European Journal of Business & Social Sciences
Available at https://ejbss.org/
ISSN: 2235-767X
Volume 07 Issue 05
May 2019

A Study of Insurance Companies With Respect To Their Products in India

Jyoti
M.Com UGC net qualified
M.D.University Rohtak (Haryana)
Email id -Jyogujjar44@gmail.com

ABSTRACT

The performance of public and private life insurers in terms of their number of new policies issued; total premium income and market share in India.. In year 1993 Malhotra Committee emphasized on privatization of insurance business, since then there was monopoly of LIC. In year 1999 the Insurance Regulatory and Development was established to regulate and to protect the policyholder's interest of the insurance industry. It has been observed that private life insurers put efforts to improve its performance year after year and affected the LIC in many ways for initial first decade.

KEYWORD: Life Insurance, Liberalization, Untapped Market,

INTRODUCTION

Life Insurance business in India was nationalized by incorporating Life Insurance Corporation of India" (LIC) in 1956. After the Indian economic reform 1991 there was a significant improvement in the Indian insurance sector which is characterized by Liberalization, Privatization and Globalization (LPG). Insurance industry acts as a crucial role in the economic growth of an economy. A strong insurance market covers approach for well-organized resource allocation in the course of transfer of risk and enlistment of savings. The Insurance industry occupies a unique place in a nation's economy. The origin of insurance business has been developed from the concept of protecting the interests of people from uncertainty by providing certainty of payment at a given contingency. Unlike life insurance, non-life insurance is not meant for returns but is protection against contingencies such as accidents, illness, fire, burglary etc (Kramer, 1996). The non-life insurance segment has been regarded as one of the rapidly increasing sectors in the financial services sphere in India, because through this segment all the risks and financial damage caused by a third party can be alleviated. Many companies have roped into this segment which has evolved intense competition in the sector (Joo, B.A.2005).

In year 1993 the Malhotra Committee emphasized on privatization of life insurance business. The Indian insurance industry was opened for private insurers in the year 1999, with the establishment of Insurance Regulatory and Development Authority Act (IRDA Act). Before liberalization there was monopoly of Life Insurance Corporation of India (LIC). The entry of private companies in life insurance business breaks the monopoly of LIC. The Insurance Regulatory and Development was established to regulate and to protect the policyholder's interest of the insurance industry. Indian life insurance is the fastest growing sector, with many domestic and foreign players. The government of India allowed private insurers in year 2000 with 26% foreign direct investment. In the post liberalization era, the life insurance sector of India witnessed a significant growth as there is healthy competition from many domestic as well as foreign private insurers. There is tremendous growth potential for life insurance sector in India as we have huge population and still the Indian life insurance market is untapped. Further, it indicates the growth prospects and a huge potential for life insurance business in the country.

The performance of an economy is very much connected with the performance of the financial sector of that economy. Financial sector comprise a very important ingredient in any economy. The financial sector of India is gaining strength over the years and its contribution to growth is overwhelming.

REVIEW OF LITERATURE

Rajasekar D and T.H.Kumari (2014), the level of penetration, particularly in life insurance, tends to rise as income levels increase. The market share of the entire private players has sharply risen with the entry of private players in life insurance market. This indicates that the private players are doing quite well and are improving year by year, thus affecting the performance of LIC.

Rao Divakara P (2015), Number of polices has subsequently increased year after year but the performance of LIC has deteriorated and those of private players have been improved tremendously. With every successive year, private players are gaining the trust of the public and have quite successful in snatching the business from LIC. Though the income of private insurance companies is negligible when compared with LIC but then also the pace with which they are increasing their income is tremendous. Private insurance companies are expanding their business and will certainly going to give a tough competition to LIC in the coming days. LIC, being the oldest player in the existing insurance market, has the biggest market share of 64.39% which was 99% in the year 1999-2000. We see that private insurance companies are penetrating in the customer base of LIC. Private insurance companies are giving a tough competition to the LIC.

Tripathi. S (2009), in his dissertation report mentioned that Private companies are giving direct competition to LIC, LIC is a dominating player even after privatization and abundance scope of insurance expansion in the Indian market, LIC is having huge customer base being an old giant are some of the main findings of this study. He concluded that LIC is a most popular and leading brand but with aggressive marketing approach; private companies are giving direct competition to LIC.

C. Barathi, C. D. Balaji and Ch. Ibohal Meithei (2011), in the research paper titled “Innovative Strategies to Catalyse Growth of Indian Life Insurance Sector- an Analytical Review” have clearly discussed about the impact of global recession on the fastest growing Indian insurance market. They find the entry ofmany private companies has created a paradigm shift in insurance marketing in India in terms of products, tariffs; customer service etc.

Chatterjee. P (2009) evidently said private insurers recorded 62% growth rate in April-December 2008 against 45% in the same period of last fiscal. ICICI Prudential, HDFC Standard, SBI Life and Bajaj Allianz are the dominant players of the life Insurance sector. LIC a market leader recorded a decline of 28% and experts said the Industry has witnessed a reasonable growth despite the tight financial conditions.

Kapse. S and Kodwani D.G (2003), in their article, argued that in the changing scenario for the insurance sector there is going to be a good opportunities for insurance sector to expand its market base. For this purpose there is need to improve the features of the insurance products to make them more liquid or short term schemes could be increased.

Krishnamurthy S, Mony. S, Jhaveri. N, Bakhshi. S, Bhat. S and Dixit M.R (2005), in their paper clearly explained the status and growth of Indian Insurance Industry after liberalization and also present future challenges and opportunities linked with the Insurance.

Agell (2002) and Bertola (2004). In general, the implementation of public policies, motivated by insurance concerns, entails e¢ ciency costs. Here, we highlight three determinants of public and private insurance provision. Firstly, public and private insurance entail transaction costs, which play a role similar to that of administration costs in the tax design research surveyed by Slemrod (1999). Secondly, all insurance is limited by moral hazard, where the extent of this problem depends on the public or private provision of insurance. Thirdly, we consider interactions with the loans market imperfections that previous research has shown to be relevant to the desirability of redistribution (Bertola and Koeniger, 2007).

THE INSURANCE PRODUCT

Life Insurance is now the most popular instrument for the planning for the risk of untimely death, the concept has been modified to merge with saving vehicles to create very interesting and apt investment product. Life insurance products have to suit the requirements of customer. The three major concerns of any person could be-Dying too early, living too long Or Living with disability

Life insurance products fundamentally provide for-

1. Risk Cover
2. Investment
3. Heath Cover
4. Tax saving

There are four main types of insurance policies described as follows

1. **Term Insurance:** Term Insurance pays a death benefit to the legal heirs if the person insured, dies during the term of the policy. Terms insurance plans offer pure risk cover without any element of saving.
2. **Whole Life Insurance:** The advantage of whole life insurance is that the policy, if kept current, covers you over your entire life, as opposed to term insurance that covers you only for a certain term of years.
3. **Endowment Insurance:** Pure endowment is a plan where the benefit is payable to the insured only on survival of the specified term
4. **Annuities:** Annuities are a form of pension in which an insurance company makes a series of periodic payments to a person or his or her dependents over a numbers of years, in return for the money paid to the insurance company either in lump or installments.

PUBLIC SECTOR COMPANY:

The Life Insurance Corporation of India (LIC) is only one public sector Company in life insurance. It was created on 1st September, 1956, Over 245 insurance companies and provident societies were merged to create the state owned Life Insurance Corporation. It is the largest insurance company in India with an estimated asset value of 1560481.84 crore (US$250 billion). it had total life fund of Rs.1433103.14 crore with total value of policies sold of 367.82 lakh that year.

Growth as a monopol

From its creation, the Life Insurance Corporation of India, which commanded a monopoly of soliciting and selling life insurance in India, created huge surpluses.The Corporation, which started its business with around 300 offices, 5.7 million policies and a corpus of INR 45.9 crores (US$ 92 million as per the 1959 exchange rate of roughly 5 for US$1), had grown to 25,000 servicing around 350 million policies and a corpus of over 800000 crore (US$130 billion) by the end of the 20th century.

Liberalization post Y2K

The Indian Government embarked on a program to liberalize the Insurance Sector and opened it up for the private sector. Ironically, LIC emerged as a beneficiary from this process with robust performance, albeit on a base substantially higher than the private sector. In 2013 the First Year Premium compound annual growth rate (CAGR) was 24.53% while Total Life Premium CAGR was 19.28% matching the growth of the life insurance industry and also outperforming general economic growth.

Products and services

LIC offers a variety of insurance products to its customers such as insurance plans, pension plans, unit linked plans, special plans and group schemes.

Operations

The LIC had 8 zonal offices, around 109 divisional offices, 2,048 branches and 992 satellite offices and corporate offices; it also has 54 customer zones and 25 metro-area service hubs located in different cities and towns of India. It also has an accessibility of 1,337,064 individual agents, 242 Corporate Agents, 79 Referral Agents, 98 Brokers and 42 Banks for soliciting life insurance business from the public. As on 31 March 2012, LIC had 119,767 employees, out of which 24,295 were women (20%).

Agency strength

ISSN: 2235-767X
Volume 07 Issue 05
May 2019

LIC had 12, 78,234 agents as on 31 March 2012, out of which the number of active agents was 12, 14,111 (95%).

PRIVATE SECTOR COMPANY

ICICI Prudential Life

ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank, a premier financial powerhouse, and prudential plc, a leading international financial services group headquartered in the United Kingdom. ICICI Prudential was amongst the first private sector insurance companies to begin operations in December 2000 after receiving approval from Insurance Regulatory Development Authority (IRDA). ICICI Prudential Life's capital stands at Rs. 4,793 crores with ICICI Bank and Prudential plc holding 74% and 26% stake respectively. For the financial year 2013, the company has garnered total premium of Rs 13,538 crores. The company has assets held over Rs. 77,393.09 crores. For the past decade, ICICI Prudential Life Insurance has maintained its dominant position (on new business retail weighted basis) amongst private life insurers in the country, with a wide range of flexible products that meet the needs of the Indian customer at every step in life. ICICI Prudential Life offers plans under the following major need categories: Term plans, Wealth plans ,Retirement plans ,Group plans ,Rural plans

OTHER PRIVATE COMPANIES THAT ARE IN LIFE INSURANCE SECTOR ARE AS UNDER:

- AEGON Religare Life Insurance
- Edelweiss Tokio Life Insurance Co. Ltd
- Aviva India
- Shriram Life Insurance
- Bajaj Allianz Life Insurance
- Bharti AXA Life Insurance Co Ltd
- Birla Sun Life Insurance
- Canara HSBC Oriental Bank of Commerce Life Insurance
- Star Union Dai-ichi Life Insurance
- DLF Pramerica Life Insurance
- Future Generali Life Insurance Co Ltd
- HDFC Standard Life Insurance Company Limited
- ICICI Prudential Life Insurance Company Limited
- IDBI Federal Life Insurance
- IndiaFirst Life Insurance Company
- ING Life Insurance
- Kotak Life Insurance
- Max Life Insurance
- PNB MetLife India Life Insurance
- Reliance Life Insurance Company Limited
- Sahara Life Insurance
- SBI Life Insurance Company Limited
- TATA AIA Life Insurance

CONCLUSION

The largest insurance companies in the Indian insurance market and has become more attractive for foreign insurers due to saturation of insurance market in many foreign countries. That is why Indian insurance industry has become a growing industry with many domestic and international players. Different life insurance companies increased the competition in this industry. This level of competition has increased the number of innovative and attractive insurance plans, better customer services and increased insurance awareness in India. Huge population in our country and a big untapped market has increased its scope of growth for next many years.

REFERENCES

C. Barathi, D. Balaji and Ch. Ibohal Meitei (2011), "Innovative Strategies To Catalyse Growth of Indian Life Insurance Sector-An Analytical Review", Indian Journal of Commerce And Management Studies, Vol. Ii, Issue IV, May 2011.

Chatterjee. P (2009) In Her Article Titled "Private Insurers Command Majority Share of Life Insurance Market".

Krishnamurthy. S, Jhaveri. Nani, Bakshi.S (July-Sept 2005), Insurance Industry in India: Structure, Performance and Future Challenges, Vikalpa, IIMA Vol. 30, No. 3, pp. 93- 95.

Rajasekar D, T.H.Kumari,"Life Insurance Industry in IndiaAn Overview" Global Journal of Commerce and Management Perspective, Vol. 3(2), pp. 50-59, 2014.

Rao. Divakar.P.,"Recent Trends in Life Insurance business in India: A Comparative Study of LIC and Private Players in Post Liberalization Era", International Journal of Academic Research, Vol. 2. Issue 2(3), April-June 2015.

Sampada Kapse, D.G Kodwani,"Insurance as an Investment Option", The Insurance Time, May 2003, pp. 12.

Tripathi.S,"A Comparative Analysis of Life Insurance Corporation and Private Insurance Company", Dissertation FMS Banaras Hindu University, pp. 53-58, 2009.

IRDA Annual Report 2001-02 to 2015-2016. [Online] Available: http://www.irda.org

Agell, Jonas (2002): ìOn the Determinants of Labour Market Institutions: rent seeking vs. social insurance,îGerman Economic Review, vol. 3, 2002.

Bertola, Giuseppe (2004):ìA pure theory of Job Security and Labour Income Risk,î Review of Economic Studies, vol. 71, 43-61.

Slemrod, Joel (1999): ìOptimal Taxation and Optimal Tax Systemsî, Journal of Economic Perspectives, vol. 4, 157-178.

Bertola, Giuseppe, and Winfried Koeniger (2007): ìConsumption Smoothing and Income Redistribution,îEuropean Economic Review, vol. 51, 1941-1958.