

Public and Private Life Insurance Companies in India: A Comparative Analysis



Commerce

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ABSTRACT

Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for money. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. An insurer, or insurance carrier, is selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy. The amount of money to be charged for a certain amount of insurance coverage is called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice. Insurance is a technique which distributes the risk of one person among many. The study compares the performance of public and private companies belonging to insurance sector as the sample.

Introduction

The human life is uncertain. The rule of uncertainty of life applies on human beings. It also applies on everything what is present on earth in any shape, size or form. For Example, any human being or property which is present today may not remain in the same form in future. Now the basic question is how to save oneself from the loss present due to uncertainty of life? This loss can not be eliminated completely but it can definitely be minimized. This minimization of loss can be done either by providing monetary help to the family of deceased or by purchasing new property in place of the lost one. The medium through which loss arising due to uncertainty of life can be minimised is termed as "Insurance".

The financial performance of insurance company plays an important role towards the expansion of the industry which eventually leads to the general success of Indian economy. The trans-

action involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate (indemnity) the insured in the case of a financial (personal) loss. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated.

Objective of the Study

To examine the current status of public and private life insurance companies on the basis of various parameters.

Research Methodology

The sample of the study includes public and private companies belonging to insurance sector. The financial data are collected from annual reports of IRDA

Analysis and Discussions

Table 1: Players in Life Insurance Business in India

Sr. No.	Name of the Company	Registration No.	Date of Registration	Foreign Partners
1.	Life Insurance Corporation of India		01.09.1956	-
2.	HDFC Standard	101	23.10.2000	Standard Life Assurance, UK
3.	Max New York	104	15.11.2000	New York Life, USA
4.	ICICI-Prudential	105	24.11.2000	Prudential Plc, UK
5.	Kotak Mahindra Old Mutual	107	10.01.2001	Old Mutual South Africa
6.	Birla Sun Life	109	31.01.2001	Sun Life, Canada
7.	TATA-AIG	110	12.02.2001	American International Assurance Co., USA
8.	SBI Life	111	29.03.2001	BNP Paribas, Assurance SA, France
9.	ING Vysya	114	02.08.2001	ING Insurance International B.V., Netherlands
10.	Bajaj Allianz Life	116	03.08.2001	Allianz, Germany
11.	Metlife India	117	06.08.2001	Metlife International Holidays Ltd., USA
12.	Reliance	121	03.01.2002	-
13.	AVIVA	122	14.05.2002	Aviva International Holidays Ltd., USA
14.	Sahara	127	06.02.2004	-
15.	Shriram	128	17.11.2005	Sanlam, South Africa
16.	Bharti AXA	130	14.07.2006	AXA Holidays, France
17.	Future Generali India	133	04.09.2007	Generali, Italy
18.	IDBI Federal	135	19.12.2007	Ageas, Europe
19.	Canara HSBC OBC	136	08.05.2008	HSBC, UK
20.	Aegon Religare	138	27.06.2008	Aegon Netherlands
21.	DLF Pramerica	140	27.06.2008	Prudential of America, USA
22.	Star Union Dai-ichi	142	26.12.2008	Dai-ichi Mutual Life Insurance, Japan
23.	India First	143	05.11.2009	Legal & General Middle East Limited, UK
24.	Edelweiss Tokio Life Insurance Co. Ltd.	147	10.05.2011	

Growth in life insurance premiums

Over FY03-FY13, life insurance premiums in India expanded at a CAGR of 16.5 per cent.

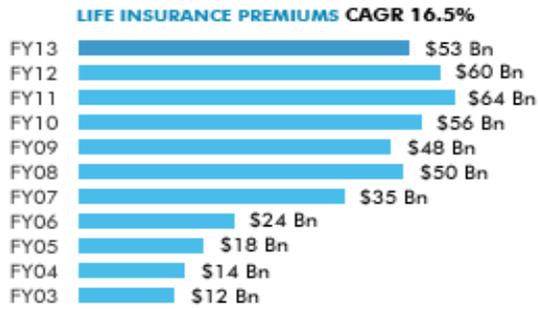


Figure 1

Market share of major companies in terms of total life insurance premium collected

LIC is the market leader, with 72.7 per cent share in FY13, followed by ICICI Prudential, with 4.7 per cent share.

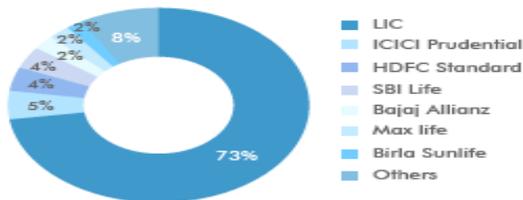


Figure 2

Life insurance of India collected new business premiums worth Rs. 11,742.7 crore (US \$ 1.84 Billion) during April-MAY 2013.

Insurance Plans

As individuals it is inherent to differ. Each individual's insurance needs and requirements are different from that of the others. LIC's Insurance Plans are policies give an individual the most suitable options that can fit requirement.

Endowment Plan

LIC's Single Premium Endowment Plan

LIC's Single Premium Endowment Plan is a participating non-linked savings cum protection plan, where premium is paid in lump sum at the outset of the policy. This combination provides financial protection against death during the policy term with the provision of payment of lump sum at the end of the selected policy term in case of his/her survival. This plan also takes care of liquidity needs through its loan facility.

LIC's New Endowment Plan

LIC's New Endowment Plan is a participating non-linked plan which offers an attractive combination of protection and saving features. This combination provides financial support for the family of the deceased policyholder any time before maturity and good lump sum amount at the time of maturity for the surviving policyholders. This plan also takes care of liquidity needs through its loan facility.

Benefits

Death benefit:

In case of death during the policy term provided all due premiums have been paid Death benefit, defined as sum of "Sum Assured on Death" and vested Simple Reversionary Bonuses and Final Additional bonus, if any, shall be payable. Where, "Sum Assured on Death" is defined as higher of Basic Sum Assured or 10 times of annualised premium. This death benefit shall not be

less than 105% of all the premiums paid as on date of death.

Where premiums exclude service tax, extra premium and rider premiums, if any.

Maturity Benefit: Basic Sum Assured, along with vested simple reversionary bonuses and Final Additional bonus, if any, shall be payable in lump sum on Survival to the end of the policy term provided all due premiums have been paid.

Participation in Profits: The policy shall participate in profits of the Corporation and shall be entitled to receive Simple Reversionary Bonuses declared as per the experience of the Corporation, provided the policy is in full force.

Final (Additional) Bonus may also be declared under the policy in the year when the policy results into a claim either by death or maturity, provided the policy has run for certain minimum term.

Optional Benefit:

LIC's Accidental Death and Disability Benefit Rider: LICs Accidental Death and Disability Benefit Rider is available as an optional rider by payment of additional premium. In case of accidental death, the Accident Benefit Sum Assured will be payable as lumpsum along with the death benefit under the basic plan. In case of accidental permanent disability arising due to accident (within 180 days from the date of accident), an amount equal to the Accident Benefit Sum Assured will be paid in equal monthly installments spread over 10 years and future premiums for Accident Benefit Sum Assured as well as premiums for the portion of Basic Sum Assured which is equal to Accident Benefit Sum Assured under the policy, shall be waived.

LIC's New Jeevan Anand Plan

LIC's New Jeevan Anand Plan is a participating non-linked plan which offers an attractive combination of protection and savings. This combination provides financial protection against death throughout the lifetime of the policyholder with the provision of payment of lumpsum at the end of the selected policy term in case of his/her survival. This plan also takes care of liquidity needs through its loan facility.

1. Benefits:

Death benefit :

Provided all due premiums have been paid, the following death benefit shall be paid:

On Death during the policy term: Death benefit, defined as sum of **Sum Assured on Death** and vested Simple Reversionary Bonuses and Final Additional bonus, if any, shall be payable. Where, **Sum Assured on Death** is defined as higher of 125% of Basic Sum Assured or 10 times of annualised premium. This death benefit shall not be less than 105% of all the premiums paid as on date of death.

The premiums mentioned above exclude service tax, extra premium and rider premiums, if any.

On death of policyholder at any time after policy term: Basic Sum Assured

Benefits payable at the end of Policy Term: Basic Sum Assured, along with vested Simple Reversionary Bonuses and Final Additional Bonus, if any, shall be payable in lump sum on survival to the end of the policy term provided all due premiums have been paid.

Participation in Profits : The policy shall participate in profits of the Corporation and shall be entitled to receive Simple Reversionary Bonuses declared as per the experience of the Corpora-

tion during policy term provided the policy is in full force.

Final (Additional) Bonus may also be declared under the plan in the year when the policy results into death claim during the policy term or due for the survival benefit payment provided the policy is in full force and has run for certain minimum term.

2. Optional Benefit:

LIC's Accidental Death and Disability Benefit Rider: LIC's Accidental Death and Disability Benefit Rider is available as an optional rider by payment of additional premium during the policy term. In case of accidental death during the policy term, Accident Benefit Sum Assured will be payable as lump sum along with the death benefit under the basic plan. In case of accidental permanent disability arising due to accident (within 180 days from the date of accident), an amount equal to the Accident Benefit Sum Assured will be paid in equal monthly installments spread over 10 years and future premiums for Accident Benefit Sum Assured as well as premiums for the portion of Basic Sum Assured which is equal to Accident Benefit Sum Assured under the policy, shall be waived.

LIC's Jeevan Rakshak Plan

LIC's Jeevan Rakshak Plan is a participating non-linked plan which offers a combination of protection and savings. This plan provides financial support for the family in case of unfortunate death of the policyholder any time before maturity and a lump sum amount at the time of maturity for the surviving policyholder. This plan also takes care of liquidity needs through its loan facility.

Benefits:

Death benefit:

In case of death of the policyholder during the policy term provided all due premiums have been paid, "Sum Assured on Death" shall be payable, which is the highest of

- Basic Sum Assured or
- 10 times of annualized premium or
- 105% of all the premiums paid as on date of death.

The premiums defined above exclude service tax, extra premium and Accident Benefit rider premium, if any.

In addition to the above, Loyalty Addition, if any shall also be payable if death occurs after completion of 5th policy year.

Maturity Benefit: Basic Sum Assured, along with Loyalty Addition, if any, shall be payable in lump sum on Survival to the end of the policy term provided all due premiums have been paid.

Participation in Profits: Provided the policy is in full force, then depending upon the Corporation's experience the policies under this plan will be eligible for Loyalty Addition. The Loyalty Addition, if any, is payable at such rate and on such terms as may be declared by the Corporation, on death after completion of 5th policy year or on Policyholder surviving to the maturity.

Optional Benefit:

LIC's Accident Benefit Rider: Accident Benefit Rider is available as an optional rider by payment of additional premium. In case of accidental death, the Accident Benefit Sum Assured will be payable as lumpsum along with the death benefit under the basic plan.