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STATEMENT OF THE PROBLEM

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HYPOTHESES

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RESULTS & DISCUSSION

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PUBLIC Vs. PRIVATE INSURANCE PLAYERS IN INDIA**K. PRASAD****ASST. PROFESSOR****DEPARTMENT OF MANAGEMENT****VAAGDEVI COLLEGE OF ENGINEERING****BOLLIKUNTA, WARANGAL****V. SRAVANTHI****ASST. PROFESSOR****DEPARTMENT OF MANAGEMENT SCIENCES****VAAGDEVI INSTITUTE OF MANAGEMENT SCIENCES****BOLLIKUNTA, WARANGAL****ABSTRACT**

Insurance Industry is a growth-oriented industry. In India the industry has started to reveal the potential after liberalization and privatization of the sector. The insurance industry has contributed significantly in India's growth story in the recent years. The contours of insurance business have been changing across the globe and the rippling effect of the same can be observed in the Indian market as well. The potential and performance of the insurance sector is universally assessed with reference to two parameters, viz., insurance penetration and insurance density. These two are often used to determine the level of development of the insurance sector in a country

KEYWORDS

insurance players, insurance penetration, insurance density.

INTRODUCTION

The process of Globalization and Liberalization has influenced Indian Insurance Sector. The Public Sector Life Insurance Corporation and Private Sector companies have been competing with each other for providing best services and best products to the customers. Customer is kind in any market and Insurance Market is no exception. Every company is trying for innovative product to satisfy customers' needs. This paper attempt to analyse the performance of Insurance Company in Public Sector LIC and Private Companies operating in India under the provisions of IRDA, 1999.

OBJECTIVES OF THE STUDY

1. To study the performance of Public sector and Private sector insurance companies in India
2. To analyse the premium underwritten by LIC and other insurance companies in India.
3. To discuss the market share occupied by Public sector and Private sector insurance companies in India

At the end of September 2012, there are fifty-two insurance companies operating in India; of which twenty four are in the life insurance business and twenty-seven are in non-life insurance business. In addition, General Insurance Corporation (GIC) is the sole national reinsurer. The life insurance industry recorded a premium income of ₹2, 87,072 crore during 2011-12 as against ₹2, 91,639 crore in the previous financial year, registering a negative growth of 1.57 per cent. While private sector insurers posted 4.52 per cent decline (11.08 per cent growth in previous year) in their premium income, Life Insurance Corporation (LIC), the fully state owned insurance company, recorded 0.29 per cent decline (9.35 per cent growth in previous year), in its total premium underwritten. While the renewal premium accounted for 60.31 per cent (56.66 per cent in 2010-11) of the total premium received by the life insurers, first year premium contributed the remaining 39.69 per cent (43.34 per cent in 2010-11). During 2011-12, the growth in renewal premium was 4.77 per cent (6.23 per cent in 2010-11). First year premium registered a decline of 9.85 per cent in comparison to growth of 15.02 per cent during 2010-11.

In the non-life segment, the insurers underwrote gross direct premium of ₹52,876 crore in India for the year 2011-12 as against ₹42,576 crore in 2010-11, registering a growth of 24.19 per cent as against an increase of 22.98 per cent recorded in the previous year. The public sector insurers exhibited growth in 2011-12 at 21.50 per cent; as against the previous year's growth rate of 21.84 per cent. The private sector general insurers registered a growth of 28.06 per cent, which is higher than 24.67 per cent achieved during the previous year.

A). LIFE INSURERS**I). PUBLIC SECTOR**

1 Life Insurance Corporation of India

II). PRIVATE SECTOR

1 Aegon Religare Life Insurance Co. Ltd. 2 Aviva Life Insurance Co. 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 OBC Life Insurance Co. Ltd. 7 DLF Pramerica Life Insurance Co. Ltd. 8 Edelweiss Tokio Life Insurance Co. Ltd. 9 Future Generali Life Insurance Co. Ltd. 10 HDFC Standard Life Insurance Co. Ltd. 11 ICICI Prudential Life Insurance Co. Ltd. 12 IDBI Federal Life Insurance Co. Ltd. 13 ING Vysya Life Insurance Co. Ltd. 14 IndiaFirst Life Insurance Co. Ltd. 15 Kotak Mahindra Old Mutual Life Insurance Co. Ltd. 16 Max Life Insurance Co. Ltd. 17 MetLife India Insurance Co. Ltd. 18 Reliance 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.

B).NON-LIFE INSURERS

1 National Insurance Co. Ltd. 2 New India Assurance Co. Ltd 3 Oriental Insurance Co. Ltd 4 United India Insurance Co. Ltd 5 HDFC ERGO General Insurance Co. Ltd.

SPECIALISED INSURERS

5 Agriculture Insurance Co. Ltd. 6 Export Credit Guarantee Corporation Ltd

PRIVATE SECTOR

1 Bajaj Allianz General Insurance Co. Ltd. 2 Bharti AXA General Insurance Co. Ltd. 3 Cholamandalam MS General Insurance Co. Ltd. 4 Future Generali India Insurance Co. Ltd. 5 HDFC ERGO General Insurance Co. Ltd. 6 ICICI Lombard General Insurance Co. Ltd. 7 IFFCO Tokio General Insurance Co. Ltd. 6 Export Credit Guarantee Corporation Ltd. 8 Liberty Videocon General Insurance Co. Ltd. 9 L & T General Insurance Co. Ltd. 10 Magma HDI General Insurance Co. Ltd. 11 Raheja QBE General Insurance Co. Ltd. 12 Reliance General Insurance Co. Ltd. 13 Royal Sundaram Alliance Insurance Co. Ltd. 14 SBI General Insurance Co. Ltd. 15 Shriram General Insurance Co. Ltd. 16 TATA AIG General Insurance Co. Ltd. 17 Universal Sampo General Insurance Co. Ltd.

STANDALONE HEALTH INSURERS

18 Apollo Munich Health Insurance Co. Ltd. 19 Max Bupa Health Insurance Co. Ltd. 20 Religare Health Insurance Co. Ltd. 21 Star Health and Allied Insurance Co. Ltd.

PENETRATION AND DENSITY

The potential and performance of the insurance sector is universally assessed with reference to two parameters, viz., insurance penetration and insurance density. These two are often used to determine the level of development of the insurance sector in a country. Insurance penetration is defined as the ratio of premium underwritten in a given year to the Gross Domestic Product (GDP). The insurance penetration in India, which surged consistently till 2009-10, has slipped since 2010-11 on account of slowdown in life insurance premium as compared to the growth rate of the Indian economy. Life insurance penetration had consistently gone up from 2.15 per cent in 2001 to 4.60 in 2009, before slipping to 4.40 per cent in 2010 and further slipping to 3.40 per cent in 2011. However, penetration of the non-life insurance sector in the country has remained near constant in the range of 0.55-0.75 per cent over the last 10 years (0.71 per cent in 2010 and 0.70 in 2011).

Insurance density is defined as the ratio of premium underwritten in a given year to the total population (measured in USD for convenience of comparison). India has reported consistent increase in insurance density every year since the sector was opened up for private competition in the year 2000. However, for the first time in 2011, there was a fall in insurance density. The life insurance density in India has gone up from USD 9.1 in 2001 to USD 49.0 in 2011 though it reached the peak of USD 55.7 in 2010. The insurance density of non-life sector reached the peak of USD 10.0 in 2011 from its level of USD 2.4 in 2001.

MICRO INSURANCE

In an effort to ensure a balanced and speedy expansion of insurance coverage in the country, the Authority has put in place the regulatory framework laying down the obligations of insurers to the rural and social sectors. These regulations impose obligations on insurers towards the rural population - to sell a specified percentage of policies and underwrite specified percentage of gross premium underwritten for life and non-life insurance companies respectively; and cover a specified number of lives/assets belonging to people below poverty line or those pursuing certain traditional occupations. These obligations have been linked to the number of years of having been in operations of the respective insurer. The Government of India had set up a consulting group in 2003 to examine the existing insurance schemes for the rural poor; and on the basis of the group's recommendations, the Authority issued IRDA (Micro insurance) Regulations, 2005. Since notification of the Micro Insurance Regulations in November, 2005, the Authority has been monitoring the progress of micro insurance business and examining the possibilities of offering a facilitative approach to the industry so that the micro insurance business could take off as a class of business to further extend insurance penetration amongst various sections of the society. Towards this direction, the Authority permitted Non-Governmental Organizations (NGOs) registered as Non Profit Companies, including NGOs registered under Section 25 of the Companies Act, 1956 to act as micro-insurance agents vide its circular dated 13th March, 2008, in addition to NGOs registered as societies that were already permitted to act as agents under the Micro Insurance Regulations.

With a view to giving a further fillip to micro insurance business, the Authority has reviewed comprehensively the extant regulatory architecture of the micro insurance business and issued an exposure draft on 26th July, 2012 proposing modifications to the existing IRDA (Micro Insurance) Regulations, 2005. The intent of the review is to create an encouraging regulatory environment for promoting micro insurance business in the country. Towards this end, the existing standalone delivery channel is proposed to be strengthened; encourage diversity in the products offered by insurance companies under this stream; customize products to meet the needs of the targeted sections of society; expand the coverage to include micro, small and medium enterprises; and strengthen regulatory oversight.

In the life insurance business of the micro insurance, the Individual New Business premium in the year stood at ₹115.68 crore for 46.20 lakh new policies, the group business premium amounted to ₹109.82 crore covering 1.02 crore of lives. LIC contributed most of the business procured in this portfolio by garnering ₹106.03 crore of individual premium from 38.26 lakh lives and ₹98.32 crore of group premium underwriting 94.44 lakh lives.

REVISION IN MOTOR THIRD PARTY PREMIUM RATES

Till the end of year 2006, the general insurance business in India was tariff-based which was being administered by the erstwhile Tariff Advisory Committee (TAC). The TAC vide its circular no TAC/7/06 dated 4th December 2006 decided that the rates, terms, conditions & regulations applicable to fire, engineering, motor, workmen's compensation and other classes of business which were under tariffs would be withdrawn from 1st January 2007. Subsequently, by virtue of power vested in the Authority under Section 14(2)(i) of the IRDA Act, 1999, the Authority notified that the Tariff general regulations (other than those relating to rating), terms, conditions, clauses, warranties, policy and endorsement wordings applicable to respective policies would continue to be followed.

With effect from 1st January, 2007, tariffs were withdrawn from the non-life insurance market. However, keeping in mind the mandatory nature of the Third Party Motor Insurance, the Authority decided to regulate the premium rates in this segment with effect from 1st January, 2007 vide circular no.034/IRDA/De-tariff/Dec-06 dated 4th December, 2006 which was later modified vide circular dated 23rd January, 2007. The premium rates for motor TP were revised for the first time since 2002 after a detailed analysis of Motor TP rates and discussions with various apex associations of transporters. Further, to redress grievances of non-availability of Motor Third Party Insurance, especially for commercial vehicles, the Authority in consultation with the Consultative Committee constituted under Section 110G of the Insurance Act, 1938 issued direction under Section 34 of the Insurance Act, 1938 vide circular no.035/Motor-TP/Dec-06 dated 4th December, 2006 and constituted the Indian Motor Third Party Insurance Pool (IMTPIP).

The motor TP premium rates which were set effective from 1st January, 2007 were not revised by the Authority till the end of year 2010-11. Due to the huge operating losses in this segment over the years, all non-life insurance companies through the General Insurance Council approached the Authority for upward revision of premium rates for motor third party insurance cover. After several rounds of deliberations with all stakeholders, and considerable actuarial analysis, the IRDA issued an Exposure Draft in January 2011 with the proposed revised premium rates. The Authority also invited all the stakeholders to provide their comments on the draft proposal. After receiving responses, the Authority then held a series of discussions with the Transporters' Associations and Insurers. Subsequently, the Authority notified the revised premium rates for motor third party insurance cover vide notification dated 15th April, 2011. The revised rates came into operation with effect from 25th April, 2011. Though the insurance companies had requested for 85 per cent hike in the premium rates across all segments of vehicles, after considering the concerns/ requests/suggestions of various stakeholders, the Authority decided to hike the premium rates only to the tune of 10 per cent in respect of two wheelers and private cars; and 68.5 per cent in respect of the commercial vehicles. It was also notified that long intervals between rate revision puts an avoidable strain on policyholders as well as on the insurance companies and therefore the rates would be reviewed and adjusted annually in line with the formula notified by the Authority. As per the prescriptions, the revision in the premium rates has been pegged to the cost inflation index, average claim amounts, frequency and expenses involved in servicing the motor TP business.

TABLE 1: PREMIUM UNDERWRITTEN: LIFE INSURERS (Rs. in Crores)

Insurer	2010-11	2011-12
	Regular premium	Regular premium
LIC	36265.36 (38.50)	40194.54 (10.83)
Private sector	27679.83 (-19.84)	22040.78 (-20.37)
Total	63945.18 (5.32)	62235.32 (-2.67)
	Single premium	Single premium
LIC	50746.99 (11.93)	41667.71 (-17.89)
Private sector	11706.01 (204.66)	10039.14 (-14.24)
Total	62453.00 (26.99)	51706.85 (-17.21)
	First year premium	First year premium
LIC	87012.35 (21.66)	81862.25 (-5.92)
Private sector	39385.84 (2.64)	32079.92 (-18.55)
Total	126398.1 (15.02)	113942.17 (-9.85)
	Renewal premium	Renewal premium
LIC	116461.05 (1.66)	121027.03 (3.92)
Private sector	48779.4 (18.98)	52102.91 (6.81)
Total	165240.45 (6.23)	173129.94 (4.77)
	Total premium	Total premium
LIC	203473.40 (9.35)	202889.28 (-0.29)
Private sector	88165.24 (11.08)	84182.83 (-4.52)
Total	291638.63 (9.87)	287072.11 (-1.57)

Note: Figures in the brackets indicate the growth (in per cent) over the previous year.

On the basis of total premium income, the market share of LIC increased marginally from 69.7 per cent in 2010-11 to 70.68 per cent in 2011-12. Accordingly, the market share of private insurers has gone down marginally from 30.23 per cent in 2010-11 to 29.32 per cent in 2011-12.

TABLE 2: MARKET SHARE: LIFE INSURERS (In per cent)

Insurer	2010-11	2011-12
	Regular premium	Regular premium
LIC	56.71	64.58
Private sector	43.21	35.42
Total	100.00	100.00
	Single premium	Single premium
LIC	81.26	80.58
Private sector	18.74	19.42
Total	100.00	100.00
	First year premium	First year premium
LIC	68.84	71.85
Private sector	31.16	28.15
Total	100.00	100.00
	Renewal premium	Renewal premium
LIC	70.48	69.91
Private sector	29.52	30.09
Total	100.00	100.00
	Total premium	Total premium
LIC	69.77	70.68
Private sector	30.23	29.32
Total	100.00	100.00

The market share of private insurers in first year premium was 28.15 per cent in 2011-12 (31.16 per cent in 2010-11). The same for LIC was 71.85 per cent (68.84 per cent in 2010-11). Similarly, in renewal premium, LIC continued to have a higher share at 69.91 per cent (70.48 per cent in 2010-11) when compared to 30.09 per cent (29.52 per cent in 2010-11) share of private insurers.

TABLE 3: NEW POLICIES ISSUED: LIFE INSURERS (In lakh)

Insurer	2010-11	2011-12
LIC	370.38 (-4.70)	357.51 (-3.47)
Private sector	111.14 (-22.61)	84.42 (-24.04)
Total	481.52 (-9.53)	441.93 (-8.22)

Note: Figures in brackets indicate growth over previous year (in per cent)

During 2011-12, life insurers issued 442 lakh new policies, out of which LIC issued 358 lakh policies (80.90 per cent of total policies issued) and the private life insurers issued 84 lakh policies (19.10 per cent).

CONCLUSIONS

The urgent response that is required from the existing public insurers is clear that they must remain competitive by doing things better and faster, and by ensuring cost effectiveness with performance. Large numbers of initiatives have been taken by these public sector companies to compete with private sector companies. But still the public sector companies need to reassess their present status after having modified their approach & philosophy in the post reform period. Today, in this liberalized world, in order to sustain them, the insurance companies have to ensure quality products at a competitive price. Companies can lower the price of the product by reducing the cost. Their survival depends upon their performance in profitability productivity, efficiency and service quality.

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