

# The Comparative Analysis of Life Insurance Business: LIC of India Vs Private Life Insurers

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**Abstract**—*Entries of private life insurers broke the monopoly of LIC of India and brought a tough competition among the players. This competition resulted into innovations in products, pricing, distribution channels, and marketing in the Indian life insurance industry.*

*Throughout the research paper an attempt had been made to know the life insurance business figures of LIC of India and private life insurance companies during FY 2007-08 to FY 2016-17. The paper reveals to arrive at the conclusion about comparative analysis of Indian life insurance business by public life insurance company LIC of India with country's private life insurance companies. All private life insurance companies selected jointly to appraise of Indian life insurance business along with the business of single public life insurance company LIC of India there.*

*Life insurance markets are showing clear signs of expansion, requiring life insurers to be innovative in their approach towards achievement of sustainable growth. The intention of this research paper was to inform the public life insurer LIC of India as well as private life insurers regarding their counter competition. The aim of this paper was to reach those with limited knowledge of Indian life insurance business and provide them a comparative analysis with the different life business figures.*

**Keywords:** *Life Insurance, LIC of India, Private Life Insurers, Life Insurance Business Figures.*

## 1. INTRODUCTION

Opening of the life insurance sector for private insurers broke the monopoly of the public sector company LIC of India. Though the sector is growing fast, the industry has not yet insured even 50 percent of insurable population of India. Several factors are responsible for the low levels of insurance penetration in the country.

These include low consumer preference, untapped rural markets and constrained distribution channels. Before opening the sector to private insurers, it was felt that low levels of insurance penetration were due to ineffective market strategies adopted by LIC of India. Being a monopoly, the company had no strategic market plan. Advertising initiatives were limited to the print and electronic media, which mainly promoted

products of LIC of India as being tax saving tools for salaried individuals.

Although the level of penetration has increased after the entry of private life insurers, it is still low compared to other countries. To achieve this objective by LIC of India and private life insurer companies, it is very important to know the current status of life insurance business. The present study is an attempt to do comparative analysis of life insurance business amongst LIC of India and private life insurers.

## 2. OBJECTIVE OF THE STUDY

1. To know the life insurance business figures of LIC of India and private life insurers during FY 2007- 08 to FY 2016-17.
2. To compare businesses of public life insurance company LIC of India with country's private life insurers.

## 3. RESEARCH METHODOLOGY

The study is based on the available published data and literature. The data relating to LIC of India and private life insurers have been mainly taken from the IRDAI Annual Reports and IRDAI Annual Statistical Handbook. The information so collected has been classified, tabulated and analysed as per the objective of the study. Throughout the study an attempt has been made to know the life insurance business figures of LIC of India and country's private life insurance companies during FY 2007-08 to FY 2016-17. Also the study reveals to arrive at the conclusion about comparative analysis of life insurance businesses by public life insurance company LIC of India with country's private insurance companies.

## 4. CURRENT STATUS OF INDIAN INSURANCE INDUSTRY

### 4.1. Overview of Indian Insurance Industry in 21<sup>st</sup> Century

Where almost all the industries in the world trying hard for survival due to the major economic meltdown, but Indian

insurance industry is one of the sectors that is still observing good growth. With a population crossing 1.2 billion, India is home to the world's largest youth population between the ages of 20 to 35 years. The New Business premium is expected to grow at CAGR of 11-13% over the next 5 years. Life Insurance Sector is projected to comprise 35% of total savings by the end of this decade as against 26% in 2009-10. The future looks promising for the life insurance industry. Demographic factors such as growing middle class young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian life insurance. It is the changing trends of Indian Insurance Industry only that has made it cope with the changing economic environment.

Indian Insurance Industry has modified itself with the passage of time by introducing customised products based on customer's need, through innovative distribution channels, Indian life insurance industry searched its path to grow. Changing government policy and guideline of the regulatory authority, Insurance Regulatory Development Authority of India (IRDAI) has also played a very vital role in the growth of the sector. Move from non-linked to unit linked insurance policies is one of the major positive changes in the Indian life insurance sector. Similarly, opening of the sector for private insurer broke the monopoly of LIC of India and bring in a tough competition among the players. This competition resulted into innovations in products, pricing, distribution channels, and marketing in the industry. Though the sector is growing fast, the industry has not yet insured even 50 percent of insurable population of India. Thus the sector has a great potential to grow. To achieve this objective, life insurance sector requires more improvement in the life insurance density and life insurance penetration.

#### 4.2. Life Insurance Penetration and Life Insurance Density in India

Saturation of markets in many developed economies has made the Indian market more attractive for global insurance majors. The potential and performance of the insurance sector is universally assessed with reference to two parameters, namely, Insurance Penetration and Insurance Density. The measure of Insurance Penetration and Insurance Density reflects the level of development of insurance sector in a country. Insurance Penetration is measured as the percentage of insurance premium underwritten in a given year to Gross Domestic Product (GDP), while Insurance Density is calculated as the ratio of insurance premium underwritten in a given year to the total population (per capita premium). Similarly, Life Insurance Penetration is measured as the percentage of Life Insurance Premium to GDP, while Life Insurance Density is calculated as the ratio of Life Insurance Premium to population (per capita life premium).

**Table 1: Life Insurance Penetration and Life Insurance Density in India**

Year	Life Insurance Penetration (In Percentage)	Life Insurance Density (In USD)
2001	2.15	9.1
2002	2.59	11.7
2003	2.26	12.9
2004	2.53	15.7
2005	2.53	18.3
2006	4.10	33.2
2007	4.00	40.4
2008	4.00	41.2
2009	4.60	47.7
2010	4.40	55.7
2011	3.40	49.0
2012	3.17	42.7
2013	3.10	41.0
2014	2.60	44.0
2015	2.72	43.2
2016	2.72	46.5

Source: IRDAI Annual Report, 2016-17.

The life insurance penetration surged from 2.15 percent in 2001 to 4.60 percent in 2009. Since then, it has exhibited a declined trend. However, there was a slight increase in 2015 reaching 2.72 percent compared to 2.60 percent in 2014. There is no increase in life insurance penetration in 2016. The life insurance density had gone up from USD 9.1 in 2001 to the peak at USD 55.7 in 2010. The level of life insurance density was USD 46.5 in 2016 and had gone up maximum after USD 49.0 in 2011.

## 5. APPRAISAL OF INDIAN INSURANCE MARKET

### 5.1. Registered Insurers

At the end of March 2017, there were 62 insurers operating in India; of which 24 were life insurers, 23 were general insurers, 6 were health insurers exclusively doing health insurance business and 9 were reinsurers including foreign reinsurer's branches and Lloyd's India. Table 2 shows the total number of registered insurers including foreign reinsurers' branches/ Lloyd's India.

**Table 2: Registered Insurers including Foreign Reinsurer's Branches / Lloyd's India (As on March 31, 2017)**

Type of Insurer	Public Sector	Private Sector	Total
Life	1	23	24
General	6	17	23
Health	0	6	6
Reinsurance (Including Foreign Reinsurer's Branches /Lloyd's India)	1	8	9
<b>Total</b>	<b>8</b>	<b>54</b>	<b>62</b>

Source: IRDAI Annual Report, 2016-17.

Of the 62 insurers in operation, 8 were in the public sector and the remaining 54 were in the private sector. Two specialized insurers, namely ECGC and AIC, one life insurer namely LIC of India, four in general insurance and one in reinsurance namely GIC were in public sector. 23 life insurers, 17 general insurers, 6 standalone health insurers and 8 reinsurers including foreign reinsurer's branches and Lloyd's India were in private sector.

## 5.2. Registered Life Insurers

At the end of March 2017, there were 24 life insurers operating in India; of which one public sector life insurer was LIC of India and 23 life insurers were in private sector. Table 3 shows the list of registered life insurance companies operating in India.

**Table 3: Life Insurers Operating in India (As on March 2017)**

<b>Public Sector</b>
1. Life Insurance Corporation of India
<b>Private Sector</b>
1. Aegon Life Insurance Co. Ltd.
2. Aviva Life Insurance Co. India Ltd.
3. Bajaj Allianz Life Insurance Co. Ltd.
4. Bharti AXA Life Insurance Co. Ltd.
5. Birla Sun Life Insurance Co. Ltd.
6. Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.
7. DHFL Pramerica Life Insurance Co. Ltd.
8. Edleweiss Tokio Life Insurance Co. Ltd.
9. Exide Life Insurance Co. Ltd.
10. Future Generali India Life Insurance Co. Ltd.
11. HDFC Standard Life Insurance Co. Ltd.
12. ICICI Prudential Life Insurance Co. Ltd.
13. IDBI Federal Life Insurance Co. Ltd.
14. IndiaFirst Life Insurance Co. Ltd.
15. Kotak Mahindra Life Insurance Co. Ltd.
16. Max Life Insurance Co. Ltd.
17. PNB Met Life India Insurance Co. Ltd.
18. Reliance Nippon Life Insurance Co. Ltd.
19. Sahara India Life Insurance Co. Ltd.
20. SBI Life Insurance Co. Ltd.
21. Shriram Life Insurance Co. Ltd.
22. Star Union Dai-ichi Life Insurance Co. Ltd.
23. TATA AIA Life Insurance Co. Ltd.

## 6. APPRAISAL OF LIFE INSURANCE MARKET

The life insurance industry is rapidly growing by time, in terms of total premium collection, investment income, net profit and market share.

### 6.1. Total Premium

Life insurance industry recorded a premium income of 418476.61 crore during 2016-17 as against 366943.23 crore in the previous financial year registering the growth of 14.04 percent. While private sector posted the growth of 17.40 percent in their premium income, LIC of India has registered

the growth of 12.78 percent during 2016-17 as against in the previous year premium income.

**Table 4: Total Premium (In Cr)**

<b>Year</b>	<b>Public</b>	<b>Growth (%)</b>	<b>Private</b>	<b>Growth (%)</b>
2007-08	149789.99	17.19	51561.42	82.50
2008-09	157288.04	5.01	64497.43	25.09
2009-10	186077.31	18.30	79369.94	23.06
2010-11	203473.40	9.35	88165.24	11.08
2011-12	202889.28	-0.29	84182.83	-4.52
2012-13	208803.58	2.92	78398.91	-6.87
2013-14	236942.30	13.48	77359.36	-1.33
2014-15	239667.65	1.15	88434.35	14.32
2015-16	266444.21	11.17	100499.03	13.64
2016-17	300487.36	12.78	117989.25	17.40

Source: Compiled from Annual Reports of IRDAI from 2007-08 to 2016-17.

In 10 years of businesses, public life insurance company (LIC of India) reported more growth in premium collection only during 2011-12 to 2013-14 in comparison to total premium collection by private life insurers jointly. In last three financial years private life insurers led LIC of India.

### 6.2. Number of New Policies issued

Analysis of the table 5 reveals that during 2007-08, total numbers of new policies issued by life insurers were 508.75 lakhs in which public sector life insurer (LIC of India) issued 376.13 lakhs policies and private sector life insurers issued 132.62 lakhs policies. LIC of India faced some trouble during the year of 2007-08 and 2008-09 as corporation could not able to perform good business in terms of new business. On the other hand, the private players in the life insurance market though faced competition but able to maintain average increasing trend in respect to new policy issue. As a whole, the life insurance industry could not collect and maintained the aggressive business during 2007-08 & 2008-09 which may be responsible for financial crisis in the world economy. During 2007-08 LIC of India issued 6 new policies like Jeevan Amrit, Fortune Plus, Profit Plus, Health Plus, etc. LIC of India issued 6 new policies in FY 2008-09 such as Jeevan Astha, Health Protection Plus, Jeevan Varsha, etc. LIC of India launched 8 policies in FY 2009-10 like Jeevan Mangal, Jeevan Nischy, etc. But in the year 2010-11, the corporation launched 3 new policies and 3 new ULIPs products like Group Flexible Income Plus, Bima Account-I, Pension Plus, Endowment Plus, etc. During 2011-12, LIC of India issued 4 new policies in market such as Jeevan Arogya, Jeevan Ankur, Jeevan Vriddhi, etc. The corporation launched 3 new policies Jeevan Deep, Jeevan Sugam, New Jeevan Nidhi and 1 new ULIPs policy Flexi Plus in FY 2012-13. At the end of December 2013 LIC of India closed all existing products and reissued fresh policies with new terms and conditions in year 2014. LIC of India launched 18 new policies in FY 2013-14 in market such as Jeevan Rakshak, e-Term, New Jeevan Mangal, Amulya Jeevan II, Anmol Jeevan II, New Bima Bachat, New Jeevan

Anand, etc. The Corporation issued 8 new policies such as Jeevan Lakshy, Jeevan Sangam, Limited Premium Endowment Plan, Bhagya Lakshmi, Jeevan Shagun, etc during 2014-15. During 2015-16 LIC of India issued 7 new policies like Jeevan Pragati Plan, Jeevan Shikhar, Jeevan Labh, Jeevan Tarun, New Endowment Plus, etc. LIC of India issued 4 new policies in FY 2016-17 such as Jeevan Akshay-IV, Bima Diamond, etc.

**Table 5: Number of New Policies issued (In lakhs)**

Year	Public	Private	Total
2007-08	376.13	132.62	508.75
2008-09	359.13 (-4.52)	150.11 (13.19)	509.24 (0.10)
2009-10	388.63 (8.21)	143.62 (4.32)	532.25 (4.52)
2010-11	370.38 (-4.70)	111.40 (-22.10)	481.52 (9.53)
2011-12	357.51 (-3.47)	84.42 (-24.04)	441.93 (-8.22)
2012-13	367.82 (2.88)	74.05 (-12.88)	441.87 (-0.01)
2013-14	345.12 (-6.17)	63.60 (-14.11)	408.72 (-7.50)
2014-15	201.71 (-41.55)	57.37 (-9.79)	259.08 (-36.61)
2015-16	205.47 (1.86)	61.92 (7.92)	267.38 (3.20)
2016-17	201.32 (-2.02)	63.24 (2.13)	264.56 (-1.05)

Source: Compiled from Annual Reports of IRDAI from 2007-08 to 2016-17.

N.B.- Figures in brackets indicate growth (in percent) over previous year.

LIC of India issued largest number of new policies during 10 years, but could not able to lead private life insurers in growth percent over previous years during 2014-15 to 2016-17.

### 6.3. Net Profit

During the FY 2016-17, the life insurance industry reported net profit after tax of 7727.89 crore as against 7414.97 crore in FY 2015-16.

**Table 6: Net Profit (In Cr)**

Year	Public	Growth	Private	Growth
2007-08	844.63	9.20%	4257.44	23.77%
2008-09	957.35	13.30%	5835.84	37.07%
2009-10	1061.00	10.80%	664.43	-88.61%
2010-11	1172.00	10.50%	1485.00	123.49%
2011-12	1313.34	12.10%	4661.00	213.87%
2012-13	1437.59	9.50%	5510.41	18.23%
2013-14	1656.00	15.24%	5932.00	7.65%
2014-15	1823.78	10.13%	5787.53	-2.44%
2015-16	2517.85	38.06%	4897.12	-18.18%
2016-17	2231.74	-11.36%	5496.15	12.23%

Source: Compiled from Annual Reports of IRDAI from 2007-08 to 2016-17.

Out of twenty-four life insurers in operations during 2016-17, eighteen companies reported profits. They are Bajaj Allianz Life, Birla Sun Life, Canara HSBC Life, DHFL Pramerica Life, EXIDE Life, HDFC Standard Life, ICICI Prudential Life, IDBI Federal Life, India First Life, Kotak Mahindra Life, Max Life, PNB MetLife, SBI Life, Sahara India Life, Shriram Life, Star Union Dai-Ichi Life, Tata AIA Life and LIC of India. LIC of India reported a profit after tax of 2231.74 crore i.e. a decrease of 11.36 percent over 2517.85 crore in 2015-16. LIC of India net profit increased continuously from 2007-08 to 2015-16. The highest net profit of public sector insurer was seen in 2015-16 i.e. 2517.85 crore. The highest net profit of private sector insurers reached in 2013-14 i.e. 5932.00 crore and thereafter decreased during 2014-15 to 2015-16. Even in 2016-17 the net profit of private sector insurers have not crossed the highest, itself in 2013-14.

### 6.4. Market Share

On the basis of total premium income, the market share of LIC of India increased marginally from 69.77 percent in 2010-11 to 75.39 percent in 2013-14. Thereafter decreased every year from 75.39 percent in 2013-14 to 71.81 percent in 2016-17. Due to innovation and customised products, novel distribution channels, aggressive marketing, etc, private players gave a tough competition to public sector company LIC of India. The market share of LIC of India decreased after the entry of private life insurer but it does not mean that the growth of LIC of India got down.

**Table 7: Market Share (Figures in %)**

Year	Public	Private
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

Source: Compiled from Annual Reports of IRDAI from 2007-08 to 2016-17.

The Corporation continued its growth even after a cut throat competition from the private players. Accordingly, the market share of private insurers has declined marginally from 30.23 percent in 2010-11 to 24.61 percent in 2013-14. While the market share of the public sector insurer has decreased consequently on the entry of new insurers in private sector but still public sector is leading in terms of market share as compared to private sector. The share of private sector has been gradually increased from 2007-08 to 2010-11. A fall in market share of private sector has been seen in 2011-12 to 2013-14. The highest market share accounted 30.23 percent of

private insurers has been seen in 2010-11 whereas the lowest market share of 24.61 percent has been in 2013-14.

## 7. FINDINGS

The total premium collection by the public life insurer (LIC of India) had been continuously remained more than the total premium collections by all private life insurers every year. But the growth in premium collection by LIC of India reduced in comparison to the total growth by private life insurers.

The number of new policies had been issued maximum by LIC of India even more than the total new policies issued by all private life insurers in ten years. But the growth in new policies issued by LIC of India reduced in comparison to the total growth in new policies issued by all private life insurers.

The net profit of the public life insurer (LIC of India) had been increased continuously every year except last financial year.

The market share of the public sector insurer (LIC of India) decreased slightly, but led every year in terms to the percentage of market share in comparison to all the private sector life insurers jointly.

## 8. CONCLUSION

LIC of India remained market leader in term of premium collection, number of new policies and every year growth in net profit. The market share of the public sector insurer decreased slightly, but led every year in terms to the percentage of market share as compared to the private sector life insurers jointly.

## 9. CONTRIBUTIONS

Life insurance markets are showing clear signs of expansion, requiring life insurers to be innovative in their approach towards achievement of sustainable growth. The intention of this research report was to inform the public life insurer as well as private life insurers regarding their counter competition.

The aim of this report was to reach those with limited knowledge of Indian life insurance business and provide them an empirical analysis with the different life business figures.

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