

# COMPARATIVE ANALYSIS OF PRIVATE AND PUBLIC LIFE INSURANCE LIFE INSURANCE COMPANIES IN INDIA

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## Abstract

The banking and insurance industries, which draw in foreign investments and savings, have a significant impact on the Indian financial system. In India, the insurance industry is one of the economic sectors that is expanding. The trend of liberalization and globalization in India has affected and impacted the insurance industry, the financial infrastructure, and other marketing components. The market's monarch is the consumer. Intangible products are the focus of life insurance firms. As more private firms enter the market, the competition is getting fiercer. Every business aims to acquire clients by implementing innovative product features and new innovations in order to please existing ones. This study aims to investigate India's Public Life Insurance and private life insurance companies along with Examine the performance of India's Public Life Insurance and private life insurance businesses and compare consumers' perceptions of service quality.

**Keywords:** Risk, customer perception, service quality, and insurance sector.

## Introduction

In the developed world, the necessity for insurance is as ancient as trade and commerce. Risk is a part of life, business, trade, etc. Safety will be provided by the insurance. The insurance industry has been a major player in India's financial system. Additionally, it has been helping to achieve the goal of creating a stable, productive, and efficient economic environment in India. Additionally, it meets the nation's socioeconomic goals and the demands of the actual economy. It is gaining traction in the core of the economy and is regarded as one of the financial sector's fastest-growing segments in India. Through life insurance, it has been encouraging long-term savings to boost economic expansion and promote economic development.

## Postal life insurance

Due to the significance of customizing each customer's needs, the variety of products available, the intricacy of the postal Life Insurance and procedures, and the necessity of involving the customer in every step of the transaction, life insurance is a professional service that is distinguished by a high level of consumer involvement. In recent years, life insurance, often referred to as life assurance, has evolved into a significant investment vehicle and is no more only a "protection" or "legacy" for the family. India now has one of the world's most profitable insurance markets because to its economic growth.

### **Growth of life insurance industry**

There was no fierce rivalry in the insurance business when it first opened in India. Up to the year 2000, the sole Public Life Insurance life insurance firm in India was the Life Insurance Corporation (Postal Life Insurance). In 1999, the Indian government approved the privatization of the insurance sector and established the Insurance Regulatory Development Authority (IRDA) to oversee and grow the sector. Private businesses can now access the life insurance market thanks to Postal Life Insurance licenses granted by IRDA. Following deregulation in 1999, the insurance industry in India has expanded rapidly, and private companies are now permitted to enter the Indian life insurance market. Since 2000, the Indian life insurance market has grown significantly in terms of premium revenue, new business postal Life Insurance, offices, agents, products, riders, and other factors. The Indian insurance market is seeing rapid expansion, driven by companies seeking to alter the dynamics of market via advancement and modernization. India currently has one governmental life insurer and twenty-three private life insurers. A 2007 McKinsey report predicted that by 2025, India will probably become the world's fifth-largest market.

### **Public Life Insurance & Private Sector's Life Insurance**

#### **Public Life Insurance sector Company: Life insurance Corporation of India**

One Public Life Insurance sector company involved in life insurance is the Life Insurance Corporation of India (Postal Life Insurance). It was established on September 1st, 1956. The state-owned Life Insurance Corporation was formed via the merger of more than 245 insurance firms and provident societies. At an estimated 1560481.84 crore (US\$250 billion), it is the biggest insurance firm in India. As of 2013, its entire life fund was Rs. 1433103.14 crore, while the total value of the postal Life Insurance sold that year was Rs. 367.82 lakh.

### **Growth as a Monopoly**

Huge surpluses were produced from the beginning by the Life Insurance Corporation of India, which held a monopoly on the Postal Life Insurance and sale of life insurance in India. By the end of the 20th century, the Corporation had expanded to 25,000 offices, servicing about 350 million postal Life Insurance, and a corpus of over 800000 crore (US\$130 billion). At the beginning of its operations, the Corporation had about 300 offices, 5.7 million postal Life Insurance, and a corpus of INR45.9crores (US\$92 million at the 1959 exchange rate of roughly 5 for US\$1).

### **Private companies that are in life insurance sector are as under**

- Aviva India, Edelweiss Tokio Life Insurance Co. Ltd.,
- AEGONReligare Life Insurance
- Birla Sun Life Insurance,
- Bajaj Allianz Life Insurance,
- Bharti AXA Life Insurance Co. Ltd.,
- Canara HSBC Oriental Bank of Commerce,
- Sriram Life Insurance
- Future Generali Life Insurance Co. Ltd.;
- StarUnion Dai-ichi Life Insurance;
- DLFPramerica Life Insurance;
- HDFC Standard Life Insurance Company Limited,
- Icicliprudential Life Insurance Company Limited,
- IDBI Federal Life Insurance,

- India First Life Insurance Company,
- ING Life Insurance,
- Kotak Life Insurance,
- Max Life Insurance,
- PNB MetLife India Life Insurance,
- Reliance Life Insurance Company Limited,
- Sahara Life Insurance,
- SBI Life Insurance Company Limited,
- Tata AIA Life Insurance

## THE PERFORMANCE OF PRIVATE AND Public Life Insurance LIFE INSURANCE FIRMS

The necessary and pertinent information was gathered from Postal Life Insurance's yearly reports, national and international Public Life Insurance, and textbooks. Secondary data was gathered from Life Insurance Today, the IRDA journal, and the IRDA annual reports. Additionally, certain websites have been consulted. Statistical methods such as growth rates, coefficients of variation, ratios, and percentages were employed for data analysis.

By examining the factors that influence their profitability, the study sought to assess the financial performance of Indian life insurance businesses. Because insurance companies not only offer a way to save money and transfer risk, but also assist in appropriately directing funds from surplus to deficit economic units to support economic investment activities, measuring their performance has become increasingly important. Company performance can have an impact on economy as a whole; hence evaluating performance necessitates empirical study. Financial ratios including the current ratio, solvency ratio, return on assets ratio, and insurance leverage ratio have been computed in order to assess financial performance.

## SELECT PRIVATE LIFE INSURANCE COMPANIES AND SHORT-TERM LIFE INSURANCE POSTAL LIFE INSURANCE

**Table-1: Present Postal Life Insurance of India and Selected Private Life Insurance Firms Ratio**

Year	Postal Insurance Service	ICICI Prudential Life Insurance	SBI Life Insurance	HDFC Standard Life Insurance	Birla Sun Life Insurance
2010	06.78	0.67	0.64	1.39	0.89
2011	13.10	0.63	0.40	1.08	0.84
2012	01.34	0.38	0.85	0.63	0.85
2013	154.4	0.42	0.78	0.81	0.91
2014	06.23	0.58	2.55	0.86	0.91

**Selected Private Life Insurance Companies & Liquid Ratio of Postal Life Insurance**

Year	Postal Insurance Service	ICICI Prudential Life Insurance	SBI Life Insurance	HDFC Standard Life Insurance	Birla Sun Life Insurance
2010	1.16	0.10	0.64	0.07	0.63
2011	04.65	15.30	0.18	0.46	0.70
2012	02.44	0.33	0.32	0.23	0.70
2013	58.60	0.21	0.16	0.29	0.73
2014	02.89	0.17	1.84	0.36	0.66

FluidS Postal Life Insurance to Selected Private Life Insurance Ratio Long-term insolvency Debt Equity Ratio of Postal Life Insurance and Selected Private Life Insurance Companies (D/E) Postal Life Insurance to Selected Private Life Insurance Ratio Businesses and companies

Year	Postal Insurance Service	ICICI Prudential Life Insurance	SBI Life Insurance	HDFC Standard Life Insurance	Birla Sun Life Insurance
2010	0.501	1.30	0.27	0.54	5.93
2011	0.047	0.13	0.16	0.61	3.78
2012	0.043	0.99	0.13	0.51	2.26
2013	0.041	0.73	0.12	0.40	1.61
2014	0.046	0.54	0.01	0.28	1.34

Fluid Postal Life Insurance/Selected Ratio Private Life Insurance Debt Equity (D/E) Ratio of Postal Life Insurance & Selected Private Life Insurance Companies Long-term Solvency Ratio of Postal Life Insurance & Selected According to the survey, Postal Life Insurance, a Public Life Insurance sector entity, has a strong liquidity position when compared to other life insurers. Private companies with strong liquidity positions include Future General, IDBI, Sahara, and Shri Ramand SBI Life. When it comes to solvency, life insurers with greater solvency ratios than others are Aviva, Bajaj Allianz, IDBI, Max Life, Sahara, and SBI life insurance. After five years, the Public Life Insurance life insurer's solvency status has remained stable. Additionally, research demonstrates that Postal Life Insurance outperforms private life insurance providers in terms of financial success. Postal Life Insurance has made more internal equity investments than foreign ones. In terms of leverage analysis, Postal Life Insurance's performance is significantly superior to those private players. The study's regression analysis demonstrates a strong positive correlation between profitability and size and liquidity. However, the connection between capital and profitability is substantially negative. The outcome also shows that profitability, solvency, and insurance leverage are not significantly correlated. Finding the elements that can assist investors and insurance firms become more profitable is therefore crucial. Businesses that offer private life insurance

**Table 2: Influential Elements in the Choice of Insurance Postal Life Insurance**

FACTORS	Postal Insurance Service		Private Insurance Companies	
	Mean Score	Rank	Mean Score	Rank
Tax Saving	5.0	4	5.2	4
Good Return	5.6	3	6.9	2
Security	8.4	1	7.1	1
Risk Coverage	6.0	2	5.8	3

The mean score is used to determine which element has the most effect on postal Life Insurance holders' decisions to purchase insurance. According to the data, the mean score for security is greater for both Public Life Insurance and private life insurance businesses. Security is a key consideration for postal Life Insurance holders in both Public Life Insurance and private life insurance firms when choosing a postal Life Insurance.

**Table-3: Level of satisfaction with service quality**

FACTORS	Postal Insurance Service	Private Insurance Companies
	Mean Score	Mean Score

Rider facility	3.16	3.12
Switching facility	2.96	2.56
Top up facility	2.92	3
Bonus	2	2.24
Loan facility	2.04	2.68
Surrender facility	2	2.16
Customer complaint	2.4	2.2
Total	2.49	2.56

The study concludes that postal Life Insurance holders of both life insurance firms are dissatisfied with the quality of services offered by their respective life insurance companies in order to determine if they are happy with various aspects of insurance products.

Private insurers have returned to the life insurance market in 2014–15 after losing market share to Postal Life Insurance for the previous four years. According to IRDA statistics, the total new premium inflows for private life insurers increased by 17% during the first nine months of current fiscal year, while Postal Life Insurance's inflows decreased by 21%. Private life insurance companies' market share jumped from 22.3% to 30% by December 2014. The biggest winners are SBI Life, HDFC Standard Life, and ICICI Prudential Life. The market share of Postal Life Insurance decreased from 78% to 70%.

## Conclusion

Because it provides enough opportunity to generate substantial profits over extended periods of time, life insurance has emerged as a fundamental component of every market economy. Despite concerns that the Postal Life Insurance's prospects may be impacted by the insurance industry's privatization, the study demonstrates that the Postal Life Insurance still holds a dominant position in the industry. Insurance firms in the private sector also made an effort to grow their market share. Compared to Postal Life Insurance, private life insurers made extensive use of the new business channels for marketing. Private companies are able to overtake Postal Life Insurance in the market by selling more unit-linked postal Life Insurances. There were also notable disparities between the investment patterns of commercial insurers and Postal Life Insurance. Despite suffering significant losses, the solvency ratio of private life insurers was far higher than that of Postal Life Insurance. The lapse Postal Life Insurance outperformed private life insurers in terms of the ratio of private insurers, and Postal Life Insurance provided superior death claim service.

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