

Performance of Insurance Companies in Relation to Budgetary Provisions of Government of India

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Abstract

The insurance sector has witnessed many structural transformations and significant positive changes after liberalisation in the year 2000. Earlier insurance meant just the Life Insurance Corporation (LIC), the only company to serve the entire Indian life insurance market. But now today, people having the alternative and opportunity to select need based products from a variety of policies offered by different private life insurance companies. As a move to it, the government has increased its spending in the insurance sector aiming at an inclusive and long-term development of the economy. In this context, the present paper focuses to study the impact of union budget 2017 in uplifting the general insurance sector and to trace the challenges faced by potential insurance base in India. This paper also portrays the insurance penetration and density in India along with identifying the important aspects boosting the insurance sector. In India, although the savings rate is high, people prefer to invest either in gold or fixed assets in the hope of appreciating by paying premium to an insurance company. Premium is collected by insurance companies which also act as trustee to the pool. Any loss to the insured in case of happening of an uncertain event is paid out of this pool. Both LIC and Private life insurers are regularly updating their products, improved insurance services to lure and retain customers and expanding distribution channels with an aim to spread insurance benefits to each and every corner of the country. In this context, the present study has been undertaken to understand the role of salaried person and their extent to which risk perception affects the policy purchasing decision.

Keywords: General Insurance; Premium; Indemnity; Insurance Penetration.

Introduction

The insurance sector has witnessed many structural transformations and significant positive changes after liberalisation in the year 2000. Earlier insurance meant just the life insurance corporation of India(LIC), only the company to serve the entire Indian life insurance market. But now today, people having the alternative and opportunity to select need based products from a variety of policies offered by different private life insurance companies. Every

human being has the tendency to save, as protection against risks, losses or future events. Insurance is one form of saving.

Meaning

An arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium.

Definition

Insurance is a Risk-transfer mechanism that ensures full or partial financial compensation for the loss or damage caused by event(s) beyond the control of the insured party. Under an insurance contract, a party (the insurer) indemnifies the other party (the insured) against a specified amount of loss, occurring from specified eventualities within a specified period, provided a fee called premium is paid. In general

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insurance, compensation is normally proportionate to the loss incurred, whereas in life insurance usually a fixed sum is paid. Some types of insurance (such as product liability insurance) are an essential component of risk management, and are mandatory in several countries.

Importance of Union Budget on Insurance Sector

The general insurance industry hailed the Union Budget and welcomed the government's decision to increase the coverage under the Pradhan Mantri Fasal Bima Yojana from 30 percent to 40 per cent in 2017-18 and 50 per cent in 2018-19. The government has increased its spending on PMFBY to Rs 13,240 crore, which the industry believes will help bring more farmers under the insurance cover. "Indian farmers need risk mitigation mechanism in the form of insurance and PMFBY will compensate them whenever they suffer crop loss during natural disasters," New India Assurance CMD G Srinivasan said. New India has underwritten premium of Rs 1,100 crore under the scheme in the current fiscal so far and it plans to increase it to Rs 2,000 crore in the next financial year. "The increase in insurance cover under PMFBY will result in increase in premium by 15-20 per cent by the industry in the next fiscal," National Insurance chairman and managing director, Sanath Kumar said. ICICI Lombard MD & CEO, Bhargav Dasgupta said, "This government has done more to promote insurance as a risk mitigation tool and the decision to increase the coverage under the Pradhan Mantri Fasal Bima Yojana to cover 40 per cent of crop area is a continuation of that approach." "The budget aims at continuing with the government's agenda of pursuing an inclusive and long-term development of the economy by focusing on the core enablers, including infrastructure, digitisation, rural development, among others. New initiatives, such as a proposed model on contract farming are a welcome move."

Review of Literature

Murugan (2009) In his article has evidently explained the impact of globalization on insurance industry in India. The introduction of private players in the industry has added colours to the dull industry. The initiatives taken by the private players are very competitive and have been gradually declined after the entry of private and foreign insurers, but the industry has witnessed significant growth after globalisation and liberalisation of the industry.

Uma, selvanayaki & Shankar (2011) based their article titled "A survey of Life Insurance customer's awareness, perception and preference's on the survey of 100 customers of life insurance policies, carried out in Coimbatore. It throw's light on various aspects related to customer's awareness, perception, and preferences pertaining to life insurance. The primary objectives of this survey were to find preferences of customers towards various life insurance policies, factors influencing choice of life insurance policy and awareness about life insurance brands.

Mouna Zerriaa and Hedi Noubbigh (2015), in their research paper, "Determinants of Life Insurance Demand in the MENA Region" have tried to investigate the determinants of life insurance consumption in the Middle East and North Africa (MENA) region using a sample of 17 countries over the period 2000- 2012. They have used two measures of life insurance demand: insurance density and insurance penetration. This research states that consumption increases with income, interest rates and inflation and also it highlights that country's level of financial development, life expectancy and educational attainment stimulates life insurance demand in a nation.

Objectives of the Study

The present paper aims to bring out the impact of current union budget 2017-18 on insurance sector. However, the paper is guided by the following sub objectives.

1. To trace the potential insurance subscriber base in India and review the financial performance.
2. To identify the important aspects boosting the insurance sector operational performance.
3. To draw the conclusions from the current scenario on insurance sector and offer a few suggestions to insurance companies to develop their business.

Scope of the Study

The paper is a secondary data based one and aims to deal with the impact of budgetary provisions on the present and potential insurance business in India.

Conceptual Framework Methods

The present paper consists of the secondary data collected from IRDA publications. Further, the data is compiled in terms of real premium growth rate in advanced countries to give a fair view about the global scenario.

Region-wise life and non-life insurance premium in India and other contemporary regions is presented to give a fair view in Asia and other emerging markets. Eventually, insurance penetration and density in India is provided from 2001-16 to fulfil the time series consistency.

Global life premium growth is expected to improve over the next few years, mainly driven by the emerging markets. Growth in non-life sector is expected to remain moderate, driven mainly by advanced economies. Globally, the share of life insurance business in total premium was 55.3 percent. However, the share of life insurance business for India was very high at 77.95 percent while the share of non-life insurance business was small at 22.05 percent. In life

insurance business, India is ranked 10 among the 88 countries, for which data is published by Swiss Re. India's share in global life insurance market was 2.36 percent during 2016. However, during 2016, the life insurance premium in India increased by 8 percent (inflation adjusted) while global life insurance premium increased by 2.5 percent.

Insurance Penetration and Density in India

The measure of insurance penetration and density reflects the level of development of insurance sector in a country. While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium

Table 1: Total real premium growth rate in 2016 (in per cent)

Regions/countries	Life	Non-Life	Total
Advanced countries	-0.5	2.6	0.7
Emerging countries	16.9	7.8	13.5
Asia	7.4	9.2	7.9
India	8.0	8.1	9.1
World	2.5	3.6	3.1

Source: IRDAI Annual report 2017

Table 2: Region wise Life and Non-life insurance premium

Regions/countries	Life	Non-Life	Total
Advanced countries	2110.53 (55.56)	1688.12 (44.44)	3798.65 (100.00)
Emerging countries	506.49 (54.25)	427.75 (45.75)	933.54 (100.00)
Asia	1000.27 (66.97)	493.26 (33.03)	1493.53 (100.00)
India	61.82 (77.95)	17.49 (22.05)	79.31 (100.00)
World	2617.02 (55.30)	2115.17 (44.70)	4732.19 (100.00)

Source: IRDAI Annual report 2017

Table 3: Insurance penetration and density in India

Year	Life		Non-life		Industry	
	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)
2001	9.10	2.15	2.4	0.56	11.50	2.71
2002	11.70	2.59	3	0.67	14.70	3.26
2003	12.90	2.26	3.5	0.62	16.40	2.88
2004	15.70	2.53	4	0.64	19.70	3.17
2005	18.30	2.53	4.4	0.61	22.70	3.14
2006	33.20	4.10	5.2	0.6	38.40	4.80
2007	40.20	4.00	6.2	0.6	46.60	4.70
2008	41.2	4.00	6.2	0.6	47.40	4.60
2009	47.7	4.60	6.7	0.6	54.30	5.20
2010	55.7	4.40	8.7	0.71	64.40	5.10
2011	49	3.40	10	0.7	59.00	4.10
2012	42.7	3.17	10.5	0.78	53.20	3.96
2013	41	3.10	11	0.8	52.00	3.90
2014	44	2.60	11	0.7	55.00	3.30
2015	43.2	2.72	11.5	0.72	54.70	3.44
2016	46.5	2.72	13.2	0.77	59.70	3.49

to population (per capita premium). During the first decade of insurance sector liberalization, the sector has reported consistent increase in insurance penetration from 2.71 percent in 2001 to 5.20 percent in 2009. Since then the level of penetration was declining. However, there was a slight increase in the years 2015 (3.44 percent) and in 2016 (3.49 percent). The level of insurance density reached the maximum of USD 64.4 in the year 2010 from the level of USD 11.5 in 2001. During the year 2016, the insurance density was USD 59.7 (USD 54.7 in 2015). The insurance density of life insurance sector had gone up from USD 9.1 in 2001 to reach the peak at 55.7 in 2010. Since then it has exhibited a declining trend upto the year 2013.

During the year 2016, the level of life insurance density was USD 46.5 (USD 44 in 2014 and USD 43.2 in 2015). The life insurance penetration had gone up from 2.15 percent in 2001 to 4.60 percent in 2009. Since then, it has exhibited a declining trend upto the year 2014. There was a slight increase in 2015 reaching 2.72 percent and remained unchanged in 2016. Over the last 10 years, the penetration of non-life insurance sector in the country remained steady in the range of 0.5-0.8 percent. However, its density has gone up from USD 2.4 in 2001 to USD 13.2 in 2016.

Financial Performance of Insurance Companies in Private and Public Limited Companies

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Market Share

On the basis of total premium income, the market share of LIC decreased from 72.61 percent in 2015-16 to 71.81 percent in 2016-17. The market share of private insurers has increased from 27.39 percent in 2015-16 to 28.19 percent in 2016-17. The market share of private insurers in first year premium was 28.89 percent in 2016-17 (29.46 percent in 2015-16). The same for LIC was 71.11 percent (70.54 percent in 2015-16). Similarly, in renewal premium, LIC continued to have a higher share at 72.31 percent (73.87 percent in 2015-16) when compared to 27.69 percent (26.13 percent in 2015-16) share of private insurers.

Table 4: Market share: life insurers

Insurer	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
	Regular premium (1)		Single premium(2)		First year premium(3=1+2)	
LIC	46.83	44.31	84.27	84.83	84.27	84.83
Private Sector	53.17	55.69	15.73	15.17	15.73	15.17
Total	100	100	100	100	100	100
	Renewal premium(4)		Total premium(3+4)		Insurer	
LIC	73.87	72.31	72.61	71.81	205.47 (1.86)	201.32 (-2.02)
Private Sector	26.13	27.69	27.39	28.19	61.92 (7.92)	63.24 (2.13)
Total	100	100	100	100	267.38 (3.02)	264.56 (-1.05)

Source: IRDAI Annual report 2017

Table 5: (A)&(B) premium (within india) underwritten by general and health insurers segment-wise (crore)

Table 5a:

Segment	2015-16	2015-17
Fire	8731.46 (9.06)	9538.01 (7.44)
Marine	2984.38 (3.10)	2917.47 (2.28)
Motor	43200.86 (43.89)	50250.53 (39.22)
Health	27457.30 (28.49)	34526.61 (26.95)
Others	14905.37 (15.47)	30895.72 (24.11)
Total Premium	96379.37	128128.34

Table 5b:

	2015-16	2016-17
Public Sector Insurers	-10834.80 (-0.25)	-15590.71 (-0.32)
Private Sector Insurers	-3663.83 (-0.13)	-2948.83 (-0.09)
Standalone Health Insurers	-275.25 (-0.09)	-86.51 (-0.02)
Specialised Insurers	-188.08 (-0.06)	-214.36 (-0.07)
Total	-14958.96 (-0.20)	-18840.41 (-0.21)

New Policies

During 2016-17, life insurers issued 264.56 lakh new policies, out of which LIC issued 201.32 lakh policies (76.1 percent of total new policies issued) and the private life insurers issued 63.24 lakh policies

(23.9 percent of total new policies issued). While the private sector registered a growth of 2.13 percent in the number of new policies issued against the previous year, LIC registered a slight decline of 2.02 percent.

Table 6: Gross commission expenses: general and health insurers

Segment	Public Sector Insurers		Private Sector Insurers		Standalone Health Insurers		Specialised Insurers		Total	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
Fire	602.07	575.48	223.92	256.00	NA	NA	NA	NA	825.99	831.48
Marine	141.06	151.29	104.36	110.69	NA	NA	NA	NA	245.42	261.98
Motor	983.87	1072.69	789.46	919.64	NA	NA	NA	NA	1773.33	192.33
Health	1113.87	1281.19	597.74	704.45	456.75	664.08	NA	NA	2168.36	2649.72
Others	501.93	544.16	267.77	315.24	NA	NA	3.69	6.75	773.39	866.15
Total	3342.80	3624.81	1983.25	2306.02	456.75	664.08	3.69	6.75	5786.49	6601.66

Source: IRDAI Annual Report 2017

Table 7: (A) operating expenses, (B) net incurred claims general and health insurers (crore)

Table 7a:			Table 7b:		
	2015-16	2016-17		2015-16	2016-17
Public Sector Insurers	12528.44	12838.19	Public Sector Insurers	38104.27 (20.17%)	49043.19 (28.71%)
Private Sector Insurers	9018.00	10694.19	Private Sector Insurers	21771.81 (12.05%)	25771.04 (18.37%)
Standalone Health Insurers	1396.7	1696.18	Standalone Health Insurers	1769.75 (32.40%)	2392.05 (35.16%)
Specialised Insurers	301.47	365.79	Specialised Insurers	2856.57 (-1.40%)	3455.87 (20.98%)
Total	23244.70	25594.35	Total	64502.40 (16.78%)	80662.14 (25.05%)

Table 8: (A) Investment income & (B) Profit after tax of general and health insurers (crore)

Table 8a:			Table 8a:		
	2015-16	2016-17		2015-16	2016-17
Public Sector Insurers	12147.41 13.26%	13241.00 9.00%	Public Sector Insurers	1499	-2551
Private Sector Insurers	5684.50 19.15%	7083.91 24.62%	Private Sector Insurers	1333	2763
Standalone Health Insurers	241.34 35.16%	312.3 29.41%	Standalone Health Insurers	-177	27
Specialised Insurers	1004.57 7.70%	1093.05 8.81%	Specialised Insurers	583	606
Total	19077.82 14.88%	21730.28 13.90%	Total	3238	845

Table 9: Dividend paid General, Health and reinsurers (crore)

	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
	General Insurers		Standalone Health Insurers		Specialized Insurers		Reinsurers	
Public sector	482	65	73	NA	65	73	860	0
Private sector	247	0	0	0	0	0	0	0
Sub Total	729	65	73	0	65	73	0	0

Source: IRDAI Annual report 2017

The types of Non Life Insurance Products and the prominent indemnifier/insurers/underwriters:

- A. Automobile - Comprehensive, Third party, Theft, Damage
- B. Property - Fire, Theft, Burglary, Calamities
- C. Personal - Health, Accident, Travel, Air travel
- D. Official - Cash-in-transit, Marine, Fidelity etc.

Results

Compilation, the cost of treatment will be borne by the former subject to certain terms and conditions as laid down in the policy document. Health Insurance industry is growing fast mainly due to liberalisation of economy and general awareness. The General Insurance Corporation of India and the Insurance Regulatory and Development Authority (IRDA) had launched an awareness campaign to improve the awareness and reduce the procrastination for buying health insurance.

The general insurance business in India was nationalised by the government of India through the General Insurance Business (Nationalization) Act (GIBNA) of 1972. Till 2000, The General Insurance Corporation of India (now known as General Corporation of India-Reinsurance or GIC-RE) was formed. GIC-RE is the sole reinsurance company in the Indian insurance market with over four decades of experience. GIC-RE has its registered office and headquarters in Mumbai. GIC has 4 subsidiaries namely:

1. National insurance company limited
2. New india assurance company limited
3. Oriental insurance company limited
4. United india insurance company limited

GIC had a monopoly on the general insurance business in India until the landmark insurance regulatory and development authority act (IRDA ACT) of 1999 came into effect on 19 April 2000. This act amended insurance Act of 1938 and ended the monopoly of GIC and its subsidiaries and liberalized the insurance business in India. Now health insurance is offered by many private companies, e.g. Apollo Munich, Bajaj Allianz Religare, L&T, Max, HFDC etc.

Health insurance policies offer both individual and family cover. In consideration of the insured person having paid the premium for the policy period stated in the schedule or further period of insurance for which the company may accept the premium for

renewal of this policy, the insurer undertakes that if during the period of insurance or during the continuance of policy by renewal the insured person contract any disease or suffer from any illness or sustain any bodily injury through accident and if such disease or injury shall require, upon the advice of a qualified medical practitioner, hospitalization for medical/surgical treatment in any nursing home/hospital in India as defined in the policy, the insurance company will pay the amount of such expenses as may be reasonably and necessarily incurred in respect thereof as stated in the schedule but not exceeding the sum insured in aggregate in any one period of insurance provided that all the terms, conditions and exceptions of the policy. The medically necessary treatment is defined as any treatment, tests, medication, or stay in hospital or part of a stay in hospital which is required for the medical management of illness or injury suffered by the insured. It must not exceed the level of care necessary to provide safe, adequate and appropriate medical care in scope, duration or intensity and further it must have been prescribed by a medical practitioner. For this purpose the word disease means a condition affecting the general wellbeing and health of the body that first manifests itself within the period of insurance and which requires treatment by a medical practitioner. Normally, disease does not include any mental disease (a mental or bodily condition marked by disorganization of personality, mind and emotions to impair the normal psychological, social or work performance of the individual) regardless of its cause or origin. Payment options include Direct Payment or Cashless Facility. Under this, the person does not need to pay the hospital as the insuree pays directly to the hospital. The policyholder and all those who are mentioned in the policy can undertake treatment from those hospitals approved by the insurer. The other option is the reimbursement at the end of the hospital stay: After taking for the duration of the treatment, the patient can take a reimbursement from the insurer for the treatment that is covered under the policy undertaken. Under the Income Tax. Under section 80D.

Findings/Discussion

Star Health Wants 40% more premium this fiscal

Star health insurance and allied insurance (SHIAI) aims to collect a premium of Rs.3000 by the end of this fiscal. V. Jagannath, Chairman and managing director, SHIAI, told, "We have managed to achieve Rs.1,530 crore during April-November 2016 and I believe we would be able to achieve a premium of Rs

2,800- Rs 3,000 crore by the end of this financial year". The company mostly operates in Tamil Nadu, Maharashtra, Kerala and Karnataka. The company is also working in some products, which would be benefitting the customers as well as the growth of the company itself. In 2015-16, the total premium collected stood at Rs 2,007 crore.

Rural Assam has only 10% health coverage

A recent study showed that only 10.4% of the rural Assam has a health insurance. The national family health survey -4 stated that only one member of a house have a health cover. The last survey held in 2005-06 showed there was only 2.3% health insurance penetration in rural Assam and in urban Assam it was 12.6%

PNB MetLife Launches virtual reality customer service

PNB MetLife has recently unveiled converse, a virtual reality based customer care platform, it is expected to inform customers about the new launches and provide superior service quality. The platform will be available through VR headsets available at 15 PNB MetLife branches scattered across 10 cities. The offer will be extended to other centres later. The platform was launched by TS Vijayan, Chairman, IRDAI in presence of Nilesh Sathe, Member-Life and Tarun Chugh, MD and CEO of MetLife. Vijayan said, "while I do not know how technology will replace somebody, Technology will be a major enabler," basis of the fast adoption of technology by the customers. He also added, "As a regulator, my major concern is to ensure a customer gets best service." Tarun Chugh said, "Our ongoing investment in technology underscores our philosophy of supporting continuous innovation and customer centricity. This technology will revolutionise the concept of customer service."

Canara HSBC Oriental Bank of Commerce Life Insurance Pulls on Growth

Private Life Insurance Company Canara HSBC Oriental bank of commerce life insurance is now mulling on the tier II and tier III cities for their growth. It has decided to focus on life insurance penetration for this year. It is the only company in India which, sells insurance through banks. While the company is aiming for a 30% increase in its sales in FY 2017-18, in Uttar Pradesh the aim is to increase by 50% as there is enough untapped potential in the market. The state of Uttar Pradesh is one of the key markets for the company and it has plans to expand its

customer base across the markets. Tarannum Hasib, Director-sales, Canara HSBC Oriental Bank of Commerce Life Insurance Company said, "The insurance market is expected to grow 15%-20% in the next 3 years. The growth would essentially come from the tier II and tier III towns (apart from the tier I cities) as PMJJBY scheme has helped increasing the awareness towards the need to plan the financial security to their family and provide for the unforeseen."

Future Generali Partners with Vastu Housing to Offer Group Credit

Future Generali India Life Insurance has recently collaborated with Vastu housing financial corporation to grow in credit Life Business. The company has entered into an agreement to offer group credit life insurance through one of its products-Future Generali Suraksha Plan. This is a single premium term insurance plan which is specifically designed for financial institutions to provide life coverage to their new and existing borrowers. Speaking on this partnership, Munish Sharda, MD & CEO, Future Generali India Life Insurance said, "Our objective is to offer simple and value added products to our customers and partners. Credit life insurance is a growing business and it has proved to be a beneficial not only for the financial institutions but also for an important product for the customer as it is hassle-free. We are pleased to associate with Vastu Housing finance and offer our services through the Loan Suraksha plan."

NAB Launches Group Life Insurance Policy for Visually Impaired

On Louis Braille Day, the local unit of the National Association of Blind (NAB) in Thiruvananthapuram has declared a group life insurance policy for 700 visually impaired students. It was announced at a function held in observance of the 208th centenary of Louis Braille. The insurance policy was facilitated by the Amway Opportunity foundation, the corporate social responsibility of Amway India. NAB celebrated the occasion by organising a Braille reading and writing contests for 81 visually impaired students at the organisation.

Conclusions

The following are the summary and conclusions of the present paper

1. Several changes have taken place since opening up to private players in 1999. Earlier insurance

was perceived mainly as a tax saving device but after liberalisation and privatisation, the life insurance awareness among the people have been significantly increased. Private players with their aggressive marketing strategy, advanced technology, foreign expertise and better customer services make this industry attractive for every social segment. LIC was the only company in Indian life insurance business till 1999 and today facing tough competition with the existing and new private insurer which has resulted downfall in the market share of LIC. LIC is an old brand and majority people continue to buy policy from it because of security and trust on the brand. Whereas, the situation is quite different in case of private life insurance service providers where even aware and educated people hesitate to invest because of having less faith due to evidence of many insurance frauds and misleading information given at the time of policy selling. India is a land of large population and even today a major portion of country's population is without any risk coverage. Therefore, the present economic situation calls for a collaborative approach where both LIC and private players can come together and increase market penetration and efficiency through innovative products, quality customers services and ethical conduct.

2. The presence of a large number of relatively small firms with smaller market shares provides indications of a 'monopolistic competition' type of market structure prevalent in the country's life insurance segment over the given period, from a 'monopoly market -condition' during the pre-deregulation period. Considering the potentials in the country's life insurance segment, there is a scope for raising competition in the future. Though the private life insurance companies lagged behind LIC by a huge margin in terms of market shares, yet the pursuer group was slowly making in-roads into the market. Among the pursuer groups, ICICI prolife and SBI life consistently featured as the best performers in the private-sector category over the study -period. The state-owned LIC had a dominating influence in the market concentrations indicators, primarily because of its long-standing presence and first-mover advantages in the Indian life insurance sector.
3. The country's life insurance penetration stood at 3.1, below the global average of 3.5, at the end of FY 2013-14 that hinted at a hugely untapped customer-base and unexplored market-potential of our country. The private players would be in a better position than LIC to exploit the same on

account of their technological know-how and improved marketing strategies derived from their foreign partners. In contrast, LIC has been largely banking upon their conventional products that have been carried over from the past years with no fresh infusion of capital observed during the post-deregulations period. It now remains a moot-point as to how the state-owned giant LIC shows its resistance to a further fall in its market shares against rising competition from the private life insurers in the years ahead.

Suggestions

To strengthen the business development and highlight the problems and prospects of insurance business in India, among the private and public sector insurance companies, the following suggestions have been offered:

1. 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.
2. To achieve greater insurance penetration, healthier competition has to be intensified by both the sectors and they should come up with new innovative products and also make improvement in the quality of services.
3. People are aware of the private life insurers but still many hesitate to invest. Therefore it is important to create trust and confidence among the investors that private insurance is a safer option for investing through greater transparency in the system.
4. The main objective of Life Insurance Company is to provide insurance against life risks. Hence private insurers should encourage selling more number of long term investment policy rather than short term unit linked products.
5. Lengthy and complex procedures at the time of claim settlement process should be reduced and need to introduce an effective mechanism in evaluating the requirements and designing products according to the changes in the market.
6. Private insurers require to shift their focus from urban to rural areas where majority population are poor and uninsured due to lack of awareness and inability to pay high premium rates.
7. Effective policy and action should be taken against parties involved in insurance fraud to safeguard the interest of the policyholders.

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