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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	RELATIONSHIP BETWEEN CAPITAL STRUCTURE AND OWNERSHIP STRUCTURE WITH CONSERVATIVE ACCOUNTING MOHAMAD LASHKARI, MOHAMADREZA ABDOLI & KHDJIEH MOHAMMADI SIYAPRANI	1
2.	PARADOX OF COMMUNITY REACTIONS TO CORPORATE SOCIAL RESPONSIBILITY AND IRRESPONSIBILITY IN KENYAN HOTELS THOMAS KIMELI CHERUIYOT & DANIEL KIPKIRONG TARUS	5
3.	TOWARDS ENVIRONMENTAL MANAGEMENT: A CASE OF GREEN ADVERTISING FOR CONSUMER'S RESPONSIBLE ENVIRONMENTAL BEHAVIOUR AKPOGHIRAN, I. PATRICK	11
4.	STUDENTS SATISFACTION AND CHALLENGES IN PROBLEM BASED LEARNING IN COLLEGE OF SOCIAL SCIENCES AND LANGUAGES, MEKELLE UNIVERSITY, ETHIOPIA CHALACHEW WASSIE WOLLIE	16
5.	AN EMPIRICAL INVESTIGATION INTO CAUSAL RELATIONSHIP BETWEEN SPOT AND FUTURE PRICES OF CRUDE OIL DR. HARSH PUROHIT, HARTIKA CHHATWAL & HIMANSHU PURI	24
6.	EMERGING LIFESTYLE OF WOMEN AND ITS IMPACT ON THE FOOTWEAR PURCHASE V R UMA & DR. M I SAIFIL ALI	30
7.	ACCOUNTING FOR WAGE INEQUALITY IN INFORMAL SECTOR DR. NEERU GARG	34
8.	COMPLAINTS GIVING ATTITUDES OF MOTHERS ABOUT ADULTERATED FOOD IN INDIA DR. S. RAMESHKUMAR, G. PADMA PARVATHY & DR. G. PAULRAJ	38
9.	INDIA AND UNITED ARAB EMIRATES - TRADE DIMENSIONS AND GROWTH TRENDS SHESHAGIRI.B, DR. G. G. HONKAN & DR. L. D. VAIKUNTHE	44
10.	PROBLEMS OF GRANITE INDUSTRY IN CHITTOOR DISTRICT VASU JALARI, NALL BALA KALYAN KUMAR & M.DEVA RAJULU	48
11.	TOWARDS SUSTAINABLE TOURISM: ISSUES AND STRATEGIES C.ARULJOTHI & DR. S. RAMASWAMY	55
12.	ROLE OF EMOTIONAL INTELLIGENCE FOR MANAGERIAL EFFECTIVENESS IN THE CORPORATE WORLD DR. A. CHANDRA MOHAN & PREETHA LEENA .R	59
13.	A STUDY ON TEACHER'S OPINION ABOUT ORGANIZATIONAL CLIMATE AND INFRASTRUCTURAL FACILITIES IN MATRICULATION HIGHER SECONDARY SCHOOLS IN VIRUDHUNAGAR DISTRICT M.S. YASMEEN BEEVI & DR. M. JAYALAKSHMI	63
14.	INDIAN TEXTILE INDUSTRY GROWTH AND DEVELOPMENT OPPORTUNITIES AND CHALLENGES OF COIMBATORE REGION K. N. MARIMUTHU & DR. MARY JESSICA	67
15.	PERSONALITY DEVELOPMENT DR. HEMANDRI TIKAWALA, MUKESH R. GOYANI & JIGNESH VAGHELA	73
16.	MEASURING EDUCATIONAL EFFICIENCY AND THE DETERMINANTS OF EFFICIENCY OF THE STUDENTS IN SALEM DISTRICT, TAMILNADU DR. R. KALIRAJAN & DR. A. SUGIRTHARANI	76
17.	EFFECTIVENESS OF QUALITY OF WORK LIFE POLICIES AND PRACTICES IN THE PUBLIC SECTOR ORGANIZATIONS –A STUDY DR. MUNIVENKATAPPA & RAMANA REDDY. B	82
18.	THE LEVEL OF JOB SATISFACTION AND OPPURTUNITIES AMONG WOMEN ENTREPRENEURS IN TAMILNADU DR. M. JAYASUDHA	87
19.	SUB-PRIME CRISIS: CONCEPT AND ORIGIN DR. RAJESH PAL	90
20.	LABOUR MARKET DYNAMICS OF KERALA: A GENDER PERSPECTIVE MALLIKA.M.G	95
21.	LIFE INSURANCE CORPORATION OF INDIA: AN OVERVIEW OF ITS PERFORMACE DR. H H BHARADI	101
22.	AGRI TOURISM IN KARNATAKA – ISSUES CONSTRAINTS AND POSSIBILITIES SHUSHMA HAMILPURKAR	106
23.	REACHING THE UNREACHABLE THROUGH MICROFINANCE: CHALLENGES BEFORE INDIA MANISHA SAXENA	112
24.	PARTICIPATION OF WOMEN PEASANTS IN DECISION-MAKING PROCESS OF AGRICULTURAL ACTIVITIES IN KARNATAK STATE DR. RAMESH.O.OLEKAR	118
25.	THE EFFECT OF OPEN INTEREST CHANGE IN THE FIRST 20 MINUTES ON INTRADAY INDEX MOVEMENT: AN EMPIRICAL STUDY BASED ON NSE NIFTY OPTION DR. BIMAL JAISWAL & ARUN KUMAR	122
26.	ANALYSIS OF THE IMPACT OF GLOBAL FINANCIAL CRISES ON INDIAN ECONOMY BHAVNA RANJAN & SAKSHI WALIA	128
27.	POPULATION AND REGIONAL INEQUALITY IN INDIA DR. M. R. SINGARIYA	133
28.	SOCIOECONOMIC STATUS OF ELECTED WOMEN REPRESENTATIVES IN UTTAR PRADESH BHAVANA SINGH	140
29.	A SEPARATE AGRICULTURE BUDGET FOR INDIA-NEED OF THE HOUR HARSHAL A.SALUNKHE	145
30.	A STUDY ON THE IMPACT OF DIFFERENT METHODS OF HEALTH EDUCATION ON 'HIV/AIDS' AWARENESS AMONG ADOLESCENT STUDENTS AT UTKAL BHARTI SCIENCE COLLEGE, PALASUNI JANMEJAYA SAMAL	149
	REQUEST FOR FEEDBACK	152

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LIFE INSURANCE CORPORATION OF INDIA: AN OVERVIEW OF ITS PERFORMANCE

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ABSTRACT

Public sector life insurer and private sector life insurer in India are playing an important role in promoting India's economic development in tertiary sector, life insurer generating the surplus savings from the public which will be invested in to various central and state government approved securities in different avenues. Life insurer covers the life risk of both individual and group which benefits most of the insurable population of the country in the form of density and penetration. Attraction of life insurance business is mainly depends upon their products and services. The life fund implies excess of income over their expenditure. The growth of life fund is one measurement rod through which it can judge the efficiency of life insurer in the country. Settlement of claims that too death claims residual and outstanding nil ratios show the best performance of life insurance companies in the country. Hence the present study made an attempt to evaluate the above said indicators of life insurer. However, the study is mainly depends upon the secondary data with some parameters.

KEYWORDS

Life and non- life insurance, Insurer, Insurance density, Insurance penetration, Death claims, Life fund, Individual business, Group business, Premium, Policies, Claims settlement.

INTRODUCTION

Social scientist considers insurance as a device for protection against risks, or co-operative devices of spreading risks. In the words of D S Hansel, "Insurance as a social device providing financial compensation for the effects of misfortune, the payments are being made from the accumulated contributions of all parties participating in the scheme". Life insurance is an attempt to meet the varying wants of communities in different forms viz (a) duration of insurance, such as whole life policy, endowment policy and term policy (b) profit sharing –without profit policy or with profit policy. (c) Payment of sum assured – guaranteed policy and annuity policy. (d) payment of premium –single premium limited payment policy and whole life payment policy. (e) no of assured –single life policy and joint life policy. Keeping in view, the above pattern the public sector life insurer[LIC of India] including other private life insurer have been issuing different types of insurance policies.

The public sector in India is considered to be holy cow. Its significance became apparent particularly after the adoption of the goal of socialistic pattern of society. Ever since the declaration of the IPR in 1948, the public sector enjoyed a prime position in India. However, it is said that the return on investment in public sector is dismally low. Hence, during 1980's some voice was raised against public sector and in favor of the private sector. Therefore, there is a wave for liberalization privatization and globalization in the whole world. Privatization is an economic measure which has now been resorted to a number of countries around the world including all major banks and insurance companies and even manufacturing, transport and tele communication. However, in India privatization were started during eighties. In this connection, an attempt has been made in this paper to throw a light on the impact of IRDA act implementation in Indian life insurance business.

METHODOLOGY

To study the performance of life insurance business of India the researcher has taken 2001-02 to 2010-11 wherever applicable. To know the business performance of both LIC and private players, the parameters like insurance density, insurance penetration, management of life fund, premium collection, individual new business and death claims settlement etc have been taken in to consideration. The study is mainly depends upon the secondary data collected from annual reports of IRDA, LIC and private insurer.

OBJECTIVES OF THE STUDY

Following are the main objectives of the present study:

1. To study the insurance density and penetration in and across the country
2. To examine the Indian life insurer business of premium collection, individual business and management of life fund.
3. To analyze the life insurer death claims.
4. To find out the major findings and suggest the suitable suggestions.

LIC of India had functioned as a single player in the arena of life insurance for the last 44 years from 1956 to 2000, when life insurance industry was opened up and private insurance companies entered the field to undertake major changes in both qualitative and quantitative aspects of insurance sector. This is a part of globalization programme launched by the government of India and the consequent loss of monopoly status to the LIC of India. Hence, it is a time to assess performance of life insurers by taking in to account various indicators. Moreover, the number of insurance companies stood at 49 as at the end of the September 2011, consisting of 23 life insurers, 24 non-life insurer and a reinsurer [Edelweiss Tokio life insurance company was granted registration in the year 2011-12]

RESULTS AND DISCUSSIONS**INSURANCE PENETRATION AND DENSITY IN INDIA**

Insurance penetration and density of insurance reflects the level of development of insurance sector in a country. The insurance penetration is measured as the percentage of insurance premium to GDP. Similarly, insurance density is calculated as the ratio of premium to population (per capita premium) India has achieved a commendable performance in insurance density since insurance sector opened for private players. Similarly insurance penetration, which surged consistently till 2009, slipped for the first time in 2010 due to slower rate of growth in the life insurance premium as compared to the rate of growth of the Indian economy

Insurance density had gone up from US D 11.9 in 2001 to US D 64.4 in 2010. Similarly insurance penetration had gone up from 2.71 per cent in 2001 to 5.10 per cent in 2010. Within the insurance sector, the density of life insurance sector shows a predominant and which was US D 9.1 against non-life insurance density US D 2.4 in 2001. The density of life insurance was rose by US D 55.7 against the non-life density US D 4.40 in 2010. which impetrates that the density of life insurance is more than that of the non-life insurance. It is concluded that growing population with mass poverty cannot afford the insurance. On the other hand, within the insurance penetration, life insurance penetration was significant than that of the non-life insurance, it is evident from the table that the life insurance penetration was consistently increased from 2.15 percent to 4.40 percent against to the 0.56 percent to the 0.71 percent during 2001 to 2010. It implies that non life insurance (General Insurance) has not given prominent place in the Indian insurance sector.

TABLE 1: INSURANCE PENETRATION AND DENSITY IN INDIA

	Life		Non-life		Industry	
Year	Density (US D)	Penetration (per cent)	Density (US D)	Penetration (per cent)	Density (US D)	Penetration (percent)
2001	9.1	2.15	2.4	0.56	11.5	2.71
2002	11.1	2.59	3.0	0.67	14.7	3.26
2003	12.9	2.26	3.5	0.62	16.4	2.88
2004	15.7	2.53	4.0	0.64	19.7	3.17
2005	18.3	5.53	4.4	0.61	22.7	3.14
2006	33.2	4.10	5.2	0.60	38.4	4.80
2007	40.4	4.00	6.2	0.60	46.6	4.70
2008	41.2	4.00	6.2	0.60	47.4	4.60
2009	47.7	4.60	6.7	0.60	54.3	5.20
2010	55.7	4.40	8.7	0.71	64.4	5.10

Source; IRDA Annual reports, various issues

However, the cross country comparison of both life and non-life insurance penetration in India is more progressive [4.4 per cent life and 0.7 per cent non-life] than in Bangladesh (0.7 per cent life 0.2 per cent non-life) Malaysia (3.2 per cent life 1.6 per cent non-life) Pakistan (0.3 per cent life and non-life respectively) under Asian countries. In contrast to this, non-life insurance in some developed countries is progressive one compared to India and some other Asian underdeveloped/developing countries viz life and non-life in Australia 3.1 per cent and 2.8 per cent, in France 7.4 per cent and 3.1 per cent, in Germany 3.4 per cent and 3.7 per cent, in Switzerland 5.5 per cent and 4.4 per cent, in UK 9.5 per cent and 2.9 per cent, in USA 3.5 per cent and 4.5 per cent in 2010. Therefore, it is concluded that from the Swiss Re, sigma volumes in respect of insurance penetration that in most of the developed countries both life and non-life insurance penetration is well developed, where as in most of the Asian countries the development of non-life insurance penetration is not significantly developed. However, some progressive signs are visible in few Asian countries including India. The details are given in the table below.

TABLE 2: INTERNATIONAL COMPARISON OF INSURANCE PENETRATION

	2009			2010		
COUNTRIES	Total	Life	Non-life	Total	Life	Non-life
Australia	6.4	3.4	3.0	5.9	3.1	2.8
Brazil	3.1	1.6	1.5	3.1	1.0	1.5
France	10.3	7.2	3.1	10.5	7.4	3.1
Germany	7.0	3.3	3.7	7.2	3.5	3.7
Russia	2.5	0.0	2.5	2.3	0.0	2.3
South Africa	12.9	10.0	2.9	14.8	12.0	2.8
Switzerland	9.8	5.4	4.5	9.9	5.5	4.4
United Kingdom	12.9	10.0	3.0	12.4	9.5	2.9
United states	8.0	3.5	4.5	8.0	3.5	4.5
ASIAN COUNTRIES	2009			2010		
Bangladesh	0.9	0.7	0.2	0.9	0.7	0.2
Hong kong	11.0	9.6	1.5	11.4	10.1	1.4
India	5.2	4.6	0.6	5.1	4.4	0.7
Japan	9.0	7.8	2.1	10.1	8.0	2.1
Malaysia	4.4	2.9	1.6	4.8	3.2	1.6
Pakistan	0.7	0.3	0.4	0.7	0.3	0.3
PR China	3.4	2.3	1.1	3.8	2.5	1.3
Singapore	6.8	5.1	1.7	6.1	4.6	1.6
South Korea	10.4	6.5	3.9	11.2	7.0	4.2
Sri Lanka	1.4	0.6	0.9	1.4	0.6	0.9
Taiwan	16.8	13.8	3.0	18.4	15.4	3.0
Thailand	4.0	2.4	1.6	4.3	2.0	1.7
WORLD	7.0	4.0	3.0	6.9	4.0	2.9

Source; IRDA Annual reports, various issues

TABLE 3: INTERNATIONAL COMPARISON OF INSURANCE DENSITY

COUNTRIES	2009			2010		
	Total	Life	Non-life	Total	Life	Non-life
Australia	2832.7	1524.8	1307.9	3369.2	1766.3	1603.0
Brazil	251.7	127.9	123.8	327.6	169.9	157.7
France	4269.1	2979.8	1289.4	4186.6	2937.6	1249.0
Germany	2878.4	1359.7	1518.7	2903.8	1402.2	1501.6
Russia	280.9	4.5	276.4	296.8	6.4	290.4
South Africa	7381.1	574.2	163.9	1054.7	854.6	200.1
Switzerland	6257.6	3405.6	2852.1	6633.7	3666.8	2966.9
United Kingdom	4578.8	3527.6	1051.2	4496.6	3436.3	1060.2
United states	3710.0	1602.6	2107.3	3758.9	1631.8	2127.2
ASIAN COUNTRIES	2009			2010		
Bangladesh	5.2	3.9	1.3	5.8	4.4	1.4
Hong kong	3304.0	2886.6	417.5	3635.5	3197.3	438.2
India	54.3	47.7	6.7	64.4	55.7	8.7
Japan	3979.0	3138.7	840.4	4390.2	3472.8	917.4
Malaysia	321.8	206.9	115.0	421.1	282.8	138.3
Pakistan	6.6	3.0	3.6	6.1	3.2	2.9
PR China	121.2	81.1	40.0	158.4	105.5	52.9
Singapore	2557.6	1912.0	645.6	2823.4	2101.4	722.1
South Korea	1890.3	1180.6	709.7	2339.4	1454.3	885.1
Sri Lanka	29.5	11.8	17.7	34.2	13.7	20.6
Taiwan	2752.1	2257.3	494.8	3296.2	2756.8	539.3
Thailand	154.4	91.7	62.7	199.4	121.9	77.5
WORLD	595.1	341.2	253.9	627.3	364.3	263.0

Source: IRDA Annual Report, various issues

As for as international comparison of insurance density is concerned India has strong plus point over Asian countries. The life and non-life insurance density in India is US D 55.7 and US D 8.7 respectively in 2010. Whereas the Bangladesh collected US D 4.4 and 1.4, Pakistan US D 3.2 and 2.9, Sri Lanka US D 13.7 and 20.6. The developed countries like Australia, USA, UK, Germany and other countries were made herculean task in collecting the premium from both life and non-life business.

GROWTH OF LIFE INSURANCE PREMIUM

Profitability of the life insurance business is mainly depending upon its income; most of the insurance companies derive their income from various sound business activities, through the collection of premium, net investment and miscellaneous sources. The total premium income includes first year premium income, renewal premium income, single premium consideration for annuities under individual insurance, individual pension scheme and does not include group insurance premiums. The rise in first year premium is important one because most of the administrative expenses are incurred at the time of procuring a new policy. The growth of premium collected from the public and private insurance players was augmented over the years. The details are given in table below.

TABLE 4: PERFORMANCE OF TOTAL LIFE INSURANCE PREMIUM (Rs in crore)

INSURER	2000-01	2004-05	2008-09	2010-11
LIC	34892.02	75127.29 (18.25)	157288.04 (5.01)	203473.40 (9.35)
ING Vysya	—	338.86	1442.28	1708.95
HDFC standard	0.002	686.63	5564.69	9004.17
Birla Sun Life	0.32	915.47	4571.80	5677.07
ICICI Prudential	5.97	2363.82	15356.22	17880.63
Kotak mahindra	—	466.16	2343.19	2975.51
Private Total	6.45	7727.51 (147.65)	64497.43 (25.09)	88131.60 (11.04)
TOTAL	34898.47	82854.80 (24.31)	221785.47 (10.15)	291604.99 (9.85)

Note: Figures in the bracket represent the growth over the previous year in percent
 — represent business not started

Source: IRDA Annual Report, various issues

The total premium collected from the public sector insurer i.e. LIC of India and including all the private insurance companies was Rs. 34898.47 crore in 2000-01 to Rs. 291604.99 (9.85) in 2010-11. Within this total, LIC collected Rs. 34892.02 crores in 2000-01 and Rs. 203473.40 crore in 2010-11, its share in total premium is 99.98 per cent and 69.78 per cent respectively. On the other hand, premium collected by all the private insurance companies was Rs. 6.45 crore (0.02) in 2000-01 to Rs. 88131.60 crore (30.22) in 2010-11. The share of premium collected by all the private insurance companies was steadily increasing when compared with the LIC of India. However, the market share of LIC is around 70 per cent at the end of the 2010-11, it may be the reason that people trust in public sector insurance industry than to the private insurance players. Moreover, the products offered by LIC is more useful, convenient, economical and also fruitful. Among the private insurance companies the better performance of premium collected has done by the ICICI Prudential and its operational cost was also minimum compare to that of other private insurance companies.

INDIVIDUAL NEW BUSINESS PERFORMANCE OF LIFE INSURER-CHANNEL WISE IN 2010

The new business premium of both public sector and private insurer includes first year premium and single premium. The new business refers to the business contracted during a given year. The new business of LIC and private insurers in terms of policies as well as sum assured shows a better progress. There are as many as 22 private players and 1 public sector monopoly insurer at present in India. The details are given in the following table.

TABLE 5: THE GROWTH OF TOTAL INDIVIDUAL NEW BUSINESS (Rs. in crores)

Name of the Insurer	No. of Policies	Amount of Premium
Bajaj Allianz	1542005	2591.92
Birla Sun Life	1004093	1640.85
HDFC Standard	830532	3488.45
ICICI Prudential	1350494	5321.44
ING Vysya	274401	653.15
Kotak Mahindra	258783	965.32
Max New York	816259	1935.85
Met Life	199211	636.07
Reliance Life	1902685	2658.59
SBI Life	939978	4789.37
TATA AIG	553203	1117.18
Private Total	11094391 (23.06)	30441.94 (36.60)
LIC	37012277 (76.94)	52732.09 (63.40)
Industry Total	48106668	83174.03

Note: Figures in parentheses indicates per cent to the total.

Number of policies issued by Reliance Life ranked first among the private insurer (1902685 Policies), Bajaj Allianz stand second rank (1542005 policies) and the Third rank by the ICICI Prudential (1350494 policies). Whereas in terms of premium collection ICICI Prudential stand first of Rs. 5421.44 crore than SBI Life of Rs. 4789.37 crore and HDFC Standard of Rs. 3488.45 crore. However, the aggregate individual new business of private insurance in terms of policies was 11094391 (23.06 per cent) and in terms of premium was Rs. 30441.94 crore (36.60) which is less than to that of LIC of India 37012277 (76.94) policies and Rs. 52732.09 crore (63.40) respectively. Therefore, this clearly shows that public sector insurer i.e. LIC of India. Individual new business growth performance is much better than to private players.

ASSETS UNDER MANAGEMENT OF LIFE INSURERS

Life fund is the excess of income over its expenditure consists of a vast accumulation of wealth .Life fund includes central government securities ,state government and other approved securities, infrastructure investments ,and approved investments.

TABLE 6: PERFORMANCE OF ASSETS UNDER MANAGEMENT OF LIFE INSURERS

Insurer	LIFE FUND (Rs in crore)											
	Central Govt securities		State govt & other appr sec		Infrastructure investment		Approved investment		Other investment		Total Life Fund	
	Mar10	Mar 11	Mar10	Mar11	Mar10	Mar11	Mar10	Mar11	Mar10	Mar11	Mar10	Mar 11
LIC	292901.34	334092.91	109629.03	136929.55	78991.01	80491.49	182643.05	205050.46	33989.06	41726.63	698153.49	798291.03
Public Total	292901.34	334092.91	109629.03	136929.55	78991.01	80491.49	182643.05	205050.46	33989.06	41726.63	698153.49	798291.03
HDFC Standard	2042.86	2276.66	139.88546.77	456.77	843.82	1301.75	1326.27	1274.23	98.28	50.72	4451.08	5360.12
Max New York	1683.17	2517.25	462.58	521.02	785.19	1131.22	575.69	709.36	1.30	1.33	3487.93	4880.19
ICICI Prudentl	1797.86	2619.75	598.96	813.75	688.31	1080.84	1126.00	1934.78	115.16	113.26	4326.29	6562.38
Birla Sun Life	758.78	1138.02	0.00	0.00	414.21	535.32	268.53	501.89	11.25	2.66	1452.77	2177.89
TATA AIG	1533.89	2146.83	337.10	360.08	489.14	603.50	448.66	418.74	23.68	20.85	2832.47	3550.00
Kotak Mahindra	574.08	682.46	145.13	163.03	284.07	370.86	211.52	331.08	1.52	1.85	1216.32	1549.28
SBI Life	2040.46	2161.51	429.36	319.30	775.20	746.50	1542.24	1377.42	13.37	109.39	4800.63	4714.12
Bajaj Allianz	1278.47	2125.63	1193.44	890.25	1045.11	1081.98	1062.53	1553.22	2.78	57.68	4582.34	5708.76
Met Life	462.72	784.60	119.96	120.21	316.58	357.06	119.98	112.49	11.27	0.00	1030.52	1309.77
Reliance	287.69	476.80	139.19	171.28	169.44	253.20	281.46	403.82	9.13	4.67	886.92	42783.52
Private Total	14194.22	19283.14	4015.44	4428.11	6682.53	8689.26	7755.94	9950.52	488.24	432.49	33137.37	
Industry Total	307095.57	353376.05	113644.46	141357.66	85674.54	89180.75	190398.99	215000.98	34477.30	42159.12	731290.86	841074.55

Source; IRDA Annual reports, various issues

Management of assets under life insurer including both LIC and private insurer have been shows a tremendous growth. It is evident from the table that the total life fund was surged from Rs. 731290.86 to Rs. 841074.55 from 2010 and 2011. The share of public sector LIC is 94.91 per cent to that of private insurer is 5.09 per cent in 2011. However, within the private insurer, there is a variation in total life fund managed by the private players. ICICI Prudential has the top position of 15.34 per cent to the total private life fund in 2011 next by 13.34 per cent and 12.53 per cent respectively by Bajaj Allianz and HDFC Standard. The least fund managed by DLF Pramerica [Rs143.02 crore (0.33)] among the private players. Among the different avenues, The private insurer invested their fund more with central government schemes, approved investments in infrastructure and state government securities on the priority basis. Similarly, public sector LIC maintained its life fund more with central government securities, approved investment in infrastructure and in state government securities. Thus, though it is privatized, LIC of India has been playing a significant role in maintaining its excess of income over the private players.

PERFORMANCE OF CLAIMS SETTLEMENT IN LIFE INSURANCE SECTOR

Claims settlement is one of the outgo of the life insurer, in life insurance business timely settlement of claims is a significant. The claims settlement record of an insurer is the touchstone of its performance. This needs to do a careful evaluation of the risks that would arise out of the underwritten contract paid their premiums accordingly. Claims settlement is classified in to two categories as death claims and maturity claims .The death claims are most important one than that of the maturity claims, per cent achievement and nil outstanding in death claims shows the utmost performance of insurer. The table below gives individual and group death claims of life insurer in 2010-11.

TABLE 7: PERFORMANCE OF INDIVIDUAL AND GROUP DEATH CLAIMS: LIFE INSURER IN 2010-11

Individual Death Claims ; (Fig in per cent of policies)					
Insurer	Total Claims	Claims Paid	Claims repudiated	Claims Written Back	Claims Pending at the end of the year
Private	100	86.04	8.90	0.05	5.01
LIC	100	97.03	1.00	0.51	1.46
Total	100	95.58	2.04	0.45	1.93
Group Death Claims ; (Fig in per cent of lives covered)					
Insurer	Total Claims	Claims Paid	Claims repudiated	Claims Written Back	Claims Pending at the end of the year
Private	100	93.33	1.18	0.13	5.36
LIC	100	99.66	0.01	0.00	0.33
Total	100	96.73	0.55	0.06	2.66

Source; IRDA Annual reports, various issues

Group death claims paid compared to the individual death claims paid is a progressive one, LIC in group death claims paid is 99.66 per cent compared to that of 93.33 per cent in private insurer, on an average it is 96.73 per cent slightly increased by 95.58 per cent in individual death claims. Claims written back on an average in group death claims is 0.06. However, a LICs group and individual death claim written back is nil and 0.51 per cent respectively. LICs group death claims pending at the end of the year is 0.33 percent compared to the private insurer which was 5.36 per cent. Group death claims total repudiated is progressive and better than that of the individual death claims.

MAJOR FINDINGS AND SUGGESTIONS

Density of non-life insurance compared to life insurance is insignificant .Life insurance penetration was significant than that of the non- life insurance. It is observed that life insurance penetration was consistently rose from 2.15 per cent to 4.40 per cent against to the non-life insurance 0.56 per cent to the 0.71 per cent during the study period. Therefore, there is a good scope for improvement the both non-life insurance density and non-life insurance penetration in India.

As for as international comparison is concerned both life and non-life insurance penetration, India is head headway (4.4 % and 0.7%) over Bangladesh (0.7 % life and 0.2% non-life) Malaysia (3.2% life and 1.6% non-life) Pakistan (0.3 % life and 0.3 % non-life) under Asian countries. When compared with developed countries India's progress is slower both in density and penetration over France 7.4 % and 3.1 %, Switzerland 5.5 % and 4.4 % UK 9.5 % and 2.9 %and USA 3.5 % and 4.5 % in 2010.Though, India has strong positive points over some of the Asian countries, but lags against developed countries. Therefore, it is suggested to the India to improve her standards in internationally both in density and penetration.

Market share in terms of premium collection by the LIC is around 70 per cent over private players which collect only 30 per cent. Besides, the cost of operation of private players is surging, so that it suggested to private players to reduce their operational costs cost and have been good scope in the collection of premium as compared to LIC of India.

The Individual new business performance in terms of No. of policies and premium of private players was (23.06 % and 36.60 %) respectively low when compared to the LIC (76.94 % and 63.40 %) in 2010-11. Hence, it is suggested to the private insurer to increase their new business in terms of policies and premium by offering better products/services in the insurance arena.

With regards the Life Fund Management by the public sector with central government securities, approved investment, infrastructure and in state government securities. Similarly, the same is followed by the private insurer. It is found that both LIC and private insurer adapted similar strategy while managing the life fund. However, LIC has better position over private insurer with regards to the management of life fund.

Individual and group death claims of both private insurer and LIC the share of claims paid in terms of per cent of lives covered and policies of LIC is much speedier over private insurer. Private individual claims repudiated outstanding is more by 8.90 per cent policies compared to 1 per cent in LIC. But group death claims repudiated outstanding is in progressive of both private and LIC. Therefore, it is suggested to the private insurer to reduce the claims repudiated and claims pending in its individual death claims.

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