a given time period. From 2000-01 to 2017-18, the table shows the market share of public and private life insurance companies.

Table: 1 Market Shares of Life Insurers Based on Total premium

Year	Public sector (%)	Private sector (%)
2000-01	99.98	0.02
2001-02	99.46	0.54
2002-03	97.99	2.01
2003-04	95.29	4.71
2004-05	90.67	9.33
2005-06	85.75	14.25
2006-07	81.90	18.10
2007-08	74.39	25.61
2008-09	70.92	29.08
2009-10	70.10	29.90
2010-11	69.77	30.23
2011-12	70.68	29.32
2012-13	72.70	27.30
2013-14	75.39	24.61
2014-15	73.05	26.95
2015-16	72.61	27.39
2016-17	71.81	28.19
2017-18	69.36	30.64
2018-19	69.29	30.12
2019-20	70.12	31.91

According to the table, LIC's market share has been steadily declining from 99.98 percent in 2000-01 to 69.77 percent in 2010-11, with a small recovery from 2011-12 to 2013-14, before declining again in the following four years. Private life insurers, on the other hand, have increased their market share from 0.02 percent in 2000-01 to 30.23 percent in 2010-11, with a small dip from 2011-12 to 2013-14, before climbing again in the following four years.

Number of New Life Insurance Policies Issued by Life Insurers
The number of new life insurance policies issued by life insurance companies is also an important pointer of growth and performance of life insurance companies. The table shows the number of new life insurance policies issued by public and private life insurance companies from the period of 2002-03 to 2017-18.

Table:2 Number of New Life Insurance Policies Issued By Life Insurers (In Lakhs)

Year	Public sector	Private sector	Total
2002-03	245.46	8.25	253.71
2003-04	269.68	16.59	286.27
2004-05	239.78	22.23	262.11
2005-06	315.91	38.71	354.62
2006-07	382.29	79.22	461.52
2007-08	376.13	132.62	508.74
2008-09	359.13	150.11	509.23
2009-10	388.63	143.62	532.25

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2010-11	370.38	111.14	481.52
2011-12	357.51	84.42	441.93
2012-13	367.82	74.05	441.87
2013-14	345.12	63.60	408.72
2014-15	201.71	57.37	259.08
2015-16	205.47	61.92	267.38
2016-17	201.32	63.24	264.56
2017-18	213.38	68.59	281.97
2018-19	210.19	69.12	289.13
2019-20	233.71	69.93	292.99

From 2002-03 to 2017-18, the number of new policies has increased and decreased. In terms of new policies issued, the table shows that LIC sold the newest policies in 2009-10. Private life insurers, on the other hand, sold the newest plans in 2008-09.

Total Life Insurance Premium

Because total premium is the primary source of income for life insurance businesses, it is the most important indicator of the industry's growth and development. From 2000-01 to 2019-20, the table illustrates the total premium income of public and private life insurance firms.

Table:3 Total Life Insurance Premium (In Crores)

Year	Public sector	Private sector	Total
2000-01	34892.02	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	28253.00	156075.84
2007-08	149789.99	51561.42	201351.41
2008-09	157288.04	64497.43	221785.47
2009-10	186077.31	79369.94	265447.25
2010-11	203473.40	88131.60	291605.00
2011-12	202889.28	84182.83	287072.11
2012-13	208803.58	78398.91	287202.49
2013-14	236942.30	77359.36	314301.66
2014-15	239667.65	88433.49	328101.14
2015-16	266444.21	100499.02	366943.23
2016-17	300487.21	117989.26	418476.62
2017-18	318223.20	140586.24	458809.44
2017-18	318223.20	141186.12	415809.14
2017-18	318223.20	149125.29	425809.29

According to the table, LIC's total premium in 2000-01 was 34892.02 crores, and it climbed to 318223.20 crores in 2017-18. It was only in 2011-12 that it fell from the prior year. Private life insurers' total premiums, on the other hand, climbed from 6.45 crores in 2000-01 to 1,40,586.24 crores in 2017-18. Between 2011-12 and 2013-14, the total premium decreased.

5. CONCLUSION

The country's insurance business has completed a full cycle, transitioning from an open competitive market to full nationalisation and then back to a liberalised market. The introduction of private businesses into the Indian insurance market has transformed the competitive landscape, and these players' aggressive marketing campaigns have raised client awareness. This has resulted in a quick surge in insurance business, with Life Insurance Corporation of India reaping a sizable profit as a result. The purpose of this thesis is to investigate the performance of public and private life insurance

firms. Despite the fact that the life insurance market has grown since deregulation, many Indians remain uninsured. India is a large country with 65 percent of the population living in rural areas and 35 percent living in poverty, necessitating risk-avoidance social systems of high quality. As a result, it is necessary to assess how well the life insurance sector meets the needs of clients both before and after the sale of products. It is also necessary to investigate to what extent innovative and creative products are being introduced to improve the performance of India's life insurance business.

6. LIMITATION OF THE RESEARCH STUDY

Only market share, profitability, premium collection, customer satisfaction, and product awareness are included in insurance company performance evaluations. Other factors aren't considered in this research.

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