



iJRASET

International Journal For Research in
Applied Science and Engineering Technology



INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 7 Issue: X Month of publication: October 2019

DOI: <http://doi.org/10.22214/ijraset.2019.10068>

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A Study on Comparative Analysis of LIC and Private Insurance Companies

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Abstract: This research paper elaborates the concept and proceeds to explain the trends in insurance sector and people’s preference towards insurance companies. It also elaborated about the public and private sectors of the insurance and their functioning in the market, In this study, I compared LIC with private insurance companies to know the better company in the insurance sector based on different criteria

Keywords: Comparison, Insurance, Insurance sector, LIC, Public vs private

I. INTRODUCTION

It’s currently been quite a decade since the gap of the insurance sector in Asian country to the non-public sector and for foreign players. The past decade has seen appreciable growth within the insurance sector and has seen the introduction of the many innovative merchandise – a natural and positive outcome of skyrocketing competition. The insurance sector plays a really crucial role within the economy of any country – it will increase avenues for savings of people, protects the long run of people and spreads risks of establishments by forming an oversized pool of fund. the world conjointly contributes considerably to the capital markets and assists in giant capital infrastructure developments of our country through their funds

A. Objectives

- 1) To make a comparative analysis of LIC with selected insurance companies
- 2) To analyze the growth of LIC and private companies
- 3) To study the impact of FDI on insurance sector

II. DATA ANALYSIS

A. Objective-1

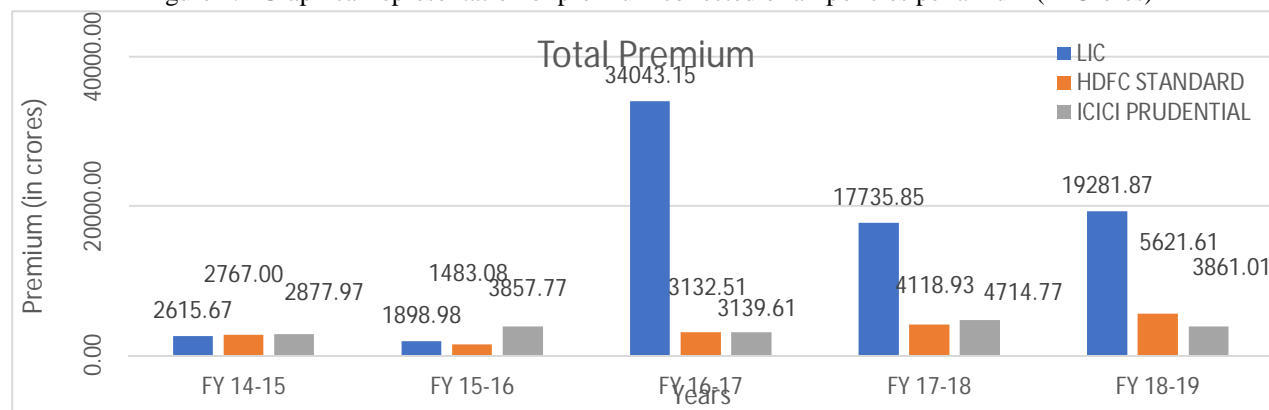
To make a comparative analysis of LIC, HDFC Standard & ICICI Prudential

- 1) Premium Collected on all the Policies per Annum

TABLE 4.1 Premium collected on all the policies per annum

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
LIC	2615.6729	1898.9794	34043.1542	17735.8458	19281.8655
HDFC Standard	2766.9967	1483.0799	3132.5082	4118.9275	5621.6108
ICICI Prudential	2877.9680	3857.7734	3139.6111	4714.7672	3861.0050

Figure 4.1 Graphical representation of premium collected of all policies per annum (In Crores)



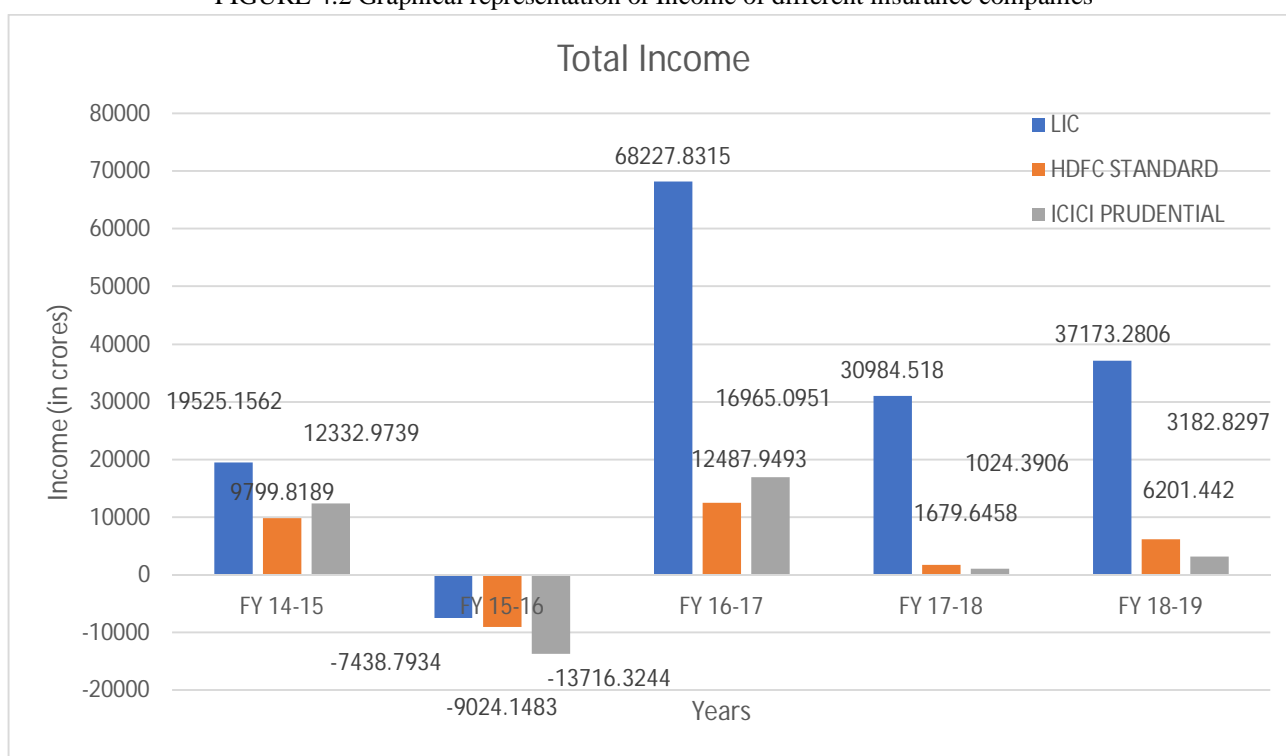
a) *Interpretation:* On the basis of the total premium collected on all the policies of these companies, LIC receives the highest premium compared with the others. LIC has 10 times more than the premium collected by the other two companies. ICICI has managed to keep its premium at a constant rate

2) *Income Generated From The Investments*

TABLE 4.2 Income generated from the investments (In Crores)

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
LIC	19525.1562	-7438.7934	68227.8315	30984.5180	37173.2806
HDFC Standard	9799.8189	-9024.1483	12487.9493	1679.6458	6201.4420
ICICI Prudential	12332.9739	-13716.3244	16965.0951	1024.3906	3182.8297

FIGURE 4.2 Graphical representation of Income of different insurance companies



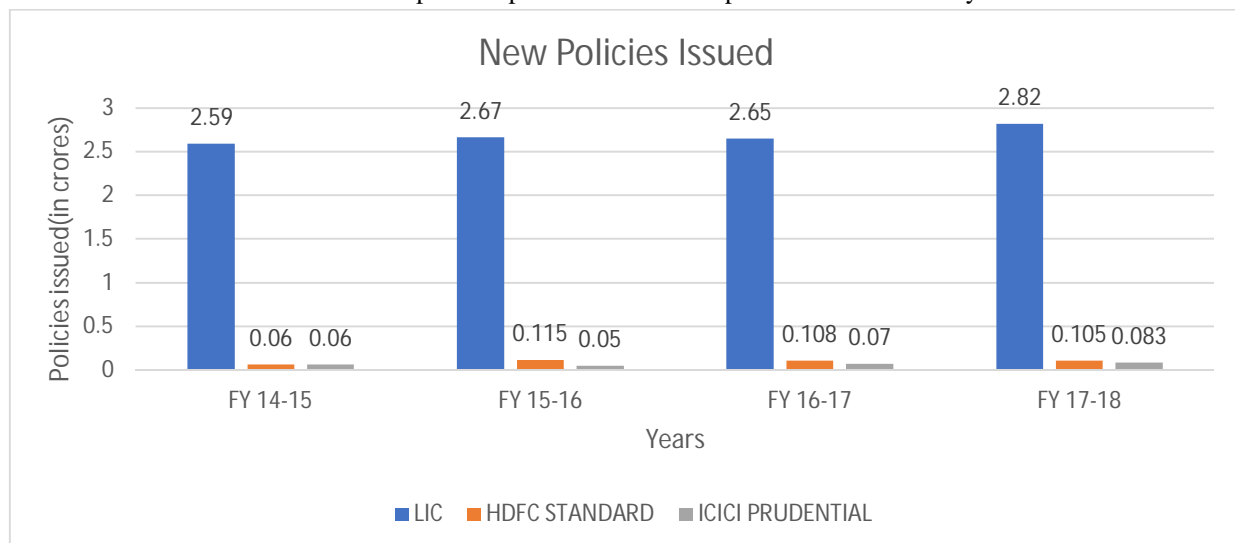
a) *Interpretation:* According to the figure above, the result is clear that the total income when compared to private insurance companies is a lot higher for LIC. The total income for LIC is almost 30 times higher (37173.2806) than that of the insurance companies i.e., ICICI prudential and HDFC standard. If we observe the data of last five years it is clear that all the insurance companies have seen a growth in their total income.

3) *Number Of Policies Issued By The Companies For The Year*

TABLE 4.3 Number of policies issued by the companies for the year (In Crores)

	FY 14-15	FY 15-16	FY 16-17	FY 17-18
LIC	2.59	2.67	2.65	2.82
HDFC Standard	0.06	0.115	0.108	0.105
ICICI Prudential	0.06	0.05	0.07	0.083

FIGURE 4.3 Graphical representation of new policies issued for the year



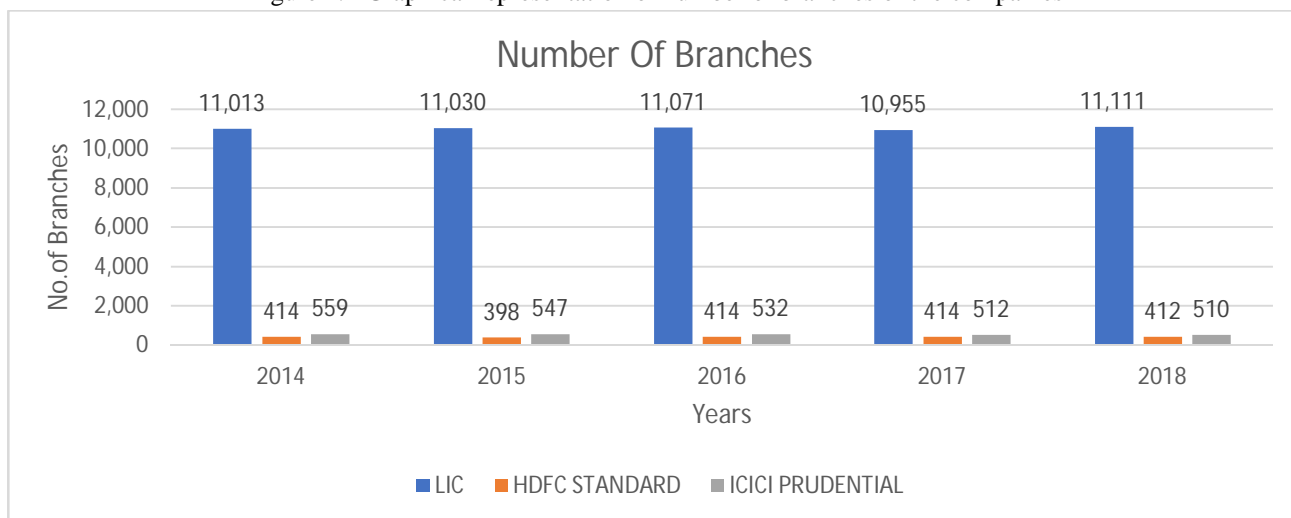
a) *Interpretation:* According to the figure above, the result is clear that the total number of policies when compared to private insurance companies is a lot higher for LIC. It is clear that the number of policies that are issued by LIC every year are basically nowhere near the private companies i.e., ICICI prudential and HDFC standard's number of policies. If we observe the data of last five years, the number of policies issued by LIC are around 2.6 crores whereas the number of policies sold by ICICI is around 5 to 6 lakhs and HDFC is around 10 to 11 lakhs which clearly shows the dominance of LIC

4) *Number of Branches of the Companies*

TABLE 4.4 Number of branches of the companies (In Crores)

	2014	2015	2016	2017	2018
LIC	11,013	11,030	11,071	10,955	11,111
HDFC Standard	414	398	414	414	412
ICICI Prudential	559	547	532	512	510

Figure 4.4 Graphical representation of number of branches of the companies



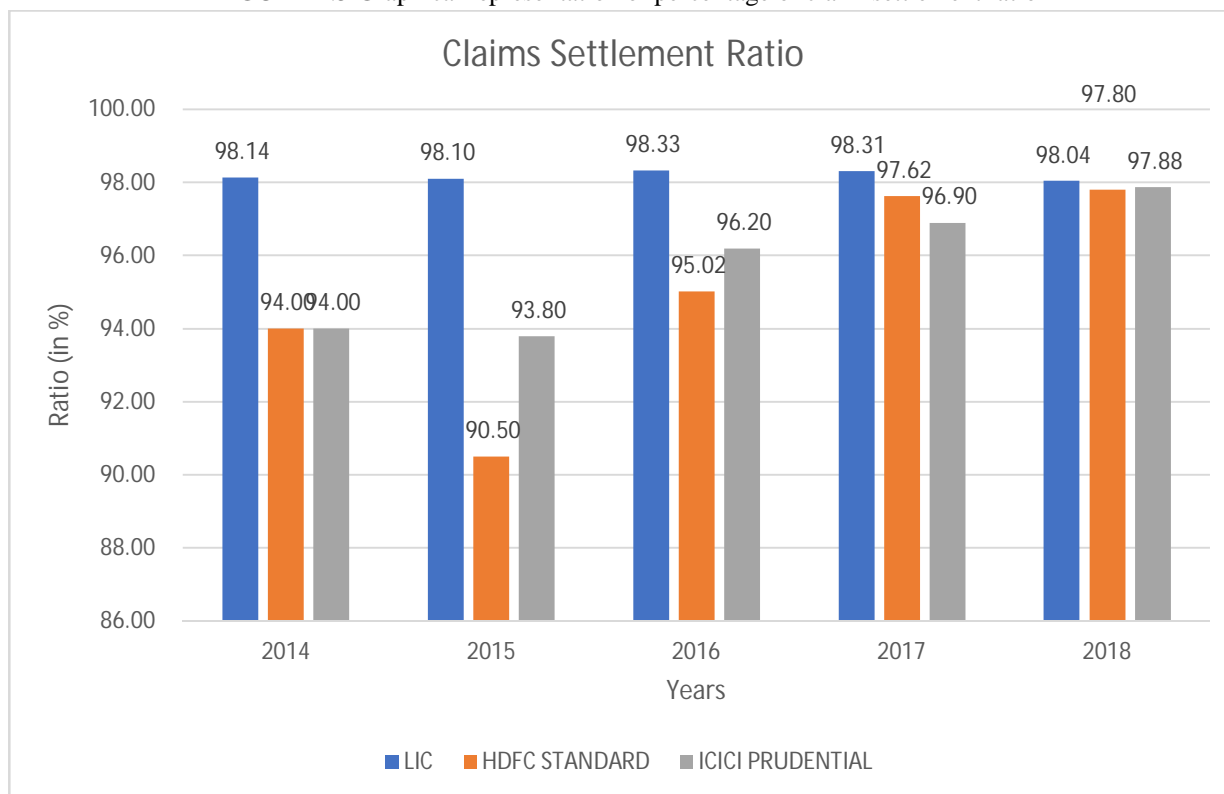
a) *Interpretation:* According to the figure above, the result is clear that the total branches when compared to private insurance companies is a lot higher for LIC. The number of branches for LIC are around 11,000 whereas the number of branches of ICICI prudential are 550 average and HDFC standard are 400 to be average.

5) Claims Settlement Ratio

TABLE 4.5 Percentage of claims settlement ratio (In %)

	2014	2015	2016	2017	2018
LIC	98.14	98.1	98.33	98.31	98.04
HDFC Standard	94.0	90.5	95.02	97.62	97.8
ICICI Prudential	94	93.8	96.2	96.9	97.88

FIGURE 4.5 Graphical representation of percentage of claim settlement ratio



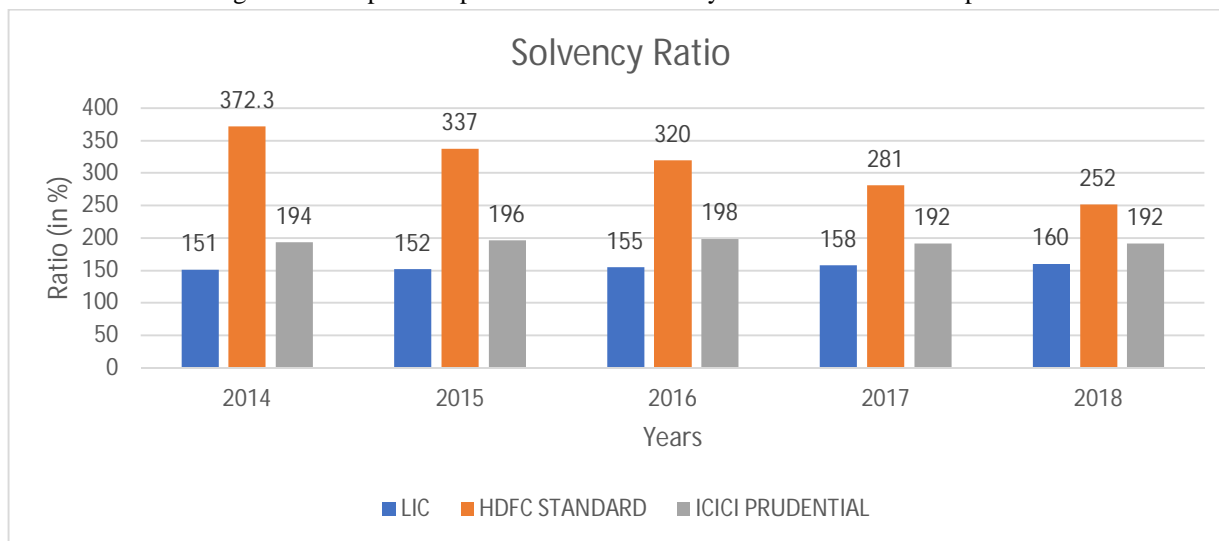
a) *Interpretation:* Claim Settlement Ratio is the indicator how much death claims Life Insurance Company settled in any financial year. It is calculated as the total number of claims received against the total number of claims settled. According to the figure above, it can be said that all the insurance companies are maintaining a great Claims Settlement Ratio. HDFC standard has increased their claims settlement ratio at a good rate when compared with LIC and ICICI prudential which is at a rate of 98 %

6) Solvency Ratio

TABLE 4.6 Solvency Ratio for different companies (In %)

	2014	2015	2016	2017	2018
LIC	151	152	155	158	160
HDFC Standard	372.3	337	320	281	252
ICICI Prudential	194	196	198	192	192

Figure 4.6 Graphical representation of solvency ratio for different companies



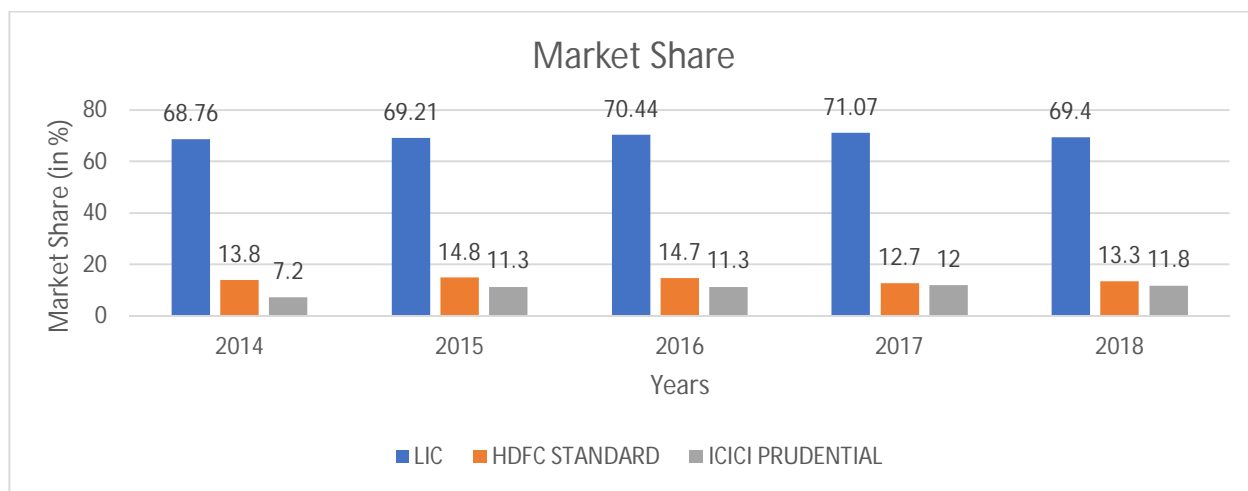
a) *Interpretation:* Solvency ratio is calculated as the amount of Available Solvency Margin (ASM) in relation to the amount of Required Solvency Margin (RSM). The ASM is the value of the company’s assets over liabilities, and RSM is based on net premiums and defined as per IRDAI guidelines. According to the above chart, HDFC Standard had the higher solvency ratio before 5 years (372) but the ratio decreased the next 5 years (252). LIC and ICICI are maintaining their solvency ratio at a constant rate. However, in some cases though the solvency ratio is high, the company may still be in losses.

7) *Market share*

TABLE 4.7 Market share for different companies (In %)

	2014	2015	2016	2017	2018
LIC	68.76	69.21	70.44	71.07	69.40
HDFC Standard	13.8	14.8	14.7	12.7	13.3
ICICI Prudential	7.2	11.3	11.3	12.0	11.8

FIGURE 4.7 Graphical representation of market share for different companies



a) *Interpretation:* On the basis of total premium income, the market shares of LIC decreased from 71.07 percent in 2017 to 69.4 percent in 2018. The market share of private insurers has increased from 28.19 percent in 2016-17 to 30.64 percent in 2017-18. The market share of private insurers in new business premium was 30.64 percent in 2017-18 (28.89 percent in previous year). The same for LIC was 69.4 percent (71.07 percent in previous year).

B. Objective-2

To analyze the growth of LIC and private insurance companies

1) Premium of LIC and Private Companies

PREMIUM UNDERWRITTEN: LIFE INSURERS		
(in crores)		
INSURERS	2016-17	2017-18
First Year Premium		
LIC	26301.03 (10.37)	28146.40 (7.02)
Private Sector	33049.45 (22.17)	37581.33 (13.71)
Total	59350.48 (16.64)	55727.73 (10.75)
Single Premium		
LIC	98282.28 (32.70)	106525.29 (8.39)
Private Sector	17569.92 (27.12)	21900.88 (24.65)
Total	115852.20 (31.82)	128426.17 (10.85)
New Business Premium		
LIC	124583.31 (27.27)	134671.69 (8.10)
Private Sector	50619.37 (23.84)	59482.21 (17.51)
Total	175202.68 (26.25)	194153.90 (10.82)
Total Premium		
LIC	300487.38 (12.78)	318223.20 (5.90)
Private Sector	117999.25 (17.40)	140586.24 (19.15)
Total	418476.62 (14.04)	458309.44 (9.64)

a) *Interpretation:* Life insurance business recorded a premium financial gain of 2458809.44 throughout 2017-18 as against 2418476.62 crores within the previous year, registering growth of 9.64 % (14.04% growth in previous year). whereas non-public sector insurers announce 19.15 % growth (17.40 % growth in previous year) in their premium financial gain, LIC recorded 5.90 % growth (12.78 % growth in previous year)

C. Objective-3

To study the impact of FDI on Insurance Sector

1) *Impact of FDI on Insurance Sector:* Even when the liberalization of the insurance sector, the general public sector insurance corporations have continuing to dominate the insurance market, enjoying over ninety per cent of the market share. FDI is that the method whereby residents of 1 country acquire possession of assets for the aim of dominant the assembly, distribution and different activities of a firm in another country. FDI in insurance would increase the penetration of insurance in Republic of India. FDI will meet India's future capital necessities to fund the building of infrastructures. Insurance sector has the potential of raising semi permanent capital from the lots, because it is that the solely avenue wherever folks place in cash for as long as thirty years even a lot of. a rise in FDI in insurance would indirectly be a boon for the Indian economy.

The role of Foreign Direct Investment within the gift world is noteworthy. It acts because the lifeblood within the growth of the developing nations. The wave of liberalization and globalization sweeping across the planet has opened several national markets for international business.

TABLE 4.1 Major foreign investments in insurance companies

TOP LIFE INSURANCE COMPANY	FOREIGN PARTNER	DOMESTIC PARTNER	YEAR OF INCORPORATION
ICICI Prudential	Prudential plc (26%)	ICICI Bank ltd (74%)	2000
Bajaj Alliance	Allianz se (26%)	Bajaj FinServ ltd (74%)	2001
HDFC Life	Standard Life (26%)	HDFC (74%)	2000
SBI Life	BNP Paridaf (26%)	SBI (74%)	2000
Birla Sun Life	Sun Life Fincl.(26%)	Aditya Birla Group (74%)	2000
Reliance Life	Nippon Life (26%)	Reliance Capital (74%)	2000
ICICI Lombard	Fairfax Financial Holdings ltd (26%)	ICICI Bank ltd (74%)	2000

III. FINDINGS

- A. LIC is that the big of the insurance sector. the size of LIC is way over that of all private insurance firms. private insurers square measure in enlargement mode and are increasing their size however square measure still a lot of behind LIC.
- B. Financial gain of LIC is way larger than private insurance firms. Last year total income from investments of LIC was 37173.2806 crores that was nearly adequate to the total financial gain of the all private insurance firms. By this we will imagine how LIC is.
- C. If we tend to see the full variety of policies issued by LIC and private insurance firms, we find that there's a large gap between them. little question that LIC may be a well-established player within the field of insurance and lots of private firms have simply started their business.

IV. SUGGESTIONS

- A. LIC is the giant of insurance industry and private companies are trying to gain some competitive advantage, but they are mostly focusing on expansion of their business rather than customer satisfaction and availability.
- B. Private insurance companies currently own 31% of market share and it can be increased by mergers & acquisitions with other private companies which will boost the performance as well as income of the companies

V. CONCLUSION

- A. There are several new entrants in this sector. There are several private insurance companies who have reported loss during this and former years.. There is a giant distinction between them.
- B. LIC is way prior to private insurance firms during this field. They're unquestioned champions in insurance once it comes to profit earning.

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