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A STUDY ON PERFORMANCE OF PRIVATE SECTOR OF LIFE INSURANCE IN INDIA

P.Mangayarkarasi
Research Scholar, & Lecturer, American College, Madurai.

Abstract
The Indian insurance industry was under state control with no private participation till the late 1990s. It was virtually ruled by the Life Insurance Corporation (LIC) of India. . It was nationalized in 1956 to increase the penetration of insurance in the country and to make it available to the less privileged segments of society. But even after 50 years of nationalization, only 25% of the insurable population was covered under life insurance.

The process of Liberalization, Globalization and Privatization (LPG) has influenced Indian insurance sector. In India the year 2000 was a land mark for life insuranceindustry.The Indian government liberalized the insurance sector by passing the Insurance Regulatory and Development Authority (IRDA) Act in the year 1999.As per the Act, the IRDA became the regulatory authority for the insurance sector in India. It had the power to grant licenses to foreign players to operate in India; and to formulate operational rules and regulations for the working of insurance companies. IRDA also prepared the guidelines for foreign players were initially permitted to enter India through partnership ventures with a partnership share of 26% or less, in both life and general insurance businesses.

Several changes took place when private players entered the life insurance sector. There was increased focus on the customer and private companies focused a lot of attention on extensively training their agents for their purpose. Before liberalization, distribution was entirely through individual agents. After the opening up the sector for private participation, many new channels of distribution have opened. The government has already granted permission for banc assurance and corporate agents for distribution of policies. In August 2002, the government gave the go-ahead to insurance brokers in India.

Keyword: Insurance industry, Private Sector Insurers, Performance.

Introduction
Generally insurance is defined as a co-operative device to spread the loss caused by a particular risk over a number of persons who are exposed to and agree to ensure themselves against the risk. Risk is uncertainty of a financial loss. The term risk here is not be confused with peril, chances of losses etc. For life insurance the risk covered against is death. A family depends on the income of its bread winner for its sustenance and for maintaining a chosen standard of living. Every family will have certain aspirations to have a decent life, to provide a standard education to children leading to their worthwhile employment, to arrange and celebrate suitable marriage for daughters, etc.

Life is uncertain. But the perils faced by human life are certain. Death may take away the breadwinner permanently from the family. But disability is much worse. The individual not only meets his economic death due to disability but also becomes a burden to the family. Yet another peril is the risk of living longer, ushered in by today’s medical technology. Dependence on one’s children, however, loving and affectionate they may be, is becoming more difficult and impossible. Economic dependence is an enemy of self-respect for and individual as is the case with a nation.

The trinity viz., death, disability and old age lead to the economic death of an individual. Among these the first two things are not amenable to prediction by human intelligence. The last one i.e., old age can be predicted accurately. As the risk is unpredictable this gives rise to the need for some form of protection against the financial loss arising from the death of the breadwinner. For all probability life insurance is the only solution available to the bread winner of a family to safeguard his family members from financial problem which is likely to arise due to his untimely death or accident or old age.

Statement of the Problem
The Indian insurance industry was under state control with no private participation till the late 1990s. It was nationalized in 1956 to increase the penetration of insurance in the country and to make it available to the less privileged segments of society. The Indian government liberalized the insurance sector by passing the Insurance Regulatory and Development Authority (IRDA) Act in the year 1999.

Private players were using several channels to extend their reach in the market and penetrate the rural market too. One of the primary objectives of LIC is to spread life insurance much more widely and in particular, to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost. This can be achieved by the private players in insurance by the rule of IRDA. According to IRDA regulations, new private players had to have a minimum of 5% of their premium income from rural areas in the first year of their business.

Some now-players have already introduced many innovative products such as unit-linked and unitized-with-profit insurance policies. These policies are better than the traditional ones since they are more transparent, simple for understand by the customer and offer great flexibility etc.,. By the end of 2002, private players were able to garner a market share of 8%. With the private players being allowed into pension funds too, Indian life insurance sector is all set for more action.

Objectives

1. To assess the growth of private sector of life insurance in India.
2. To examine the position of private sector in Indian insurance industry.
3. To measure the performance ofprivate sector Insurance.

Literature Review

1. PrachiAgnihotri in his paper titled “The impact of privatization on the Life Insurance of India” revealed that there are a lot of changes in the life insurance industry in India after privatization.
2. ShahidHusing (2010) in his article titled “Growth of LIC of India during post privatization period” indicates the performance of LIC after the private insurers entered.
3. AnshujaTiwari and BabitaYadav (2012) in their journal titled “A study on recent trends of Life Insurance Industry after liberalization”. There is a comparative analysis between the public sector and private sector life insurers.
4. Dr.S.S.S.Durga Ganesh (2014), in her article titled “Growth of insurance industry in India after privatization – Life Insurance sector is at an inflection point”. A comparative analysis in the performance between public and private sector after privatization of life insurance.
5. Prof. K.Raji Reddy and Suresh Chandra.Ch (2011), in their article titled “Decade after privatization in Life Insurance sector: challenge of competition and future scenario”. There is a comparative analysis in the market share of life insurers and future possibilities of share.

Research Methodology

The present descriptive and analytical based study is purely based on secondary data. Researcher has taken only private sector of life insurers and period of study is of 5 years from 2008-09 to 2012-13. The data for study has been collected from IRDA website, annual reports of LIC, internet, insurance journal and other publications.

Limitations

This research is purely based on secondary data only for five years and trends before liberalization of insurance industry has not been covered under the present study.

Table 1, Trends in Market share of private sector of life insurers for the FY (2008-09 to 2012-13).

Year	Private sector	
	Market share	Rate of growth (in %)
2008-09	29.08	11.55
2009-10	29.90	2.82
2010-11	30.22	1.07
2011-12	29.32	-2.98
2012-13	27.30	-6.89

Source: Various issues of IRDA annual report

The above table depicts that the market share of private sector decreased from 29.08 to 27.30. There is a continuous growth from the year 2008-09 to 2010-11. In the year there is a great fall in the year 2011-12.

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Table- 2,Trends in growth rate of issue of new life policies of private sector of life insurers for the FY (2008-09 to 2012-13).

Year	Private sector	
	No. of new life policies issued (in lakhs)	Rate of growth (in %)
2008-09	150.12	13.9
2009-10	143.62	-4.32
2010-11	111.14	-22.61
2011-12	84.42	-24.04
2012-13	74.05	-16.76

Source**:** Various issues of IRDA annual report

The above table indicates that there is no constant result in the issues of new life policies by private sector insurers. The rate of growth in new policies in private sector is an increasing trend in the year 2008-09 and after that there is a continuous fall in issue of new life policies.

Table – 3, Trends in Growth rate of life insurance premium of private sector for the FY (2008-09 to 2012-13).

Year	Private sector	
	Amount of premium in crore	Growth rate in %
2008-09	64,497.43	25.09
2009-10	79,369.93	23.06
2010-11	88,165.24	11.08
2011-12	84,182.83	-4.52
2012-13	78,398.91	-6.87

Source**:** Various issues of IRDA annual report

The above table reveals that the premium income of private sector increasing from the year 2008-09 to 2010-11. But at the same time there is a decreasing trend in the year 2011-12 to 2012-13.

Table- 4, Number of life insurance offices of private life insurers to the total life insurance industry for the FY (2008-09 to 2012-13).

Year	Offices of private sector As on 31st march	Offices to the total industries (in %)	Total offices of the industry
2008-09	8,785	74.36	11,815
2009-10	8,768	72.96	12,018
2010-11	8,175	70.81	11,546
2011-12	7,712	69.07	11,167
2012-13	6,759	65.72	10,285

Source: Various issues of IRDA annual report

The above table revealed that the number of offices private sector insurers offices to the total industry. There is a decrease of offices of private sector to the total life insurance industry. From that we know that in the initial period the private insurer opens a large number of agents.

Table- 5,Trends in growth rate individual agents of private sector of life insurers for the FY (2008-09 to 2012-13).

Year	Private sector	
	No. of individual agents	Rate of growth (in %)
2008-09	15,92,579	20.04
2009-10	15,75,476	-1.07
2010-11	13,02,328	-17.34
2011-12	10,80,651	-17.02
2012-13	9,49,774	-12.11

Source: Various issues of IRDA annual report

From the above table the number of individual agents for private sector life insurers can be examined. The number of individual agents decreases from 15,92,579 to 9,49,774 in private sector in the year 2008-09 to 2012-13. It may because of number of new channels are opened for distribution of policies.

Table- 6, Channel wise distribution of individual new business of private sector of life insurers in India for the FY (2008-09 to 2012-13).

Private sector

Year	Individual Agents	Corporate agents		Brokers	Direct selling	Referrals
		Bankers	Others			
2008-09	54.94	20.78	10.92	2.00	11.37	9.27
2009-10	50.67	24.88	10.28	3.44	10.73	7.85
2010-11	46.89	33.21	8.70	4.77	6.43	2.34
2011-12	44.05	38.01	7.52	5.07	4.35	0.16
2012-13	39.68	43.08	6.04	5.05	6.14	0.10

Source: Various issues of IRDA annual report

The above table indicates the channel wise distribution of individual new business life polices performance of life insurers from 2008-09 to 2012-13. The distribution of life insurance through agents is decreases from 54.94 to 39.68 in case of private sector. Distribution through bankers is increases in private sector.

Findings

1. The market share of private sector of life insurers has considerably increased.
2. The overall performance of life insurance industry has been increased Agents and banks are the most preferred channels of distribution. Now people started to by policies through direct channel.
3. The private life insurers try to provide better and quality services to the customers.

Suggestions

1. Insurer should design the product which will satisfy the needs of all categories of customers.
2. The awareness level of customer on various aspects of insurance products like maturity, terms and conditions, bonus amount, surrender value, etc., need to be enhanced through effective media/channel.

Conclusion

The privatization of life insurance makes great changes in indian life insurance industry. The Indian government liberalized the insurance sector by passing the Insurance Regulatory and Development Authority (IRDA) Act in the year 1999.This has resulted in the increased competition among the public and private sector of life insurers. However, with the availability of similar technology and products among almost all the insurance sectors, it is felt that, it is only through the provision of better services to its customer an insurance company can survive in the market.

Before liberalization, distribution was entirely through individual agents. After the opening up the sector for private participation, many new channels of distribution have opened. The government has already granted permission for banc assurance and corporate agents for distribution of policies. In August 2002, the government gave the go-ahead to insurance brokers in India.

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