

Performance Analysis Comparison of Life Insurance Company and Private Insurance Companies

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ABSTRACT

In India, the banking and insurance industries have a substantial impact on the inflow of capital and investments. In India, an insurance industry is amongst the most quickly growing economy in the world. India's liberalization movement has had an influence on the insurance business, as well as others elements of marketing and financial infrastructure. The customer is king in the market. The emphasis of life insurance companies is on intangible things. With the arrival of private players, the competition is heating up. To attract consumers and meet their needs, every company seeks to use new inventions and innovative product attributes. The main objective of this research performance analysis comparison of Life Insurance Company and private Insurance Companies. The insurance business in India is critical to the country's economic well-being. It improves individual savings chances, safeguards their future, and aids the insurance sectors in establishing a big pool of the assets.

Keywords

Financial, Insurance Sector, LIC, Private Companies, Service Quality.

1. INTRODUCTION

In the civilized world, the necessity for insurance is as ancient as business and trading. Risk is a part of life, commerce, and trade. It will be safe because of the insurance. Throughout India's financial system, the insurance industry has played a key role. It has also helped India achieve its goal of creating an efficient, effective, more stable economic climate. It also meets the demands of the country's actual economy and socioeconomic objectives. It is making headway into the economy's innards and is regarded as one of India's banking sector's fastest-growing segments. It had been collecting long term savings via life insurances to assist economic development or growth [1].

1.1. Life insurance

Because of the importance of customizing specific requirements, the selection of goods obtainable, the difficulty associated in policies or practices, but rather, ultimately, there is a need to participate the customer throughout every component of the transaction, healthcare insurance is a service business that's also preceded by significant consumer participation. In recent years, life insurance, also known as life assurance, had ceased to be just a 'Protection' and 'Legacy' for the family. And has grown into a significant investment vehicle. India's economic expansion has made it the world's most profitable insurance market [2].

1.2. The Life Insurance Industry Is Growing

There was no fierce rivalry in the Indian insurance industry when it first opened its doors. There was just one public sector life insurances firm in India till 2000, Life Insurances Corporation (LIC). The Indian government has allowed the financial sector to be privatized in 1999, or the Financial Services and Markets Authority was formed to oversee and expand the sector. The IRDA has awarded licenses and allowed private businesses to enter life insurances market. As a consequence of the liberalization in 1999, India's insurance business grew rapidly, and private firms were permitted to join life insurances market. In terms of premium revenue, new business contracts, number of commercial offices, products, agents, and riders, the Private life insurance sector has grown dramatically since 2000. The Indian insurance business is undergoing a period of rapid expansion, driven by firms that are attempting to alter market dynamics via modernization and development. In India, there are now 23 personal private insurers and one governmental life insurer. According to McKinsey research published in 2007, India is expected to become the world's fifth-biggest market by 2025.

1.3. The Life Insurances Corporation of India is a government-owned corporation

The only public sector life insurance business in India is Life Insurances Corporation of India (LIC). It was founded on September 1, 1956. The government Life Insurance Corporation was formed by the merger of over 245 insurance firms including provident societies. With only an assessed assets value of the 1660481.84 crores, it's indeed India's biggest insurance firm. It has a total life reserve of Rs.1443103.12 crore as of 2013, with a total value of insurance sold of Rs.377.82 lakh [3].

1.4. Monopolistic Growth

Since its founding, the Insurance, which held a monopoly on the solicitation and sale of life insurance in India, has maintained considerable surpluses [4]. The Corporation had grown from 400 offices, 5.8 million policies, or a corpus of INR 46 crores (93 million at the 1960 currency rate of roughly 5 for US\$2) to 27,000 offices, 351 million policies, but a corpus from over 800000 crore even by turn of the nineteenth century.

1.5. In India, there are a variety of life insurance companies

1.5.1. The Government Sector

A public sector insurance company is one in which the government owns 51 percent or more of the stock. State or federal governments are also possible. As a result of Nationalization and all the laws that were established, the government acquired insurance company interests.

1.5.2. India's Life Insurance Corporation

Since its inception, the role of LIC has been to spread life insurance throughout rural areas but to the socioeconomically disadvantaged strata of our society, to reach all insurable people as well as provide them with acceptable financial defense against death at reasonable cost. Increasing the fraction of the people savings by the creation savings-linked insurance appealing. Act as trustees for the public, who have both personally and collectively insured their money. Conduct business with the full awareness that the money belongs to the policyholders of insurance. Meet a variety of people's needs in place of life insurance, which would arise owing to the dynamic character of the socio-economic environment [5].

1.5.3. LIC's Functions

It is necessary to provide insurance policies to consumers at affordable costs. To secure the money of persons who have invested in LIC, invest funds in government securities. Provide loans to a variety of national initiatives that are critical to the economy's development. India's main savings and investment connection is Housing loans with a fair interest rate [6].

1.5.4. The Commercial Sector

For investors and shareholders in the life insurance industry, all entrance limitations imposed by the Indian government in the years 2000 and 2001 have been eliminated. Foreign direct investment was also permitted in the life insurance industry. Currently, 23 private firms compete in Indian life insurances industry for the maximum possible share of increasing market while preserving their existing position [7].

1.6. The following are private firms in the life insurance industry

- Tokyo Life Insurances Co., Ltd.
- Edelweiss Tokio Life Insurances Co., Ltd.
- Shriram Life Insurances is a company that provides life insurances.
- Aviva India is an insurances company based in India.
- Religare Life Insurances, Aegon Life Insurances Company (AEGON).
- Bajaj Allianz Life Insurance is a Bajaj Allianz-owned life insurance firm.
- Sun Life Birla.
- HDFC Standard Life Insurance Company Limited is a life insurance company based in Hong Kong.
- DLF Pramerica Life Insurance is a life insurance company based in India.
- Future Generali Life Insurance Co Ltd is a company that provides life insurance to people in the future.
- ING Life Insurances is a company that provides life insurance.
- Max Life Insurances is a company that provides life insurances.
- Kotak Life Insurances is a company that provides life insurance.
- PNB MetLife India Insurances Coverage is an Indian life insurance provider.

- Sahara Life Insurances is a company that specializes in providing life insurance
- TATA AIA Life Insurances.
- SBI Life Insurances Company Limited is company that provides life insurance.

1.7. Performance of Public and Private Life Insurance Companies

Textbooks, national and international papers, and LIC annual reports were used to get the necessary information. Secondary information was gathered from Insurance Regulatory and Development Authority (IRDA) annual reports, the IRDA journal, and Life Insurance Today. In addition, a few websites were examined. Statistical methods such as percentages, ratios, growth rates, and coefficients of variation were utilized to analyze the data [8].

1.8. What Is The Function Of Private Insurance Companies

After experimenting with numerous models for insurance business, including privatization with little regulations (before 1957) or nationalization (1957-2000), the government decided to combine the two, resultant in the privatizations of the sector with an effective regulatory framework (post-2000.00). This was started to make the sectors more competitive so that more competitors are providing a wider range of goods to a wider audience. Private insurance businesses perform the same functions as public insurance companies, except ownership.

1.9. A Quick Look At The Current Market Situation

In India, the insurance sector's entire market size is estimated to reach approximately 280 billion dollars by 2020. The government's engagement in the policy of insuring's the uninsured has steadily elevated insurances penetrations and the development of insurances schemes in the nation. The total or gross premium received by Indian life insurances firms increased from 39.7 billion dollars in the previous financial year to 94.7 billion dollars in the current financial year. Premiums from the new business of life insurance firms in India climbed by 15% over the financial year 12-20, reaching 37 billion dollars in FY20. In India, total insurance (premiums as a percentage of GDP) increased to 3.71 percent in the financial year 19 from 2.71 percent in the previous year [9].

1.10. LIC In Comparison To Private Companies

LIC may be compared against a total of 23 private businesses based on three criteria: market share, client base, and claim settlement ratio. LIC today owns 71.8 percent of Indian life insurance industry, with the remaining 28.19 percent held by private insurances companies. In 2017, a total of 264.56 lakh policies were issued by all life insurance companies, with LIC alone accounting for 201.32 lakh policies and the private sector responsible for 63.24 lakh [10]. One of the most important factors that an individual considers before purchasing an insurance policy is the insurer's complaint resolution reputation. In this context, LIC has an average of 98.31%, while the private players together have a proportion of 93.72.

1.10.1. LIC offers life insurance

- The LIC was established and registered in September of 1956.
- The insured individual may only purchase insurance using LIC's proposal form.
- The premiums charged by LIC are lower than those charged by private insurance firms.

- The LIC does not give service tax or education based on the premiums it collects.

1.10.2. Private player life insurance

- In December 2000, the IRDA granted ICICI Pru life its principal license.
- In the case of a life insurance policy with a private player, there are 24 separate application forms issued by various insurance firms.
- The premiums charged by private players are higher than those charged by LIC.
- The premiums collected by private players are subject to service tax or an education cess.

2. LITERATURE REVIEW

Efficiency analysis of a non-life insurance market in the Russia, Brazil, India, China, or South Africa (BRIC) nations was investigated by Wei Huang et al. A new component of this work is the inclusion of uncontrolled variables in efficacy studies using multi stage annual time series data. This strategy takes into account cross-country characteristics including the political or economic backdrop, allowing for a differentiation between planning and sustainable inefficiencies. They observed that the atmosphere had an impact on non-life insurer production in BRIC countries. Furthermore, inside a regression of corporate characteristics on efficiency, they uncover four effectiveness drivers: profitability, stability, size, and institutional ownership. The results expand our understanding of the insurance industry in BRIC countries, both in efficiency or operating conditions. In this light, it would be fascinating to investigate changes in efficiency over time, especially how the macroeconomic environmental factors influence them. Ultimately, the outcomes of this study should stimulate future academics' interest in environmental or efficiency concerns [11].

Alok Kumar Rai et al. conducted study on the Determinants of Customer Satisfaction: An Empirical Analysis in the Insurances Products Context. It analyses the current literature on customer satisfaction and finds seven factors that impact the creation of client loyalty. In addition, Multiple Regression Analysis was utilised to establish the relative importance of these parameters, demonstrating that service quality and commitment are the most important predictors of customer loyalty in the Indian life insurances industry. According to the findings, Indian customers are concerned about a financial service supplier's public sector status because it provides a sense of security or stability, resulting in such a difference in consumer loyalty between governmental or non-governmental life insurances. Academics interested in customer loyalty dynamics, as well as insurance marketers engaged with client relationships, may find the study useful [12].

Effectiveness of Insurance Companies: A Comparison of Formal and Informal Insurers has been investigated by Debabrata Das et al. The liberalization of India's insurance sector allowed several private insurers to enter the market, resulting in significant changes in people's choice of businesses. With the growth of the market, insurance penetration or density in the nation is improving, resulting in increased rivalry among businesses in terms of policies offered, premium collection, claims settlement, and other factors. To remain competitive, companies are using a variety of marketing channels in addition to the traditional channel of marketing via individual agents. The purpose of this paper is to emphasize the performance of the life insurance industry in terms of several characteristics, as well as to shed light on the various marketing channels used [13].

A Comparative Study of LIC, as well as Private Insurance Companies, was investigated by Ms. S. Nazneen et al. Following the privatization of insurance, competition has intensified. The insurance industry's landscape altered with the entry of private players. Their research aids in comparing the LIC to new private life insurances businesses in term of the services quality, client happiness, awareness, consumer preference, as well as overall operations. It demonstrates the customer's perspective on their business. In comparison to LIC, private responders had greater difficulties. In comparison to private insurance, LIC's grievance handling is excellent, and responders are happy with their method [14].

Customers' views of India's Life Insurance Companies Dr. H. S. Sandhu researched Quality Of service: A Analyze The issue Approach. In today's extremely competitive marketing, service quality has become a critical co-efficient. In today's competitive market, offering excellent customer service is vital to every business's present success and long-term viability. Insurance, India's biggest insurer, has established "benchmarks" to re-energize the notion of service excellence. Data was submitted from 338 consumers in Punjab's cities. Skilled, Media as well as Presentations, Physical but instead Ethical Excellence, Delivering Services Process but also Purpose, Security or Dynamic Processes, Credibility, but also Functionality has been refined into a seven-factor construct that represents Competency, Media but also Presentations, Physical as well as Ethical Outstanding quality, Service Delivery Process as well as Purpose, Security but instead Dynamic Processes, Credibility, but also Functionality. In addition, the research looks at the link between all of the suggested service quality categories but also clients' overall satisfaction with life insurances service quality [15].

Research Questions

- How do life Insurance companies help people in his life?
- How do insurance companies operate?

3. METHODOLOGY

3.1. Design

The study's goal was to look at the economic performance of the Indian life insurance businesses by looking into the factors that influence their profitability. Evaluating the performance of insurance firms has become important since they not only provide a method for saving money or dealing with potential, but they often assist in channeling cash from surplus to deficiency economic units to support the economy's capital investments. Companies' success may have an impact on the economy as a whole, necessitating empirical study to assess their performance. Profitability statements such as the current ratio, ratio, solvency, return on capital ratio, or insurer leverage ratio have indeed been computed to assess financial performance.

3.2. Sample

Commercial and government life insurance companies that collect samples include the Industrial Credit or Investment Corporations of the India Prudential Life Insurances, LIC, Housing Development Finance Corporations Limited (HDFC) Standard Life Insurances, SBI Life Insurances, or Birla Sun Life Insurance.

3.3. Data collection

The success of businesses may have an influence on the economy as a whole, demanding empirical research to evaluate their performance. Financial performance has been measured using profitability statements such as the current ratio, solvency ratio, return on capital ratio, and insurer leverage ratio. Data is

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collected from the different Insurance companies like public and private companies, as shown in Table 1 or Table 2.

Table 1: Selected Private Life Insurance Companies & LIC of India's Current Ratio

Year	LIC	ICICI Prudential Life Insurances	HDFC Standard Life Insurances	SBI Life Insurances	Birla Sun Life Insurances
2010	06.79	0.77	1.38	0.65	0.88
2011	13.11	0.64	1.09	0.41	0.85
2012	01.35	0.37	0.65	0.85	0.86
2013	155.4	0.43	0.82	0.77	0.92
2014	0.25	0.59	0.85	2.56	0.92

Table 2: LIC & Selected Private Life Insurance Companies Liquid Ratio

Year	LIC	ICICI Prudential Life Insurance	HDFC Standard Life Insurance	SBI Life Insurance	Birla Sun Life Insurance
2010	1.17	0.11	0.65	0.08	0.64
2011	04.64	15.31	0.47	0.19	0.71
2012	02.45	0.34	0.24	0.33	0.71
2013	58.61	0.22	0.30	0.17	0.74
2014	02.90	0.18	0.37	1.85	0.67

3.4. Data Analysis

The research claims that LIC, a government-owned company, has the greatest liquidity situation of all life insurers. Future Shri Ram, Generali, IDBI, Sahara, and SBI Life are among the private firms with solid liquidity situations. When it comes to solvency, life insurers like Aviva, Bajaj Allianz, Max Life, IDBI, Sahara, as well as SBI life insurance have a greater solvency ratio than others. In five years, the solvency situation of public life insurance has been stable, as shown in Table 3. The study also demonstrates that LIC outperforms private life insurances businesses in term of financial success.

Table 3: LIC & Selected Private Life Insurance Companies Long-Term Solvency Ratio

Year	LIC	ICICI Prudential Life Insurance	HDFC Standard Life Insurance	SBI Life Insurance	Birla Sun Life Insurance
2010	0.502	1.31	0.55	0.28	5.93
2011	0.048	0.14	0.62	0.17	3.79
2012	0.044	0.98	0.52	0.14	2.27
2013	0.042	0.74	0.42	0.13	1.62

2014	0.047	0.55	0.29	0.02	1.35
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Internal stocks have been used by LIC to invest more than external equities. In terms of leverage analysis, LIC's performance is considerably superior to those of private players. Profitability has a considerable positive link with liquidity or size, according to the study's regression analysis. Profitability, but on the other hand, has a considerable negative connection with capital. Profitability has no meaningful association with solvency or insurance leverage, according to the findings. As a result, it's essential to uncover characteristics that might aid insurance businesses and investors in increasing their profits, as shown in Table 4.

Table 4: Selection of an insurance policy is influenced by several factors

Factor	LIC		Private Insurance companies	
	Mean score	Rank	Mean Score	Rank
Good Return	5.7	4	6.8	2
Tax Saving	5.01	4	5.3	4
Security	8.5	2	7.2	2
Risk Coverage	6.2	2	5.9	3

4. RESULT AND DISCUSSION

Mean score is used to determine which element has the most impact on policyholders' attitudes regarding insurance. The findings demonstrate that in terms of security, governmental and non-governmental life insurance businesses have higher mean scores. Security is a crucial consideration evaluated by policyholders both in governmental and non-governmental life insurance firms when choosing a life insurance policy. The market has grown in size, or the Indian population who needs to be insured has grown as well, with present players barely covering around a quarter of the population, as shown in Table 5. Whenever it comes to audience targeting, people have a lot of possibilities. Interest rate reductions, the bankruptcy for small-time banking companies, and the possibility to enter the market in areas like pensions, banks, or e-commerce are all possibilities.

Table 5: illustrate the Satisfaction with the quality of the service to private and public Life Insurance companies

Factors	Private companies	LIC
	Mean Score	Mean Score
Switching facility	2.57	2.97
Bonus	2.25	2
Rider facility	3.13	3.17
Top up facility	2.93	3
Surrender facility	2.17	2
Customers complaint	2.5	2.3
Loan facility	2.04	2.69
Total	2.57	2.50

The survey concluded that policyholders of both Life insurance companies are dissatisfied with the quality of service provided by their life insurance firms to determine if they are happy with various aspects of insurances. Private health insurers made a return in 2014-15 after losing market share to LIC in life insurances sectors for previous four years. According to Insurances Regulatory or Development Authority statistics, new premium inflows to private life insurers increased by 17percentage points in the first nine months of the current fiscal year, while LIC inflows decreased by 21percent. By December 2014, private life insurers had increased their market share to

30 percent, up from 22.4 percent a year earlier. The companies that have profited the most include ICICI Prudential Life, HDFC Standard Life, or state bank of India (SBI) Life. LIC's markets share has fallen from 77 percent to 71 percent.

5. CONCLUSION

In the world of life insurance, LIC is a major participant. The market has expanded in size, as well as the population of India that needs to be insured is large, with current players only covering around one-fourth of the population. Players have a lot of options when it comes to targeting their audience. Other prospects include interest rate reductions, the failure of small-time financial organizations, and the ability to join the market in sectors such as pensions, banking, or e-commerce. Life insurance has become a necessary part of every economy since it allows for the accumulation of enormous quantities of money over a lengthy period. India aims for a hassle-free, stress-free future by having a very well life insurance agency.

Because it allows for the accumulation of large sums of money over a long period of time, life insurance has become a mainstay of every market economy. Despite the fact that privatization of the insurance industry is predicted to hurt the LIC's prospects, the study shows that the LIC leads the market. Insurance businesses in the private sector also attempted to expand their markets share. When opposed to the LIC, private insurance businesses used more creative commercial marketing strategies. By selling more unit-linked policies, private enterprises may be able to win market share from LIC. There were also notable disparities in the investment patterns of LICs and private insurers. Despite large losses, private life insurers had a far higher solvency ratio than the LIC. Private life insurers had a higher lapse rate than LIC, and LIC handled death claims better than private life insurers. The primary goal of this study is to compare the performance of life insurance companies versus private insurance companies. India's insurance industry is vital to the country's economic health. It increases individual savings opportunities, protects their futures, and assists the insurance industry in building a large pool of assets.

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