

Research Paper

Management



Recently Trends in Life Insurance Sector– A Study After Privatization

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ABSTRACT

The insurance is primarily a social device adopted by civilized society for mitigating the incidence of loss of income to families by unforeseen contingencies. The impact of privatization in life insurance business in India has showed tremendous transformation from monopoly business to a vibrant sector with mushrooming companies promoting wide range of policies and increasing customer penetration rate. The growth in the life insurance sector has showed new heights and the executions of the private companies have given tough challenge to the Life Insurance Corporation of India (LIC). The entire sector has started to show significant changes right from increasing insurance penetration to changing the customer mindset about the life insurance. Creative practices in marketing and innovative policies have changed the entire dimensions of the life insurance sector. The present research aims at bring out the evolution and advancement of private sector in life insurance business, challenges and competition ahead for future scenario of life insurance sector in India. The research paper provide critical analysis on the issues on the changing practices in life insurance business and the various developments in the past decade.

Keywords :

Introduction

In India, when life insurance companies started operating in the middle of 20th century the evil play natural to all business had its sway. There was a lot of cut throat competition as well as profiteering. The avowed social objective of insurance had been totally relegated to background. As a result Life Insurance Corporation of India (LIC) came into existence on 1st September, 1956 after nationalization of all the 245 companies engaged in life insurance business. From its very inception, the Corporation has made impressive growth always striving for further improvement. Fire, Marine, Motor, Engineering, Liability and other Miscellaneous classes, Deliberations on details pertaining to Business Interruption insurance, Familiarization with the concepts of "All Risks" insurance and specific applications to Industrial All Risks and Mega Risks insurance packages. However, Government made a paradigm shift in the economic policy by adopting the process of liberalization, privatization and globalization at the end of previous decade.

Consequently a committee was set up under the chairmanship of Mr. Malhotra, Ex-governor of RBI for undertaking various reforms in the insurance sector in the light of new economic policy. The Committee which submitted his report in 1993 recommended the establishment of a special regulatory agency along the lines of SEBI and opening of insurance industry for private sector. This was aggressively opposed by the various trade unions of then operating insurance companies which led to some delay in implementation of Malhotra Committee's recommendations.

However, the Government passed Insurance Regulatory and Development Authority (IRDA) Act in 1999 and established IRDA to regulate the insurance business in the country. As a result, private sector was allowed entry both in general and life insurance sector in India. IRDA also allowed foreign participation up to 26 per cent in equity shareholding of private companies. As a result many companies (both in general and life insurance) got themselves registered with IRDA to operate in India. Presently, twenty life insurance companies (Annexure I) are operating in private sector in addition to LIC from public sector.

Objective of the study

- To study the appropriate and different roles & functions of an insurance policy and
- To explore and enhance the understanding of different types of insurance policies.

Research Design

Nature of the study

It is exploratory type of research. The study of Strategic management in insurance industries in Jaipur. Researcher found many types of consumers who secured his life for future time. These consumers are divided into following three category:

1. High level Financial customer (High Society)
2. Medium level financial Consumers (Medium Society)
3. Low class Financial consumers (Low Society)

All these categories of consumers want money & safety of his life for future period. So they want to invest the money for maximum interest rate. Consumers find high interest rate in comparison to any saving policies of banks. In other words I can say that insurance industries are provided maximum interest rate to consumers. So every individual wants to earn maximum profit on his money insurance industries are not providing maximum interest rate but also providing safety on investment. In this market many types of insurance industries are provided services to consumers on his insurance such as after completed 3 years or 5years they provides interest on investment in life insurance. These policies are:

1. Jeewan Beema
2. Money plus
3. Jeewan tarang
4. Market Plus
5. Future Plan
6. Unit Plans
7. Pension Plans

Sample Design

Sampling type: Stratified random sampling. The total sample size will be 50 in Jaipur city.

Data collection

The data to be collected from Primary sources as well as Secondary sources

Review of Literature

While earlier studies on life insurance sector mainly focused upon LIC, it was only after reforms in this sector that certain studies covering private players have taken place. Among early studies, Arora (2002) highlighted that LIC was likely to face tough competition from private insurers having large established network and their trained intermediaries throughout India. Verma (2003) analyzed the various types of products offered by public sector giant and the new global players in the private sector. Kumar and Taneja (2004) highlighted the opportunities and challenges before the insurance industry in India due to liberalization, globalization and privatization. Bhattacharya (2005) advocated that banc assurance provided the best opportunities to tap the large potential in rural and semi urban areas as banks have a strong network of more than 40000 branches in these areas. He suggested that the insurers should focus on Single Premium policies, Unit Linked Insurance, Pension Market and Health Insurance. Kumar (2005) highlighted that private insurance players introduced a wider range of insurance products and set up brand promotion as part of their new strategy. These new covers had flexibility and added benefits to suit the needs of customers who were unsatisfied with the traditional and rigid plans. Kulshrestha and Kulshrestha (2006) highlighted that demand for life insurance in rural India was expanding at the annual rate of 18 per cent as compared to 3.9 per cent in urban areas which provided good opportunity for life insurers to perform.

Analysis and Discussion

Growth of Life Insurance Companies operating in India:
Table1: Life Insurance Companies operating in India as on 31.12. 2010.

Life Insurance Industry in India - Current Scenario

Serial No	Registration no	Date of Registration	Name of the Company
1	101	23.10.2000	HDFC Standard Life Insurance Company Limited (HDFCStd.)
2	104	15.11.2000	Max New York Life Insurance Company Limited (Max New York)
3	105	24.11.2000	ICICI Prudential Life Insurance Company Limited (ICICI Pru.)
4	107	10.1.2001	Kotak Mahindra Old Mutual Life Insurance Limited (Kotak Mahindra)
5	109	31.1.2001	Birla Sun Life Insurance Company Limited (Birla Sun Life)
6	110	12.2.2001	Tata AIG Life Insurance Company Limited (Tata AIG)
7	111	30.3.2001	SBI Life Insurance Company Limited (SBI Life)
8	114	2.8.2001	ING Vysya Life Insurance Company Private Limited
9	116	3.8.2001	Bajaj Allianz Life Insurance Company Limited (Bajaj Allianz)

10	117	6.8.2001	Metlife India Insurance Company Limited (Metlife)
11	121	3.1.2002	AMP Sanmar Insurance Company Limited (now it is Reliance Life Insurance Company Limited (Reliance))
12	122	14.5.2002	Aviva Life Insurance Company India Private Limited (Aviva)
13	127	6.2.2004	Sahara India Insurance Company Limited (Sahara)
14	128	17.11.2005	Shriram Life Insurance Company Limited (Shriram)
15	130	14.07.2006	Bharti AXA Life Insurance Company Limited (Bharti AXA)
16	133	4.9.2007	Future General India Life Insurance Company Limited (FutureGenerali)
17	135	19.12.2007	IDBI Fortis Life Insurance Company Limited (IDBI Fortis)
18	136	16.01.2011	Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited (Canara HSBC)
19	138	27.6.2008	Aegon Religare Life Insurance Company Limited (Aegon Religare)
20	140	27.6.2008	DLF Pramerica Life Insurance Company Limited
21	512	completed its 50 years	Life Insurance Corporation of India (LIC)
22	142	09.07.2010	Star Union Dai-ichi Life Insurance Co Ltd.
23	143	05/11/2009	India First Life Insurance Company Ltd.
24	147	10.05.2011	Edelweiss Tokyo Life Insurance Co. Ltd.

Conclusions

From the above discussion it is evident that life insurance industry expanded tremendously from 2000 onwards in terms of number of offices, number of agents, new business policies, premium income etc. Further, many new products (like ULIPs, pension plans etc.) and riders were provided by the life insurers to suit the requirements of various customers. However, the new business of such companies was more skewed in favour of selected states and union territories. Private life insurers used the new business channels of marketing to a great extent when compared with LIC. Investment pattern of LIC and private insurers also showed some differences. Solvency ratio of private life insurers was much better than LIC in spite of big losses suffered by them. Lapsation ratio of private insurers was higher than LIC and servicing of death claims was better in case of LIC as compared to private life insurers.

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