

Liberalisation show Awareness in field of in Life Insurance

Mr. Vikas Jain

(Research Scholar- School of Commerce DAVV Indore)

Email:- vikashjain77@gmail.com

Dr. Ramesh Mangal

Former-Head, SOC Devi Ahilya Vishwa Vidhyalaya, Indore

Dr. L.N. Sharma

Former –Dean Commerce Davv Indore

Abstract

Insurance sector in India has been facing revolutionary changes in terms of its nature, scope, business, profitability, regulation and transparency. In 1994, the Malhotra Committee has submitted its report to make regulations for the entry of private sector; to permit the foreign companies in India to increase healthy competition, to encourage new products and services in the insurance sector and to establish a competent authority to control and regulate the insurance sector. Finally, in 1999, Insurance Development and Regulation Authority (IDRA) Act was passed and IDRA was setup. So far IDRA has been permitted the license to 23 Companies. In the beginning private companies were allowed with foreign participation, which was limited to share up to 26%, now this share has been increased upto 49%. After a decade of liberalisation, it is relevant to know its impact on the life insurance business in India. The share of Life Insurance Corporation has been squeezed, although there is growth in its business in terms of number of policies and amount of premium.

Insurance Sector in India is passing through an exciting and challenging phase. The insurance services that were mostly confined to urban areas were expanded to rural areas also. After the entry of new generation in Private Sector Insurance, the Public Sector Insurance has positioned itself in such way that it is at par in terms of profitability and growth along with Private Sector. Not only Private Insurance has rapidly increased their customer base during last 14 years, but also they have increased their penetration to small cities. Due to this penetration general public also has access to Insurance through LIC & private insurance companies.

Key Word: Insurance Development and Regulation Authority (IDRA) Act, Malhotra Committee, liberalisation, Premium income, Life Insurance Corporation, private insurance company

Introduction

Before independence Insurance started in India without any regulation in the Nineteenth Century, its period of British insurance companies dominating the market serving mostly large urban centers. Then Finance Minister S. D. Deshmukh announced nationalization of the life insurance business. Life Insurance was the first to be nationalized in 1956.

At present insurance in India governed by the Life Insurance Corporation Act, 1956 and the journey of insurance Liberalisation process in India is now over fifteen years old.

The first major milestone in this journey has been the passing of Insurance Regulatory and Development Authority Act, 1999. This along with amendments to the Insurance Act 1983, LIC Acts paves the way for the entry of private players and possibly the privatization of the hitherto public monopolies LIC .

The Union Cabinet granted approval in 2013 for increase of foreign direct investment (FDI) limit in the insurance sector upto 49 per cent. IDRA has been permitted the license to 23 private insurance Companies in India. These companies included joint venture with Indian and foreign company & banks, Indian bank develop life insurance segment and private ltd company.

Life Insurance Corporation had 5 Zonal Offices, 33 Divisional Offices and 212 Branch Offices, apart from its corporate office in the year 1956. After the entry of private players Life Insurance Corporation functions with 2048 fully computerized Branch Offices, 109 Divisional Offices, 8 Zonal Offices, 992 Satellite Offices and the Corporate Office in 2013. The Life insurers have been showing a three times growth in number of offices in year 2000 to 2013. A major portion of this expansion was in the private sector whose offices more than doubled from LIC's offices.

Review of Literature

The literature review of various researches carefully reviewed to explore & describe the existing state of the research works available related to the topic, which has been considered as the problem under the study.

Research is related to problem, different reports and notification and occasional papers of insurance & liberalisation, special reports of Indian Insurance Association, Economic Survey, International and National research papers, Annual Reports of Insurance company, Insurance Journal profile 2000 to 2013 yearly issued by IRDA. Based on the above literature the researcher has enabled to identify his source for the present study.

There are many researches which analyze the performance of private & nationalised insurance company by considering different parameters i.e., market share, premium, profitability, policy etc., but no research considers all the variables together.

In view of the above research literature, although various aspects of insurance industry have been studied and their impact has well been discussed. There is no research available to the best of knowledge of the researcher, which has considered this problem under study.

Research Methodology

The research includes some basic object for analysis:

- To study liberalisation in field of life Insurance in India.
- This study aims to analyze the impact of liberalisation on life insurance business, as where do they stand on the eve of implication of Privatisation of insurance.
- The study also aims to find out the quality of services being provided by the insurance company. While attempting to bring out the status of various IRDA guidelines relating to customer services the study will also undertake the quantitative benchmarking of different qualitative services provided by the Insurance Company.

Testing of hypothesis has been analysis the secondary data on basis of Percentage Analysis, Absolute Growth, Average Growth and Trend analysis. Their conclusive results take for testing of hypothesis.

The research design is the conceptual structure; it constitutes the blueprint for the collection, measurement and analysis of data. As such the design includes an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of data.

The study is entirely being based on secondary data. These data has been collected from the relevant Annual Reports of the Life Insurance Corporation of India, Private Insurance Corporation, Policy of Government, Departments of Finance, Statistical Department and Gazetteers, Statistical Year Books of Life Insurance Corporation of India, Yogakshama and various news bulletins of the LIC. The Annual Reports of Insurance Regulatory and Development Authority (IRDA) and other related literature available both as hard copy and on the net have been consulted for collection of data. Apart from these major sources various magazines devoted to the issues related to Insurance, have been used to supplement data and information required for the study. Interactions and discussions with the officials of the Life Insurance Corporation have also contributed to augmenting the required data and information. The analysis has been done with help of absolute, average, percentage analysis, trend & comparative analysis are ascertained then statistical tests are applied. Compound growth rates have been tested for significance. Line graphs and pie charts and other visual tools may be used.

Analyses the interpretation

Its purpose is to find out whether the data is attractive enough to need for its study of various research objective & hypothesis. It deals not only with the financial aspects but also with its operational aspects. As such, it is necessary to undertake such an analysis not only in the quantitative analysis (Absolute Growth, Average Growth and Percentage Analysis) but also in the study of trend analysis.

Researcher wants to study the impact of liberalisation on life insurance business so study about LIC, being the oldest player in the existing insurance market and 23 private sector insurers companies.

For analysis of the performance of LIC and private insurers, it is found that premium income, number of policies, Comparative study of premium income, Funds, business growth and market share etc. For the above analysis and interpretation researcher uses the following basis:

Premium income of Life Insurance Corporation & other private insurance company: Total life insurance premium income has been increased at faster rate during the sample period. While private sector insurers posted tremendously growth by twelve thousand five hundred times in new market segmentation & LIC recorded six times Growth in their total premium income after liberalisation & starting of Private insurance business. Overall market of LIC increases but market share declines, it show that Private insurance companies give heavy challenge to LIC.

Performances of New Business policy by Life Insurance Corporation & other private insurance company: Total life insurance new policies are registering two times Growth. LIC registered a growth of 72.76 percent growth in the number of policies issued against the 2001, while private sector insurers

posted tremendous growth by hundred percent in new market segmentation in their total number of new policies after liberalisation & starting of Private insurance business.

Market Share of Life Insurers: the overall market of LIC increases but market share declines from 99.98 percent to 72.70 percent, It show that Private insurance companies gives heavy challenge to LIC. The life insurance company is to give security to customer through new insurance policy and it does depend on customer satisfaction. The market share of Private insurance companies has been increased by faster rate.

Individual insurance Business of life Insurance Corporation in pre liberalisation period: The numbers of policies of LIC new insurance business were increase 5 times growth and premium receive were increase 16 times. Similarly LIC renewal business had been show 3 times growth in policies and premium receive show 14 times growth in 15 years before liberalisation. LIC registered a significant Growth of 8 to 30 percent in the number of policies issued of individual insurance business against the previous year. Hence it can be inferred that, there is considerable growth in the number of new policies business in a period of pre liberalization.

Individual insurance Business of Life Insurance Corporation in post liberalisation period: LIC new policy business has been shows 2 times growth in policies and premium amount 3 times growth & LIC renewal business has been showing 3 times growth in policies and 5 times growth in premium amount after liberalisation. LIC registered a significant Growth between declines of 3 percent to growth of 35 percent in the number of policies issued of individual insurance business against the previous year.

Group insurance Business of life insurance Corporation in pre liberalisation period: LIC Group Insurance business had been showing 3.5 times growth in policies and premium show 2 times growth in premium amount. Similarly LIC Renewal Group Insurance business had been showing 5 times growth in policies and premium show 7 times growth in premium amount in 15 years before liberalisation. LIC registered a significant Growth of 1 to 45 percent in the number of policies issued of Group insurance business against the previous year. Overall growth has been showing 4 times during pre liberalisation period.

Group insurance Business of life insurance Corporation in post liberalisation period: The Group Insurance business of LIC new policies number of has been showing 2.5 times growth in policies and but Insurable Amount show nothing growth due to in 2007 numbers of policy were increase but Insurable Amount reduces up to 50 percent. Similarly renewal business has been showing approx 2 times in policies and Insurable Amount shows 4 times growth in Insurable amount. LIC registered a significant Growth between declines of 8 percent to growth of 88 percent in the number of policies issued of individual insurance business against the previous year. Therefore we say that liberalisation were show positively effect on group insurance life insurance business, in other word say that group insurance life insurance business were grow after liberalisation.

Thus it can be concluded that a life insurance industry has achieved a remarkable growth after liberalisation and the entry of large number of private players with new technology and innovative tailor-made product has improved the performance and growth of Indian life insurance business.

Testing of Hypothesis: It has been proved that liberalization has a significant impact on the growth of Indian life insurance business.

Liberalisation helps in bringing transparency in insurance sector: the transparency is tested on the basis of fund, market share and multiple policy & Premium of different life insurance company. Total fund, Premium Income, market share and the policy of insurance are analyses.

Although the performance of Indian life insurance especially, Life insurance corporation is very large 83% share in total number of new business policy holder, 73% share in total premium, 80% share in total funds, 73% share in market share but the size or market share is not synonyms to the transparency. On most of the parameters the Indian life insurance sector are far behind than Private life insurance and Life Insurance Corporation. The Life Insurance Corporation is in better position with compare to Private insurance companies in area of growth in policy, Funds, Premium Income, growth in individual business, group insurance business & group retirement business. Hence it can be said that this hypothesis is completely proved as in most of the areas Life Insurance Corporation are doing better performance than private Life Insurance Corporation.

After liberalisation policy the competition is increased where as the working culture of life Insurance Corporation has been improved: the working culture was tested on the basis of Innovative products, smart marketing and growth in Premium of different life insurance company.

The existing rule says that a foreign partner can hold 26% equity in an insurance company, a proposal to increase this limit to 49% is pending with the government. Now government have been granted licenses to 23 private companies, these company develop many Innovative policy products, smart marketing, smart relation with customer and aggressive distribution for Indian customers faster than anyone expected. Indians, who had always seen life insurance as a tax saving device, are now suddenly turning to the private sector and snap up the new innovative products on offer so LIC also change management system between customer & agent for develop relation and good working environment for growth the market share.

The Life Insurance Corporation is in better position with compare to Private insurance companies in area of smart marketing, smart relation with customer, providing insurance knowledge & education and aggressive distribution for Indian customers because Indians always faith on LIC due to old Indian company & its previous relations ,that's why human thinking about LIC is very difficult to change. Hence it can be said that this hypothesis is completely proved as in most of the areas Life Insurance Corporation are doing better performance than private Life Insurance Corporation.

More innovative products are available in the market in comparison to pre liberalisation era: the Innovative products were tested on the basis of smart marketing and growth in Premium of different life insurance company.

Governments have been granted licenses to 23 private companies; these companies develop many Innovative policy products through smart marketing with customer and aggressive distribution for Indian customers as per expectation of consumer. Indians consumer, who had always seen life insurance as a tax saving device and cover the maximum risk of life before liberalisation but after liberalisation LIC understand the problem of competition with private insurance companies so after liberalisation Life Insurance Corporation develop many more new policy for need of consumer expectation i.e. Money Back plan, Children Plan, Term Assurance Plan. Hence, it can be said that this hypothesis is completely proved as in more innovative product is available of Life Insurance Corporation compare with private Life Insurance Corporation.

Findings, limitation, Suggestions

The conclusions have been drawn in the light of the objectives of the study, which highlight the critical and significant issues and give direction for further research.

Findings: Whereas analysis & interpretation show that competition in life insurance sector after liberalization also show the negative impact on life insurance corporation business because market share of LIC decline regularly where as market share of Private Insurance player takes growth.

Likewise LIC business related to number of policies & fund also show similar effect of decline in market share.

Several private players have ventured into the insurance industry since last decade and the growth of the industry has been averaging around 30-40 %. The life insurance industry has led the growth in the insurance sector. There the growth is mainly due to unit linked products which are very parallel to mutual funds product. They are looked upon as investment returns. So, they involve a very small element of risk coverage. Perhaps that is the reason they have picked up fast.

- Analysis and interpretation clearly indicates that Life Insurance Corporation is better in Policy, Premium income and Market share.
- Overall result of the study is that the life insurance business especially of Life Insurance Corporation got better control on more volume of working in new policy business.
- There is small difference between Life Insurance Corporation and Private Insurance Companies but the LIC is leading in overall earnings growth.

Limitations of Research:

The present Research Work is an Academic Research; therefore, it is necessary to indicate its limitations, so that all the aspects of the Research can be seen in proper perspectives and references.

During last 15 years, a number of insurance policies entered and closed their operations in the Insurance industry (especially in Life Insurance). In the present research the impact of liberalisation on the life insurance business in India is analyzed as a whole. There are a lot of discrepancies between the data available with Indian Life Insurance Company, the data provided by IRDA and the data published in the Annual Reports of the LIC & other private insurance company. This may be due to the fact that the insurance submit their data through various Returns and at different dates. However, most appropriate data are used in the Research and the efforts are made to verify the same by various sources so that proper basis

can be formed for the study and their findings. In this way with reference to above limitations, a humble effort has been made to make an impact of liberalisation on life insurance business.

Suggestions:

On the basis of results and discussions of this Research and similar other researches, the following suggestions have been proposed:-

- The LIC & IRDA should take help of marketing professionals to sell their products/services.
- To improve the efficiency of employees the Insurance Company should conduct short term training programs / workshops on regular basis. These should be based on Time Management, Marketing, Organizational Behavior, Customer Relationship Management etc.
- There should be flexibility in organizational structure of Indian Insurance Company. The top management should have liberty to appoint professional from out of Insurance Sector (if required). And there should be minimum government intervention in this regard.
- Policy Break process should be reviewed and be strengthened. Especially the big defaulters should not be escaped and sent them as reminder on personal address along with mail information about policy lapse condition & its losses.
- The policies issued on bogus names intentionally to lapse at later stage aggravated the problem Agents deficient service slowly making the policy holders diluting the confidence in life insurance policies.
- The Insurance Company should raise additional capital through Public issues, Bonds, Foreign direct investments (FDI) etc. to meet the capital requirements of growing domestic and international competition.
- The LIC and Private insurance companies should adopt the latest technology. Still all of their branches are not yet computerized.
- Most important not the least tremendous employment opportunities will be created in the field of insurance which is a burning problem of the present day today issues.

Conclusions:

India is among the important emerging insurance markets in the world. Life insurance will grow very rapidly over the next decades in India. Many of the universities and management institutes have already started or are contemplating new courses in insurance. Government to state owned LIC is giving it an unfair advantage to build trust in customers due to which LIC has a major life insurance market share. People invest more with a faith that their investment is guaranteed to come back if not by LIC than by government.

Competition has brought more product innovation and better customer servicing and bring positive influence on the life insurance business. Though the income, size and penetration of private insurance companies is less when compared with LIC but then also the speed with which they are raising their market share is tremendous. The overall business of life insurance has been significantly increased after privatization but still a huge Indian population lives is being uninsured. Although LIC has been giant player in life insurance business but private insurance companies are moving at a fast speed.

During the research, I came across several incidences making it evident that LIC is a dominant market player with more than 70% of market. 23 of the private insurers had managed a higher growth, but they cumulatively lost 26% market share to the LIC, the only public sector insurer.

- LIC was the only company in life insurance business prior to privatization and after privatization also LIC has a strong presence in life insurance market and to retain its market leader status the LIC needs to acquire more competitiveness in terms of product innovation, customer awareness, customer services and technology.
- Insurance schemes which are basically risk coverage instruments have been marketed as tax saving as well as wealth accumulation instruments. Keeping this in mind, insurance companies should devise policies which provide effective risk coverage rather than focusing on the tax benefits and also encourages them for long term investment in insurance.

The following conclusions have been drawn in the light of objectives, which were framed for carrying out the study.

To study liberalisation in field of life Insurance in India: Considering Data Analysis it has been clear that Total life insurance premium income has been increased at faster rate during the study period. While private sector insurers posted tremendously growth by twelve thousand five hundred times Growth in new market segmentation & LIC recorded six times Growth in their total premium income after liberalisation & Private insurance started business. It shows that overall Business of LIC has been increase but market share decline from 99.98 percent to 72.70 percent. The market share of Private insurance companies has been increased by faster rate. Total life insurance new policies are registering two times Growth. LIC registered a growth of 72.76 percent growth in the number of policies, while private sector insurers posted

tremendously growth by hundred percent Growths in new market segmentation in their total no on new policies after liberalisation & Private insurance started business.

To study various schemes of life Insurance Corporation of India and other Private Insurance Corporation: LIC registered a significant decline of 3 percent to 35 percent growth in the number of policies issued of individual insurance business against the previous year. Insurance is a big opportunity in a country like India with a large population and untapped potential. The life insurance business (first year premium) registered a growth. This has resulted in increasing insurance penetration in the country. Therefore we say that liberalisation were show positively effect on new scheme policy of life insurance business.

To evaluate the impact of liberalisation on insurance business and life insurance business: Data Analysis & interpretation shows clearly that Total life insurance premium business has been increased at faster rate, its show 7 times growth during the study period. It shows that overall Business of LIC has been increase but market share decline from 99.98 percent to 72.70 percent. Total life insurance new policies are registering two times Growth. LIC registered a growth of 72.76 percent growth in the number of policies, while private sector insurers posted tremendously growth by hundred percent Growths in new market segmentation in their total no on new policies after liberalisation & Private insurance started business. The above mentioned research shows that the liberalization has show Awareness in field of in Life Insurance in India.

REFERENCES:

Thesis & Research Papers

- Tapen sinha "Privatisation of the insurance market in India (from the British raj to monopoly raj to swaraj) Centre for Risk & Insurance Studies, paper discussion series 2002.
- Peter Drucker (1999). Innovate or Die, Journal of Economist, 25th Dec. 1999.
- Skipper, Jr., Harold D., 2001, "Insurance in the General Agreement on Trade in Services" AEI Press Washington USA P 1-84.
- Webb, I. P., 2000, The Effect of Banking and Insurance on the growth of Capital and Output, unpublished Ph.D. dissertation, Georgia State University.

Books

- Prof. Bhagwati Prasad and Prof. Rajeev Jain, Principle and practices of insurance, Himalaya Publishing House.
- Dr. R.L. Nolkha, Element of Insurance, Ramesh Book Dipo, Jaipur.
- Dr. R.K. Vishnoi, Principles of insurance, Sahitya Bhawan Publishing and Distributing Pvt. Ltd, Agra.
- Dr. P.K. Gupta, Insurance and Risk Management, Himalaya Publishing House.
- Pandey, I. M, Financial Management, 2009, Vikas Publishing House Pvt. Ltd, New Delhi, 109.

Periodicals

- Business Today (2004-2008) – Best Banks Survey, New Delhi, Business India Group Publication.
- Business India and Business World magazines.
- Economic Times, Times of India, Business standard, Bhaskar Money.
- Annual General Report of Life Insurance Corporation India.
- Annual General Report of Life Insurance Corporation India Indore Division.
- Annual General Report of other Private Insurance Corporation.
- Insurance Bulletins of Insurance Companies.
- IRDA Journal (Various Journals)

WEBLIOGRAPHY:

- <http://www.licindia.in>
- <https://www.irda.gov.in>