

A COMPARATIVE STUDY OF PUBLIC AND PRIVATE LIFE INSURANCE COMPANIES IN INDIA

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Abstract

The main purpose of this study aims to examine the comparative study of public and private life insurance companies in India. India's economic expansion has made it the world's most lucrative insurance market. Before the year 1999, there was monopoly state run Life Insurance Corporation of India (LIC) transacting life business. Today, there are 24 private life insurance companies are available. The competition LIC started facing from these companies were threatening to the existence of LIC. Since the liberalization of the industry the insurance industry has never looked back and today stand as the one of the most competitive and exploring industry in India. In this an attempt is made to analyze the performance of public and private life insurance companies in India.

Introduction

The present analyses the performance of public and private life insurance companies in India. As per the total premium income, in FY 2015-20. 24 private insurance companies have established footholds in the market leading to intense competition. Private Insurance companies have a higher growth rate as compared to public sector. Today, Insurance penetration is better. The Insurance companies are competing in terms of policies sold, collection of premium income and others.

Insurance sector in India is one of the fastest growing sectors in the economy. The insurance industry, as well as other aspects of marketing and financial infrastructure, has been impacted and influenced by India's liberalization and globalization movement. In the market, the customer is king. Life insurance companies deal in intangible products. With the entry of private players, the competition is becoming intense. To keep clients happy, every business tries to come up with new ideas and unique product features.

The main objective of the study:

- The objective of the present study is to compare the growth rate of total life insurance premium among public and private life insurance companies.
- To find out the performance of public and private life insurance companies in each category (size, market share, growth)
- To compare the performance of public and private life insurance companies for period of 20015-016 to 2019-20.

LITERATURE REVIEW:

- **ARTICLE 1:** Dr. Sunita Srivastava and Om Prakash (2016). A comparative study between Public and Private Insurance Company in India
"A Comparative Study of Public & Private Life Insurance", made an attempt to analyze the performance of public and private life insurance companies in India. Researchers concluded that with the entry of private players, the competition is becoming intense. In order to satisfy the customers, every company is trying to implement new creations and innovative product characteristics to attract customers.
- **ARTICLE 2:** A comparative study between Public and Private life Insurance Company
This study analyses how liberalization had made impact on life insurance sector. According to the study, since the insurance business in India was opened up to private companies, both insurance penetration and density have increased. In India, there is a lot of scope for life insurance. And the purpose market share, fresh business premium, number of new policies issued and total life insurance premium compared. In terms of all parameters LIC is dominating.
- **ARTICLE 3:** M. SELVA KUMAR and J. VIMAL PRIYAN. A COMPARATIVE STUDY OF PUBLIC AND PRIVATE LIFE INSURANCE COMPANIES IN INDIA. The Indian Journal of Commerce 81 Vol. 65, No. 1, January-March 2012. This study is on significant difference in the growth rate of fresh business premium between public and private life insurance companies. And the market share, fresh business premium and total life insurance premium among public and private life insurance companies or not. For this purpose, Mann – Whitney – U – Test was applied. Mann – Whitney – U – Test is a non – parametric test.

- **ARTICLE 4:** AMISH PATEL Research Scholar and PRIN. DR.V.J. DWIVEDI Supervising Teacher. A Comparative Study of Public and Private Sector Life Insurance Companies in India: Post Liberalization Span. Vol. 5, Sp. Issue: 11, November: 2017. This study analyses how liberalization had made impact on life insurance sector. According to the study, since the insurance business in India was opened up to private companies, both insurance penetration and density have increased. In India, there is a lot of scope for life insurance. And the purpose market share, fresh business premium, number of new policies issued and total life insurance premium compared. In terms of all parameters LIC is dominating.

RESEARCH METHODOLOGY:

The research is based upon descriptive as well as exploratory research. Secondary sources of data collection have been adopted for the study. The relevant and required data are collected from the text books, national articles, as well as annual reports of IRDA from 2015-16 to 2019-20. The performance of insurance companies is examined further by looking at the trend.

- Type of research: Secondary source of data collection
- Sample method: Non- Parametric Test statistic (Mann-Whitney U test)
- Statistical Tools: Excel is the tool which is used to analyzing the data, bar and line chart is used to interpret the data.
- Sample size: 1 public insurance and 23 private insurances
- Time period: 5 years of Annual Reports (2015-2020)

DATA ANALYSIS:

A) Growth in Total Life Insurance Premium

Table 1: Details of Total Life Insurance Premium of LIC and Private Insurance Companies (Amount in Rs. Crore)

YEAR	Public sector		Private sector	
	Amount	AGR (%)	Amount	AGR (%)
2015-16	266444.21	11.17	100499	13.64
2016-17	300487.21	12.78	117989.3	17.40

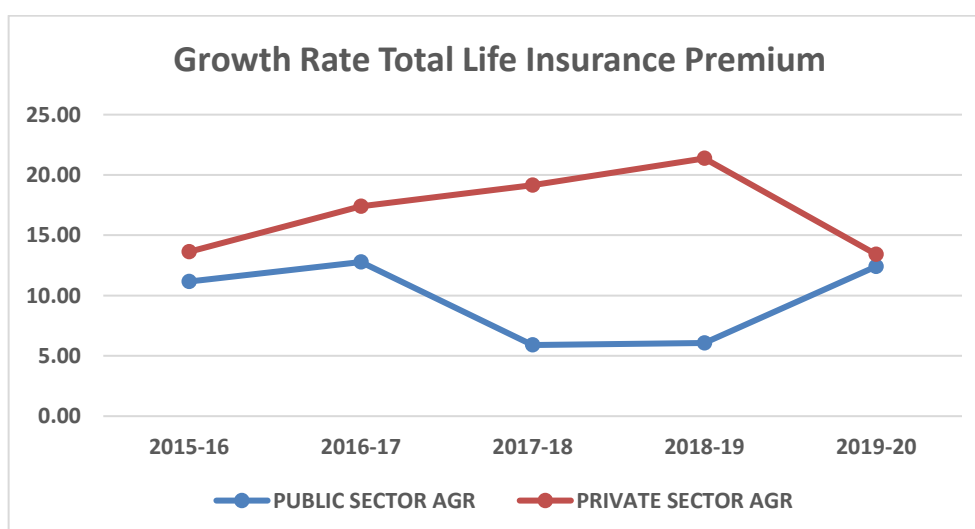
2017-18	318223.2	5.90	140586.2	19.15
2018-19	337505.07	6.06	170627	21.37
2019-20	379389.6	12.41	193520.6	13.42

Source: Annual Reports of IRD for FY 2015-016 to FY 2019-20

Table 2: Mann-Whitney U-test for Total Life Insurance Premium of Public and Private Insurance Companies

YEAR	Public sector		Private sector	
	AGR (%)	RANK	AGR (%)	RANK
2015-16	11.17	3	13.64	7
2016-17	12.78	5	17.4	8
2017-18	5.90	1	19.15	9
2018-19	6.06	2	21.37	10
2019-20	12.41	4	13.42	6

SUM OF RANK ORDER	15	40
NO OF DATA	5	5
U-VALUE		0



Interpretation: Average premium of public insurance is much more than that of all insurance companies altogether. Public sector average premium of the last five years is nearly five times the average premium of the all-other private insurance companies.

B) Growth in New Life Insurance Policies issued

Table 3: Details of New Life Insurance Policies issued by Public and Private Insurance Companies (Numbers in Lakh)

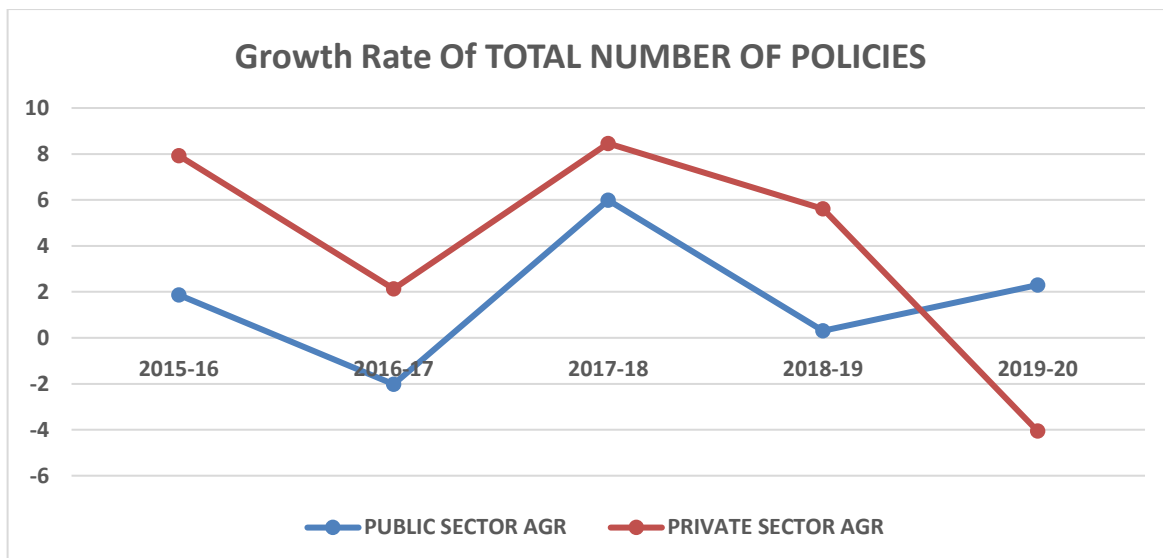
YEAR	Public sector		Private sector	
	AMOUNT	AGR	AMOUNT	AGR
2015-16	205.47	1.86	61.92	7.92
2016-17	201.32	-2.02	63.24	2.13
2017-18	213.38	5.99	68.59	8.46
2018-19	214.04	0.31	72.44	5.61
2019-20	218.96	2.30	69.5	-4.06

Source: Annual Reports of IRD for FY 2015-016 to FY 2019-20

Table 4: Mann-Whitney U-test for New Life Insurance Policies issued by LIC and Private Insurance Companies

YEAR	Public sector		Private sector	
	AGR	RANK	AGR	RANK
2015-16	1.86	4	7.92	9
2016-17	-2.02	2	2.13	6
2017-18	5.99	8	8.46	10
2018-19	0.31	3	5.61	7
2019-20	2.3	5	-4.06	1

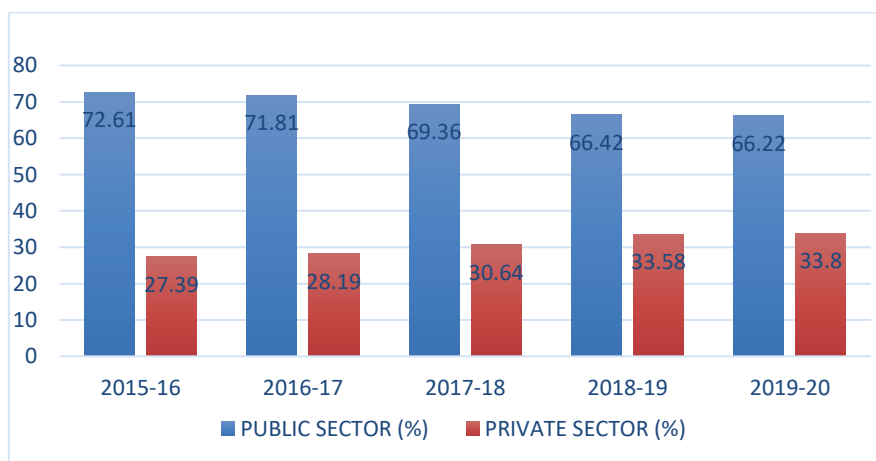
SUM OF RANK ORDER	22	33
NO OF DATA	5	5
U-VALUE		7



- In 2015-2016, public sector was having highest 204.47 lakhs new life insurance policies compare to private sector 61.92.
- In 2019-20 public sector increased to 218.96 lakhs and private sector 69.5.
- We can see public sector is dominating the private sector

C) Market Share of Life Insurers Based on Total Premium

YEAR	PUBLIC SECTOR (%)	PRIVATE SECTOR (%)
2015-16	72.61	27.39
2016-17	71.81	28.19
2017-18	69.36	30.64
2018-19	66.42	33.58
2019-20	66.22	33.8



- The Market Share of Life Insurers Based on Total Premium of public sector decreased from 72.61% in 2015-16 to 66.22% in 2019-2020. The private sector increased to 27.39% in 2015-16 to 33.8% in 2019-2020.

FINDINGS:

- **H01:** For $N_1=5$ and $N_2=5$, Obtain value of U for growth rate of Total life insurance premium (0) is less than critical value of U (2) at significance level 0.05, So, it can be said that difference in growth rate of total insurance premium of LIC and Private Insurance companies is significant at $p=0.05$. It proves the null hypothesis H01 "There is significant difference in the growth rate of total life insurance premium between public and private life insurance companies."
- **H02:** For $N_1=5$ and $N_2=5$, Obtain value of U (7) is more than critical value of U (2) at significance level 0.05, So, it can be said that difference in growth rate of new insurance policies issued by LIC and Private Insurance companies yearly is not significant at $p=0.05$. It proves the null hypothesis H02 "There is no significant difference in the growth of number of new policies issued among public and private life insurance companies."
- The Market Share of Life Insurers Based on Total Premium of public sector decreased from 72.61% in 2015-16 to 66.22% in 2019-2020. The private sector increased to 27.39% in 2015-16 to 33.8% in 2019-2020.
- The total premium income of life insurance sector has increased from 366943.23 in 2015-16 crores to 572910.19 crores in 2019-20. This indicates tremendous growth in life insurance sector after the entry of private players.
- The size of life insurance market increased with growing economy.

CONCLUSION

The life insurance plays a significant role in supplying long -term capital to national economy and accelerating the process of self-generation of the gross production of national saving. Life insurance has today become a mainstay of any market economy since it offers plenty of scope for garnering large sums of money for long periods of time. Though privatization of the insurance sector is feared to affect the prospects of the LIC, the study shows that the LIC continues to dominate the sector. Private sector insurance companies also tried to increase their market share. Private players play a major role in life insurance business more efficient and customer friendly. They have also jolted and facing stiff competition from the LIC.

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