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LIC and other private life insurance companies premium based market share in India: A comparative study

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Abstract

A human is stressed over the security of life, property and business for the duration of the life and he takes an excess of consideration of every one of these things, however the danger is still there. To get the security against these dangers, human has created different means. One of such means is Insurance. It can be extra security for the assurance of life and general Insurance for the insurance of property and business. The exhibited research work titled "A Comparative Study of Premium Based Market Share of LIC and Other Private Life Insurance Companies in India" depends on near investigation of premium based piece of the pie of Life Insurance Corporation and other private extra security organizations in India. Life coverage Corporations of India (LIC) is the state claimed biggest player in the Insurance market. Plus, LIC there are 24 Private players working in the business sector. The aggregate Insurance business sector can be judged regarding two parameters-Premiums gathered and Numbers of approaches guaranteed. From the examination, it can be said that piece of the overall industry of more than 70% is with LIC. In this paper Scientists have attempted to look at the development of both the divisions and their present piece of the pie in view of premium gathering.

Keywords: premium, comparison, LIC, private life insurers, market share

1. Introduction

Insurance is thought to be the foundation of danger administration. It gives budgetary security by offering diverse items to the business which likewise minimizes danger to the people and additionally the association. History of Insurance in India can be better comprehended with considering four stage like early periods, pre-nationalization period, post-nationalization period and post liberalization period. Life coverage Corporations of India (LIC) is the state claimed biggest player in the Insurance market which was set up on first September 1956 with the target of covering the rustic zones to give them sufficient monetary spread at sensible expense. It delighted in imposing business model of life coverage business till 2000, when private players were permitted to enter the business sector. LIC delighted in restraining infrastructure in a humanner that it was troublesome for the private players to contend. At the point when the new players attempted to build the piece of the pie, the LIC proceeded with its development exploiting its old foundation and government support. Before long the Insurance Act 1938 was changed and Insurance Regulatory and Development Authority Act of 2000 (IRDA) was passed. It began issuing the licenses to Pvt. Players. Today 24 Private players are working in the business sector. The aggregate Insurance business sector can be judged regarding two parameters-Premiums gathered and Numbers of arrangements guaranteed. In light of this we can say that piece of the pie of more than 70% is with LIC. In this paper specialists have attempted to think about the development of both the segments and their present piece of the pie in light of premium gathering.

Insurance industry of India

The Insurance business of India includes 53 Insurance organizations of which 24 are in life scope business and 29 are non-life move down arrangements.

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Among the life go down arrangements, Life Insurance Corporation (LIC) is the sole open part association. Beside that, among the non-life security net suppliers there are six open divisions move down arrangements. Despite these, there is sole national re-underwriter, to be particular, General Insurance Corporation of India (GIC Re). Diverse accomplices in Indian Insurance market consolidate pros (individual and corporate), specialists, surveyors and pariah supervisors upgrading restorative scope claims.

Out of 29 non-additional security associations, five private regions move down arrangements are enrolled to embrace courses of action exclusively in prosperity, singular incident and travel Insurance parts. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specific wellbeing net suppliers having a spot with open region, to be particular, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for harvest Insurance.

Market Size

Amid April 2015 to February 2016 period, the life scope industry recorded another premium wage of Rs 1.072 trillion (US\$ 15.75 billion), demonstrating an improvement rate of 18.3 for every penny. The general Insurance industry recorded a 14.1 for every penny advancement in Gross Direct Premium ensured in FY2016 up to the month of February 2016 at Rs 864.2 billion (US\$ 12.7 billion).

India's catastrophe Insurance portion is the best on the planet with around 360 million systems which are depended upon to increase at a Compound Annual Growth Rate (CAGR) of 12-15 for each penny all through the accompanying five years. The Insurance business courses of action to trek passage levels to five for each penny by 2020.

The country's Insurance business division is depended upon to fourfold in size all through the accompanying 10 years from its present size of US\$ 60 billion. In the midst of this period, the catastrophe Insurance business division is slated to cross US\$ 160 billion.

The general Insurance business in India is starting now at Rs 78,000 crore (US\$ 11.44 billion) premium per annum industry and is creating at a sound rate of 17 for every penny.

The Indian Insurance business area is a tremendous business opportunity holding up to be saddled. India starting now records for under 1.5 for every penny of the world's total Insurance premiums and around 2 for each penny of the world's additional security premiums regardless of being the second most transcontinental nation. The country is the fifteenth greatest Insurance market on the planet with respect to premium volume, and can turn out to be exponentially in the coming years.

Speculations

The going with is a segment of the noteworthy endeavors and upgrades in the Indian Insurance division.

The Insurance section in India is required to attract over Rs 12,000 crore (US\$ 1.76 billion) in 2016! The same quantities of remote associations are depended upon to get their stake up private division Insurance joint attempts.

QuEST Global, an unadulterated play building and Research and Development (R&D) organizations supplier, has raised endeavor of around Rs 2,396 crore (US\$ 351.54 million) from

driving overall money related masters Bain Capital, GIC and Advent International for a minority stake in the association.

Foreign Direct Investment in the Insurance section stayed at US\$ 341 million in March-September, 2015, exhibiting an advancement of 152 for each penny appeared differently in relation to the same period a year back.

Insurance firm AIA Group Ltd has extended its stake in Tata AIA Life Insurance Co Ltd, a joint attempt controlled by Tata Sons Ltd and AIA Group from 26 for every penny to 49 for each penny.

Canada-based Sun Life Financial Inc game plans to grow its stake from 26 for each penny to 49 for every penny in Birla Sun Life Insurance Co Ltd, a joint try with Aditya Birla Nuvo Ltd, through acquiring of shares worth Rs 1,664 crore (US\$ 244.14 million).

Nippon Life Insurance, Japan's second greatest catastrophe Insurance association, has assented to finish plans to contribute Rs 2,265 crore (US\$ 332.32 million) with a particular final objective to grow its stake in Reliance Life Insurance from 26 for every penny to 49 for each penny.

The Central Government needs to dispatch a keeping nothing down one Insurance arrangement for farmers called the Unified Package Insurance Scheme (Bhartiya Krishi Bima Yojana). The proposed arrangement will have distinctive segments like yield Insurance, prosperity spread, singular accident Insurance, live stock Insurance, Insurance spread for agribusiness executes like tractors and pump sets, understudy security Insurance and fiasco Insurance.

Government moved an uncommon enrolment drive, Suraksha Bandhan Drive including offer of gift checks and dispatch of store arrangements in bank workplaces, to empower enrolment under Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY).

To grow the supporter base and ensure more broad accomplish, the Central Government has encouraged a couple of benchmarks for its lead Insurance arrangement Atal Pension Yojana (APY), in terms of more decisions for periodical duties, planned and inauspicious exits and adjusted discipline for portion delays.

Bennett Coleman and Co. Ltd (BCCL), the media blend with various disseminations in a couple of lingos transversely over India, is set to buy Religare Enterprises Ltd's entire 44 for every penny stake in life scope joint try Aegon Religare Life Insurance Co. Ltd. The outside associate Aegon is set to fabricate its stake in the joint attempt from 26 for each penny to 49 for every penny, taking after government's change measure allowing the extension in stake holding by remote associations in the Insurance section.

GIC Re and 11 other non-life underwriters have commonly molded the India Nuclear Insurance Pool with a breaking point of Rs 1,500 crore (US\$ 220.08 million) and will give the risk trade framework to the directors and suppliers under the CLND Act.

State Bank of India has proclaimed that BNP Paribas Cardif rushes to manufacture its stake in SBI Life Insurance from 26 for each penny to 36 for every penny. Once the outside joint attempt associate extends its stake to 36 for every penny, SBI's stake in SBI Life will get debilitated to 64 for each penny.

Government Initiatives

The Government of India has taken different exercises to help the Insurance business. Some of them are according to the accompanying:

The Union Budget of 2016-17 has made the going with obtainments for the Insurance Sector:

Foreign hypothesis will be allowed through modified course for up to 49 for every penny subject to the guidelines on Indian organization and control, to be affirmed by the controllers.

Service charge on single premium annuity procedures has been reduced from 3.5 for each penny to 1.4 for every penny of the premium paid in certain cases.

Government Insurance offices to be recorded on the exchanges

Service charge on organization of additional security business gave by strategy for annuity under the National Pension System controlled by Pension Fund Regulatory and Development Authority (PFRDA) being exempted, with effect from 1 April 2016.

The Insurance Regulatory and Development Authority (IRDA) of India has molded two boards to research and propose ways to deal with development e-exchange the section remembering the finished objective to extend Insurance spellbind and bring money related consolidation.

IRDA has arranged a draft control, IRDAI (Obligations of Insures to Rural and Social Sectors) Regulations, 2015, in similarity of the progressions accomplished under zone 32 B of the Insurance Laws (Amendment) Act, 2015. These bearings power responsibilities on wellbeing net suppliers towards giving Insurance spread to the common and monetarily weaker zones of the people.

The Government of India has moved two Insurance arranges as announced in Union Budget 2015-16. The first is Pradhan Mantri Suraksha Bima Yojana (PMSBY), which is a Personal Accident Insurance Scheme. The second is Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), which is the organization's Life Insurance Scheme. Both the arrangements offer central Insurance at insignificant rates and can be viably benefitted of through various government workplaces and private territory outlets.

The Uttar Pradesh government has moved a first of its kind keeping cash and Insurance organizations helpline for agriculturists where individuals can hold up their protestations on a toll free number.

The select board of the Rajya Sabha gave its underwriting to extend stake of outside monetary pros to 49 for each penny esteem enthusiasm for Insurance organizations.

Government of India has dispatched an Insurance pool to the tune of Rs 1,500 crore (US\$ 220.08 million) which is required under the Civil Liability for Nuclear Damage Act (CLND) in

an offer to adjust cash related weight of outside nuclear suppliers.

Review of Related Literature

1. Nena, S. (2013) ^[4] expressed in her paper that LIC of India is a standout amongst the most critical open area players; that plays astounding employment in offering its item. The scientist likewise said that the LIC is confronting colossal rivalry the same number of private players have risen in life coverage market.
2. Padhi, B. (2013) ^[5] expressed that the LIC delighted in the imposing business model in Indian Insurance market for over four decades. After liberalization the private players have been making waves. They have been entering their business more from year to year and have been expanding their piece of the pie and nearness.
3. Sharma, V. what's more, Chowhan, S.S. (2013) ^[6] in their paper "A Comparative Study of Public and Private Life Insurance" concentrated on gross direct premium and expressed that LIC keeps on overwhelming the division. Private area insurance agencies additionally attempted to build their piece of the overall industry.

Objective of the Study

1. To analyze the premium based market share of LIC and other private Life Insurance Companies in India.
2. To compare the market share of LIC and Private Insurance companies.
3. To study the insurance sector in India.

Research Methodology

- **Period of the study:** To justify the present research, the researcher has chosen time of the study for 5 financial year's viz. 2010-11 to 2014-15. The period covers two periods of business sector circumstance i.e. retreat period and post-subsidence period that is by possibility. There are no other extraordinary motivations to choose this time of study.
- **Sources of data:** To do the present research, the researcher have gathered the information from the auxiliary sources like yearly reports of IRDA, diaries of IRDA and couple of sites being legitimate source to gather the information for Insurance and other websites which are helping for the present study. The information gathered for the present examination is organized as take after:

Table 1: Premium Based Market Share of Life Insurers (In %)

Particulars	Regular Premium RP		Single Premium SP		First Year Premium FP		Renewal Premium RP		Total Premium TP	
	LIC	Pvt. sector	LIC	Pvt. sector	LIC	Pvt. sector	LIC	Pvt. sector	LIC	Pvt. Sector
2010-11	56.73	43.27	81.26	18.74	68.85	31.15	70.49	29.51	69.78	30.22
2011-12	64.58	35.42	80.58	19.42	71.85	28.15	69.91	30.09	70.68	29.32
2012-13	58.13	41.87	83.85	16.15	71.36	28.64	73.5	26.5	72.7	27.3
2013-14	60.88	39.12	86.72	13.28	75.47	24.53	75.34	24.66	75.39	24.61
2014-15	49.12	50.88	83.58	16.42	69.27	30.73	75.04	24.96	73.05	26.95

Source: Compiled from annual reports of IRDA, Journals of IRDA

- **Hypothesis**
1. **HO:** There is no significant difference in the market share of LIC and Pvt. Sector insurance companies in Regular Premium.
 2. **HO:** There is no significant difference in the market share of LIC and Pvt. Sector insurance companies in Single Premium.
 3. **HO:** There is no significant difference in the market share of LIC and Pvt. Sector insurance companies in First Year Premium.
 4. **HO:** There is no significant difference in the market share of LIC and Pvt. Sector insurance companies in Renewal Premium.

5. **HO:** There is no significant difference in the market share of LIC and Pvt. Sector insurance companies in Total Premium.

Tools and Techniques

For the purpose of data analysis, the researchers have performed two-sample t-test, assuming equal variances and

unequal variances. The objective behind using this test is to compare Performance of two samples viz. LIC and Other Private Life Insurers for their market share with special reference to various types of premium collected by them, during the period of 2010-11 to 2014-15.

Analysis of the Data

Table 2: Table Showing Statistical Analysis of Premium Based Market Share of Life Insurers

YEAR	LIC	Pvt. Sector	LIC	Pvt. sector	LIC	Pvt. sector	LIC	Pvt. sector	LIC	Pvt. sector
2010-11	56.73	43.27	81.26	18.74	68.85	31.15	70.49	29.51	69.78	30.22
2011-12	64.58	35.42	80.58	19.42	71.85	28.15	69.91	30.09	70.68	29.32
2012-13	58.13	41.87	83.85	16.15	71.36	28.64	73.5	26.5	72.7	27.3
2013-14	60.88	39.12	86.72	13.28	75.47	24.53	75.34	24.66	75.39	24.61
2014-15	49.12	50.88	83.58	16.42	69.27	30.73	75.04	24.96	73.05	26.95
Total	289.44	210.56	415.99	84.01	356.8	143.2	364.28	135.72	361.6	138.4
Mean	57.888	42.112	83.198	16.802	71.36	28.64	72.856	27.144	72.32	27.68
Std. Deviation	5.74	5.74	2.43	2.43	2.64	2.64	2.53	2.53	2.19	2.19
Standard Error	2.57	2.57	1.09	1.09	1.18	1.18	1.13	1.13	0.98	0.98

Table 3: A Table Showing Regular Premium RP Result of t-test (Two Sample-Assuming Equal Variances and Unequal Variances)

Particulars	Regular Premium RP	
	LIC	Pvt. Sector
YEAR		
2010-11	56.73	43.27
2011-12	64.58	35.42
2012-13	58.13	41.87
2013-14	60.88	39.12
2014-15	49.12	50.88

t-Test: Two-Sample Assuming Equal Variances		
	LIC	Pvt. Sector
Mean	57.888	42.112
Variance	33.00307	33.00307
Observations	5	5
Pooled Variance	33.00307	
Hypothesized Mean Difference	5	
Df	8	
t Stat	2.965858429	
P(T<=t) one-tail	0.008992268	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.017984536	
t Critical two-tail	2.306004133	

Decision

Since the t-statistic $t = 2.96$ is greater than the critical value for a two-tail critical with $df=8$ and $\alpha=.05$ is $t=2.30$. Therefore, we do reject the null hypothesis. The observed difference between the sample means (57.88 – 42.11) is convincing enough to say that the average number of Regular Premium RP between LIC and Private sector insurance is differ insignificantly.

Table 4: A Table Showing Single Premium SP Result of t-test (Two Sample-Assuming Equal Variances and Unequal Variances)

Particulars	Single Premium SP	
	LIC	Pvt.
YEAR		
2010-11	81.26	18.74
2011-12	80.58	19.42
2012-13	83.85	16.15
2013-14	86.72	13.28
2014-15	83.58	16.42

t-Test: Two-Sample Assuming Equal Variances		
	LIC	Pvt. Sector
Mean	83.198	16.802
Variance	5.89632	5.89632
Observations	5	5
Pooled Variance	5.89632	
Hypothesized Mean Difference	5	
Df	8	
t Stat	39.97786151	
P(T<=t) one-tail	8.42995E-11	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	1.68599E-10	
t Critical two-tail	2.306004133	

Decision

Since the t-statistic $t = 39.97$ is greater than the critical value for a two-tail critical with $df=8$ and $\alpha=.05$ is $t=2.30$. Therefore, we do reject the null hypothesis. The observed difference between the sample means (83.19 – 16.80) is convincing enough to say that the average number of Single Premium SP between LIC and Private sector insurance is differ insignificantly.

Table 5: A Table Showing First Year Premium FP Result of t-test (Two Sample-Assuming Equal Variances and Unequal Variances)

Particulars	First Year Premium FP	
	YEAR	LIC
2010-11	68.85	31.15
2011-12	71.85	28.15
2012-13	71.36	28.64
2013-14	75.47	24.53
2014-15	69.27	30.73

t-Test: Two-Sample Assuming Equal Variances		
	LIC	Pvt. Sector
Mean	71.36	28.64
Variance	6.9501	6.9501
Observations	5	5
Pooled Variance	6.9501	
Hypothesized Mean Difference	5	
Df	8	
t Stat	22.62278987	
P(T<=t) one-tail	7.71908E-09	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	1.54382E-08	
t Critical two-tail	2.306004133	

Decision

Since the t-statistic $t = 22.62$ is greater than the critical value for a one-tail critical with $df=8$ and $\alpha=.05$ is $t=2.30$. Therefore, we do reject the null hypothesis. The observed difference between the sample means (71.36 – 28.64) is convincing enough to say that the average number of First Year Premium FP between LIC and Private sector insurance is differ insignificantly.

Table 6: A Table Showing Renewal Premium RP Result of t-test (Two Sample-Assuming Equal Variances and Unequal Variances)

Particulars	Renewal Premium RP	
	YEAR	LIC
2010-11	70.49	29.51
2011-12	69.91	30.09
2012-13	73.5	26.5
2013-14	75.34	24.66
2014-15	75.04	24.96

t-Test: Two-Sample Assuming Equal Variances		
	LIC	Pvt. Sector
Mean	72.856	27.144
Variance	6.40793	6.40793
Observations	5	5
Pooled Variance	6.40793	
Hypothesized Mean Difference	5	
Df	8	
t Stat	25.42925066	
P(T<=t) one-tail	3.06404E-09	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	6.12807E-09	
t Critical two-tail	2.306004133	

Decision

Since the t-statistic $t = 25.42$ is greater than the critical value for a one-tail critical with $df=8$ and $\alpha=.05$ is $t=2.30$. Therefore, we do reject the null hypothesis. The observed difference between the sample means (72.85 – 27.14) is convincing enough to say that the average number of Renewal

Premium RP between LIC and Private sector insurance is differ insignificantly.

Table 7: A Table Showing Total Premium TP Result of t-test (Two Sample-Assuming Equal Variances and Unequal Variances)

Particulars	Total Premium TP	
	YEAR	LIC
2010-11	69.78	30.22
2011-12	70.68	29.32
2012-13	72.7	27.3
2013-14	75.39	24.61
2014-15	73.05	26.95

t-Test: Two-Sample Assuming Equal Variances		
	LIC	Pvt. Sector
Mean	72.32	27.68
Variance	4.81085	4.81085
Observations	5	5
Pooled Variance	4.81085	
Hypothesized Mean Difference	5	
Df	8	
t Stat	28.57542788	
P(T<=t) one-tail	1.21619E-09	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	2.43238E-09	
t Critical two-tail	2.306004133	

Decision

Since the t-statistic $t = 28.57$ is greater than the critical value for a one-tail critical with $df=8$ and $\alpha=.05$ is $t=2.30$. Therefore, we do reject the null hypothesis. The observed difference between the sample means (72.32 – 27.68) is convincing enough to say that the average number of Total Premium TP between LIC and Private sector insurance is differ insignificantly.

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