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COMPARATIVE STUDY OF THE LIC AND PRIVAT LIFE INSURANCE COMPANIES

***SHANKARLINGAMMA MAHIPALREDDY PATIL & **DR. S.S PATIL**

***Dept. of Studies and Research in Law, Gulbarga University, Kalburgi, Karnataka.**

****Department of Studies and Research in Law, Gulbarga University, Kalburgi, Karnataka.**

INTRODUCTION

The privatization of life insurance business is in competition to public life insurance sector particularly life insurance business. Competition has become an imperative in the modern days because of Globalization and Privatization. Every industry has to complete both at the National and at International level. Private sector insurance companies are really putting in lot of service and try to compete with the public sector organization. In fact, the services of private insurance sector are better evaluated because of their committed work and competition. They aim at better service always in order to service in this all LIC Division.

However, the private performance though is in competition with life LIC business, they have not surpassed. LIC in Karnataka is efficiently carrying on its insurance business deeply rooted over a few years. Service having gained lot of confidence of the people. LIC business stands for utmost security, better service people oriented and ultimately devoted to District development. Even then life insurance business ought to be on its own grounds its facing service tough competition from Government sector.

Since 1956, with the nationalization of insurance industry, the State run life insurance Corporation of India has held the monopoly in India. Then comes the Liberalization, Privatization and Globalization that paved entry of Private and Foreign Life Insurance players in India.

Life insurance and General insurance business in India enjoyed monopoly right from their establishment. The Life Insurance Corporation of India pioneered in the area of providing security to lives of people.

The private players entered into insurance business with the passing IRDA in year 2000. Based on the recommendations made by the committee handed by the former governor of Reserve Bank of India R.N Malhotra, the monopoly of insurance business got diluted.

THE MALHOTRA COMMITTEE REPORT

The insurance sector is open to participation by private is insurance entities on the recommendation of the Malhotra committee. Thus does not mean that public sector entities don't continue their activities in the insurance business after this privatization both public and private sector entities play there rules simultaneously in this context financial institution play a key there growth process of insurance. More competitive environment and rapid expansion in insurance sector is executed to emerge with new private participant.

NEED OF PRIVATIZATION

Privatization is key to development and better service. It is said that privatization of insurance. Life will make an easy way to getting the policy, more dividend than he public sector loan facilities and speedy settlement of transactions are the advantages.

CUT-THROAT COMPETITION PRIVATIZATION

There is a cut-throat competition because of which need for additional capital infusion generated and insurance industry and the regularly IRDA were favoring the hike in FDI cap from 26 to 49% in insurance sector. Though promised to amend the IRDA Act for raising the FDI cap, it could not come up with it because of stiff resistance from left parties, who are members of coalition. Already some of the insurance industry and some of them are planning to initiate their entries into the market.

Not only the public sector insurance companies are more profitable than the private ones, the private insurer which is most profitable (Reliance) is one which has no foreign equity. If profitability is taken to be an important indicator of efficiency, it is clear that the case for further hike in the FDI cap in the insurance sector cannot be mode an efficiency grounds.1

The financial health of many of the foreign insurance companies operating in India is also a cause of serious concern. The Economist Reports the sorry plight of Standard Life of UK (HDFC, s partner in India), which is unable to remain afloat without the possibility of raising money in debt or equity markets. AMP Sanman closed its life operations for new business in June 2003. Royal Sun Alliance also shut down their profitable businesses in

2002. A recent report by Mercer Oliver Wyman, a consultancy, found that European life insurance companies are short of capital by a whopping 60. bn. The reason for the short fall n capitalization, among other things, is due to European Unions' new regulation on solvency called 'Solvency 2' that will be enforced across Europe from 2005 through 2007. According to the Mercer Oliver Wyman Report, the German, Swiss, French and British insurers suffer from severe capital inadequacy, which is a result of undertaking risky investments in equity and debt instruments in the past.

Several issues of Sigmo, a reputed Swiss journal on insurance, have reported that the US an Europe-based insurance companies are faced with gloomy growth prospects in the advanced country, markets, with several companies experiencing negative growth in the recent past. Moreover, tighter capital adequacy norms and other regulations that is currently being imposed in the advanced countries; are forcing these insurance companies to seek less regulated markets in developing countries to undertake their high-risk ventures. Raising the FDI cap in India at this juncture would expose our financial markets to the dubious and speculative activities of the foreign insurance companies at a time when the virtues of regulating such activities are being rediscovered in the advanced countries.2

Table – 33
Market share of Life sectors

Insurance Sector	2014	2015
Life Insurance, Private sector	0.54	1.99
Life Insurance, Public Sector	99.46	98.01

Sources: Annual Report of LIC of India.

COMPETITION IN THE INSURANCE SECTOR

Even after the liberalization of the insurance sector, the public sector insurance companies have continued to dominate the insurance market, enjoying over 90% of the market share, In fact, the LIC, which is the only public sector life insurer, enjoys over 98% of the market share in life insurance.3

Give the huge market share enjoyed by the public sector companies, the argument, which is after made by advocates of greater liberalization that the entry of private players would bring down the cost of insurance due to enhanced competition. The price marking capacity of the market leaders in the public sector is likely to remain intact for the time being. The foreign insurance companies do have the reputation of charging fewer premiums compared to the risks involved and promising abnormally high returns, in order to grab greater market share.

Such competition, however, although capable of bringing down the 'cost' of insurance for a while, has often led to gigantic found and bankruptcies.4

ADEQUATENESS OF PUBLIC SECTOR TO MEET THE INSURANCE REQUIREMENTS

Public sector more formal and minimum dividend but it offers more security than any others.

The Finance Minister announced that the country needs $ 150 billion for infrastructure development ", said amanullah Khan, AIIEA general secretary, once single institution, the LIC, can achieve in six to seven years. The LIC is growing at 25-30 percent, and in2013-2014 the total premiums it generated were Rs. 63,000 Crores. Why does the Government have to look outside for founds?

- The public sector insurance, in the life, has performed remarkably well in terms of profitability and each since the nationalization fo this sector in 1956 and 1972 respectively. Therefore, there is no good reason to weaken these efficient and profitable entities which design vestment has already succeeded in doing.
- Second, there is not even a strong case for FDI insurance based on the performance of the global insurance industry. Today there is a crisis of confidence among the insurance industry. Today there is a crisis of confidence among the insuring public in the west, as several leading global insurance players, including many who have opened operations in India, are under the scanner of regulatory bodies in their countries for irregularities ranging from failure to meet insurance claims, to financial mismanagement, to outright fraud. It is in this situation that foreign equity investment in insurance in India is being increased.
- According to the IRDA Annual Report, all the private life insurance companies made losses amounting to Rs. 2,91,275 lakhs after tax. The LIC on the other hand, made Rs. 55,181 lakh profit after tax in this period. In the non-life sector, the combined profits after tax of the private sector companies was just Rs. 6,701 lakhs, whereas the combined profits of the public sector companies was Rs. 1,354,399 lakhs. The public sector still holds the overwhelming market share of premiums underwritten. Of the total premiums (first year premiums and renewal premiums) the LIC had 95.29 per cent of the market share while the private sector had just 4.71 percent. In the non-life segment, the new insurers held a market share of 13 percent.
- The rationale for the liberalization of the insurance industry rests on the argument that India requires a large dose of investment in social infrastructure, which will come from private insurance companies. Curiously, this was precisely the argument that was put forward by Government as justification of the nationalization of the Insurance industry in 1956. Life insurance was nationalized following a series of

solvencies and bankruptcies of private insurance companies. More important, however the Government felt that in Government hands, the sector would be able to channel resources for saving and national investment. Profit-driven private companies could not be expected to promote insurance in the rural areas.

- The private sector is unlikely to generate the anticipated funds for social infrastructure, as 90 per cent of its premium income comes from unit-liked products that are invested in the stock market, a volatile and risky investment source. On the other hand, the total investments of the LI that have gone directly into infrastructure, stood at Rs. 3,43,128.80 crores on March 31, 2014. The corresponding amount generated by all the private insurers amounted to Rs. 321 crores.
- Further, rural penetration by private insurers is almost non-existent, as they service the profitable, urban segment of the insurance market. By construct, in 2013-14, alone 17,85 percent of the new policies underwritten by the LIC were from the rural sector. The average policy size in the LICS in Rs. 72,000, suggesting the different consumers segments that public and private insurance sectors services.
- The social objective of insurance still remain relevant, 50 years after the nationalization of the life insurance sector, and five years after the entry of private players in insurance. Despite the fact that India lags behind most other countries of the world on two important insurance indicators, insurance density (the share of insurance in the gross domestic product), and insurance penetration (the per capita expenditure on insurance), the fact remains that the LIC is the largest insure in the world, 17 ccore policies.

THE ADVANTAGES OF PRIVATE INSURANCE SECTOR:

1. Privatization aims at better service and competitions:

   It was said that privatization brings competitions brings better service.

2. Security to the policy holder is the most vital issue:

   The private players assuring the policyholder that the insurance ventures backed by strong and reputed agencies like banks and financial institutions are crucial for the success of reforms in the sector. The insurance regulating and development authority monitors the investment of funds by insurance companies, rates advantages and terms and conditions offered by the insurance companies as it widens the scope of security of the policy holder.

3. Buying policy is so easy:

   The Indian Medical Association (IMA) has criticized the current health insurance schemes offered by the General Insurance Corporation (GIC) and its subsidiaries, as merely reimbursement schemes, with too much. Exclusion and which are time-consuming to process. With only five lakh subscribes many of who are employees of LIC and GIC and corporate employees who need a tax break it has little credibility. The IMA has called for private participation in this area and in addition, has asked the Government to :

4. Easy educational loan facility for students:

5. More dividend than the public sector:

6. Job Opportunities aplenty for youth:

The Private insurance industry offers innumerable job opportunities for the enterprising and the ambitions. One can directly join the insurance companies in various positions or becomes as adviser of the insurance company. Being an insurance adviser today can be an enriching and exiting career option.

After observation of the opinions about advantages and disadvantages of the privatization of insurance, put before the parliament or to the general discussion. So, research work intended to find out the realities of the privatization of insurance and its relevancy to the Indian socio economic conditions in general and to find out its impacts on Life and Insurance in particular.

PRIVATE BUSINESS IN LIFE INSURANCE

At present, all the private players in India are having joint ventures with joint stock companies or banks. The LIC and GIC (With four subsidiaries nationalized in 1972) are considered as Government own Insurance companies, other than these are the Private Players.

ALLIANZ BAJAJ LIFE INSURANCE COMPANY

It is joint venture between Allianz A.G. from Germany and Bajaj Auto Ltd, India. This was incorporated on 12^{th} 2001. The company received its license from IRDA on 3^{rd} August, 2001 and started life insurance business in India with local concentration backed by globally experienced company.

ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD.

ICICI having 74% stake, entered into a joint venture with United Kingdom's prudential plc giving 26% share. It was incorporated on 20th July, 2000. The company has paid up capital of Rs. 150 crores with authorized capital of Rs. 230 crores.

The company secured the certificate of incorporation on 26th Nov, 2000 and commenced working on 19th Dec, 2000, with new Delhi Mumbai and eight offices set other places. This is now the toughest competitor to LIC among the private players.

DFC STANDARD LIFE INSURANCE CO LTD.

The joint venture between HDFC and Standard life was the first India in life insurance sector breaking the monopoly of LIC, got commenced in January 1995 the renewal agreement was finalized in October 1998.

A share of 81.4% is held by HDFC, and remaining 18.6% share is with standard life. HDFC being a premier financial service company in India joined with standard life company having built trust among customers.

TATA AIG LIFE INSURANCE CO. LTD.

Another joint venture with a share of 74:26 is in between American International Group (AIG). Boys are agents in the industry setor in their repective countries. They become big by entering jointly in life insurance sector. In short they are known as Tata- AF-a life. Mr.Omen George is the managing director of to Joint Venture Company.

BIRLA SUN LIFE INSURANCE COMPANY LTD.

Indian Birla Group started a joint venture with American's Sun Life Corporation in order to provide life insurance policies are known for their good returns and investment.

SBI LIFE INSURANCE COMPANY LTD.

Into a joint venture with German based Cardiff S.A. Here, also they share in the ration of 74:26. They have paid up share capital of Rs. 250 crore SBI has wide branch network with its seven subsidiaries not only in India but also in their countries. The life insurance policies are offered to their customers through the branches.

'Bank assurance' is a new kind of services provided by bankers to their customers. In order to increase the transaction base, banks are issuing Life Insurance Policies to their customers and competing with LIC. On the other land. Cardiff S.A is a subsidiary of BNP Paribas, Germany. It is also known as the strongest banking company.

ING VYSYA LIFE INSURANCE COMPANY LTD.

It is a joint venture of three companies Vysya Bank ING and GMR Group. These three have the same of 49% 26% and 25% respectively. Vysya Bank is a Indian's private sector bank, ING is Dutch based global level financial institution and GMR Group is a private investor. All these are leaders in banking, insurance, and investment sectors. These three have wide networking across the world. Their joint ventures policies are called 'INGV' policies.

AVIVA LIFE INSURANCE COMPANY LTD.

It is a joint between Dabur India and Aviva Pic's subsidiary CGU of United Kingdom. Dabur is known for consumer goods and products in India market. Aviva Pic is the popularly known company is insurance, investment, fund management ect.

Canara Bank has as alliance with Aviva Life for Insurance business to its customers. Aviva Life has ties with Laxmi Vilas Bank, ABN Amro, and others. The hear quarter of Aviva Life is Guragaon and has branches is Chennai Bangalore, New-Delhi, Mumbai, Hyderabad and Kolkata.

Met Life India Insurance company Pvt. Ltd.

A joint venture among three. The Jammu and Kashmir Bank, M. Pallonji and Pvt. Co. Ltd. And the Metropolitan Life Insurance company5

USA (Metal Life). The Meta Life was incorporated on 11th April, 2001. It is a venture in life insurance by bank and company pioneered in insurance business, all over the world, met has its business spread over America, Europe and Asia and is one among the top 100 fortune companies.

The policies issued by this insurance company are prefixed as 'Met' there are policies issued with participating benefit and Non-participating scheme.

OM KOTAK MAHINDRA INSURANCE CO. LTD.

It is another joint venture between India's Kotak Mahindra Financial Ltd. (KMFL) and South Africa's Old Mutual, Operating in the field of Life Insurance. Their Venture has share of 74 : 26. KMFC is known for its financial services in India and in abroad also. Om is global level operator with 30% market share in life insurance field.

MAX NEW YORK LIFE INSURANCE COMPANY LTD.

Another Joint Venture between Max India Ltd., and New York life company Max is pioneered in financial services. Information Technology Sector, K.P.O Business New York Life is one of 100 Fortune Companies, and both together are competitions in Indian Life Insurances market with their wide network.

RELIANCE INSURANCE COMPANY LTD.

A joint venture between AMP Ltd. Australia and Sanmar Group, South India. This is taken over by Reliance group w.e.f 1.03.2006. They have the same share of 26:74 respectively. Sanmar Group is pioneered in Engineering Shipping, Specially Chemicals, and Chlorochemicals etc. The AMP Ltd is leading life insurer in Australia providing financial services, asset management etc. It has extended its business to New Zeland and UK also.

These thirteen insurers are limited companies, registered under a the Companies Act, unlike the LIC, which is a Corporation set up under the LIC Act of 1956 by the Central Government with a share capital of Rs. 5 crores, and the PLI, which is a department of the Government of India. Each of these organizations will have different organizational structures. Not only the number of offices and their locations, but the designations and responsibilities vested at various positions would be different. The discussions in the following paragraphs are above general principles, which are likely to underline all these different arrangements.

The market potential for private insurance companies is found to be grater in the long run a most of the Indians are of the opinion that, private insurance companies, would be able perform well in the future. The private and foreign insurance companies have to immediate steps in appointing more number of agents and or advisor in addition to the employees as it has been found out agents are the best channel to reach the general public regarding selling of insurance products. The private and foreign insurance companies have to concentrate on the factors like 'Prevention of Loss" Assured Returns' and Long Term Investment". They can also focus on an insurance amount of Rs. 1-2 lakhs with 'Money Bank Policies' hence, the market has potential. The private and foreign insurance companies that are taking immediate steps can tap it.

The life insurance as that is different from other segments of insurance business as more complex because of serious conflict arising out of adverse selection, moral hazard, covariate risks and information gap problems, for example, experience from other counties suggest that the entry of private firms into the life insurances sector, if not properly regulated, does have adverse consequences for the costs of care, equity, consumer satisfaction fraud ethical standards.

CONCLUSION

The Insurance Act, 1938 was introduced as the first comprehensive legislation. The private players entered into insurance business with the passing of IRDA in the year 2000. The Based the recommendations made by the committee headed by the former Governor of the Reserve bank of India R N Malhotra, the monopoly of insurance business got diluted. The privatization of life insurance business is in competition to public life insurance sector particularly life insurance business. Competition has become an imperative in the modern days because of Globalization and Privatization. Every industry has to compete both at the national and at international level. Private sector insurance companies are really putting in lot of service and try to compete with the public sector organization. In fact, the services of private insurance sector are better evaluated because of there committed work and competition. They aim at better service always in order to service in this an LIC Division, Karanataka However, the private performance though is in competition with life insurance business, they have not surpass. Life insurance business of All LIC Division is efficiently carrying on its insurance business deeply rooted over a few decades. Service having gained lot of confidence of the people. Life insurance business stands for utmost security, better service people oriented and ultimately devoted to District development. Even then life insurance business ought to be on its own grounds its facing service tough competition from Government sector. The input of the privatization of life insurance business in all LIC Division has Karnataka has been analyzed and tested in this chapter and it has been proved both positive and negative. It is positive because it competes life insurance business and other public insurance companies to become more competitive providing extent service in order to hold the insurance market. Getting rectified the deficiency. Another important aspect is that there has to be competition because, competition leads to people oriented better service. It is negative because it faces tough competitors who are also trying to grab and exercise hold on the insurance market. Naturally the life insurance business which is sole trader in public insurance has been affected to some extent. In the coming years privatization would lead to still more tough competition hence, public insurance companies should become more innovative creative and service oriented.

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