A Comparative study of Performance Evaluation of Selected Private Life Insurance companies and their Role in Economic Development of India (2001-10)

Thesis submitted to

Savitribai Phule Pune University

For the award of

Doctor of Philosophy

In

Business Economics

Department of Commerce

By

Philomena Rudolf Fernandes

(Modern College of Arts ,Science and Commerce,Shivajinagar)

Under the Guidance of

Dr Sanhita Athawale

(T.J.College of Arts, Science and Commerce, Khadki)

Research Centre

Ness Wadia College of Commerce

(February 2016)

Dedication

This work is dedicated in fond memory of my beloved parents and my sister

Late Jerome Lobo and Late Severine Lobo

Sister

Late Nathalia Vanitha Lobo

Certificate

This is to certify that the thesis entitled "A comparative study of Performance Evaluation of Selected Private Life Insurance companies and their Role in Economic Development of India(2001-10)" incorporates the result of an independent investigation carried out by Philomena Rudolf Fernandes under my guidance and supervision. It has not previously formed the basis for the award of any Degree, Diploma, Fellowship or any other similar title for this or any other university.

(PHILOMENA RUDOLF FERNANDES)
Research Scholar

(DR SANHITA ATHAWALE)
Research Guide

Declaration

I, the undersigned **Philomena Rudolf Fernandes** hereby declare that the thesis entitled **"A Comparative study of Performance Evaluation of the Selected Private Life Insurance companies and their Role in Economic Development of India (2001-10),** submitted to Savitribai Phule Pune University for the award of the degree of Doctor of Philosophy in Business Economics under Commerce is a record of original and Independent work carried out during the academic year 2012 -2016 has not been previously submitted to any other university or Institute for the award of any degree

February 2016 Philomena Rudolf Fernandes

(Research Student)

Acknowledgement

This report has been prepared with the co-operation of many people. First of all I thank the Almighty god for showering his blessings on me by helping me carry out my work smoothly.

The present research was carried on under the able guidance of Dr Sanhita Athawale .I express my sincere gratitude and appreciation for the scholarly guidance and constant encouragement. She has not only been my mentor in this research work but also a moral support.

I thank my husband Rudolf Fernandes who has been my pillar in the research work and my children Nathan and Elaine who have been my inspiration. Their love and affection made me complete this work.

I thank the librarian's of various colleges and institution for helping me in providing useful information required for research work. Special thanks to the institution of National Insurance Academy (NIA) from where I could collect my data and the faculties of NIA for guiding me.

My hearty thanks to Modern College of Arts, Science and Commerce. I thank the Principal, Vice –Principal, all my colleagues, librarians and the supporting staff of the college for rendering support and help whenever required.

I thank the Statistician Prof Vidya Vijapur and Shekhar Chalwadi for helping me in carrying out my statistical work

I thank my family members specially my sisters and brother who continuously encouraged in completing my research work .I also thank my Father in law and mother in law and Aunty Emmy who were of great help throughout my research work.

I thank all those who have helped me directly or indirectly in some way or the other in carrying out my research work.

Preface

The present report on “A comparative study of Performance Evaluation of Selected Private Life Insurance companies and their Role in Economic Development of India(2001-10)”, gives an overview on the role performed by Life Insurance Corporation of India and its performance in nation building activities. Financial liberlisation which took place abroad in late 80’s and in the country in the beginning of the millennium was accepted with a great debate with regard to its implication in the country. However in 2000 the country witnessed the dawn of Liberlisation, Privatisation and Globalisation which paved way to the entry of private life insurers into the Indian Economy and the entire landscape of the insurance market in the country changed into 360 degree. The private life insurance companies bought with them a host of changes in terms of products and services rendered. In order to evaluate their performances the present report has made an attempt to highlight the differences among the insurers for over a decade from 2001-2010.Liberlisation of the industry not only brought about a change in the insurance market but it served to provide useful economic activities which is measured through the insurance penetration and density which acts as a measure to determine the strength of the insurance market and an indicator which reflects the number of people having covered by insurance cover .Moreover liberlisation has been a route for the generation of increased savings in the country which helps in capital formation and lastly the funds generated by the private life insurers through premiums and shareholders and their utilization for the development of the country has been analysed.

Contents

Index

List of Abbreviations

SN	Short Form	Description in Full Form
1	ABFSG	Aditya Birla Financial Services Group
2	BAJAJ	Bajaj Allianz Life Insurance Company Ltd. .
3	BSLI/BIRLA	Birla Sun Life Insurance Company Ltd.
4	CAGR	Compound Annual Growth Rate
5	CII	Confederation of Indian Industry
6	CRS	Constant Returns To Scale
7	DEA	Data Envelopment Approach
8	DPR	Development Policy Report
9	DRS	Decreasing Returns To Scale
10	EMDCs	Emerging Markets and Developing Countries
11	EU	European Union
12	FICCI	Federation of Indian Chambers of Commerce and Industry
13	FDI	Foreign Direct Investment
14	FI	Financial Institution
15	GATT	General Agreement on Tariffs and trade
16	GDP	Gross Domestic Product
17	GDS	Gross Domestic Savings
18	GIC	General Insurance Corporation
19	GNP	Gross National Product
20	GOI	Government Of India
21	HDFC	HDFC Standard Life Insurance Company Ltd.
22	HHI	Herfindahl-Hirschman Index
23	IASB	International Accounting Standards Boards
24	IBEF	India Brand Equity Foundation
25	ICICI	ICICI Prudential Life Insurance Company Ltd.
26	IDBI	Industrial Development Bank Of India
27	IFCI	Industrial Finance Corporation of India
28	IFRS	International Financial Reporting Standards
29	ING	ING Vysya Life Insurance Company Private Ltd
30	IRA	Insurance Regulatory Authority
31	IRDA	Insurance Regulatory & Development Authority
32	IRS	Increasing Returns To Scale
33	KOTAK	Kotak Mahindra Old Mutual Life Insurance Ltd.
34	LDC	Least Developing Countries
35	LICI/LIC	Life Insurance Corporation Of India

SN	Short Form	Description in Full Form
36	LPG	Liberlisation Globalisation Privatisation
37	MAX	Max New York Life Insurance Company Ltd
38	MDG'S	Millennium Development Goals
39	MET	Met life India Insurance Company Ltd.
40	MNC	Multinational Corporation
41	NAV	Net Asset Value
42	NIA	National Insurance Academy
43	NSC	National Statistical Commission
44	OECD	Organisation For Economic Cooperation and Development
45	OLS	Ordinary Least Square
46	PAYG	Pay-as you -go
47	PC	Property Casualty
48	PFIPB	Foreign Investment Promotion Board
49	Plc	Private Limited Company
50	PLI	Property Liability Insurance
51	PTE	Pure Technical Efficiency
52	RBI	Reserve Bank Of India
53	SBI	SBI Life Insurance Company Ltd.
54	SE	Scale Efficiency
55	SERVPERF.	Service Performance
56	SERVQUAL	Service Quality
57	SFA	Stochastic Frontier Approach
58	SFC	State Financial Corporation
59	SIM	Single Insurance Market
60	SMS	Short Message Service
61	TATA	Tata AIA Life Insurance Company Ltd.
62	TE	Technical Efficiency
63	TFP	Total Factor Productivity
64	TLII	Total Life Insurance Investment
65	TLIP	Total Life Insurance Premium
66	UK	United Kingdom
67	ULIP	Unit Linked Investment Product
68	UNCTAD	United Nations Conference
69	USA	United States of America
70	USD	US Dollars
71	UTI	Unit Trust Of India
72	VRS	Variable Returns To Scale
73	WTO	World Trade Organisation

Chapter- I

Introduction

CHAPTER I
INTRODUCTION

Life insurance industry in India is an emerging one striving to be one of the world's largest .It has been an important aspect of macro economy and has been playing a very competitive role among the other institutional player in the financial market impacting the entire health of the economy throughout the length and breadth of the country. While the primary role of insurance is to provide life cover and managing financial risk, it plays a very important role in Economic development of the country through its multidimensional role in an Economy.

The insurance industry in India has undergone through an experimental process with changes taking place in financial sector in general and insurance sector in particular. The Life insurance market was hitherto in the private sector. Due to the lot of irregularities in the performance of these companies, government nationalized insurance business in 1956 by merging 256 companies and led to the birth of Life Insurance Corporation of India (LICI).The purpose was to provide life insurance coverage to the Indian population and design and develop products to suit the need of Indians on the one hand, on the other it was necessary for the government to step up Economic development through the mobilisation of savings. As savings was considered to be the prime mover for Economic Development and Insurance sector was considered to be the second largest mobiliser of savings next to bank deposits **.**

Ever since the inception of LICI, it has been performing the role of mobilisation of savings, a financial intermediary, a promoter of investment activities, a stabilizer of financial markets and a risk manager in the economy. LICI's efforts have been commendable. It has been a nation builder through its investments in infrastructure of the nation, in financing the national plans, providing employment opportunities. However it was found that inspite of its major role in nation building, more funds were required for the rapid growth of the country which could not be met by LICI alone. Hence participation of private sector in insurance business could complement the public sector efforts to meet the goals of development [1].

---

[1] Sadhak H, "Life Insurance in India: Opportunities ,Challenges and Strategic Perspective",sage publication 2009, Preface.

Moreover, the average penetration of insurance in the country was very low. The average penetration of life insurance globally was 3.92% in 1999, whereas in India it was only 1.42%. This was due to the rising population, poor awareness about insurance among masses, poor quality of available products and low income level. It was not possible for LICI to cater to all the problems being a lone player. All this led the government to rethink about the structure of the life insurance and finally liberalized the market to the private and foreign sector.

Liberlisation, Privatisation and Globalisation policy(LPG) brought about an entry of many players with an element of competition in the Insurance sector. Competition is said to be the backbone of any economy since it brings about efficiency and pushes up the productivity. Liberalization of insurance business has brought about the spirit of competition which has created a multi-dimensional change in the products dimension, enhanced service quality, newer outlook towards the social and disadvantaged areas.

The country has completed 15 years of reforms in the insurance sector now. The emerging industry in an emerging economy has infused greater competitive volatility in the system, due to competitive regime in the insurance field. As a result, growth of insurance both in the life and non-life business has been witnessed and a larger cake is now being shared by the existing and new players. Liberalisation, globalization and privatization has been introduced to speed up the growth of an economy and has been one of the important goals of modern economic system.

1.1 Meaning and concept of Insurance[2]:

Insurance[3] is a device for the transfer of risks of individual entities to an insurer who agrees for a consideration (called premium) to assume to a specified extent losses suffered by the insured. Insurance covers insurable risks and the probability of insurable risk can be determined or forecasted for example risk related to life, property, riots, thefts are insurable. Insurance business consists of spreading risks over time and sharing them between persons and organisations.

---

[2] Sharma K.C (2013) "Life Insurance In India :Principles and Practices" Regal Publication,New Delhi ISBN 978-81-8484-226-5

[3]Insurance includes Finance, Insurance, Real Estate & Business Services

The major part of insurance business is life insurance, the operations of which depend on the laws of mortality. In the process of averaging risks, based on the theory of probability and the law of large numbers, notion of risk and its ramifications permeate decision making process in day to day life and the involvement of risk and the instinct for security against such risk has a bearing on the attitudes of human beings which might have given birth to the concept of life insurance.

Functional definition: According to researchers, Insurance is a cooperative device to spread loss caused by a particular risk over a large number of persons, who are exposed to a similar risk and who have agreed to insure themselves against that risk.

Contractual Definitions[4]: Contractual definitions perceived insurance as a legally enforceable contract of indemnity to indemnify losses that occur due to the given contingencies insured against. Life insurance is a contract under which one person, in consideration of a premium paid either in lump sum or by monthly, quarterly, half-yearly or yearly payments, undertakes to pay to the person for whose benefit the insurance is made, a certain sum of money either on the death of the person whose life is insured or on the expiry of a specified period of time.

Fundamental Definitions: Fundamental definitions looks at insurance purely as a device to minimize and compensate losses arising out of various hazards to the economy and business activity in a specific and global economic system.

Definition of an Insurance Contract as per IFRS-4: The International Accounting Standards Boards (IASB) while circulating the International Financial Reporting Standards for insurance (IFRS-4) in March 2004, prescribing insurance accounting and disclosure, define a contract of insurance as ***"a contract under which one party (that is insurer) accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified, uncertain future event (insured event) adversely affect the policyholder"*** [5].

---

[4]Sethi Jyotsna and Bhatia Nishwan (2007) "Elements of Banking and Insurance" Prentice Hall of India Learning Pvt Ltd, pp175

[5]Frasca, R.; et al. (March 2011). "Actuarial Practices Relating to Accounting for Insurance Pursuant to International Financial Reporting Standards"

From the above definitions it can be comprehended that insurance acts as a risk management tool. However ,insurance not only acts as a risk management tool but it has also got a wider economic and social relevance .It plays a multidimensional role like the mobilisation of savings, investment of savings ,Infrastructural development ,providing social security in the form pension schemes and micro insurance products in the absence of governmental support etc. Through this function of insurance sector ,it has been instrumental in bringing about a change in economic development of the country[6].

1.2 Meaning and concept of Economic development: The term development is used in different senses. In an ordinary sense it implies growth leading to maturity. In the literature of economic development, it implies economic growth with a better distribution of income for the improvement in the living condition of a wide spectrum of population possible. In the opinion of Gunnar Myrdal ***"development encompasses the movement upward the entire social system".***[7]

Economic development implies all-round economic and social growth in which human development indices like education and health are also counted. Development presupposes a knowledgeable society with a decent standard of living and standard of life with full utilization of resources including human resources. To quote Prof. R Nurkse ***"Economic development has much to do with human endowments, social attitudes, political conditions and historical accidents."*** [8]

In the words of M Narasimham, Economic development can be broadly defined as a ***"process which improves the quality of human life."*** [9]

According to World Bank's India Development Policy Report [DPR 2006] development process is not simply a measure of aggregate of economic activity but is an assessment of the inclusiveness of economic growth ***"with emphasis not only on the distribution of economic gains but also on the security, vulnerability, empowerment and a sense of full participation that people may enjoy in social life."*** [10]

---

[6]United Nations Conference on Trade and Development (UNCTAD) 2007 in its Annual Conference, Geneva.

[7]Myrdal G, "What is Development?" Journal of Economic Issues Vol VIII No(4) , 1974,pg 729

[8]Nurkse Ragnar , "Problems of Capital Formation in Under Developed Countries,"1979

[9]Narasimham M ,"Development Process and Issues in Economic Development",. 1990

[10]World Bank's India Development Policy Report *DPR 2006+, Business Line 12.08.2006

Apparently, development stands for both qualitative and quantitative improvement in the economic and social life of the people for the purpose of the study. Development can be defined as a process in which the basic amenities of the people improve so as to lead a minimum decent living showing improvement in the standard of living of the people.

Notwithstanding the nature of the economic system- capitalist or socialist or mixed economy the role of every financial institution (FI) has nowadays been regarded as that of mobilisers and deplorers of resources for the economic development of the country. Having accepted socialistic pattern of society as one of its directive principles, the Government of India (GOI) considered FIs as a speedy vehicle for the egalitarian economic growth. The public authority among other things expects FIs to support and sponsor the developmental activities in the economy for balanced development. Liberlisation, Privatisation and Globalisation have brought in a sufficient improvement marching towards the path of Economic Development[11]. Insurance sector has become one among the most important component of financial institution and important component of financial savings instrument since the liberalisation process the result of which has paved way to thread the goal of Economic development.

1.3 Evolution of the Insurance Sector[12]

The year 1818 saw the birth of life insurance business in India with the setting up of the Oriental Life Insurance Company in Kolkata. However this company failed. In 1829, the Madras Equitable began its operations in life insurance business in the Madras Presidency. In 1870 the country witnessed the enactment of the British Insurance Act which gave rise to springing of three new companies viz Bombay Mutual (1871), Oriental (1874) and Empire of India (1897). However, the entire era was dominated by foreign insurers which performed well in business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance but the Indian insurers had to struggle for their existence.

The act of 1912 was a major advancement in the history of life insurance with the enactment of Indian Life Assurance Companies Act, which was the first statutory measure to regulate life business.

[11]CWS/WP/200/14 An analysis of Insurance Sector: Penetration Perspective in India by Priyanka Gupta & Vani Agarwal

[12]Chaturvedi H, Kumar Dharmendra,Singh Rahul(2005), India Insurance Report-Series 1,Birla Institute of Technology,Noida,Allied publishers Pvt Ltd,New Delhi

In 1914, the Government started publishing returns of Insurance Companies in India. The act of 1928, of Indian Insurance Companies Act enabled the Government to collect statistical information on life insurers which were Indian and foriegn including provident insurance societies. The act of 1912 was consolidated and amended which came to be known as act of 1938 in order to protect the interest of policy holders .

The Act of 1950 which came to be known Insurance amendment act withdrew the principal Agencies. Due to high level of competition among the life insurers and unfair trade practices government resorted to nationalization of Insurance business in India.

In 1956 the Life Insurance sector was nationalized by passing of the ordinance on 19^{th} January and the birth of Life Insurance Corporation of India came into existence .The LICI absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies-245 Indian and foreign insurers in all. The LICI had monopoly till the end of 1990s when the Insurance sector was reopened to the private sector.

A similar trend was also seen in General insurance market. The history of general insurance dates back to the Industrial Revolution in the west and the subsequent growth of sea-faring trade and commerce in the 17th century. It ascended in India as a heritage of British occupation. General Insurance in India traces its roots in the establishment of Triton Insurance Company Ltd, in the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Limited was set up. This was the first of its kind to transact all categories of general insurance business. 1957 saw the formation of the General Insurance Council, a wing of the Insurance Association of India. The General Insurance Council framed a code of conduct for ensuring fair and healthy business practices.

To regulate investments and set minimum solvency margins the Insurance Act was amended in 1968. The Tariff Advisory Committee was also set up then. In 1972 with the passing of the General Insurance Business (Nationalisation) Act, general insurance business was nationalized with effect from 1st January, 1973 with the amalgamation of 107 insurers into four companies, namely National Insurance Company Limited, the New India Assurance Company Limited, the Oriental Insurance Company Limited, and the United India Insurance Company Limited. The General Insurance Corporation of India was incorporated as a company in 1971 and it started operating from January 1^{st} 1973.

Last millennium has witnessed insurance come a full circle in a journey extending to nearly 200 years. The process of re-opening of the sector had begun in the early 1990s in real sector and Financial sector. The last decade saw the opening up of insurance slowly. In 1993, the Government set up a committee under the chairmanship of R N Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The purpose was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it ensured that the private sector be permitted to enter insurance industry. It mentioned that foreign companies should be allowed to enter by improving Indian companies, preferably a joint venture with Indian partners.

It was only after seven years of deliberation and debate - after the RN Malhotra Committee report of 1994 became the first serious document calling for the re-opening up of the insurance sector to private players that the sector was finally opened up to private players in 2001.

The Insurance Regulatory & Development Authority, (IRDA) an autonomous insurance regulator was set up in 2000, which has extensive powers to oversee the insurance business and regulate in a manner that safeguards the interests of the insured. Insurance is a federal subject in India and Insurance industry in India is governed by Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and General Insurance Business (Nationalisation) Act, 1972, Insurance Regulatory and Development Authority (IRDA) Act, 1999 and other related Acts.

The rising importance of insurance in the Indian market paved the way for the private and foreign players (subject to a cap of 26%) following the recommendations of R.N. Malhotra committee report which supported the liberalization of insurance sector. Recently, government has increased the FDI[13] cap to 49% in 2014 from the existing 26%.The bill if approved and implemented would lead to the significant foreign exchange inflow, increase in customer coverage in rural and semi urban areas and increase in the employment growth.

---

[13] FDI refers to the long term capital inflows from abroad that invest in the production capacity of any economy and is a preferred over other forms of external finance because they are non-debt creating as oppose to the Foreign Institutional investment which is highly volatile in nature.

Table no 1.1 Important Milestones in the History of the Indian Insurance Industry

1912	The Life Insurance Companies Act was passed, making it mandatory for companies to get their premium rate tables certified by an actuary.
1938	The Insurance Act of 1938 became the first legislation governing all forms of insurance to provide strict state control over insurance business.
1956	Life insurance in India was completely nationalized on January 19 by means of the Life Insurance Corporation Act. All 245 existing companies operating in the country were merged into one entity, namely the Life Insurance Corporation of India (LICI)
1957	The General Insurance Council, a wing of the Insurance Association of India, was formed and framed a code of conduct for ensuring fair conduct and sound business practices
1968	The Insurance Act of 1938 was amended to regulate investments and set minimum solvency margins. The Tariff Advisory Committee was also set up.
1972	The General Insurance Business (Nationalisation) Act was passed. With effect from January 1, 1973 107 companies were amalgamated and grouped into four companies, namely National Insurance Company Ltd., Oriental Insurance Company Ltd., New India Assurance Company Ltd and United India Insurance Company Ltd.
1993	The Government of India set up a committee under the chairmanship of RN Malhotra, then Governor of the Reserve Bank of India, to propose recommendations for reforms in the insurance sector that would complement the reforms in the financial sector
1994	The Amphora Committee submitted its report, recommending that entry of the private sector be permitted in the insurance sector and that foreign companies be allowed entry by floating Indian companies, preferably as joint ventures with Indian partners.
1996	Following the recommendation of the Malhotra Committee, an interim Insurance Regulatory Authority was set up.
1999	The Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The key objective of IRDA includes promotion of competition in order to improve customer satisfaction through increased customer choice and lower premiums, while ensuring the financial security of the insurance market. The IRDA deregulated the insurance sector and permitted the entry of private companies. Foreign investment was also allowed and capped at 26 percent holding in the Indian
2006	The Actuaries Act was passed to give the profession statutory status on par with chartered accountants, notaries, cost and works accountants, advocates, architects and company secretaries

Source :IRDA sponsored NCAER survey report on Insurance Awareness Campaign

The table No 1.1 shows that the insurance industry in India has come a long way since the time when businesses were tightly regulated and concentrated in the hands of a few public sector insurers till 1999.

1.4 Background,need and reasons for the liberalisation of insurance industry[14]

India, with a population of more than1 Billion offers great potential and opportunity for the insurance industry. Currently, two state-owned monoliths - Life Insurance Corporation in the life segment and General Insurance Corporation (GIC), in general insurance run the insurance industry. Malhotra Committee, appointed by the Government of India for conducting a study on insurance, in its report in 1994 stated that only 22% of the Indian populations are insured. The poor reach of insurance in the country and the sheer numbers make India a market with tremendous potential.

The following facts prove how under-developed the Indian insurance business was due to state monopoly and lack of aggressive marketing of insurance policies: In 1994,Per capita insurance premium in India was mere US$ 6, one of the lowest in the world. In South Korea, the corresponding figure was US$1,338, in USA $ 2250 and in UK it was $1589.Insurance premium in India accounted for a mere 2 per cent of GDP compared to the world average of 7.8 per cent and G-7 average of 9.2 per cent. Insurance premium as a percentage of savings was barely 5.95 per cent in India compared to 52.5 per cent in UK. Nationalized insurance companies were not been able to target niche markets that currently served poorly or not at all. Life insurance products provide a good example. They compete with investment and savings options like mutual funds. For instance, pure protection products like term assurance accounted for up to 20 per cent of policies sold in developed countries. In India, the figure were less than one percent because policies were inflexible. Besides, no Indian life assurance product was linked to non-traditional investment avenues such as stock market indices. Therefore, returns were lower than those on other savings instruments.

Similar was the case with pensions. The lack of a comprehensive social security system combined with a willingness to save meant that Indian demand for pension products would be large.

---

[14] Kumar Manoj(2013) “ Development of Insurance in India”.award winning article published in Geneva Association. “.http://www.einsuranceprofessional.com/artgeneva.html

However, penetration was very poor. By March 1998, LICI's pension premium was only $ 22 Million. Making pension products into attractive saving instruments would require only simple innovations already common in other markets. This led to need for global financial integration

1.5 Global Integration-Need of the hour

Economic liberalization that has taken place recently in the insurance sector has brought about new avenues of investments from global giants and the Indian government has been compelled to embrace global integration by reducing trade barriers for the free flow of technological, intellectual and financial capital. Moreover, reforms have fuelled Indian economy to achieve and sustain a growth rate of 7 to 8 per cent per annum. To achieve this objective, government has putting in efforts in attracting foreign direct investment specially in an capital starved sector like insurance . Thus liberalization of insurance sector would create an conducive environment for the tapping of long term contractual funds for developmental and infrastructural investments.

1.6 Multinationals intention:

Insurance markets in developed countries have been saturated and the multinationals find no growth taking place in their home markets and hence they are seeking interest in emerging insurance markets like India which is accompanied by low penetration and high growth rates. Global insurers find it profitable to run their business from multinational operations since a sizeable part of business is obtained from its operation. In 1994, nearly 40 per cent of life insurance business and 60 per cent of general insurance business in terms of total premium amount was generated from foreign markets. The European Union obtained 76 per cent of the business from foreign market in the same year. Multinationals take only a small share of an individual country's market although their operations are widespread. For example, International Insurers took only a 3 per cent of the share from Taiwan even after seven years of opening up. In Korea, it 1 per cent after 20 years; In India private insurers is yet to make a headway. New entrants find insurance attractive because even a small share of a large growing market makes it profitable. The Korean insurance market serves as a good example by moving from 30th position in 1971 to 6th place in 1994 in terms of premium amount in the world insurance market.

Ibid .14, p. 9.

In India multinational insurers are restricted to a minority shareholding in new companies. The new entrants therefore would be private Indian companies. The other reason for MNCs being interested in India is the economies of the insurance market. Since the Insurance companies survive on the principle of spreading of risk. No matter what the size of each player, an insurer cannot afford to operate in a niche market. Operating in a particular region would expose them to the economic downtrends in the region and derail their profits. For Insurance companies to be successful in business, they have to concentrate on spreading their network in the entire geographical area of the country in order to imbibe confidence among the public .Since insurance is a long term business and their investments are on long term projects it becomes a compulsion for them to hold on to their customers for a longer period of fifteen to twenty years. Moreover,big is not just beautiful, but essential for survival which brings avenues for growth.

According to the Sigma report on global insurance brought out by the world's second largest reinsurer Swiss Re - The international market is completely saturated. In the developed world, the growth in life insurance premium has been a meager 1.5%. As compared to this, LICI despite all its handicaps has been growing at a healthy clip of around 20%.

1.7 A Performance Review Life Insurance Corporation Of India[15]

LICI which is the only life insurer in the government sector , had a total income from premium and investments of $ 5 Billion while GIC recorded a net premium of $ 1.3 Billion in 1995-96. During the last 15 years, LICI's income grew at a healthy average of 10 per cent as against the industry's 6.7 per cent growth in the rest of Asia (3.4 per cent in Europe, 1.4 per cent in the US).However, there is other side of the story too. Due to the large scale operations, public sector bureaucracies and cumbersome procedures had hampered nationalized insurer. Moreover weak management of the public sector accompanied by the huge load of employees , abysmal productivity, utter ignorance of the basic principles of the insurance business, corruption, gross indiscipline and sheer laziness added fuel for underperformance . Being the sole monopolist It lagged behind in meeting customer expectations in products and services inspite of going into the deepest interiors of the country.

Ibid .14, p. 9.

1.8 Privatization: as a remedy

Privatization of life insurance was considered to be the best solution to the fallacies of the public sector in the areas of customer service, speed and flexibility. The entry of private players meant better products and choice for the consumer. However there were views expressed from critics regarding the private sector concentrating on affluent, urban customers as foreign banks did until recently. It was logical for the new players to concentrate on niche market since the start-up costs of setting up a conventional distribution network-are large and high-end niches offer better returns. However, in the long run, middle-market offers the greatest potential as it is the second largest market in the world. This may still be an urban market but goes beyond the affluent segment.

Insurance is considered to be a volume game even more than banking. A very exclusive approach is unlikely to provide meaningful numbers. Therefore, private insurers would be best served by a middle-market approach, targeting customer segments that are currently untapped.

1.9 Cross Country Scenario:

Experience worldwide shows that no where in the world have the entry of foreign firms threatened the position of domestic companies. Whether it is Malaysia, where the insurance sector has been open for more than 50 years and foreign companies account for about 10 per cent of market penetration or it is Indonesia, Thailand, China or the Philippines, where the market has been opened more recently, the total market share of foreign companies is less than 10 per cent .except in Indonesia where it is about 20 per cent. In China, insurance premium accounted for just over 1 per cent of China's GDP in 1995 but in the four years since the market has been liberalized partially, spending on insurance has grown at a compound annual rate of 33 per cent.

1.10 Life insurance industry in India: Current scenario:

With the entry of private life insurers in the country, the total market size of the insurance sector in India stands up to US$ 66.4 billion in the beginning of the financial year 2013.It is projected to be US$ 350-400 billion by 2020.It has a share of 17.1 per cent in the total Gross Domestic Product (GDP) and grew at a healthy rate of 16.82% in 2012-13. According to IBEF, India ranked 10th among 156 countries in the life insurance business, with a share of 2.3 per cent during FY 13 .The life insurance premium market expanded at a CAGR OF 16.6 % from US$ 11.5 billion TO US $ 53.3billion during 2013 (IBEF (2013).With 36 crores policies, India's life insurance sector is the world's largest. The industry also aims to hike the penetration to five percent by 2020.

According to the Financial Stability Forum, insurance services are categorized into three major categories: life insurance, non-life insurance and reinsurance. The life insurance sector helps in providing risk cover, investment and tax planning for individuals; the non-life insurance industry provides a risk cover for assets. Under reinsurance, developing countries often find themselves in the position of being buyers of reinsurance (UNCTAD 2007). The development of the life insurance market is playing an increasingly substantial role within the insurance industry due to the existence of insurance-growth relationship with the increased share of the insurance sector in the financial sector (refer literature review).The following table shows the number of players under each category.

Table no 1.2: List of Insurance business In India

Category	Public Sector	Private Sector	Total
Life Insurance	1	23	24
General Insurance	6	21	27
Reinsurance	1	0	1
Total	8	44	52

Source: IRDA report 2012

The rising importance of insurance in the globalized world is evident from increased number of players in both domestic and international market (IRDA). India, being one of the fastest-growing economies in the world after china and an upcoming attractive foreign direct investment (FDI) destination from major developed economies has tried to significantly increase the market of its insurance industry. The following table shows the list of domestic and foreign players operating in India**.**

Ibid .11, p. 5.

Table no 1.3: List of Private life Insurers

Sl.No.	Registration no	Date of Registration	Name of the Company
1	512	Completed its 50 years	Life Insurance Corporation of India
2	101	23.10.2000	HDFC Standard Life Insurance Company Ltd.
3	104	15.11.2000	Max New York Life Insurance Company Ltd* (now,Max Life)
4	105	24.11.2000	ICICI Prudential Life Insurance Company Ltd.
5	107	10.1.2001	Kotak Mahindra Old Mutual Life Insurance
6	109	31.1.2001	Birla Sun Life Insurance Company Ltd.
7	110	12.2.2001	Tata AIA Life Insurance Company Ltd.
8	111	30.3.2001	SBI Life Insurance Company Ltd.
9	114	2.8.2001	ING Vysya Life Insurance Company Private Ltd.** Now(Exide life insurance)
10	116	3.8.2001	Bajaj Allianz Life Insurance Company Ltd.
11	117	6.8.2001	Metlife India Insurance Company Ltd.
12	121	3.1.2002	AMP Sanmar Insurance Company Ltd.***(now it is Reliance Life Insurance Company Ltd.)
13	122	14.5.2002	Aviva Life Insurance Company India Pvt. Ltd.
14	127	6.2.2004	Sahara India Insurance Company Ltd.
15	128	17.11.2005	Shriram Life Insurance Company Ltd.
16	130	14.07.2006	Bharti AXA Life Insurance Company Ltd.
17	133	4.9.2007	Future General India Life Insurance Company Ltd.
18	135	19.12.2007	IDBI Fortis Life Insurance Company Ltd.
19	136	16.01.2011	Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd.
20	138	27.6.2008	Aegon Religare Life Insurance Company Ltd.
21	140	27.6.2008	DLF Pramerica Life Insurance Company Limited****
22	142	09.07.2010	Star Union Dai-chi Life Insurance Co Ltd.
23	143	05-11-2009	India First Life Insurance Company Ltd.
24	147	10.05.2011	Edelweiss Tokyo Life Insurance Co. Ltd.

(source: IRDA report 2012)

***Max New York life Insurance renamed as MaxLife .Newyork life insurance withdrew partnership and Mitsui Suitomo a general insurer has joined as a partner with Max India Ltd in May 2012**

****ING Vysya renamed as Exide Life Insurance on May 5th 2014.Exide Industries Ltd acquired 100% ownership.**

***** AMP Sanmar Insurance Company Ltd renamed as Reliance life insurance company ,Feb 2006 by taking over Australia and Chennai based Sanmar group**

******DLF announced exit from life insurance business and sold its 74% stake to JV ,US based financial Institution and to Dewan housing finance and renamed as DHFL Pramerica. and started its operation in 2008**

In Table No 1.3 , It is observed that23 life insurance companies are operating in the private sector and LICI in the public sector. The long starved for capital by the private sector has now received the nod for FDI to 49% by the finance minister Arun Jaitley, However, a rider that management and control of the company would remain with the Indian partner. Experts have opined that 49 per cent increase should be positive and would help the industry to gain additional Rs 7,800 crores. According to data on the website of Life Insurance Council, an umbrella body of life insurers, as on March 2013, insurers have deployed around Rs 34,200 crores as capital in the life insurance industry. However, unlike the existing automatic route, the additional investment has to follow the Foreign Investment Promotion Board (PFIPB) route. Anoop Pabby, managing director & CEO, DHFL Pramerica Life, says, ***"From an insurance industry standpoint, the increase in the FDI cap in insurance would bring in the requisite growth capital from foreign promoters and will help deepen penetration of insurance solutions in the Indian rural markets*"**[15]

In the light of the above discussion it is been observed that due to the opening up of insurance industry to private and foreign players, competition has become rampant in the market. Competition among the players in turn has enhanced the efficiency in the performance of these players which is been observed through various customized products and innovativeness brought about by these players. Doing well while doing good is very much possible and holds apt in the present context. These business organizations in the pursuit of improving their business bring in with them innovative ideas and try to reach out the potential customers as early as possible due to the competition prevailing in the market. The early entrants has the advantage of tapping the market share .However they would be at disadvantage compared to the late entrants due to the mistakes committed by them in terms of products, distribution channel, marketing mix or the technology adopted. In order to guage the advantages or disadvantages enjoyed by the early entrants it becomes necessary to evaluate their performances.

[15] Business today July 10th 2014

The present study “A comparative study of performance evaluation of selected private life insurance industry and their role in economic development", has tried to analyse the performance of first 10 private movers into life insurance business and their contribution in economic development (refer chapter 3). Many attempts have been made to study the impact of privatization on public sector and the entire insurance industry. It would not be justifiable to compare the private sector with the public sector .Since public sector is a giant compared to the private sector and the entire working structure of the public sector is different from that of private sector .Apart from this ,the public sector has a strong foothold for more than four and half decades. Hence the researcher has made an attempt to study specifically the private sector vis a vis private on the basis of business performance for over a decade. LICI has been considered in the background during analysis since major market share is still been enjoyed by it. Since life insurance deals with the funds for a longer term it takes at least six to seven years to get the returns which means companies breakeven after six to seven years. Therefore the time period taken is one decade from 2001 to 2010.The role of insurance today goes beyond its primary purpose of spreading the risk and minimizing the losses. Insurance plays a significant role in shaping economy of a nation. Life Insurance constitutes a major share in the household financial savings of 26.0% in 2010 with. There has been a rise in the contribution made by life Insurers in GDP. Insurance companies are investing large amount of funds in infrastructure thereby generating ample employment opportunities. The present study aims to study the impact of life insurance on the economic development of the country thereby bridging the gap done by the earlier studies.

1.11 Statement of the research problem: With the completion of one and half decade of Liberlisation regime in insurance sector, the researcher finds it necessary to find the contribution of financial sector in the development of the country. A country is said to be developed when its industries are developed. To know the role of financial sector specially the insurance sector in the economic development of country the performance of the financial units becomes necessary specially in the wake of the competition in the market .Entry of number of players into the market definitely proves that there is stiff competition. Competition is said to be the mother of all innovations. Hence the present research evaluates the performance of the private life insurers in the country India. Since insurance sector forms an integral aspect of the financial sector of the economy the contribution made by private life insurers towards the economic development is also evaluated. In the Indian context very few works are done in evaluating the contribution of the private sector insurance in development of the country. So an attempt is made by the researcher to evaluate the performances of the firms using different statistical tools ; and the impact of private life insurers on the development of the country.

1.12 Objectives of the Study

Based on the literature review the researcher has framed the following objectives. The overall objective is to analyse the comparative study of performance evaluation of private life insurance and their contribution to economic development. To achieve overall objective various sub-objectives have been established, these are:

1 To evaluate the performance of the first ten entrants into life Insurance business from (2001- 2010) in terms of various performance indicators like market share, service Quality and marketing strategies.

2. To study the extent of competition among the private insurers since its entry into insurance business.

3. To study the role of life insurance business in the Economic Development of the country.

4. To study the role performed by the private life insurers in the economic development of the country in India

1.13 Statement of the Hypothesis:

Based on the above interdependent objectives the following hypothesis have been formulated

Hypothesis 1

Ha.1: There are differences in the performance of the insurance companies under study in terms of Quantitative and Qualitative parameters like the Market share, Equity share capital, service Quality and Innovativeness.

Ho.1: There are no differences in the performance of the insurance companies under study in terms of Quantitative and Qualitative parameters like Market share, Equity share capital, service Quality and Innovativeness.

Hypothesis 2

Ha .2: Competition among the private players has improved the performance in terms of efficiency of private life Insurers.

Ho. 2: Competition among the private players has not improved the performance in terms of efficiency of private life Insurers.

Hypothesis 3

Ha.3: Private Insurance companies play a significant role in Macro economic parameters of development of the country through improved penetration ,generation of savings, contribution towards GDP and Investments of funds in government securities and Infrastructure financing.

Ho. 3: Private Insurance companies do not play a significant role in Macro Economic parameters of development of the country through the generation of savings, contribution towards GDP, and Investments of funds in government securities and Infrastructure financing.

1.14 Research Methodology

A) Research Type

Type of research is based on the nature of data. In the light of the nature of data, the present research is purely based on secondary data. Since the study is pertaining to the performance of the companies, the researcher has tried to study the performance of private life insurance companies and their role on economic development using various financial statements of the companies for over a decade using annual reports. Therefore historical analytical method has been adopted for this research work.

B) Research Design

In the present study, mainly Descriptive research design had been adopted, since the main purpose of this study is to make comparative study of private vis a vis private life insurers in India and their role in economic development for the period 2001-2010.

C) Sample selection:

Depending upon the nature of the study and population it becomes necessary to make inferences about the whole population. Thus, a good sample would be a miniature version of the population, which would involve the following:

- Sample Unit (Unit of Analysis)
- Sample Techniques and
- Sample Size

D) Sample Unit:

The sample unit is the individual, group, or other entity that is selected for the survey. This is also known as the unit of analysis when the survey data are examined statistically **(Fink, 1995)**. Since the major objectives of the present study is to make a comparative study of private life insurance companies, the companies selected are on the basis of year of commencement of business ie 2000-01. IRDA started issuing licenses since the year 2000 for private companies viz ICICI Prudential Life Insurance Company, HDFC Life Insurance Company, max life, Birla Sun life, Bajaj Allianz, and other seven companies. However ten companies are been considered as sample unit of the total universe of 23 private companies .The total universe today comprises of 24 companies including LICI. By the end of 2010 there were 20 companies operating in life business which commenced their business in different years. The present study has chosen ten companies as sample unit on the basis of registration of business in the year 2000-01. Macro Economic variables such as Insurance penetration and density, Household financial Savings, Gross Domestic Product, and Investments of the funds of the life insurers by these companies in various securities are taken as parameters of Economic development for study. Data is collected from government reports.

E) Sampling Techniques:

The procedure that a researcher adopts in selecting the unit for the sample is known as sampling technique. There are mainly two types of sampling, the first type of sampling is known as Probability Sampling and the second type of sampling is known as Non Probability Sampling. Depending upon the need and the scope of the study the researcher has chosen selective random sampling Technique for analysis

F) Universe and Sample Size:

Universe refers to the entire population of study .Sample size means the number of sampling units selected from the population for the purpose of investigation. Here the universe consist of 23 private life Insurance companies and one nationalized life insurer. Therefore out of 24 companies altogether only 10 private life insurers are taken for study .LICI is taken for study wherever necessary since it is performing a major role and has greater market share. To achieve the research objectives of present study, data from financial statement of ten companies for ten years are taken from the IRDA annual reports, handbook of IRDA statistics and annual reports of the respective companies. To study the indicators of economic development, data has been collected from various sources like handbook of statistics on the Indian economy for various years and handbook of RBI for various years is been referred. The following table displays the sample unit of the study.

Table 1.4 List of the Sample Unit

SN No	**Reg No**	**Date of Registration**	Name of the Company
1	101	23.10.2000	HDFC Standard Life Insurance Company Ltd.
2	104	15.11.2000	Max New York Life Insurance Company Ltd (now,Max Life)
3	105	24.11.2000	ICICI Prudential Life Insurance Company Ltd.
4	107	10.1.2001	Kotak Mahindra Old Mutual Life Insurance Ltd.
5	109	31.1.2001	Birla Sun Life Insurance Company Ltd.
6	110	12.2.2001	Tata AIA Life Insurance Company Ltd.
7	111	30.3.2001	SBI Life Insurance Company Ltd.
8	114	2.8.2001	ING Vysya Life Insurance Company Private Ltd. Now(Exide life insurance)
9	116	3.8.2001	Bajaj Allianz Life Insurance Company Ltd. .
10	117	6.8.2001	Met life India Insurance Company Ltd.

1.15 Data Collection:

In the present study ,analysis is purely based on the secondary data, which are collected from various international and national journals of repute, annual reports of various companies, Government institutions of India like IRDA, RBI etc., text books, magazines of repute, annual reports of selected life insurance companies, annual reports of various financial institutions and commercial and social associations like CII, FICCI, Gartner, Oxford's Economic survey ,Asia Insurance Post, The Insurance Times, Journal of Insurance Institute of India, Insurance Chronicle (ICFAI), Daily papers and government reports relating to the issues under study. Experts from NIA were also approached for the purpose of discussion to understand the problem in right perspective. The work of academicians on the subject has also been consulted for the purpose analysis.etc. For this purpose researcher explored many libraries like National Insurance Academy, Online libraries, Internet and online database were highly used for the purpose of data collection. Some important information was also complied from the different international and national newspapers.

1.16 Research Tools and Techniques:

The present study involves both quantitative and qualitative data

The methods and statistical tools used for the study are as under,

1) Averages

2) Correlation

3) Regression Analysis(Regression Model used by Verma Anju and Bala Renu)

4) Simple bar charts, Pie diagrams and doughnut diagrams

5) Pareto analysis (Pareto rule of 80:20)

Techniques: To find out the efficiency of the firms Non –Parametric Test named "Data Envelopment analysis" of Charnes, Cooper, and Rhodes (1978) has been utilized with the help of "R" software which is explained in V^{th} chapter.

1.17 Limitations of the study

1) This study is based on only ten companies which started its operation in India since 2001-2010**.**

2) The study period covers only ten years from 2001-2010.

3) General Insurance companies are outside the purview of the study.

4) The research is purely based on secondary data derived from financial statements made available by published government reports .Hence it incorporates all the limitations inherent in financial statements.

5) The data taken for study are got from financial statements and figures are not adjusted for inflation.

1.18 Layout of the Study: The study consists of Six chapters.

Chapter 1- Introduction: The first chapter gives the Introduction of the topic, meaning of insurance and Economic development. A brief introduction to the history of life insurance industry ,Background of the study, Reforms in Insurance sector ,Need of the study, List of the life insurers, Multinationals interest in the country for investment, cross border experience, current scenario of the life insurance Industry, Objectives of the study, Hypothesis, Research Methodology and layout of the study

Chapter II- Review of Related Research and Literature: This chapter reviews the relevant work from academicians, researchers, policy makers from Indian and foreign Authors. It also reviews work done by researchers abroad.

Chapter III- Role of Insurance in the Economic Development: Third chapter includes the role played by insurance in the economic development of the country. It also analyses the role played by Insurance sector in developed countries and their portfolio investment

Chapter IV- Performance evaluation of Private Sector Insurers: This chapter has done an in depth analysis of performances of the private life insurers in terms of Quantitative and Qualitative parameters like market share, equity share capital, service quality and Innovativeness.

Chapter V -Data Analysis: This chapter deals with performance evaluation of private life insurers in terms of efficiency. It also analyses the contribution of the private sector insurers in Economic development .Economic development of the country is been analysed through savings generated by the private life insurers. Impact of private life insurers premium and investment on GDP .Lastly a comprehensive analysis of investments of fund done by public and private sector is analysed. Various statistical tools are used for analysis.

Chapter VI - Findings, Suggestions and Recommendations:

This concluding chapter systematically sums up the findings and conclusions of the study. It also offers creative suggestions for a consistent strategy to be implemented in the growing insurance sector for the prospective growth and development of the sector.

Chapter II

Review of Literature

2.1 Literature Review relating to Insurance services and their contribution to Development.

2.2 Literature Review on Efficiency of the life Insurers since the liberlisation period and the Performance Evaluation of the life Insurers

2.3 Literature Review relating to Performance Evaluation of the Life Insurers

Chapter II

Review of Literature

In this chapter a review of various studies is been made using books, compendia, thesis, dissertations, study reports and articles published by academicians and researchers in different periodicals. Some of the important issues discussed in this review are enlisted as follows

- The role of Life Insurance in the Economic Development of the country
- The Impact of Liberalization, Privatization and Globalization policy on Insurance Industry in various countries and the changes in their performance.
- It involves various studies and methodologies used in the performance Evaluation of Life Insurance companies
- Literature review includes experiences of developed countries and in Insurance Sector and Indian studies are identified .The review of the studies have helped in the identification of research gap and thereby leading to the present study to fill this research gap.

2.1 Literature review relating to Insurance services and their contribution to development

Agarwal [1](1959) In his Phd thesis has studied the investment policy of Indian life insurance companies prior nationalization of 245 life insurers. The companies followed independent investment policies prior to Nationalisation. However oriental life insurer followed safety principle first and 90% of the life insurers fund was invested in government approved securities .Bombay mutual insurer made substantial investment in Indian companies as it was in the hands of Bombay industrialists and made a significant contribution in the advancement of Indian industries.

UNCTAD [2](1964) in its first annual conference report highlighted the role of insurance in economic growth by stating that "*a sound national insurance and reinsurance market is an essential characteristic of economic growth.*"

---

[1]Agarwal Ram Kishore,(1959 Investment policy of Indian Insurance Companies, PhD Thesis, Agra University,

[2]United Nations Conference on Trade and Development (UNCTAD) 1964 in its Annual Conference, Geneva.

Patrick[3] (1966) explained about two types of co existing relationships between the financial sector and economic growth. Firstly, he stated that there supply leading relationship which states that the development of financial institutions leading to economic growth through the supply of financial services ,secondly there is demand leading relationship ;where demand for financial services induces growth of financial institutions and their assets. In his study he observed that developing countries showed supply-leading patterns showing financial sector development leading to economic growth .It considered locally incorporated insurance institutions or State-owned monopolies as an essential element of economic development.

McKinnon and Shaw[4]**(1973)** in their study ,analysed the relationship between financial liberalisation and generation of savings for economic development and growth. To examine the relationship between the two they adopted two period model . They concluded saying that private savings go unambiguously down since market based insurance replaces savings hitherto meant for self-insurance in the short run . However with Liberalization , the economy moves into greater income uncertainty and volatility income growth which could bring about reduction in savings to some extent.

Irani Sherin[5](1974) in her doctoral thesis titled "Investment by LICI in Industries in India" has examined concisely the developmental role of LICI in the Investment of industries and contended that other than formulating and organizing industrial investment, LICI has made an entrepreneurial role and enumerated the extent to which they have taken a very prudent initiative and leadership in conceiving proposals for new enterprises, organizing the finance for them, and implementing them out. LICI has also worked out the economics of corresponding costs and risks associated with it.

---

[3]Patrick (1966), Financial Development and Economic Growth in Underdeveloped Countries, Economic Development and Cultural Change, Vol. 14 (2), pp. 174–189.

McKinnon(1973), R.I ,Money and capital in Economic Development, Washinghton D.C:Brookings Institution vol. 2, issue 3, pages 87-88.

Shaw(1973),Financial Deepening in Economic Development,New York,Oxford University.

[5]Irani Sherin (1974), Investment by LIC in Industries in India, Ph.D thesis, Submitted to Lucknow University

Dwivedi Raj Kishore[6] (1977) in his Phd thesis "Investment of Life Insurance Funds and Industrial Growth in India", remarked that Life Insurance Corporation of India has made a sizeable contribution to the development of capital markets when the country was in the developing stage. Consumer financing became a popular tool during the tight money situation. Finance companies took maximum advantage by out-stripping all other available yields and thereby channelised a sizable production of investable funds into consumer finance at the expense of investments in industry.

Beenstock ,Dickinson and Khajuria [7] (1988) applied pooled time series and cross - sectional analysis for time period between 1970 to 1981 data, covering basically 12 countries. They employed multiple regression model to find out the effect of premiums from Property Liability Insurance (PLI) on gross national product (GNP), income and interest rate development. They found that premiums are correlated to interest rate and GNP; marginal propensity to insure (short and long run) rises with income per capita and is always higher in the long run.

Arokyasamy[8](1989) in his book titled 'Attitude towards Insurance' has remarked that LICI enjoyed the monopoly in the field of marketing of various insurance products; but with liberalization of the industry, the situations have changed considerably. Majority of areas previously meant for the public sector was now open to the private sector, high pre-emption of insurance industry's funds through government-mandated investments, strengthening of the regulations over the capital market as well as the banking sector, have become quite popular. Insurance companies are now striving better for greater customer focus regardless of whether the customer is the end user or the intermediary.

---

[6] Dwivedi Raj Kishore(1977) ,Investment of Life Insurance Funds and Industrial Growth in India, Ph.D thesis, Allahabad

[7] Beenstock Michael ,Dickinson Gerry, Khajuria Sajay, (1988), The Relationship between Property Liability Insurance Penetration and Income: An International Analysis, The Journal of Risk and Insurance, 55(2): p.259 – 272, American Risk and Insurance Association.

[8] Arokyasamy (1989), Attitude Towards Insurance, NCAER

Outreville J. Francois [9](1990) investigated the economic significance of insurance in developing countries. He made a study by comparing 45 developed and developing countries and found a positive but non-linear relationship between general insurance premiums per capita and GDP per capita. Nevertheless there was a positive link between insurance and economic growth, the direction of causation between the two was not clear.

Soo.H.H [10](1996), applied Granger causality tests for United States life Insurance Industry. He found that life insurance contributed to the productivity and economic growth of the United States over a 30-year period. His study concluded that life insurance have an significant impact on growth which is caused due to the huge contribution that life insurance made to U.S. financial intermediation and investment over this period .

Dickinson Gerry[11] (1998) explained the relationship between insurance and the development of the economy. His study depicted S-shaped pattern between the growth of national life insurance markets and level of economic development. He concluded that the insurance markets mature with the rise in economic development of the country than at a low level of economic development. He also opined that the insurance market when opened to competition by letting foreign life insurance companies to compete; insurance markets would grow much faster if not for competition.

Granger Casualty is a statistical Hypothesis for determining whether one time series is useful in forecasting another.Time series 'X' is said to Granger cause 'Y'. A number of F-tests and T-tests are used on lagged values of 'X' and that of lagged values of Y'.

[9]Outreville, J. Francois, 1990, The economic significance of insurance markets in developing countries,The Journal of Risk and Insurance, 57(3): 487-498.

[10]Soo, H. Hong (1996)Life insurance and economic growth: Theoretical and empirical investigation ETD collection for University of Nebraska - Lincoln. Paper AAI9712527.

[11]Gerry Dickinson(1998) "The Economic Role of The Insurance Market in the risk Transfer: Capital Market Nexus",The geneva papers on Risk and Insurance, Vol 23,No 89,pp 519-529

Holsboer[12](1999) in his study stated that the external environment play a significant role on income companies in Europe . He argued that the insurance services in an economy is dependent on the increasing competition in the financial sector and the amount of assets it builds. He used the following model borrowed from Aaron (1966).He used interest rate (R), growing working population (N), growth rate of the economy as (G)and superior benefits as to pay - as - you - go pension system. If R<N+G, superior benefits of the funded pension system if R>N+G and both pension system providing equal benefits if R=N+G, as population aging and the move from pay - as - you - go (PAYG) to privately funded schemes favors the growth of the insurance industry .He also added that insurance industry facilitates capital market development with increasing supply of long term savings. He found the interaction between the insurance and economic growth as bidirectional.

Carmichael and Pomerleano[13] (2000) highlighted the importance of insurance as a promoter of financial stability among households and firms by transferring risks to an entity better equipped to withstand them. They viewed insurance as a tool to encourage individuals and firms to specialize, create wealth and undertake useful projects which might have not been possible if not for insurance.

Ward and Zurbruegg[14](2000)examined the short run and long run dynamic relationships between economic growth and growth in the insurance industry for nine OCED countries . He adopted the co-integration analysis on a unique set of annual data for real GDP and total real premiums issued in each country from 1961 to 1996. Causality test were performed, which accounted for long run trends within the data. The results from the tests suggested that in some countries, the insurance industry Granger cause economic growth and in other countries, the reverse is the case. Moreover, the result indicated that the relationships are country specific and discussion of whether the insurance industry does promote economic growth depends upon the number of national circumstances

---

[12] Holsboer, Jan H.,(1999), Repositioning of the Insurance Industry in the Financial Sector and its Economic Role, The Geneva Papers on Risk and Insurance, Vol. 24/3, pp. 243-290.

[13] Carmichael,Jeffrey & Pomerleano,Michael(2002). The Development and Regulation of Non-Bank Financial Institutions. Washington, DC: World Bank. © World Bank https://openknowledge.worldbank.org/handle/10986/15236

[14] Ward Damian;. Zurbruegg R, (2000) “Does Insurance Promote Economic Growth? Evidence from OECD Countries”, The Journal of Risk and Insurance, 67 (4), pp. 489-506.

Webb[15](2000) investigated the mechanism by which insurance and banking jointly stimulate economic growth. By adding banking and insurance to existing models tried to justify economic growth. He concluded stating that more developed and efficient a country's financial market the greater will be its contribution to economic prosperity. **Skipper(2000)** added that insurance as a simple pass through mechanism for diversifying risks and indemnification. He highlighted insurance as a fundamental contributor of economic growth and prosperity.

Webb, Skipper and Grace[16](2002) in their study, used 16 years of data from 55 countries using econometric technique .They found that both banking and life insurance penetration were robustly indicative of increased productivity (as measured by increase in growth rate of real GDP per capita) in 55 countries over the period from 1980 to 1996.However they added that higher economic growth of the economy cannot be explained as well by the individual development of banking or insurance markets as it can by the joint development of these markets.

Beck and Webb [17] (2002) applied a cross- country and time series analysis for the relation between life insurance penetration, density, and percentage in private savings and GDP as the dependent variables, real interest rate, inflation volatility and others as the explanatory variables . Strong evidence was found for GDP, oil dependency ratio, inflation and banking sector development, Inflation, real interest rate, secondary enrolment and private savings were found to be significant. The cross country analysis showed a negative coefficient for a country being of Islamic origin and added institutional changes to the indicators connected positively to insurance demand.

---

[15] Webb, I. P., 2000, The Effect of Banking and Insurance on the growth of Capital and Output, unpublished Ph.D. dissertation, Georgia State University.

[16] Webb Ian; Grace Martin; Harold D. Skipper., 2002. "The Effect of Banking and Insurance on the Growth of Capital and Output". Working paper. Center for Risk Management and Insurance, Georgia State University, Atlanta.

[17]Beck,Thorsten;Webb,Ian, draft from October 2002, Economic, Demographic and Institutional Determinants of Life Insurance Consumption across Countries, World Bank and International Insurance Foundation

Webb, Grace & Skipper (2002)[18] used a Solow-Swan model and incorporated both the insurance and the banking sector, with the insurance divided into property/liability and life products. Their findings indicated that financial intermediation was significant. When split into the three categories, like banking, life and non life sector, banking and life sector remained significant for GDP growth, while property / liability insurance lose their importance. Furthermore, results show that a combination of one of the insurance type and banking has the strongest impact on growth.

Bodla B. S., M. C. Garg and K. P. Singh [19]**(2003)** in his study highlighted the role of insurance in developing economies. Low level of capital formation was the main reason identified for the under development of an economy. He concluded that financial intermediaries play relatively larger role in supplying the funds for capital formation and insurance play an important role. He laid down the three essential steps in the process of capital formation viz: Real savings mobilization and channelization of savings through financial and non-financial intermediaries and being placed at the disposal of investors and lastly the act of investment. Insurance promotes efficiency in the financial system by mobilization of scattered resources, creation of liquidity and economies of scale.

Webb, Ian P; Grace, Martin F. ; Skipper, Harold D [20]**(2005)** studied the effect of banking and insurance on the growth of capital and output based on cross- country data of 55 countries for the period from 1980 to 1996 . The insurance variable was measured by average insurance penetration (insurance premium relative to GDP) for life and non-life insurance respectively. At the first stage of ordinary least square (OLS) estimation, assuming exogenous financial variables indicated positive effect of banking development on economic growth, while insurance variables did not prove positively. However with the simultaneous equations, which assumed endogenous relationship between financial activity and economic growth, showed that higher levels of banking and life insurance penetration predicted higher rates of economic growth.

---

[18] Webb, Ian P; Grace, Martin F. ; Skipper, Harold D., 2002, The Effect of Banking and Insurance on the Growth of Capital and Output, Center for Risk Management and Insurance Working Paper No. 02-1, Robinson College of Business, Georgia State University, Atlanta.

[19]Bodla B. S., M. C. Garg and K. P. Singh,(2003), "Insurance Fundamentals, Environment and Procedures", Deep & Deep Publications Pvt. Ltd.

[20]Webb, I., M.F. Grace, and H. Skipper, 2005. “The effect of banking and insurance on the growth of capital and output”, SBS Revista de Temas Financieros (Journal of Financial Issues) 2(2), pp. 1-32.

Kugler and Ofoghi[21](2005) studied long-run relationship between the size of insurance market and economic growth in United Kingdom for the time period from 1966 to 2003 for life insurance, and for the period from 1971 to 2003 for general insurance (from 1991 to 1997 for marine-aviation transport insurance and reinsurance). This study employed disaggregated as a measure of market size. Which included, net written premium for each market in insurance industry in the United Kingdom .The market was segmented into long-term insurance market, that includes life insurance, annuities, individual pensions and general insurance business included motor, accident and health, liability, property, pecuniary loss, marine, aviation and transport insurance and reinsurance. Using Johansen's co integration tests the authors found a long-run relationship between development in insurance market size and economic growth for all components of insurance markets. Causality tests showed that there is a long-run causality from growth in insurance market size to economic growth for eight out of nine insurance markets. Causality in short-run exists for life, liability and pecuniary loss insurance to economic growth. There was an evidence of bidirectional causal relationship in the long-run between economic growth and insurance market size for the three insurance categories, with more powerful causality from economic growth to insurance development than the causality from the other direction.

Adams ,M., J. Andersson, L.F. Andersson, and M. Lindmark [22](2005), examined the relation between banking, insurance and economic growth using dynamic historical model in Sweden during the time period from 1830 to 1998. Insurance development was measured by annual aggregate (non-life and life) insurance premiums. They used time-series data and econometric tests for co-integration and Granger causality. The results showed that the development of banking, but not insurance, preceded economic growth during the nineteenth century, while it was reversed in the twentieth century. Insurance development appears to be driven more by the pace of growth in the economy rather than leading economic development over the entire period of analysis.

---

[21] **Kugler, M. and R. Ofoghi, 2005. "Does Insurance Promote Economic Growth? Evidence from the UK", Working Paper, Division of Economics, University of Southampton**

[22]**Adams,M.,J.Andersson,L.F.Andersson, and M. Lindmark, 2005. "The Historical Relation between Banking, Insurance and Economic Growth in Sweden: 1830 to 1998",** ***Department of Economics Discussion Paper SAM,*** **26**

Haiss and Sumegi[23](2008) in their study applied a cross-country panel data analysis from 29 European countries during the time period from 1992 to 2005. The insurance variable was measured by premium income and total net investment of insurance companies. Premium income was split into life and non-life premium income. Authors used estimation method of ordinary least squares on unbalanced panel with country and time-fixed effects. According to the findings there was positive impact of life insurance on GDP growth in the EU-15 countries like Switzerland, Norway and Iceland, while non-life insurance had a larger impact in Central and Eastern Europe.

Arena,M[24](2008) made an empirical study on causal relationship between insurance market activity and economic growth included 56 countries (both developed and developing ones) in the period from 1976 to 2004. Insurance premiums were used as proxies of total life and non-life insurance activity separately. As an estimation method, the author used the generalized method of moment for dynamic models of panel data. The results showed a positive and significant effect of total, life and non-life insurance market activity on economic growth. Impact of life insurance on economic growth is driven by high-income countries only. In the case of non-life insurance, its impact was driven by both developed and developing countries, but it was larger in developed countries than in the developing ones. The author also examined the possibility of non-linear effects of life and non-life insurance variables on economic growth, but the results did not show the non-linearity in the relationship. **Wadlamannati.K.C**[25] (2008) examined the effects of insurance growth and reforms along with other relevant control variables on economic development in India in the period from 1980 to 2006. Growth of insurance penetration (life, non-life and total) were used as proxies of insurance sector growth. The author applied ordinary least squares, cointegration analysis and error correction models. The study confirmed positive contribution of insurance sector to economic development and a long run equilibrium relationship between the variables. While the reforms in the insurance sector did not show any effect on economic activity, their growth had positive impact on economic development.

Dynamic Factor Models are flexible models for multivariate time series in which the observed endogenous variables are linear functions of Exogenous covariates

[23]**Haiss, P. and K. Sümegi, 2008. "The relationship between insurance and economic growth in Europe: a theoretical and empirical analysis",** ***Empirica*****, 35 (4), pp. 405-431**

[24]**Arena, M., 2006. "Does Insurance Market Promote Economic Growth? A Cross-Country Study for Industrialized and Developing Countries", Journal of Risk and Insurance, 75(4), pp. 921- 946**

[25]**Wadlamannati, K.C., 2008. "Do Insurance Sector Growth & Reforms Effect Economic Development? -Empirical Evidence from India",** ***The Journal of Applied Economic Research*****, 2(1), pp. 43-86.**

Han.L.,Li,D.,Moshirian,F., &Tian,Y.[26] **(2010)** investigated the relationship between insurance development and economic growth, using the data set of 77 countries. It was found that insurance density impact played a very important role in developing countries rather than developed ones.

Mojekwu,J.N.,Aguwuebo,S.O.N .,Olowokudejo,F.F[27] (2011) examined the short and long run relationships between GDP and insurance sector growth of Nigeria during the time period 1981-2008 for a period of twenty seven years using Dynamic factor model.It was found that insurance sector growth positively and significantly affect the GDP. The long run relationship between the insurance growth and GDP was also confirmed.There was functional relation between volume of insurance contribution and Economic Growth.

Horng ,M.S.,Chang,Y.W.,and Wu,T.Y [28] (2012)examined the relationship among the insurance demand, financial development and GDP of Taiwan. It was found that there was an equilibrium relationship between the insurance demand, financial development and GDP. The study found that in short run, GDP was Granger cause of insurance demand and financial development was Granger cause of GDP. It was finally concluded that financial development promotes GDP and GDP further promotes the insurance demand.

Chang,T.,Lee,Chien-Chiang.,Chi-Hung [29](2013) investigated the causal relationship between the insurance activities and GDP, using a data set of 10 OECD countries. It was found that there was a significant and positive relationship between the overall insurance growths.

---

[26]Han,L.,Li,D.,Moshirian,F., and Tian,Y. [26] **(2010) " Insurance Development and Economic Growth" ;The Geneva study on Risk and Insurance-Issue and Practise,35,pp183-199.**

[27] **Mojekwu,J.N.,Aguwuebo,S.O.N .,Olowokudejo,F.F,(2011) "The impact of Insurance Contributions on Economic Growth in Nigeria";Journal of Economics and International Finance Vol.3(7),pp444-451,July 2011**

[28]Horng, M.S.,Chang,Y.W.,and Wu,T.Y(2012), "Does Insurance Demand or Financial Development promote Economic Growth"?Evidence from Taiwan. Applied Economics Letters,19(2),pp105-111.

[29]Chang, T., Lee, Chien-Chiang,& Chi-Hung(2013).Does Insurance Activity Promote Economic Growth? Further Evidence Based on Bootstrap Panel Granger Casuality Test. The European Journal Of Finance. pp 1-24

Lee, Chien-Chiang., Lee, Chi-Chuan.,and Chiu,Yi-Bin [30] (2013) analyzed the long term and short term relationship between the GDP and real life insurance premium of 41 countries. It was found that in the long term one unit increment in the real life premium would raise the GDP by 0.06 units. The life insurance markets development determines the economic growth in the long-run and in the short term, bidirectional causalities were found between them.

Anju Verma and Renu Bala[31](2013) in their study examined the relationship between life insurance and economic growth for the period 1990-91 to 2010-11 for the period of 20 years in India .They used total life insurance premium and total life insurance investment as proxies and examined the impact on GDP. Ordinary Least Square regression model(OLS)were used by them .The study concluded that there is a positive relation between life insurance premiums on GDP While the Total life insurance Investments had less impact on GDP.

The above studies have highlighted the role of Insurance and Economic development. While examining the relationship between the two i.e., economic development and insurance, development has been taken up in the sense of growth, implying sustained increase in the GDP/Per Capita GDP of the country, savings. Since most of the studies are dealing with developed markets ,this study has tried to highlight the role of Insurance in the country India specially since the liberlisation period.

---

[30] Lee,Chien-Chiang,Lee, Chi-Chuan,and Chiu,Yi-Bin(2013),The Link between life Insurance Activities and Economic Growth: Some New Evidences. Journal of International Money and Finance,32,pp 405-427.

[31] Verma Anju; Bala Renu(2013),The relationship between Life Insurance and Economic Growth :Evidence from India" Global Journal Of Management and Business Studies,Vol III,No 4,pp 413-422©Research India Publications

2.2 Literature Review on Efficiency of the life Insurers since the liberlisation period and the Performance Evaluation of the life Insurers

Barros Pedro. P. and Luis M.B. Cabral[32] (1991) examined the impact of market competitiveness, in particular on the level of domestic social surplus. They applied a model which was subject to entry by foreign firms and obtained a test for the marginal as well as the global effect of foreign entry on domestic welfare. The results obtained were negative global effect was observed due to entry of foreign firms in Portuguese life insurance in 1989. However a marginal rise in domestic welfare was observed due to the foreign entry in domestic market .

Cummins, J. D., Turchetti, G.,Weiss, M. A[33] (1996) utilized the Input-oriented Data Envelopment analysis to estimate production frontiers in the Italian insurance industry for each year of the sample period from 1985 -1993. They covered data based on a sample of 94 Italian life and non-life insurance companies. The study focused on growth of productivity and efficiency of the insurers. While, Productivity growth was measured using Malmquist indices, which was decomposed into technical efficiency change and technical change. The results indicated that technical efficiency in the Italian insurance industry ranged from 70 to 78 percent during the sample period. There was almost no efficiency change over the sample period. However, productivity declined significantly over the sample period, with a cumulative decline of about 25 percent.

Skipper Harrold[34] (1997), in his study summarized the benefits of liberalization as rendering better customer services. He summed up that liberlisation, enhances competition leading to generate new, innovative products, better and broader range of quality of goods and services and seek less costly means of marketing and servicing. He also added that liberlisation has increased mobilisation of domestic savings. There are various studies suggesting a positive correlation between domestic saving and economic development. (Lean Hooi Hooi and Yingzhe Song , 2009; Suemegi Kjell and Peter Haiss 2008).

---

[32]Barros P. and Luis M.B. Cabral (1991) —Foreign entry and domestic welfare, with an application to Portuguese life insurance" Working Paper No.166

[33]Cummins, J. D., Turchetti, G., Weiss, M. A., (1996). —Productivity and Technical Efficiency in the Italian Insurance Industry." ***Working Paper,*** **Wharton Financial Institutions Center, University of Pennsylvania, PA.**

[34]Skipper.H.D (1997)Foreign Insurers in Emerging Markets: Issues and Concerns. ***IIF Occasional paper,*** **Number Washington.**

Chidambaram N.K, Thomas A. Pugel and Anthony Saunders[35] **(1997)** examined the U.S property liability insurance industry for the years 1984 through 1993.The main focus of the study was to find out the differences in performance across different lines of insurance. Intensity in competition was set to influence the performance of an industry. In order to study the impact of degree of competition, they examined the role of different variables representing differences in competition intensity across various lines of business. They focused on the economic loss ratio as a measure of pricing performance. Of the various determinants of the variation in economic loss ratio across different lines, the four determinants considered were concentration ratio, direct/ agency ratio, investment ratio, standard deviation of the economic loss ratio and it was calculated for each line using data over the ten year sample period. The result of the study showed that the concentration ratio of each line of business were found to be significant determinant of performance.

Fukuyama[36]**(1997)** examined the efficiency and productivity in Japanese life insurance industry using the data from 1988 to 1991.He concluded that efficiency and productivity performance differed from time to time across two ownership type viz. mutual insurance companies and stock companies under different economic conditions. Therefore clear difference in efficiency and productivity between the two ownership types could not be established.

Chang.W.,[37] (1998)used the X- efficiency***** analysis to examine the efficiency change of existing domestic firms from the year 1975 to 1996. His results showed that the X-inefficiency of domestic firms on average decreased after the deregulation and liberalization. Therefore he claims that the market competition after the deregulation** and liberalization has improved the efficiency performances of existing domestic firms.

***X-efficiency refers to degree of efficiency maintained to by individuals and firms under Imperfect competition. X-efficiency theory asserts that under conditions of less than perfect competition inefficiency may persist**

****Deregulation refers to reducing the state intervention in Economic sphere**

[35]Chidambaram N.K, Thomas A. Pugel and Anthony S. (1997), "An Investigation of the Performance of the U.S Property Liability Insurance Industry." The Journal of Risk and insurance, Vol. 64, No.2, 371-381

[36]Fukuyama H., (1997). "Investigating Productive Efficiency and Productivity Changes of' Japanese Life Insurance Companies." Pacific-Basin Finance Journal 5(4), 482-509.

[37]Chang,W., (1998),"Deregulation and Efficiency Analysis of Life Insurers in Taiwan", Ph.D.Dissertation, National Central University, Taoyuan, Taiwan.

Rao Tripati[38] (1999) studied the pattern and growth of life insurance business in India since its nationalization in 1956. His analysis focused specifically in the growth of new business, business in force, income and outgo (financial outflow) of life fund i.e. institutional savings and business by different zones of LICI. These indicators were compared with the related macro variables. He found out that in the decade beginning 1983-84, there was a significant growth in new business both in terms of policies and sum assured. The business in force showed an increasing trend since the early 1980‘s. The analysis of the zonal business revealed that business was greater in the more urbanized zones. The income and outgo analysis has revealed that even with lower sum assured and increased rural business, the LICI has succeeded in converting growing income into life insurance fund. In spite of all this, life business continued to be low in terms of coverage and contribution to national income and saving. He concluded that there was large potential for future development in life business in India.

Pant Niranjan[39] (1999) addressed the need for a more cogent legislation than the Insurance Regulation Development Bill 1999. He viewed that liberalization of the insurance sector in India will see the increasing involvement of the large and powerful insurance companies of the world in the Indian insurance industry. It was therefore essential to have the support of a stronger regulation to turn this involvement into a positive factor for the growth of the Indian insurance sector in particular and the Indian economy in general.**Pant Niranjan (**2000) in another paper discussed the development agendas for insurance regulation in India. For him, the task of IRDA is to establish and promote fair competition in such a way that sustainable growth in the national insurance market is also achieved. Also the availability and affordability of insurance service for the weaker sections should be one of the important agenda for social development. He also mentioned that the regulator need to establish priority areas for financial management, accounting and reporting issues in insurance keeping in mind the two foremost financial issues viz. security and solvency

---

[38]Rao T. (1999) —Life Insurance Business in India: Analysis of Performance" Economic and Political Weekly, Vol. 34, No. 31 (Jul. 31 - Aug. 6), pp. 2174-2181.

[39] Pant , N. (1999) "The Insurance Regulation and Development Bill: An Appraisal" Economic and Political Weekly, Vol. XXXIV, 45. November 6-12, pp 66- 69.

Cummins, Tennyson and Weiss[40] (1999) used the DEA method to examine the efficiency of insurers and its relationship with the mergers and acquisition. They estimated Cost and revenue efficiency over the period 1988 to 1995.They found out that acquired firms achieved greater efficiency gains than firms that have not been involved in merger and acquisition, and concluded that overall, mergers and acquisitions in the life insurance industry have had beneficial effect on efficiency.

Ranade Ajit and Rajeev Ahuja[41] (1999) in their study identified the emerging strategic issues in light of liberalization and private sector entry into insurance. They justified the need for private sector entry on the basis of enhancing the efficiency of operations, achieving a greater density and penetration of life- insurance in the country, and for a greater mobilization of long term savings for long gestation infrastructure projects. They pointed out that LICI, with its 40 years of experience and wide reach, was in an advantageous position. They also pointed out the need to handle strategic issues carefully. Accordingly LICI should adapt to liberalized scenario such as changing demography and demand for pensions, demand for a wider variety of products, and having greater freedom in its investments.

Ranade Ajit and Rajeev Ahuja[42] (2000) in their study looked into the regulatory issues of insurance sector in India. In the Indian insurance market,the regulator must assure new entrants of a level playing field vis-à-vis hitherto monopoly incumbents. They were of the view that the regulator must focus initially on financial soundness and prior experience of entrants, tariff and contract standardization, and serving weaker section of the society. Another primary objective of regulation has to be protection of customer's interest as in most countries with longer tradition of competitive insurance industry.

---

[40]Cummins, J. D., Tennyson, S.,Weiss, M. A., (1999) "Consolidation and Efficiency in the US Life Insurance Industry." Journal of Banking and Finance 23(2-4), 325-3 57.

[41]Ranade A. and Rajeev A. (1999a) —Life Insurance in India: Emerging Issues", *Economic and Political Weekly* Vol. 34, No. 3 and4, January16-23.

[42]Ranade A. and Rajeev A.(2000) —Issues in Regulation of Insurance" *Economic and Political Weekly*, Vol. 35, No. 5.pp.331- 338.

Fukuyama H. and William L.Weber[43](2001)examined the efficiency and productivity growth of non life insurance companies in Japan during the period 1983-94. They estimated output technical efficiency using three Efficiency measures namely Farrell, Russell and Zieschang measures. The three efficiency measures were used to construct the Malmquist index of productivity growth which can be decomposed into an index of efficiency change and an index of technological change. A sample of 17 Japanese non life insurance companies was used to empirically examine whether there were significant differences in measured productivity change for the three measures above. Farrel, Zieschang based measures indicated no significant increase or decrease in productivity while Russell based Malmquist index showed significant productivity growth. It was found out that Farrel, Russell and Zieschang based decomposition of Malmquist index all exhibited a significant positive correlation.

Sterzynski Maciej,L.L.M[44] (2003)studied the impact of liberalization and deregulation processes in European Union which brought about a creation of Single Insurance market (SIM) The study period covered time period from 1995-2000. The integration of insurance market brought about an reduction in the number of companies, but a tremendous growth in the gross insurance premium was experienced during the period. It was found that 70 percent of non life insurance business was concentrated in five Member States such as: Germany France, Netherlands, Spain and UK and 67.8 percent of all life insurers were concentrated in UK, Germany, Netherlands ,Denmark and France.It was also found that there was predominance of life insurers over the non –life insurers.

Mahlberg Bernherd and Thomas Url[45] (2003) examined the effects of liberalization on technical efficiency and productivity development of the Austrian insurance industry. They used Data Envelopment Analysis (DEA) for seven years for individual firm level data (from 1992-1999). They found out a reduction in the dispersion of

---

[43]Fukuyama H., Weber W. L., (2001). "Efficiency and Productivity Change of Non-Life Insurance Companies in Japan." Pacific Economic Review 6(1), 129- 146

[44]Sterzynski M. (2003) —The European Single Insurance Market —Overview and Impact of the Liberalization and Deregulation Processes."*Belgian Actuarial Bulletein.*VoI.3.No. 1.

[45]Mahlberg B. and Url Th. (2003): Effects of the Single Market on the Austrian Insurance Industry" Empirical Economics 28, 813- 838.

DEA efficiency scores for single market and a homogeneous productivity development was discovered in last years of their sample. There was improvement in efficiency in insurance business over time.

Whalley John[46] (2003) in his paper documented and assessed the policy changes in China's three service categories (Banking, Insurance and Telecoms) since its commitment to World Trade Organization (WTO). In case of insurance he expressed rather easy route compare to Banking to achieve the commitment to implementation of WTO. This may be because, foreign entry to the Chinese insurance market was both already possible and allowed, but foreigners seemingly did not take up new entry opportunities quickly. He expressed that whether the effects of liberalization will be beneficial or harmful for China was ambiguous.

Enns fellner Karl C, Danielle Lewis and Randy I. Anderson[47] (2004) examined the production efficiency in the Austrian insurance industry which became the member of European Union in 1995. The period of their study was from 1994 to 1999 .They used Bayesian stochastic frontier to estimate the production efficiency across insurers types and time. The objective of their study was to determine the impact of deregulation on the production performance of the Austrian insurance companies on single market. The hypothesis aimed to prove that Austrian insurance industry has not been affected by the efficiency building program. The study proved high evidence of positive impact on the production efficiency of the Austrian insurers.

Hussels and Ward [48](2004) examined the German life insurance industry over the period covering from 1991 to 2002 and assessed the cost efficiency with the help of data envelopment analysis of balanced panel data of 31. They found an overall average growth in efficiency and productivity.

---

[46] Whalley J. (2003) —Liberalization in China's Key Service Sectors following WTO Accession: Some Scenarios and Issues of Measurement" Working Paper 10143. National Bureau of Economic Research, Cambridge.

[47] Ennsfellner K. C., Lewis, D., Anderson, R. (2004). Production Efficiency in the Austrian Insurance Industry: A Bayesian Examination." Journal of Risk and Insurance 71(1), 135—159.

[48] Hussels,S., Ward, D.R. (2004), —Cost Efficiency and Total Factor Productivity in the European Life Insurance Industry: The Development of the German Life Insurance Industry Over the Years 1991-2002" Working Paper 04/05, University of Bradford, School of Management, Bradford

Boonyasai, Grace and Skipper[49](2004)examined the impact of liberalization and deregulation on four life insurance markets viz. Korea Philippines, Taiwan and Thailand .The data collected were from the late 1970s or 1980s, depending on data availability for each country. For Korea, the life insurance company population varied from 6 to 33 during the study period from 1980 to 1997. Philippine life insurers ranged in number of firms from 24 to 33 during the study period, 1987 to 1997.The number of Taiwanese life insurance companies varied from 8 to 31 during the study period, 1983 to 1997. Finally, the number of Thai life insurers varied from 11 to 13 during the study period, 1978 to 1996.Using DEA to measure cost efficiency they found that liberalization and deregulation of Korean and Philippine life insurance industry have stimulated increase and improvement in productivity. However for Taiwanese and Thai Life insurance firms, liberalization has had little effects on increases and improvements in productivity. Their results suggest that liberalization should be closely followed by deregulation or otherwise a restrictive regulatory environment will reduce the welfare gain.

Leverty Tyler, Yijia Lin and Hao Zhou[50] (2004) conducted an in depth analysis of the efficiency and productivity of the Chinese Insurance Industry after the state monopoly was dissolved allowing foreign owned insurers. They estimated total technical efficiency, purely technical efficiency and scale efficiency using DEA. Also they utilized the Malmquist approach to measure evolution of productivity and efficiency of Insurers over time. The dataset covered was 1995 to 2002 for property casualty insurers and 1992to 2002 for the life insurers. They observed growth in the annual average productivity over the sample period for property-casualty (PC) insurers as well as life insurance market. Also, they found out that regulatory restrictions on foreign insurer, product diversity and geographical dispersion inhibit foreign property casualty firm‘s efficiency. The gain in productivity in insurance industry is mostly accumulated by Chinese domestic insurance companies. Overall their results shows increase in social welfare following liberalization of the insurance market.

---

[49]Boonyasai T., Grace, Skipper, (2004). "The Effect of Liberalization and Deregulation on Life Insurer Efficiency". *Working Paper No. 02-2*, center for Risk Management and Insurance Research, Georgia State University, Atlanta. GA.

[50]Leverty J. T., Yijia L. and Hao Z. (2004) —Firm Performance in the Chinese Insurance Industry." Paper presented at Research Seminar at Georgia State University, Sept 20.

Souma Toshiyuki and Yoshiro Tsutsui [51]**(2005)** examined the change in the level of competition in the Japanese life insurance industry over the period of 17 years from 1986 to 2002. Utilizing the regression equations they established that there has been a change in the degree of competition during that period. Their results suggested that competition has become stronger since 1995 but the competition in the recent years was more than the pre war period and so indicated potential for more competition.

Cummins David and Maria Rubio Misas[52]**(2006)** provided fresh information on the effects of liberlisation and consolidation in financial services market by examining the insurance industry. In that they analyzed the causes and effect of consolidation using modern frontier efficiency analysis to estimate cost, technical and allocative The period of their study was from 1989 to 98. The research aimed at analyzing scale economies and efficiency in the Spanish insurance industry to find out whether or not the deregulation has had desired effect. They tested the efficiency by estimating best practice production function and cost frontiers for each year of the sample period, using data envelopment analysis (DEA), a non parametric technique. The result of the study showed that the deregulation has led to dramatic changes in the Spanish insurance industry such as decline in the number of firms, increase in the average size of firms and also the unit prices declined significantly in both life and non life insurance.

Yang Mingliang[53]**(2006)**in his study of the Chinese insurance market particularly property insurance used DEA analysis to estimate the efficiency. Malmquist Index Approach was used to measure the efficiency change and technical change. He used data from the yearbook of China insurance from 2000-2005. Their finding showed that the Chinese property-liability insurance market was experiencing a decreasing efficiency during 2000 to 2004 and there was also a negative growth in total factor productivity during the period.

---

[51]Souma T. and Yoshiro T. ***(2005).*** **—Recent Competition in Japanese Life insurance Industry,"** ***Discussion paper No.637.*** **The Institute of Social and Economic Research. Osaka University, Japan.**

[52]Cummins J.D, Maria R. M. (2006) "Deregulation, Consolidation, and Efficiency: Evidence From The Spanish Insurance Industry"; ***Journal Of Money, Credit And Banking,*** **Vol.38.No.2 March. Pp323.**

[53]Yang M. (2006), —Efficiency and Productivity of Chinese Property Insurance Industry", In*ternational Journal of Business and Management.*

Yoshihiro Asai, Yanase Noriyoshi, Tomimura Kei and Ozeki Junya[54](2007) studied the efficiency and productivity of life insurance industry in Japan after mid 1990s. They employed DEA and Malmquist Index to calculate the efficiency and productivity of life insurance companies in Japan over a period of 9 years from 1996 to 2004. Their result showed no change in the efficiency of life insurance companies in Japan but productivity of insurance companies in Japan increased during the sample period. The productivity of stock companies dramatically increased while productivity of mutual companies decreased during the sample period.

Mahlberg and Url[55]**(2007)** examined the development of the German insurance industry for a decade from 1991-2001, using DEA and Malmquist analysis. The results proved that the total factor productivity (TFP) increased during the study period, although the liberalization process did not lead to converging efficiency scores.

Rastogi Shilpa and Runa Sarkar[56](2007) in their study in India identified the causes and the objectives with which the sector was reformed in 2000 and concluded that the hybrid model of privatization with regulation adopted by the Government has yielded positive results and the Insurance sector has started to look up.

Wei Huang[57](2007) evaluated the profit and cost efficiency of China‘s insurance firms for the period 1999 to 2004. He used Stochastic Frontier Approach (SFA), a parametric technique and showed that insurance industry reported inferior cost efficiency and profit efficiency during the period. The state-owned companies were less cost efficient than non-state-owned insurance companies though they had the advantage of profit efficiency. He also investigated the relationship between efficiency scores and specific features of China‘s insurance companies and identified the determinants of efficiency scores. For that, the efficiency value calculated was used in the regression analysis to find possible factors. Then the significant level of

[54]Noriyoshi Yanase, Y Asai, K. Tomimura and J Ozeki (2007) "Investigating Productivity Efficiency and Changes of Japanese Non life Insurance Companies after the Deregulation using Non Parametric Frontier Approach(DEA)"

[55]Mahlberg B. and Url Th. (2003): Effects of the Single Market on the Austrian Insurance Industry" ***Empirical Economics*** **28, 813- 838.**

[56]Huang W. (2007): —Efficiency in the China Insurance Industry-1999-2004", ***Wuhan University,*** **University of Toronto.**

[57]Rastogi S. and Runa S. (2007) —Enhancing Competitiveness: The Case of the Indian Life Insurance Industry" ***Paper presented at the Conference on Global Competition and Competitiveness of Indian Corporate.*** **Indian Institute of Management, Kanpur.**

each coefficient and values were processed to determine the real factors and their function. He found out that the corporate governance structure, organizational forms, business mode, asset size and product diversification are among the main factors affecting efficiency.

Fenn Paul, Dev Vencappa, Stephen Diacon, Paul Klumpes and Chris O'Brien[58](2008) estimated the cost and profit efficiency of fourteen major European countries in the advent of insurance liberalization covering the study period from 1995-2001 and used stochastic frontier to model the efficiency of the companies during the deregulation period. The results suggested that most of the European insurers were operating under conditions of decreasing costs (increasing return to scale) and that company size and market share were factors that significantly determine X efficiency with respect to cost as well as profits. Cost efficiency was found relatively higher for smaller companies. Profit efficiency by contrast was found increasing with size for firms in all insurance sectors. Therefore they concluded that larger firms, and those with high market shares, tend to have more cost inefficiency but less profit inefficiency.

Jeng Vivian and Gene C. Lai[59](2008)examined the impact of deregulation and liberalization on efficiency of Taiwanese life insurance industry from 1981-2004 using DEA. The efficiency performances as well as changes in efficiency and productivity over time were also calculated using Malmquist index approach. Their results showed that the deregulation and liberalization did not have major adverse impact on the technical, cost and revenue efficiency performances of the existing domestic firms in the long run.

---

[58]Fenn, P., Vencappa, D., Diacon, S., Klumpes, P., O'Brien, C., (2008). Market Structure and the Efficiency of European Insurance Companies: A Stochastic Frontier Analysis. Journal of Banking and Finance 32 (1), 86–100.

[59]Jeng V. and Gene C. Lai (2008)-"The Impact of Deregulation on Efficiency: An Analysis of Life Insurance Industry in Taiwan from 1981 to 2004".Risk Management and insurance Review, Volume 11, No. 2,349-3 75

Gosalia Chirag [60](2008) assessed the financial performance of the Indian non -life insurance industry from the year 2003 to 2007. Various financial ratios including claim ratio and combined ratio were used to analyze the financial ratio using secondary data available with IRDA‘s official gazettes and journals. He also assessed whether the existing insurers were compliance with IRDA regulations specifically the Solvency margins and Rural and social sector obligations. The study revealed that public insurers were dominating over private because of their existing base and none of the private insurers were highly profitable. However private insurers were growing aggressively posing for a strong competition with high level of penetration and profitability in the long run.

Oetzel J.M. and S.G. Banerjee[61](2008) explored the relationship between market liberalization and insurance firm performance in emerging markets and developing countries to specifically determine whether or not market liberalization has a positive impact on insurance firm performance. They also studied whether there were performance differences between foreign and local insurance firms. A sample of 383 companies located in 31 EMDCs (Emerging Markets and Developing Countries) was tested using moderated time series cross section regression analysis for the time period 1998 to 2003. Their result suggested that market liberalization indeed have significant direct effect on firm profitability for all insurers operating in the host country. Local and foreign firms showed no significant difference in profitability between them.

Luhnen Michael[62](2008)provided a detailed analysis of efficiency and productivity in the German property-liability insurance industry using data envelopment analysis (DEA) for the period 1995– 2006 and the results proved to increase Total Factor Productivity but Technical Efficiency in German Insurance did not show any improvement.

---

[60]**Gosalia Chirag (2008) "A study on the Financial Performance of Indian Non life Insurance Industry"** http://papers.ssrn.com/sol3/papers.cfm?abstract id=1264267&rec= 1&srcabs=1339447

[61]**Oetzel J.M & Banerjee S. G. (2008) "A Case of the Tortoise versus the Hare? Deregulation Process, Timing, and Firm Performance in Emerging Markets" International Business Review, Vol.17,Issue1.pp 54-77.**

[62]**Luhnen M. (2008) —Determinants of Efficiency and Productivity in German Property-Liability Insurance: Evidence for 1995-2006” Working paper on Risk management and Insurance No.63, University Of St. Galen.**

Gamarra Lucinda Trigo[63](2008) used data For the time period 1995-2002 . Frontier efficiency methodology was applied to the study. The objective of the study was to find out whether the fruits of liberalization process have been achieved in the German life insurance market. However they concluded with the industry showing a positive TFP growth but technical cost efficiency did not increase during the observation period and the effects of liberlisation had only partially obtained in German lnsurance industry.

Sinha Ram Pratap and Biswajit Chatterjee[64](2009)calculated the cost efficiency of 14 life insurance companies in India for the period 2002-03 to 2006-07.They estimated the cost efficiency using DEA method and found out an upward trend in the last three years i.e. between 2002-03 and 2004-05. The efficiency in the last two years however was in the reversed trend.

Rajendran and Natarajan [65](2009) found out the remarkable improvements that the acceptance and adaptation of Liberalization Privatization and Globalization has brought about in the Indian Life Insurance Industry specifically to LICI of India. They first compared the overall performance of LIC of India between pre and post LPG era and secondly examined the current status, volume of competitions and challenges faced by LICI of India. The growth of LICI was compared in terms performance indicators such as annual business, business in force, group business in force and life fund between the period 1957 and 2007.For this they have taken the secondary data from the annual reports of LIC of India. They used method of least squares for the analysis and concluded that LPG was incorporating a positive influence on the performance of LICI.

---

[63]Gamarra L. T.(2008) "The Effect of Liberalization and Deregulation on the Performance of Financial Institution: the Case of the German Life Insurance Market" Working Paper No.93, University of Rostock, Institute of Economics, Germany.

[64]Sinha Ram Pratap and Biswajit Chatterjee(2009) "Are Indian Life Insurance Cost Efficient" Paper presented at Indira Gandhi Institute of Development Research, Mumbai Annual Money and Finance Conference

[65]Rajendran and Natarajan (2009) "The Impact of LPG on Life Insurance Corporation of India" Asia Pacific Journal of Finance and Banking Research Vol. 3. No. 3.

Chen Bingzhen, Powers M .R and Qui Joshep [66](2009) studied the structure and characteristics of the Chinese life insurance industry, with special focus on the impact of the regulatory changes and the entry of foreign life insurers. They used DEA to find efficiency and productivity using Malmquist index for productivity for the time period from 2001-2006.Thier results showed that domestic insurers performed better than the foreign players and Malmquist Index for half the insurers taken for study showed improved productivity for the study period.

Shukla,Sneha [67](2010) analyzed the structure of Indian life insurance industry and competition among the insurance companies. She observed that liberalization gave a positive push towards growth of insurance sector as well as the economy and changed the structure of the industry. To understand the impact of the changes and analyze the state of competition, Concentration Index and Herfindahl-Hirschman Index (HHI) of concentration was used. The major findings show a concentration decline and increased competition in the life insurance industry.

Kshetrimayum ,Sobita Devi[68] (2011)in her doctoral thesis has studied the impact of liberlisation and deregulation on the performance of life insurers including public and private sector for the period of ten years from 2001-2010 using DEA analysis. Her study highlights that the public sector is operating at increasing returns to scale and that of private sector SBI life is the only private sector being at par with public sector in its performance. Similarly she has used, Concentration Index and Herfindahl-Hirschman Index (HHI) .The major findings show that liberlisation of Indian insurance market has brought about a decline in concentration of insurance business and increased competition in the life insurance industry.

---

[66]Chen B., Powers M .R and Qui J. (2009) "Life Insurance Efficiency in China: A Comparison of Foreign and Domestic Firms" *China and World Economy*. Vol. 17 issue 6 pp.43-63.

[67] Shukla S. (20l0) "A Cutting Edge in Indian Life Insurance Industry: An Empirical Analysis" The Journal of Innovations, Volume 5 issue l (management).

[68] Kshetrimayum Sobita Devi(2011) “An Impact of Liberlisation on the Indian Life Insurance Industry”, P.hd Thesis Submitted to Maharaja Sayajirao University of Baroda, Vadodara

2.3 Literature review relating to Performance Evaluation of the Life Insurers

Singhal,R.P [69](2011) in his unpublished thesis titled "A critical review of private life insurers in India" has done a detailed analysis of 12 private life insurers which started in 2001 and which had reasonable market share for the period of 8 years. His study has taken 15 parameters including quantitative and qualitative parameters for study using different statistical tools .Using rank correlation technique he found that ICICI tops number one among all the parameters for study followed by Bajaj Allianz.

Kumar,Ajay [70](2012) in his Phd thesis titled "Role of insurance services in Economic development in India" has examined the role played by the public sector in the economic development of the country. He has explained at length with regard to public sector contribution towards the economic development of the country through its investment portfolio. He has analysed the role of private sector in depth gaining the hold over the market.

Kumar ,Rajesh. S[71](2012) in his doctoral thesis has studied the dynamics of life insurance specially after the liberlisation period .His study is confined to the state of Kerala. However overall view of the insurance industry has been highlighted. He concludes that the entry of private players into the insurance Industry has changed the entire landscape of insurance industry .The industry has conceived new products ,better distribution channels and marketing strategies which add to the improvement.

Sinha Abhijit[72] (2013) In his research ,made a study on financial soundness among two private life insurers that is Bajaj Allianz and ICICI prudential using CARAMELS approach developed by IMF. The study showed mixed results, Several areas of improvement were suggested by the author.

---

[69] Singhal,R.P(2011) "A critical review of private life insurers in India" P.hd Thesis submitted to SavitriBai Phule Pune University

[70] Kumar,Ajay(2012) "Role of Insurance services In Economic Development-A context Of India "P.hd Thesis submitted to Charan Singh University,Meerut

[71]Kumar,S,Rajesh (2012)"Dynamics of life insurance business: A study of private and public sector in India,P.hd Thesis submitted to Mahatma Gandhi University ,Kottayam.

[72]Sinha Abhijit (2013),Financial Soundness in Indian Life Insurance :A Comparison Between Two Leading Private Player, Indian Journal of Finance, Volume 7, Number 4, April 2013

Chapter III

Role of Insurance sector in the Economic Development of the country

3.1 Meaning and Context of Economic Development

3.2 Role of insurance in an Economy

3.3 Functions of the life Insurer

3.4 Global perspective of Insurance Industry in an Economy

3.5 Role Played By Insurance In Indian Economy

3.6 Insurance Liberalisation In India

Chapter III

Role of Insurance sector in the Economic Development of the country

This chapter examines various goals of development embraced by various economies from the beginning of 20^{th} century .The role of services specially financial services has been examined in the light of goals adopted by the economies at different times. Insurance sector plays a very important role in economic development of the country. Inorder to understand the relevance of insurance in the context of development ,it becomes essential to evaluate the the concept and goals of economic development.

3.1 Meaning and Context of Economic Development: Economic Development has become a buzz word in the modern economies. Infact it has become one of the goals to be achieved in modern Era. There have been several factors contributing to the development of the country. It has been observed historically that Economic development has been associated with structural changes in the national economies. The most common structural changes that have been observed is a sequential shift from agriculture to industry and then to services.

Thus, an economy is characterised by a predominant share of agriculture; with development the share of industry increases and that of agriculture declines, and subsequently after reaching a reasonably high level of development, the services sector increases in importance, becoming a major component of the economy. This pattern has not only been observed historically, but also holds across the countries with different levels of development. Structural shifts and changing sectoral shares are found to hold both for the national product and the work-force. Also Services today are playing a predominant role in the country's development. Over here we refer to insurance services for the purpose of the study.

Similarly with the development of the economy, the goals of economic development[1] have been changing depending upon the changes taking place in an economy. Traditionally Economic performance was measured in terms of rise in Gross National Product(GNP)[2] or an alternative Measure was Gross development product(GDP).

---

[1]G Dang : L. Sui Pheng (2015), Infrastructure Investments in Developing Economies, CH II pp 11 to 26

[2]GNP is gross domestic product (GDP) plus incomes received by residents from abroad minus incomes claimed by non-residents. GDP is calculated as the value of the total final output of all goods and services produced in a single year within a country's boundaries.

Later for the purpose of comparability a common currency US dollar which in turn is recorded in per-capita terms in order to consider the size of the country's population.

However the indicator measured the development of the country on the basis of material wealth (Economic Growth) and annual rise in GDP was considered to be the goal of the economy.

Every economic activity during a period is measured by the contribution made by them in GDP or per-capita. Financial services contribution specially the contribution of insurance worldwide is measured by insurance penetration which is a measure of insurance premium as a percentage to GDP.

Later in 1950's and 1960's it was realized that the GDP or economic growth did not consider the improvements in the welfare of the people such as better quality of life, health care, education ,housing for poor was not considered (Pearce and Turner 1990)[3]. Therefore in 1970's improvement in the quality of the life of the people was considered to be the major goal. (Stiglitz (1998)[4]. Any activity undertaken by the governments aimed at improving the lives of the people and due importance was accorded towards those parameters which enhanced the quality of the life of the people.

Insurance services are developed specifically to secure the lives of the people by providing risk cover for life, property, health, education and any other misfortunes that can likely affect the peace of an individual or businesses. Hence insurance services have the direct impact on the quality of life of the people through the services rendered. The goal of development was not limited only to Economic growth but shifted to other aspects of life like reducing poverty, unemployment and inequalities. In the 1990's economists found that it was the Malnutrition, diseases, death were the factors that made the developing countries to change their developmental goal with broader objectives

---

[3] Pearce, D. W., & Turner, R. K. (1990). Economics of natural resources and the environment. New York: Harvester Wheatsheaf.

[4]Stiglitz, J. (1998). More instruments and broader goals:Moving toward the post-Washington consensus. Helsinki: Wider Annual Lecture United Nations University—World Institute for Development Economics Research.

The world development report of 1991 (pg1) [5]clearly states "*as to improve the quality of life. In the world's poor countries, a better quality of life generally calls for higher incomes— but it involves much more. It encompasses as ends in themselves better education, higher standards of health and nutrition, less poverty, a cleaner environment, more equality of opportunity, greater individual freedom, and a richer cultural life".* Supply of better financial services would bring about the improvement in the quality of the lives of the people.

In recent years the goal of Economic Development have been focusing on sustainable development. With the intention of achieving higher levels of Economic Growth developed countries of the world started exploiting natural resources at an alarming rate. The relationship between development and environment has given birth to the sustainable development concept. The central idea of sustainable development is that global ecosystems and humanity itself can be threatened by neglecting the environment. In a broader sense, sustainable development is defined by the Brundtland Commission, formally the World Commission on Environment and Development, as "*progress that meets the needs of the present without compromising the ability of future generations to meet their own needs*"[6] (World Commission on Environment and Development 1987, p. 8**)**. Today, sustainable development aims to improve the quality of life in a comprehensive manner, including economic prosperity, social equity and environmental protection. Economic, social, environmental and cultural aspects must be integrated in a harmonious manner to enhance the intergenerational well-being (World Bank 2003).

Every economic activity undertaken today leads way to achieving the goal of sustainable development .Insurance sector today cater towards the same goal to sustainable development. Lately, all the member nations of the United Nations were called for to adopt the Eight Millennium Development Goals (MDGs) of the United Nations in September 2000. The MDGs were developed to address the most pressing problems in developing countries, including poverty and hunger, primary universal education, gender equality, child health, maternal health, HIV/AIDS, environmental sustainability and global partnership. Member countries of the United Nations have committed themselves to end poverty and achieve other development goals by 2015.

---

[5] World Bank. (1991), World development report 1991: the challenge of development. Washington,D.C.: World Bank.

[6]World Commission on Environment and Development 1987, pp. 8).

Quantitative targets of these goals were then assigned based on the past rates of international development achievements (United Nations 2011).This has been the major goal of Economic development especially of developing countries of the world. Insurance services are considered to be the useful tool for achieving all the eight goals by its services towards the economy.

3.2 Role of insurance in an Economy[8]

Gerry Dickinson in his research paper titled "Encouraging a Dynamic Life Insurance Industry: Economic Benefits and Policy Issues" has highlighted the role of Insurance in the economy.

3.2.1 Mobilisation of saving

Life insurance has been an important tool through which individuals with meager incomes have been able to save and invest effectively for the longer term. By designing relatively simple life insurance and savings contracts, insurance companies have been able to accumulate large sum of money from across a greater proportion of the population. By collecting these savings from small investors into large accumulations of investable funds, insurance companies have been able to invest in a wider range of investments which the individuals might have not also been able to invest in larger scale and risky business opportunities which serves to be beneficial to the economy. Moreover, in life insurance business there is a regular flow of premiums from the consumers, which has led to the rise in stability of personal saving which might have not been possible if not for life insurance. This regular premium payment system in life insurance has been encouraged by insurance companies by developing good marketing strategies thus encouraging individuals to save. Thus life insurance business have played a key role in indirectly stimulating the level of long term saving within the economy as a whole.

3.2.2. Development of capital markets through the investment of life insurance companies

Savings generated through premiums paid by policyholders and investment made by the shareholder is transmitted into the wider economy through investments.

---

[7] United Nations. (2011). Millennium Development goals. http://www.un.org/millenniumgoals/bkgd.shtml.

[8]Gerry Dickinson(1998),"The Economic Role of The Insurance Market in the risk Transfer:Capital Market Nexus",The geneva papers on Risk and Insurance,Vol 23,No 89,pp 519-529

Capital market is a mechanism through which this transmission of funds takes place .The extent of development of the capital market determines the range of investments in which an insurance company can invest its funds. Savings that are pooled and invested in the capital market by the life insurance companies acts as an important stimulus to the growth of the capital market itself. However the relationship between the level of saving generated through life insurance and the development of a domestic capital market is a two-way process.

This is so because savings done in life insurance is usually a voluntary decision on the part of customers. Customers would save only if the investment opportunities that are made available to them by the insurance companies in the capital market are attractive. Therefore there is a dynamic process at work with the interaction of saving through life insurance and the development of the capital market both evolving together, with one helping the other.

However investment of funds in insurance company is guided by regulatory authority of the country which aims at reducing the risk of insolvency .Hence a proper coordination between insurance companies, regulatory body and the government should be maintained for the development of the capital market.

3.2.3. Assisting in the reform of the pensions system

Life Insurance companies are playing a predominant role in providing pension products both in developed as well as emerging economy. This trend has been developed recently since the governments of world-wide countries have been apprehensive in providing pension facility. This responsibility has been shifted on the life Insurance companies. With the process of liberalisation private life insurers have come out with well designed pension products which cater to the needs of the individuals. It is observed that in the developed countries the ageing population has been rising and that of developing countries the younger population has been increasing which calls for fiscal prudence on the part of the government. Since the life insurance companies deal with long term savings business and have been able to design well tested pension products government have shifted the burden of pension provision on the life insurance companies.

Ibid 8.pp 4

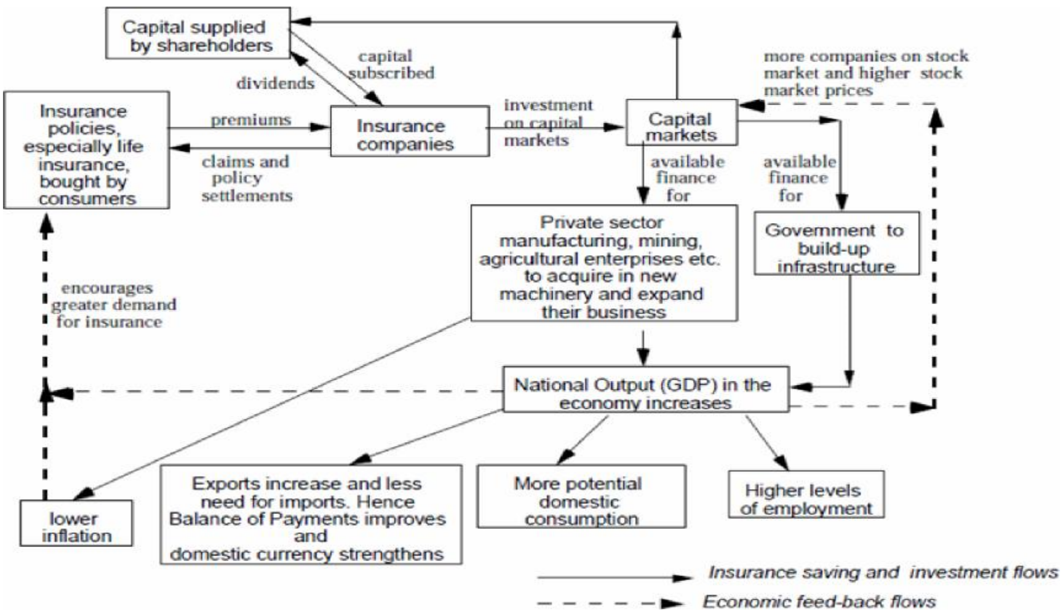
3.2.4. Economic benefits of a dynamic life insurance sector

Life insurance has wider economic ripple effects in an economy. It acts as complementary to the banking system by providing long term finance to manufacturing, energy generating companies, trading, agriculture and financing of industries in the form of equity or debt capital since banks can only provide short-term finance to manufacturing and other enterprises, because of the short-term nature of their deposits. Life insurers also makes fund available to the government in funding improvements in the infrastructure. In India 15% of life fund investment in infrastructure is made mandatory according to section 27(A) of life insurance regulation act of 1938 which has been subjected to changes with amendments.

These capital expenditure decisions, made by the private sector and by the government leads to rise in the level of employment and increases the standard of living across the economy. As the economic base of the country improves, the export potential of the country increases there is a rise in the exports of those goods which was hitherto imported. The small savings collected through life insurance also plays a very important role in reducing the inflationary like situation since savings in life insurance reduces the purchasing power of the people and consumption of conspicuous goods will be squeezed out. This process has been depicted in the following flow chart**.**

Chart No 3.1

Role of Insurance Company In An Economy



Source: http://www.oecd.org/dataoecd/40/11/1857811.pdf (Dickinson, CIIS, London).

3.3 Functions of the life Insurer[9]

3.3.1 Life insurer acts as a risk manager and a risk expert[10]: The very function of the life insurance is highlighted in one of the classical definitions of insurance "*as a social or commercial device providing financial compensation for the effect of misfortune, and the payments being made from the accumulated contributions of all parties participating in the scheme*"

The very idea of buying a life insurance policy is to provide for financial accommodation during a misfortune. Based on the type of risk profile ,every insured pay a certain sum which is called a premium which is different in each case towards a sort of fund The insured can claim his right for payment if an misfortune occur. The fund is created in such a manner that it is highly unlikely that all risks are affected at the same time . The insurer determines the premium amount and payout mechanisms for everybody contributing to the scheme. Therefore an Insurer is a fund manager, an owner, and a risk expert.

As a fund manager, the insurer has two major task; on the one hand being the custodian or a treasurer of the established fund; on the other hand, he is the owner of the fund .However both the task of an insurer are contradictory to each other but with the mechanism of insurance the insurer manages. As a custodian of the fund, the insurer has the liability to pay out for any claims that meet the pre-established criteria. In the event of payment of the claim there is some money left which the insurer invests and profits for himself thus become the gainful owner of the fund.

An insurer also works as a risk expert and risk manager since he has to work out the extent of risk he has to face. Whenever an new risk in the scheme is accepted it affects everybody who is in the scheme already. The insurer is a prudent risk assessor or an expert not just because of the decision he takes with regard to direct obligation concerning the risk *per se* but towards the obligation of other business relations.

3.3.2 Insurer acts as a tool for the upliftment of poor[11] :Insurers, provide useful tool for upliftment of poor through the products it provides which covers health and other essential insurable risks.

---

[9]Sadhak Hira, (2009)"Life Insurance in India: Opportunities ,Challenges and Strategic Perspective",sage publication.

[10]Ibid 9 pp7.

[11]Singh Kirti;Kumar Vijay(2011) "Micro Insurance tool For Poverty Alleviation"; International Journal of Multidisciplinary Management Studies. http://zenithresearch.org.in/

A wide variety of micro insurance products are designed to address these risks, such as crop insurance, livestock/cattle insurance, insurance for theft or fire, health insurance, term life insurance, death insurance, disability insurance, insurance for natural disasters, etc. Micro insurance is recognized as a useful tool in our economic development. It is accessed by the low-income groups, accommodated with products of different entities, but carried on with generally accepted insurance practices. .Micro insurance policies are specifically designed for the poor and socially disadvantaged in terms of low premiums, terms, coverage, and delivery to manage their risks. A country is said to be developed when its people are developed. People are said to be developed when they have access to basic necessities of life. Insurer serves as a bridge for people towards the path of development.

3.3.3 Insurer supports trade, commerce and entrepreneurial activity[12]:

In modern economies there is heavy reliance of economic activities be it manufacturing, shipping, aviation, medical, legal, accounting and banking services on risk transfer. Insurance services play a supporting role in transmission of risk transfer. More broadly, insurance can give investors the financial confidence to make investments, since they know they will be able to recover their investment.

3.3.4 Insurer acts as a source of generating Employment.[13].

An Insurer employs a vast number of direct employees. Insurers also generate a lot of indirect employment of numerous professionals such as Agents, Consultants, Surveyors, Loss Assessors, Underwriters, Claim Settlers, Salvage Dealers, Brokers, Sub-brokers, financial intermediaries and other services companies in areas ranging from IT to transport, from auditors to consultants, etc. However there are endless functions which an Insurer performs in various sphere.

3.3.5 Role of Insurance in Financial Sector Development[14]:

Insurance sector helps in deepening the depth and efficiency of a country's financial sector. Various studies across the globe have proved that financial efficiency of an economy leads to the growth of the country.

---

[12]Mashayekhi,Mina.,Tuerk,Elisabeth.,Fernandes Deepali(2007)"Trade and development aspects of insurance services and regulatory frame works UNCTAD report"

[13].Ibid 12 p8

[14]USAID(2006),"Assessment on how strengthening the Insurance Industry in Developing Countries contributes to Economic Growth".usaid.gov/pdf_docs/Pnadf482.pd

Financial efficiency is an indicator which depicts how the economic agents cost effectively operates. Greater financial efficiency and depth shows the increased levels of financial intermediation, investment, and productive resource allocation. The mechanism through which insurance works to stimulate economic growth depends upon the role insurance plays in deepening and improving the efficiency of the financial sector. Studies show that insurance influences financial activity in various ways

- Insurance helps in measuring and managing non-diversifiable risk faced by creditors and borrowers efficiently than any other financial institutions by facilitating the provision of credit
- A common measure of financial depth across countries over time is measured by the ratio of currency to narrow money (M1) or the ratio of broad money (M2) to nominal GDP. This measure crudely attempts to define the financial sector which helps in catering the transfer of funds from the savers to borrowers who are in need to raise capital for real long-term investment
- Insurance companies provide price signals for risk that helps the economy to allocate its resources more efficiently among Economic activities.
- Insurance offers competitive and long-term contractual savings vehicles than any other financial institutions.
- The long term contractual savings and the nature of their liabilities of the life insurers helps as an important source of long-term finance.
- Insurance facilitates investment in infrastructure and high risk/return activities, by generating sources of long-term finance, and help in measuring and managing high-risk exposures.
- Investments of contractual savings in bonds and stocks, helps stimulate the growth of debt and equity markets.
- As institutional investors, insurance companies pressurize equity markets to adopt stronger corporate governance measures and greater transparency.

3.4 Global perspective of Insurance Industry in an Economy[15]:

Insurance is a dynamic and growing part of the financial sector, in both developing and the developed economies. Globally, Insurance business is usually divided into three main classes namely; general or non-life insurance, life insurance and reinsurance **.**

Life business involves pension, savings and health and Non-life or general insurance covers property –liability, motor insurance, marine, fire. Motor Insurance business is one of the largest in developed economies. In developed countries life insurance plays a dominant role.

Reinsurer refers to insurer's insurer**.** Developing countries often find themselves in the position of being buyers of reinsurance

The importance of insurance industry in an economy is measured by the size of its business, the number of its employees in a given country, the assets under management, or its contribution to the national GDP. Insurance sector plays a key role in the working of a modern society by being a necessary precondition for many activities which would not have been possible if not for insurance (*The Geneva Papers* 2007).

The size of the insurance market indicates the volume of insurance premia. According to Swiss Re, (Insurance report 2014) shows that worldwide insurance premia in 2005 amounted to USD 3,426 billion, of which USD 1,452 billion were in non-life insurance. The huge premium collected by the insurers forms the capital flows leading to huge assets, which the insurance industry controls. The OECD estimates that the financial assets of insurers in the year 2004 amounted to 4,088 billion USD in the U.S, 2,321 billion USD in Japan, and 1,399 billion USD in the U.K corresponding to 40.5 per cent, 60.3 per cent, and 97.1 per cent of GDP, respectively. These statistics proves the enormous relevance of the insurance industry to the performance of these economies.

In developed economies the total insurance penetration has been much higher compared to developing economies. It has been greater than 5 per cent and often accounted for more than 1/10 of the whole economy: for example it accounted in the U.S. for 9.36 per cent in 2004, Japan 10.51 per cent, U.K. 12.60 per cent, Germany 6.97 per cent, France 9.52 per cent and the Netherlands 10.10 per cent .U.S, Japan, and U.K are one of the largest insurance markets in the world.

---

[15]**Global Insurance Market Trends © OECD2014**

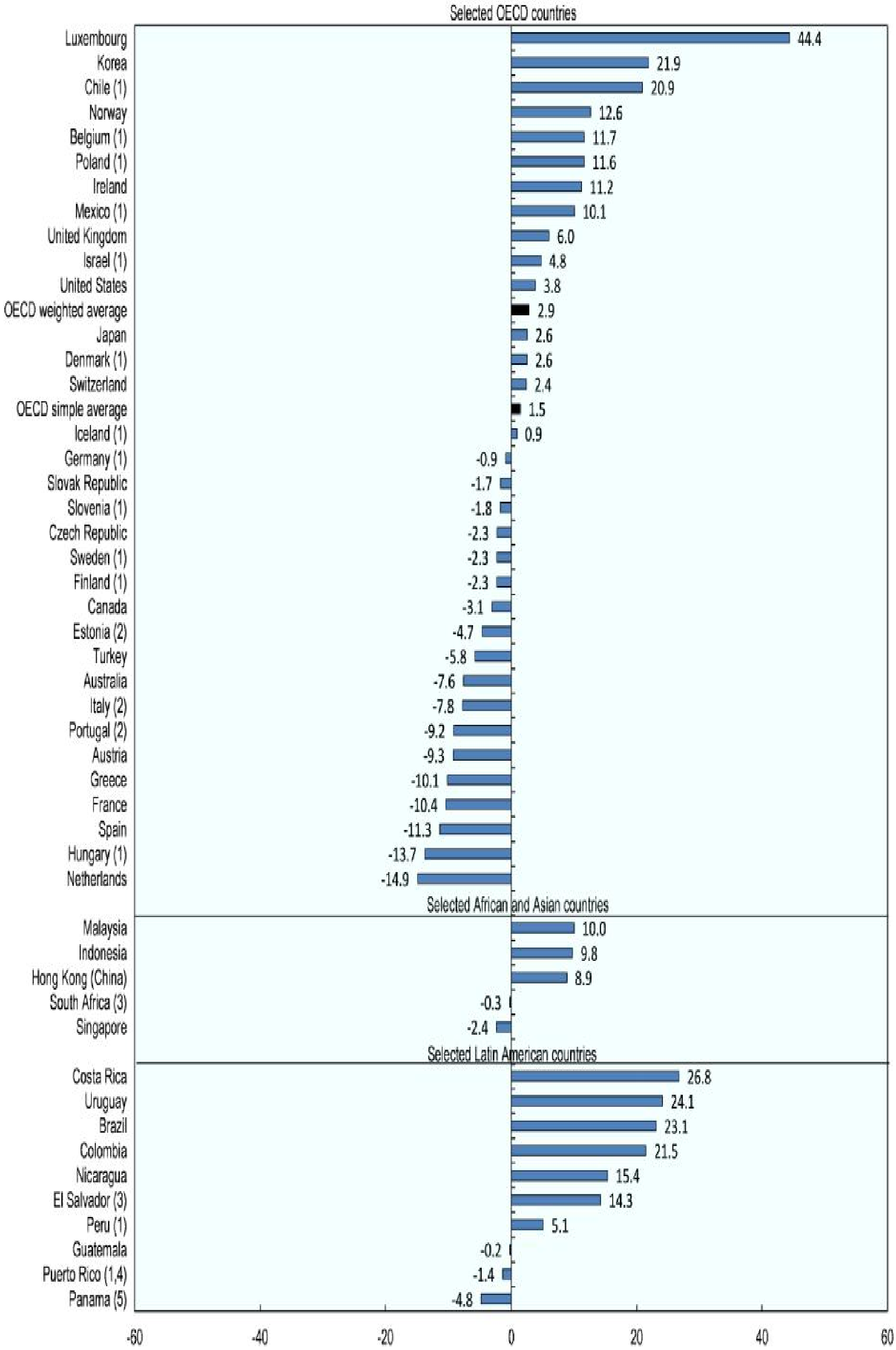
The volume of Insurance premia collected through various policies is covered under assets under management of life insurers which is invested on bonds, shares and real estate which in turn leads to possible effect on the economic development .The OECD estimates of 2013 highlights the position of Insurance companies in GDP of various OECD countries of the world. The portfolio investment of the companies is different in different countries which reflect different economic and financial situations, competitive environments, and levels of development and regulatory system prevailing in the economy.

According to Global Insurance market report published in 2014 on OECD countries on Insurance (2011-12) following statistics acts as a mirror image of growth and decline in insurance business. Various reports on insurance highlight the growth of premiums as a percentage to GDP which acts as an indicator of development of insurance business. The statistics reflects the development of insurance market across the globe.

Ibid 15 ,pp 10

Chart no 3.2

Share of life insurance sector in Annual increase in insurance premium. (2011 - 2012)



Source:(www.oecd.org/daf/.../insurance/Global-Insurance-Market-Trends-2014)

Life Insurance premiums have contracted in and increase significantly in a large number of countries including European Union. The poor macroeconomic environment and competition from the banking sector served to be a constraint on growth. The other contributing factors for the negative growth rate could be declining sales in unit linked policies, annuities .The countries which experienced negative growth rate were Netherlands, Hungary, Spain, Greece, Austria, Italy ,Australia, the Czech Republic, Slovak Republic experienced negative growth rate in premiums. Positive trends could be found in new business in all lines of life insurance, with the exception of pension insurance.

By contrast, there was very strong growth in gross written premiums in the life sector in Chile, Korea and Luxembourg. In Chile, during 2012, this increase was coupled with fewer administrative costs. Significant growth was experienced in other Latin American countries. Costa Rica experienced growth due to maturing domestic insurance markets.In Colombia, premiums grew due to growing employment, which favored demand for coverage of professional risks, group life insurance, and health and accident insurance. In Peru, the sizable increase in total volume of premiums was due largely to increased pension insurance

In Hong Kong (China), and Malaysia premiums grew substantially for both new and in-force life business. In Hong Kong (China), new insurance business comprised, for a large part, non-linked life insurance business. For in-force business, significant growth was observed in individual life and annuity (non-linked) business and retirement scheme insurance business.

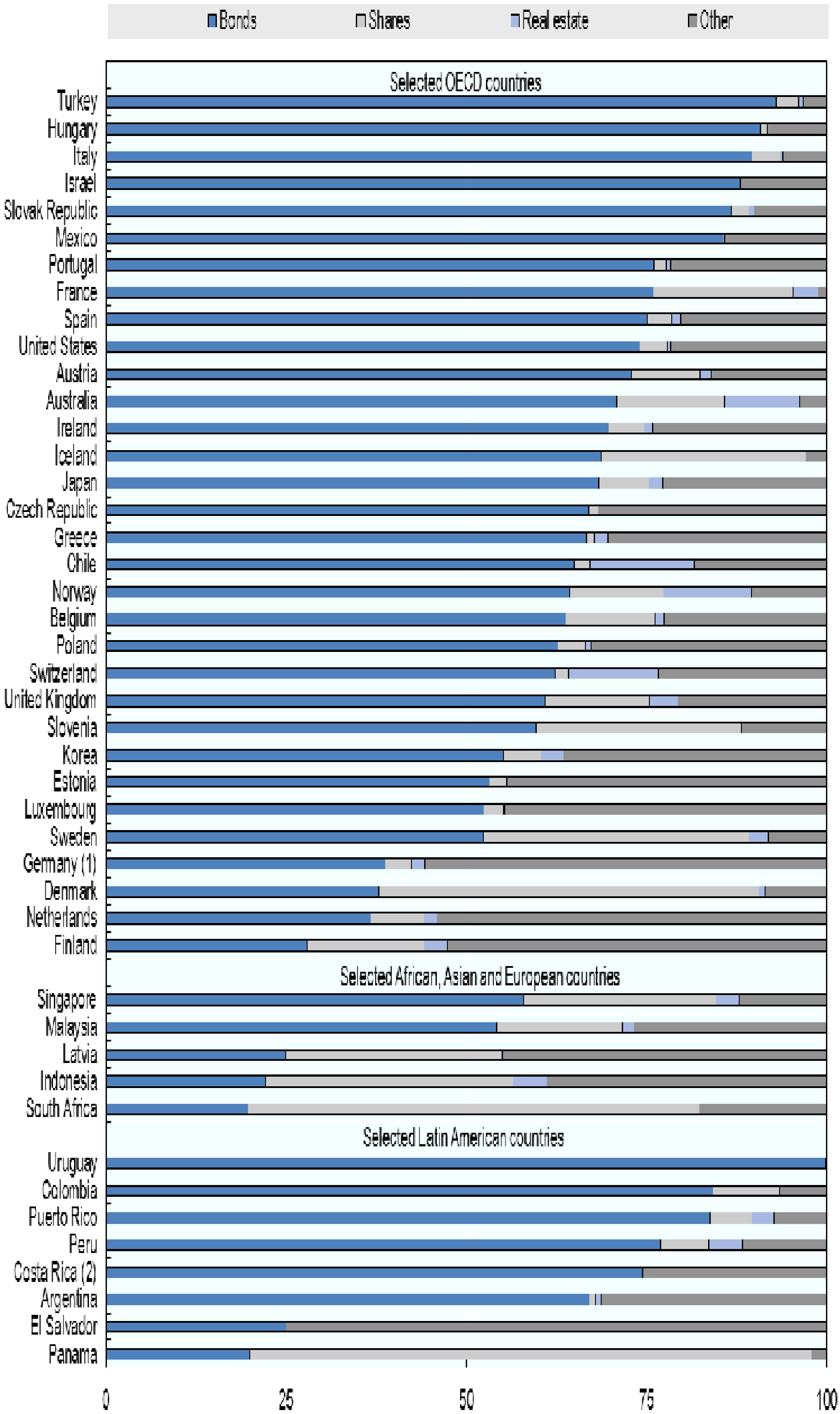
In Belgium, life insurance premiums experienced a rebound, reaching their highest level. In Poland, there was strong real growth in life insurance premiums. Strong growth was experienced in life insurance and unit-linked insurance, or more specifically to increased sales of investment-type products and structured products.

In Mexico, premium growth remained strong in the life sector. This growth is primarily explained by the increase in sales of insurance products with a saving component, which include products in traditional life insurance as well as annuities products. In the United States, written premiums generally increased across the board, with growth due primarily payments made into annuities and life insurance revenues.

Ibid 15 ,pp 10

3.5 (A)Investment Allocation and Performance Portfolio Investment of life insurance in OECD countries :

Chart No 3.3



Source:(www.oecd.org/daf/.../insurance/Global-Insurance-Market-Trends-2014)

The Chart No 3.3 gives a bird's eye view of portfolio Investment or assets under management of the life Insurers in OECD countries which consist of Investments in assets like Public and Private sector Bonds, Equities Real Estate and others

The assets under management of insurance companies reflect the development of the insurer which in turn leads to the development of the country. Investments of premium under various assets are different like fixed-income securities like government and private sector bonds, Equities and real estate. Depending upon the country investment portfolio of different countries are different which depends upon the economic condition and regulatory authorities of the respective countries. Life fund investment in fixed-income securities allows for a better matching of assets with liabilities, particularly for life insurers with long-term business, and enhances liquidity.

An overview of allocation of funds of the life insurance industry of some of the reporting countries are noted as follows. It is been observed that nearly more than half of the portfolio investments goes into bonds in developed countries.

Countries like Indonesia, Panama, South Africa and El Salvador had weak responses with regard to investments in bonds. Whereas countries like El Salvador, Indonesia, Finland, Netherlands, Panama, Estonia, Germany and South Africa, reported more than 50 per cent of their investment portfolio in bonds
Countries like Turkey, Hungary, Costa Rica, Italy, and invested more than 90 per cent of premium in bonds.

The life insurance sector invested less than 10 per cent assets into equities. In some countries, however, equities comprised a sizeable component of portfolio investments (greater than or close to 20 per cent), such as in Australia, Denmark, Indonesia, Panama, Singapore, Slovenia, South Africa, and Sweden.

Investment in real estate is relatively limited in comparison with other asset classes. In Australia, Chile, Norway and Switzerland, the life insurance industry had significant investments in real estate (around 10 – 14 per cent).

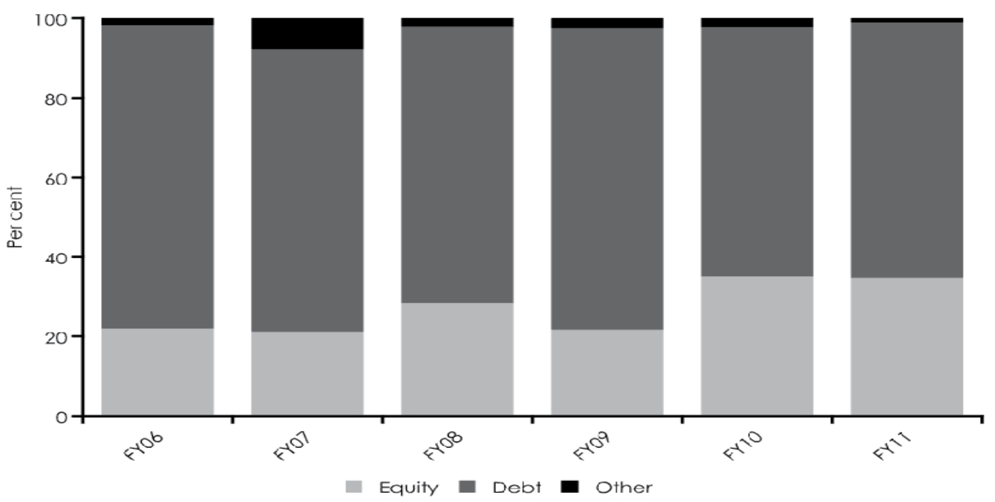
It is through the Investment returns of the insurers that the countries across the world with developed insurance markets have made rapid strides in the Economic development of the country.

Ibid 15 ,pp 10

3.5(B)Investment Allocation and Performance Portfolio Investment of life insurance In India [16]

Chart No 3.4

Life Insurers Asset Allocation FY06-FY11

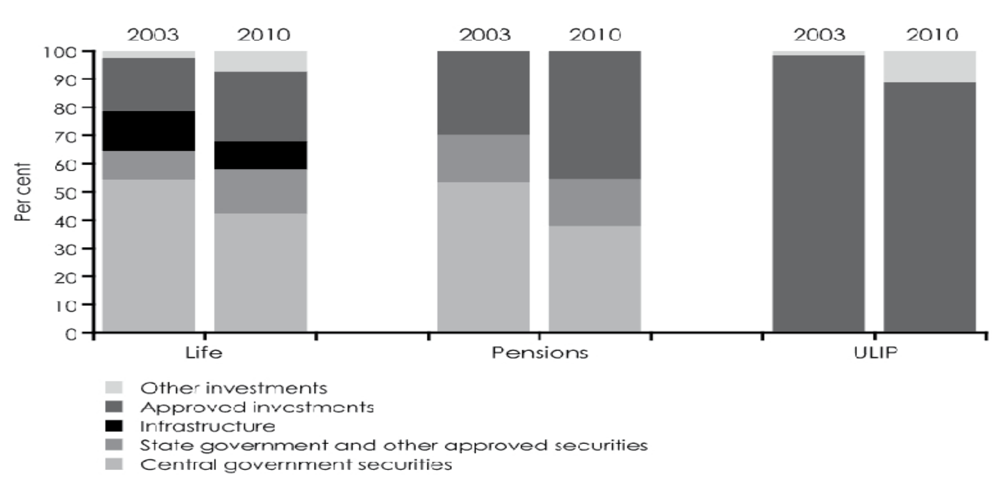


Source **http://www.cityoflondon.gov.uk/..**

Chart No 3.4 shows the life Insurers Investment in the country including both LICI and private life Insurers from the year 2006 to 2011. It is found that In India Investment strategy is very conservative.Only 24% of the life insurance investment went into equities in 2006 and 34% in 2011.Whereas rest of the investments were made in Government bonds.

Chart No 3.5

Asset Allocation of different Life Insurance fund in India



[16]**Source http://www.cityoflondon.gov.uk**

The chart No 3.5 depicts the allocation of life insurance investments in the country. It is found that in India, Insurance investment policies follow a very conservative pattern. This is clearly reflected in the above chart. Nearly about 24% of the Life fund is invested in Approved Investments 45% of the pension fund in Approved Investment and ULIP fund is entirely invested in Approved Investments.Major share of life fund investment goes into government bonds where the returns are low.

3.6 Role Played By Insurance In Indian Economy[17]:

Life insurance in India has been the baby of Life Insurance Corporation Of India(LICI) . To know the role played by insurance in the country, a study of contribution made by LICI for over more than five and a half decades becomes indispensable. LICI was nationalized in the year 1956 with the takeover 245 companies .With the nationalisation, LICI firstly had the responsibility to pool and redistribute life related risks of millions of households. Secondly, as a major collective savings institution, LICI marked as a dominant financial intermediary in the economy, which channelled investment funds to the productive sectors. Thirdly LICI played a bigger role in the national economy by actively participating in national reconstruction and economic planning (Bawa, 2007).

3.6.1 Operation of Life Insurance Corporation of India

The performance of LICI is measured between two periods namely 1957 and 2000. Growth in Life fund is considered to be an important indicator of growth of life insurance industry. An organization which began its journey with an asset base of about Rs 465.04 crore in the first year had successfully accumulated an asset base of Rs 1,61,002.22crore by March 31st 2000 , that is an increase of about 346 times. Similarly, the Life fund of LICI was increased by about 375 times from Rs 410.41crore in 1957 to Rs 1,54,043.73 crores in 2000.

[17] Sadhak Hira, (2009)"Life Insurance in India: Opportunities ,Challenges and Strategic Perspective",sage publication.

Table no 3.1

Performance of the Life Insurance Corporation Of India

Life insurance Parameters	As on 31 December 1957	As on 31 March 2000
1. Business in force		
No. of policies (in lakhs)	56.86	1,013.89
Sum assured (in Cr) (Individual assurance only)	1,474.00	536,450.82
Premium income First year (in cr)	13.72	4,956.10
Renewal;(in cr)	74.35	19,251.88
2. Policy payments		
Death claim (in cr)	7.89	1,637.70
Maturity claim (in cr)	20.81	7,628.55
Total.	28.70	9,266.25
4(a) Life Fund(in cr)	410.41	154,043.73
(b) Total assets (in cr)	465.04	161,002.22
5. Investment (Rs in Cr)	381.90	139,032.15
6. Government's share (5%) In valuation surplus(in cr)	14.50	265.02
7. No of Divisional offices	33	100
8. No of Branches	240	2,048
9. No of agents on Roll	207,373	714,615
10. No of employees on Roll	30,768	122,867
11. Expense ratio	27.30%	21.16%

Source: Tryst with trust, the LIC story(2001)

Table no 3.1 reveals the growth of life fund and assets which was made possible due to significant growth in new business from 13.72 crores in 1957 to 4956.10 crores in 2000. Similarly policy payment towards death and maturity claims increased from Rs 28.70 crores in 1957 to Rs 9266.25 crores in 2000.The total number of in-force policies went up from 56.86 lakhs in 1957 to 1013.89 lakhs in 2000. The number of in-force policies per branch and division was 0.23 lakhs and 1.72 lakhs in 1957 which had gone up to 0.49 and 10.14 respectively in 2000.Number of offices proves to be an important input for growth in order of the company to reach to the customers for mobilization of business and to take customer service. In 1957, LICI started their operations with 33 Divisional Offices, mostly in Metropolitan and urban areas. The number had gone up to 100 and most of these divisions were in the smaller cities. Similarly, the number of Branches started was 240 in 1957, which increased to 2048 in 2000 and most of the branches were in semi-urban and rural areas. Out of 2048 branches, 1248 branch offices were located in rural areas. The largest segment of the life insurance market in India had been individual life insurance. The types of the policies sold were mainly whole life, endowment and money back policies. Term life policies were rare in Indian market. Total life insurance products introduced in the initial 44 years i.e., since the formation of LICI till the liberalization of life insurance industry in 2000 were around 124 only. The number of new policies were sold each year went up from about 0.95 million a year in 1957 to around 22.49 million in 2001.

On the per capita basis, there were 0.0023 new policies in 1957 compared with 0.0218 new policies in 2001.Thus when we examine the new policies sold; there has been a tenfold increase during the period.

3.6.2 Allocation of Investments of LICI

The Life Insurance Corporation of India has been a nation builder since its formation in 1956. National priorities and obligations of reasonable returns to the policy holders were the main proclaimed criteria of the investments of LICI. The investment of the Corporation's fund was governed by Section 27 A of the Insurance Act 1938, subsequent guidelines/ instructions issued there under by the Government of India from time to time.

[18]Ibid17 , pp 17

Table no 3.2

Investment Portfolio of Life Insurance Corporation Of India 1980-2000						
Year	Loans To Govt	Govt Bonds	Central Govt Secutities	Unapproved	Foreign	Total
1980-81	41.7	55	1.6	1.1	0.6	100
1981-82	41.1	54.1	3.2	1	0.5	100
1982-83	40.3	54.2	4	1	0.5	100
1983-84	39.1	54.5	4.9	1.1	0.5	100
1984-85	37.7	55.1	5.7	1.1	0.5	100
1985-86	36.5	55.6	6.3	1.1	0.5	100
1986-87	35	56.8	6.6	1	0.6	100
1987-88	34.1	57.8	6.7	0.8	0.6	100
1988-89	33.2	58.5	6.7	1	0.6	100
1989-90	33.1	58.8	6.4	1.2	0.5	100
1990-91	33.6	59.2	5.6	1.1	0.5	100
1991-92	4.9	85.5	6.9	1.9	0.8	100
1992-93	34.1	60.1	4.2	1.1	0.5	100
1993-94	31.4	63.4	3.6	1.1	0.5	100
1994-95	28.7	66.4	3.3	1.1	0.6	100
1995-96	26.5	69	2.9	1.2	0.5	100
1996-97	24.8	71.2	2.6	0.9	0.5	100
1997-98	23.1	73.3	2.4	0.8	0.4	100
1998-99	21.7	75.4	1.8	0.8	0.3	100
1999-00	19.8	77.9	1.4	0.6	0.3	100
2000-01	18.3	79.8	1.1	0.5	0.3	100

(Source: LIC Annual Reports, various issues.)

Table no 3.2 shows the Investment made by LICI from 1980 to 2000.The various components of Investments are loans to State and Central Government, Government Bonds, Investment in unapproved securities and Foreign Investment. It is observed that Loans to state and central government has steadily fallen from 42 per cent to around 18 per cent in 20 years. At the same time, Government Bonds has gone up steadily from 55 per cent in 1980 to 80 per cent in 2000. As such, the LICI (along with the State Bank of India) has become one of the two largest owners of Government bonds in India.

To sum up the contribution of LICI It could be said that the vast premium income mobilized by LICI helped the nation in economic development, especially in building up infrastructure. In 1999-2000, its accumulated investment in infrastructure was Rs. 1,17,888 crores helping the country in improving the quality of the people at large through the enhancement of basic amenities like potable water, drainage, housing, electrification and transport.

LICI has made notable contributions to the development of the equity market. It has participated in the establishment of institutions lie NSC, IDBI, UTI and NIA. LICI has taken advantage of information and Technology and initiated measures for the convenience of the policy holders. The LICI has invested a major parts of its funds primarily in the socially oriented sector .The investment of its funds is governed by section 27A of the insurance act 1938, subsequent guide lines/ instructions issued by Indian Government from time to time, and the IRDA by, way of regulations. As per the prescribed investment pattern approved by IRDA, the controlled funds are invested as follows:

Not less than 50% is invested in government securities or other approved investments. Not less than 15% is invested in infrastructural and social sector. Not exceeding 20% Investment governed by exposure prudential-norms. Not exceeding 15% is invested in investments other than approved investments.

The LICI has been promoting social welfare sector by investing funds for the benefit of the people at large by providing basic amenities like potable water, drainage, housing, electrification and transport.

The LICI has been instrumental to boost up the industrial-growth in the country by way of subscription to bonds debentures issued by SFCs, IDBI, IFCI, ICICI and other financial institutions and also indirectly helps in development of small and medium scale industries. It also makes investments in the corporate sector in the form of medium and long term loans. All these make a distinct contribution towards growth in industrialization and generation of skilled and unskilled employment opportunities in the country. It touches life enriching the nation by providing financial assistance to projects associated with power, water supply, transport, housing development, infrastructure development and industrial growth. Despite the fact that the industry has grown after nationalization in many terms, several weakness have also been noticeable, particularly after the liberalization of the economy since 1990s and the changing requirement of the industry in its wake. A mere glance at the relative data unveils the untapped size of ‘uninsured India’, even after four and a half decades of nationalization.

In 2000, India with a share of 16 per cent of World population covered only 0.3 per cent of Global insurance market and ranked 78 in insurance density(per capita insurance) and 52 in insurance penetration(ratio of insurance premium to GDP). Life insurance penetration was 1.77per cent and that of Non-life was 0.54 in India and density was 7.6 and 2.4 in dollar terms respectively. In comparison, this was much lower than developed and other developing countries. Out of every 100 persons in India only 2.6 were protected by life insurance.(Swiss Re Economic Research, Sigma 2001). India had an insurable population of about 250 million. Of this, India covered about 89.36 million as on 31-03-1998. LICI claims that over 51 per cent of its new policies were sold in rural areas.

3.7 Insurance Liberalisation In India[19]

Government of India began the process of insurance reforms in April 1993 with the appointment of a committee headed by Late R.N. Malhotra. In the progression of events towards liberalization initiated in the early 1990's, insurance reform was trifle late. Several other segments of financial markets were deregulated and opened up to domestic and foreign private investment along with the birth of economic liberalization. But it did mark political and executive recognition of the latent and apparent potential of the insurance sector, in the context of financial sector reforms and overall liberalization process. In and about the same time, there were developments around the world such as crises in the Lloyds of London, major insolvencies of insurance companies, de-leftism and reconfiguration of the eastern bloc countries and consolidation of the European Union etc.

These developments have triggered transformations in the structure of insurance industry in the developed and other emerging markets. It has been observed that during the waves of globalization, trade liberalization of financial and capital market was strongly supported by increased speed and sophistication of Information Technology. ' The logic of financial globalization is to increase the elasticity of substitution between the risk adjusted rates of return on local assets and debts , and those in dollar markets until the local central bank has no margin within which it is free to determine domestic interest rates.' (Tobin, 1998).

[19] **Ibid 17 , pp 17**

Financial liberalization has forced many countries to open up financial markets and relax the rules of intermediation allowing financial service institutions to operate in newly liberalized markets.

The Uruguay round of GATT advocated the removal of restrictions and non-tariff trade barriers, so that there will be free flow of international services to Less Developed Countries (LDCs), strengthening domestic capacity and improving efficiency and competitiveness and ultimately enhancing economic growth . It is against this background that many countries like Argentina (1990), Pakistan (1990) and Czechoslovakia (1992) have deregulated their insurance sector. Globalisation of insurance markets, as a part of the overall process of liberalization in emerging and other countries enabled the foreign insurance companies to enter those countries. The driving forces of insurance market globalization have been identified as the 'push' and 'pull' factors. The push factors are the motives behind the movement of foreign insurance companies to other countries, while the pull factors are the motives for allowing foreign companies to operate in local market. Important push factors are increasing global trade, growing direct investment and potential future growth in emerging markets, while the important pull factors are requirement of capital etc.

Insulated from the competitive market forces, the nationalised insurance monopolies of India had not really participated in the contemporary Global developments. Insurance remained a public monopoly only in countries like Myanmar, North Korea, Cuba and India (Rao, 2000). Besides, because of this insularity, both the insurance density and penetration in India have remained very low compared to the World. The liberalization of the Indian insurance market was an initiative virtually 'forced' on the Government of India by the International multilateral agencies which have led the forces of globalization of trade and services. All these global developments, paved the way for the setting up of Malhotra Committee to review Indian insurance sector.

3.7.1 Malhotra Committee Report

This Committee released its Report in January 1994. The terms of reference of the committee were to suggest the structure of insurance industry, to assess the strength and weakness of insurance companies in terms of creating an efficient and viable insurance industry, to develop instruments for mobilization of financial resources for development, to improve the functioning of LICI and GIC, to make recommendations on regulation and supervision of the insurance sector in India etc. The Committee made far reaching recommendations regarding altering the structure of LICI and GIC. It also recommended the entry of new players.

3.7.2 Insurance Regulatory and Development Authority (IRDA) Act.

Malhotra Committee Report set the tone of change in the Indian insurance sector and deregulation followed subsequently. Indian Cabinet approved the Insurance Regulatory Authority (IRA) Bill on 6 March 1999 which was aimed at liberalizing Indian Insurance Industry. However, due to political instability, the bill could not be ratified by the Indian Parliament. The bill was subsequently termed as IRDA Act and passed in the Parliament on December 1999. The IRDA Act effectively reinstituted the Insurance Act of 1938 with (marginal) modifications. Whatever was not explicitly mentioned in the 1999 Act referred back to the 1938 Act.

After the IRDA bill was passed in the Parliament, private insurance companies were given licenses to operate in the Indian market. Joint ventures between Indian and foreign companies were allowed but FDI was limited to 26 per cent. And the minimum requirement of capital was set at Rs100 crore for life companies and Rs200crores for non-life companies. With this insurance sector was opened up to the private sector in 2000.

In the above analysis trends in insurance sector in the global world reflects the growth of insurance sector .The position of Indian Insurance market in the global context and its performance in the context of Economic Development has been analysed. However the analysis of Insurance sector in India was done in the context of monolithic sector.

To find out the role played by the Private insurers in the economic development has been the main goal of the present study. With the liberlisation of insurance sector the entire landscape of the insurance sector and the economy has witnessed changes. To find out these changes an attempt has been done to first find out the differences in the performances among the firms and their contribution to the development of the nation.

The global trend of insurance industry has proved that the size or volume of the insurance which is measured in terms of total premium, Contribution of Insurance towards the GDP, assets under management of life insurers which are invested and employment generated by the sector are some of the major parameters which determines the role performed by the Insurance industry in the nation building activities. The next chapter deals with the same.

Considering the importance of Insurance in an economy, we try to trace the importance of life Insurance of the country especially after the liberlisation of the insurance sector. According to Neo-Classical growth model of Economic development, it suggests that liberlisation. Privatisation and globalization as a possible solution for the countries to develop .The economists focused on the market to find a way out for the developing countries.

Policies of liberalization, stabilization and privatization therefore become the central elements of the national development agenda in the late early 1990’s. Foreign trade, private international investments and foreign aid flowing into the developing countries were expected to accelerate economic efficiency and economic growth of these countries. As a part of this strategy financial sector was also liberlised. Banking was liberlised first followed by insurance sector.

Insurance sector was liberalized in the late 1990’s with the setting up of IRDA which issued licenses to private and foreign insurers to invest in the country with a maximum limit of FDI up to 26%.Three companies started their businesses in the country in the year 2000 and gradually the number has increased to 23 in 2013. Based on the above analysis and criteria, the role of private life insurers along with LICI in economic development will be assessed in the 1V chapter.

Chapter IV

Performance Evaluation of Private life insurers in India

4.1 Profile of The Life Insurance Companies In India

4.2 Analysis of Performance Evaluation of the life Insurers

4.2.1 Market share of the life insurers

4.2.2 Service Quality of the life insurers

4.2.3 Innovativeness adopted by the life insurers

CHAPTER-IV

Performance Evaluation of Private life insurers in India

The process of Liberalization, Privatization and Globalization has opened up the Indian Economy for foreign as well as private players. In the light of the economic process, Insurance sector has been opened up for foreign as well as private players. For almost four decades LICI has been the sole player with virtual monopoly in the life insurance sector. Due to opening up of insurance industry since 1999, 24 companies have started their business in the life segment posing stiff competition among themselves as well the public sector giant LICI.

In the era of competition, Performance evaluation has become significant in order to survive for a long period of time. It provides a base for checking and controlling the weak areas of the activity and also provides a ground for growth, expansion and diversification. In short, performance evaluation refers to measuring performance against expectations [1].However LIC being in the public sector has a strong foothold in life insurance business. It becomes necessary for the private sector to evaluate their performance in order to sustain and carry on their operation in the long run .Growing importance of insurance sector an important aspect of service sector it becomes necessary to analyze the contribution of insurance sector to the development of the economy.

This chapter gives a brief review of profile of Private life insurers in the country taken for study. It also evaluates the performance of the ten private players from 2000-01 to 2009-2010. Performance of the players are evaluated on the basis of quantitative and qualitative factors which are covered under three heads. They are Market share, Service Quality and Innovativeness.These three parameter are further measured under eight heads.

---

[1] **Chandarana Harish Kumar Muljibhai(2008) 'Performance Evaluation of Life Insurance Corporation of India', Ph.D. Thesis submitted to the Department of Commerce, Saurashtra University, Rajkot, 2008.**

Keeping in view the objectives of the research, few quantitative and qualitative parameters are taken for study .For the performance evaluation of the private life insurer following parameters are selected

1. Total premium Amount

2. Equity Share Capital

3. Death settlement ratio

4 Claim repudiation ratio

5 Claim Pending ratio

6. Grievance settlement ratio

7. Number of products offered

8. Number of riders offered

In this chapter, A Comparative study is been made between private vis –a- vis private life insurers during the post-reform decade, 2000-2010.However LICI being in public sector is taken for study wherever necessary, since it is still a dominant player in the life insurance business with the 75% of market share. The study would be incomplete if LICI is left out. As of now there are 23 private life insurers .The researcher as selected ten private companies for study which started its operation right from the year 2001 .In the year 2000 Four companies started its business .They are Max NewYork life insurance Company(now Max life), HDFC Standard life insurance company ICICI Prudential life Insurance and Birla Sun Life Insurance Company. In 2001 seven more companies joined into life business. They were Kotak Mahindra Old Mutual Life Insurance Ltd, Tata AIA Life Insurance Company Ltd, SBI Life Insurance Company Ltd, ING Vysya Life Insurance Company Private Ltd(Now Exide life insurance), Bajaj Allianz Life Insurance Company Ltd, Metlife India Insurance CompanyLtd.

4.1 Profile of The Life Insurance Companies In India

4.1.1 Life Insurance Corporation Of India (LICI)[2]

LICI is solely owned by the Government of India. It was established on 1st September 1956 by merging 245 private life insurance companies by the act of Parliament. The main objective of its very existence is to provide protection to the policy holders throughout the length and breadth of the country, mobilizing savings for the economic development and funds nearly about 24.6 per cent of the Indian Government's expenses.

The life insurance products offered by the LICI covers risk and savings aspect. The products offered Covers term life, whole life, money back, endowment, combination of whole life and endowment, children's assurance, micro-insurance, health insurance, plans for handicapped dependents, annuities and retirement plans. It also offers rider benefits on its endowment and money back plans such as accident benefit rider, term assurance rider and critical illness rider. Special riders are designed for women and congenital disability rider. Group policies are designed for employer-employees, professionals, co-operatives and weaker sections of society. Medical emergencies are provided through day care procedures. Premium is waived for a period of one year if the insured is suffering from major illness.

Inspite of competition in the insurance market, LICI still enjoys many inherent advantages. Deep faith and trust of the customers in the corporation makes it dominant over other companies which are treated as an added advantage. Its wide network of market to distribute the insurance products to the customers and varied innovative product portfolio with improved technology add to its strengths. All this adds strength to the Corporation with tremendous advantage even in times of competition.

---

[2] **www.licindia.in**

LICI is a recipient of various awards from different institutions for loyalty, trust, corporate governance, business leadership and use of information technology

4.1.2 HDFC Standard Life Insurance Company Limited[3]

HDFC and Standard Life is a joint venture between HDFC and Standard Life Europe's largest Mutual Life Insurance Company. It took its inception on 14th August,2000. It received the certificate of registration from the IRDA on 23rd October, 2000. The two major shareholders of the company are HDFC and Standard Life which is the joint venture between HDFC, India's largest housing provider and the Standard Life plc a leading financial company from United Kingdom. The company trusts in providing long term financial services to the insurer through their innovative products.

The company has got an edge over business by tapping the business expertise from HDFC and Standard Life. It has been able to providing a wide range of products from individuals and corporate sector. By 2001, it had settled its first claim and had its 100th customer, with the total 100 employees. Company provides Life's products such as Protection, Pension, Savings, Investment, Health along with Children and Women plans. Its main aim has been customer service and therefore remained focused being customer centric. In 2012, it has been the first private life insurance company to bring back pension plans under the new regulatory regime, with the launch of two pension plans - HDFC Life Pension Super Plus and HDFC Life Single Premium Pension Super

HDFC Life has its presence in more than 980 cities .HDFC Life distributes its products through a multi channel network consisting of Insurance agents, Bancassurance partners (HDFC Bank, Saraswat Bank, Indian Bank), Direct channel, Insurance Brokers & Online Insurance Platform.

---

[3] **www.hdfclife.com**

4.2.3 Max New York Life Insurance Company Limited(Max Life)[4]

Max New York Life Insurance Company Limited now called as Max Life started as a joint venture between Max India Limited, one of India's leading multi-business corporations and New York Life International, an international arm of New York Life, a Fortune 100 company. Max India Limited was established in 1984 and has been an active agency in the business of financial services, information technology, telecom services and plastic products. New York Life was incorporated in 1845 and at being one of the world's leading service providers of life insurance. The company is one of the world's fortune companies.

Incorporated in 2000, Max New York Life started commercial operation in April 2001. In line with its values of financial responsibility, Max New York Life Insurance Company Limited has adopted prudent financial practices to ensure safety of policyholder's funds. The Company's paid up capital as on 31st August, 2010 is Rs.1,973 crores. However in 2012, New York Life Insurance Company has withdrawn the partnership with Max .Now it is a joint venture between Max India Ltd. and Mitsui Sumitomo Insurance Co. Ltd.

Max Life Insurance offers comprehensive life insurance and retirement products for long-term savings and protection to more than thirty lakhs customers. It has wide network of distribution channels throughout the country. The company has Axis Bank as a partner In distributing products. Max Life Insurance is a quality business focusing on providing excellence to customers through sale process through valuable advice, its business approach being customer centric, financial stability & investment expertise with strong human capital.

---

[4] **www.maxlifeinsurance.com**

4.2.4 ICICI Prudential Life Insurance Company Limited[5]

ICICI Prudential Life Insurance Company Limited is a joint venture between ICICI (74 per cent) and Prudential plc of United Kingdom (26 per cent). The company was incorporated on 20th July, 2000 and started its operations on 19th December, 2000.
ICICI Prudential Life Insurance Company Limited has been a leader in the private life insurance segment throughout with the significant rise in premiums. The company has been canvassing programmes since 2002 in order to educate the masses about the benefits of insurance.

The company has developed products with a clear understanding of consumers' needs by developing unique products to cover its customers in every stage of their life. Single premium products were introduced specially for higher income groups which has been an alternative form of payment of regular premium . It has also earned credit for its rural initiatives by concentrating on retirement plans.
The company credits itself with a premier position in the new business premium and practices marketing strategy to spread awareness towards planning for one's future.
The company has also focused on Information Technology as a medium of insurance distribution which in turn helped in reducing cost on advertisement and marketing.
ICICI prudential Life Insurance Company Limited has tied up with India Post to distribute insurance products through the large network of post offices in West Bengal, Gujarat, Karnataka, Andhra Pradesh, Bihar, Jharkhand and Madhya Pradesh. This has enabled the customers to buy policies through the branches of post offices and also e-payment has been provided through the post office branches

The company has started a service on mobile phones payment which enables the customers to pay premiums through their mobile phones and has turned out to be a great boon to its customers. The introduction of the web chat service has been another milestone for resolving grievances of the policy holders. The company has also a Visa Certified System to enable its policyholders to pay their premium by sending an SMS using their credit card.

[5] **www.iciciprulife.com**

4.1.5 **Kotak Mahindra Old Mutual Life Insurance Limited (Om Kotak)**[6]

Kotak Mahindra Old Mutual Life Insurance Limited is a 74:26 joint venture between Kotak Mahindra Bank Limited and its affiliates and Old Mutual plc. Kotak Mahindra is one of the India's leading banking and financial services organizations, offering a wide range of financial services that encompass every sphere of life. Old Mutual p/c is an international long-term savings, protection and investment group. Having its roots in South Africa and originating in 1845, the group provides life assurance, asset management, banking and general insurance to more than 15 million customers in Europe, America, Africa and Asia.

Old Mutual p/c has provided the domestic insurer Kotak Mahindra group with an international perspective and expertise in life insurance business. The company designs different insurance products like endowment, money back, insurance bond, term insurance, group term, preferred term, child advantage, retirement plan, capital multiplier and gratuity plan. These innovative products will help the customers to take important financial decisions at every stage in life and stay financially independent. The company has covered more than 3 million lives as on 2014.

Kotak Life has launched on-line term plans. In order to overcome the remorse feeling of paying for nothing when a customer survives a pure term plan, premium-back term plans are also introduced. In a premium back plan, if the insurer survives the term, he gets back all the premiums paid during the tenure as maturity benefit.

Further, the company has planned to penetrate into semi-urban and rural India through group micro-insurance products. It has planned for tying up with Self-Help Groups and offers them a three-year plan with a saving- cum -insurance opportunity.

---

[6] **www.kotak-lifeinsurance.com**

4.1.6 Birla Sunlife Insurance Company Limited(BSLI)[7]

Birla Sun Life Insurance Company Limited was established in 2000, as a joint venture between the Aditya Birla Group and Sun Life Financial Inc, a leading international financial services organization from Canada.

Aditya Birla Group through Aditya Birla Financial Services Group (ABFSG), has a strong presence across various financial services that include life insurance, fund management, distribution and wealth management, security based lending, insurance broking, private equity and retail broking.

Sun Life is a leading international financial services organization providing a diverse range of protection and wealth accumulation products and services to individuals and corporate customers.

With an experience of over 10 years, the company had contributed significantly to the growth and development of the life insurance industry in India. The impressive combination of both domain expertise and product range helped the company to cover more than 2.4 million lives ever since its inception in 2000 and established a customer base spread across more than 1500 towns and cities in India.

Birla Sun life Insurance Company Limited has introduced innovative products through its innovative distribution channel. The company has banked on clear trust investment-linked insurance products. It aims at maximizing returns on investment for the policyholders. It has been trying to achieve fastest break-evens among all private life insurers. The company claims to have designed products which aim at returns, liquidity, safety, tax-benefits, transparency and convenience. The products of the company are-flexi save plus Endowment Plan, Flexi Cash Flow Money back Plan, Flexi Secure Life Retirement Plan (Pension), Flexi Life Line Whole Life Plan, Single Premium Bond and Birla Sun life Term Plan.

[7] **www.birlasunlife.com**

The company aimed in targeting the small and medium enterprises which provides huge potential for group business schemes in the country. It has rolled out products for rural wealthy farmers. The company meets its rural and social insurance obligations by offering insurance products that is suitable according to their needs. The company also provides an endowment product called Bima Kavach which targets the rural poor.

The company has hiked its paid-up equity capital mainly to strengthen its business with vigour and speed. It has a rural business cell which helps in achieving higher penetration in rural areas. The distribution strategy adopted by Aditya Birla Group in rural areas is the direct sales agents who promote its rural and social products at the district-level branches.

The company has a tie-up with Idea Cellular to offer group term insurance cover for subscribers aged between 18 and 35 years. The company has launched the 'Children's Dream Plan' a unit-linked insurance plan with guaranteed maturity benefits to its credit. It is the first Indian insurance company to introduce "Free Look Period" and the same is made mandatory by IRDA for all other life insurance companies. It is a pioneer in the launch of unit linked life insurance plans among private players in India.

4.1.7 Tata AIA Life Insurance Company Limited(Tata AIA)[8]

The Tata AIA Life Insurance Company Limited is a joint venture formed by the Tata Group and American International Group, Inc. (AIA). The Tata Group holds 74 percent stake and AIA holds the balance of 26 per cent. The Tata AIA Life Insurance Company Limited was licensed to operate in India on 12th February, 2001 and started its operations on 1st April, 2001.

The company provides insurance solutions to individuals and corporate sector. It offers a broad array of insurance coverage with various types of add-ons and

[8] **www.tata.com/company/profile/Tata-AIA-Life-Insurance**

options available on basic life products to give the insured flexibility and choice. The products of the company are - Assure Life Line plans, 15-Year Life Line (with return of premiums) plan, Money Saver Plan. Security and Growth Plans and Mahalife. Tata AIA Life Insurance Company Limited has launched two new products - a non-participating whole life unit-linked insurance plan and a non-participating endowment unit-linked insurance plan. In both ULIPs, the policyholders are entitled to loyalty additions of 0.25 per cent of the regular premium fund value.

'Anticipation' and 'Innovation' has been the Company's business philosophy. It has tie-up with Syndicate Bank. It has achieved breakeven in its tenth year of operations and posted a net profit of Rs.51.79 crore in the year ending by 31st March, 2011. The company's cost optimization strategies and continued focus on persistency of business has resulted in this profitable growth.

4.1.8 SBI Life Insurance Company Limited (SBI Life)[9]

India's largest public sector bank, State Bank of India and Cardiff S.A., a leading insurance in France have formed SBI Life Insurance Company Limited. It is a 74:26% venture. Cardiff being the foreign partner, has contributed 26 per cent in the paid-capital of Rs.250 crores. Cardiff, a wholly owned subsidiary of BNP Paribas is one of the top 10 banks in the world and the third largest in Europe. It was established in 1973 and specializes in selling insurance products through commercial banks in France and 23 other countries.

It runs with a vision statement “To be the most trusted and preferred life insurance provider ". The SBI Life Insurance Company Limited, a life insurance major, offers its entire product portfolio which ranges from protection, saving and

[9] **http://www.sbilife.co.in/sbilife**

endowment plans to pension and unit-linked insurance plans. The company's products are Sanjeevan, Young Sanjeevan, Super Suraksha, Sudarshan, SBI Scholar, Suvarna Ganga and Life Long pensions.

The company provides wide range of ULIPs to suit the investment needs of the customers. The different ULIPs issued by the company are smart performer, unit plus super, saral maha anand, smart elite, smart scholar, smart horizon, smart pension and smart wealth assure.

One of the greatest advantages of SBI life is to leverage on bank customers for business since SBI has a large network of customers. It has about 4,000 agents selling policies. It has also forayed into micro insurance and health insurance sectors. As there is a huge demand for micro insurance, the company has introduced some attractive products and sells them through the banking network. It has tied up with Coromandel International Limited to offer insurance in rural areas in Andhra Pradesh. The Coromandel sells the company's life insurance products to its rural customers through 'Managromor' brand of rural outlet. It has also emerged as the largest private sector insurer. The company settles all eligible claims within 10 days from the date of receipt of the documents. It is the first among new life insurance companies to earn profit

4.1.9 ING Vysya Life Insurance Company Limited (Exide Life)[10]

ING Vysya Life Insurance now renamed itself as Exide Life Insurance Company following regulatory approval with the formal exit of the Netherlands-based ING Group from the insurance venture. Earlier ING Vysya Life Insurance Company Limited was a joint venture between ING International BV, ING Vysya Bank and CMR group. The shareholdings of the constituents are INC International BV 26 per cent, INC Vysya Bank Limited 49 per cent and CMR Technologies and Industries, 25 per cent.

---

[10] **http://www.customercarenumber.co.in/finance/insurance/ing-vysya-life-insurance-customer-care.html now www.exidelife.in**

The company entered the Indian private life insurance industry in September, 2001. The vision of the company is to become a leading private life insurance company and a cornerstone of integrated financial services in the years to come. The company believes in building relationships based on trust, expertise and reliability, helping individuals to manage not just life insurance, but their lives as well. The company has pioneered in product innovations in the Indian life insurance market with customer-oriented cash bonus endowment (Reassuring Life); money-back product (Maximizing Life); the first anticipated whole life product (Full-filling Life); and the first term/ critical illness combination product (Conquering Life). As life of an individual is different at every stage, the company offers products of flexibility and choice to go with each stage . The company has designed number of add-on benefits on products to protect the policyholder and also his family. The company has launched ING Market Shield, a guaranteed NAV (Net Asset Value) unit linked insurance product. This product provides the customer an opportunity to participate in the equity market while protecting investments from its downtrend with a guaranteed NAV. Universal life plans are also developed by the company under the revamped guidelines of the IRDA.

4.1.10 Bajaj Allianz Life Insurance Company Limited[11]

Allianz Bajaj Life Insurance Company Limited came into existence on 12th March, 2001. The company came into existence when the German insurance major, Allianz AG (Allianz) and Bajaj Auto of India (Bajaj) came together to form a joint venture in the insurance market in India. The company received certificate of registration from IRDA on 3rd August, 2001 to conduct life insurance business in India.

Allianz of Germany is an insurance company which was established in Berlin in 1980. The company has been able to extend its operations across 70 countries throughout

[11] **www.bajajallianz.com/Life-Insurance**

their unique expertise and strengths in the Indian insurance industry. Allianz Bajaj Life Insurance Company Limited changed its corporate name to Bajaj Allianz Life Insurance Company Limited in 2004, as the market research study conducted by the company showed that Bajaj had a good brand reputation than Allianz among Indians.

The company has offered innovative products to suit the needs of the diversified customers. It is the first company to introduce a wedding insurance cover. The company sees the pension market as a big opportunity.

Customer focus has been the prime importance for the .It has re-built the product portfolio and re-designed the structure according to the insurance needs of the customers. The company has taken to a hi-tech route to help customers plan their tax liability. It is using blue-casting to provide a mobile-app. tax calculator. Bluetooth technology is applied for the transmission of data to a mobile device within a radius of 35 meters.

It has its operations under the Hub and Spokes Model wherein two or three satellite offices can be operated under one franchise.. The company has achieved break-even in five years.

4.1.11 MetLife Insurance Company Limited(MetLife)[12]

MetLife India Insurance Company Limited was incorporated on 11th April, 2001 as a joint venture between MetLife International Holdings Inc., The Jammu and Kashmir Bank, M.Pallonji and Co. Private Limited and other Private investors. With over 136 years of experience, the MetLife Companies serve millions of customers in America and Asia with a goal of building financial freedom to everyone. The Metropolitan Life Insurance Company (MetLife) is the number one life insurer in the U.S. The MetLife India Insurance Company Limited seeks to derive benefits greatly from

[12] **online**.pnb**metlife**.com/**lifeinsurance**

the MetLife Group's global experience and other unique strengths of each of its promoters to address the specific needs of the Indian customer. The company offers different products like Met Mortgage Protector, Met Platinum, Met Junior, Met Junior MB, Met Gold and Met 100 Gold.

The Company is one of the fastest growing life insurance companies in the country. It serves its customers by offering a range of innovative products to individuals and group customers at more than 600 locations through its bank partners and company-owned offices. The company offers life insurance, annuities to individuals and group insurance and retirement solutions to corporations and other institutions.

The company has promoted a need based selling approach to sell its insurance products to the customers. The company has understood right from its inception that it is operating in a nascent market where the understanding and relevance of insurance is marginal. As such, the company has consistently emphasized on educating its customers about the need for life insurance.

The company has recently announced that it has crossed one million mark in the life insurance premiums. India's favorable demographics in terms of its growing middle class population has given an opportunity to the company to expand its business operations and also to tap at a rapid pace the untapped Indian insurance market.

4.2 Analysis of Performance Evaluation of the Private life Insurers

In this section the researcher tries to find out the differences in the performances of the life insurers in India which is the first hypothesis of the study which that states that

Ha.1: There are differences in the performance of the insurance companies under study in terms of Quantitative and Qualitative parameters which is covered under Market share, service Quality and Innovativeness.

There are various parameters to find out the performances of a firm such as Total Premium, Capital adequacy, Profit and loss account of the firms, Settlement of claims ,No of offices, distribution network etc. This study has selected only eight parameters under three heads. They are market share which is measured using Total Premium and Equity share Capital which can be measured quantitatively. Service quality which is a qualitative aspect is measured using SERVQUAL scale .It Includes Status of Claims and Innovativeness which again is qualitative in nature is explained using descriptive method..(Kshetrimayum Sobita Devi 2011, Singhal R.P 2011)[13]

The following parameters are selected since they represent both quantitative and qualitative performance of the private life insurers and are considered to be representative indicators of a firms performance. Therefore only three parameters are chosen for study which is sub-divided for further analysis

4.2.1 Market share of the life insurers is measured using premium amount and share capital of the companies

4.2.2 Service Quality of the life insurers

4.2.3 Innovativeness adopted by the life insurers

4.2.1 Market share:

The market share identifies the share of a specific company within a market. Market Share of the life insurers is measured using two parameters

A) Total Premium

B) Equity share capital

[13](Kshetrimayum Sobita Devi 2011, Singhal R.P 2011,refer literature review)

A) Total premium: It includes new premium[14] and renewal premium[15] of the individual firms for respective years. Pareto analysis is done to find the market share. Pareto technique uses 80:20 ratio which helps us to find out the major market holder in life insurance business. It shows that 80% of the business is held by 20% of the firms and remaining 20% of the market share is with the 80% of the firms.

The following table no 4.2.1(A1) and 4.2.1(A2) and chart no 4.2.1(A1) depicts the market share of the selected ten companies which started its operation in 2001.The figures in following table is obtained by adding the total premium of the companies for 14 years from 2001 to 2014 .Cumulative as well as individual market share in terms of total premium amount of private sector is shown in table no 4.2.1(A1) and that of LICI with private players is depicted in table no 4.2.1(A2) and chart no 4.2.1(A2).

Table No 4.2.1 (A1)

Market Share of the Private Life Insurance Companies (in terms of Premium Amt in %)

Company	Frequency	Cum. Frequency.	Percentage	Cum. Percent.
ICICI	30.96	30.96	34.45	34.45
Bajaj	10.81	41.76	12.02	46.47
HDFC	10.3	52.06	11.46	57.93
SBI	9.79	61.86	10.89	68.83
Birla	8.49	70.34	9.45	78.27
Max	6.99	77.33	7.77	86.05
Tata	4.89	82.22	5.44	91.49
Kotak	3.53	85.74	3.92	95.41
ING V	2.22	87.97	2.48	97.89
Met	1.9	89.87	2.11	100

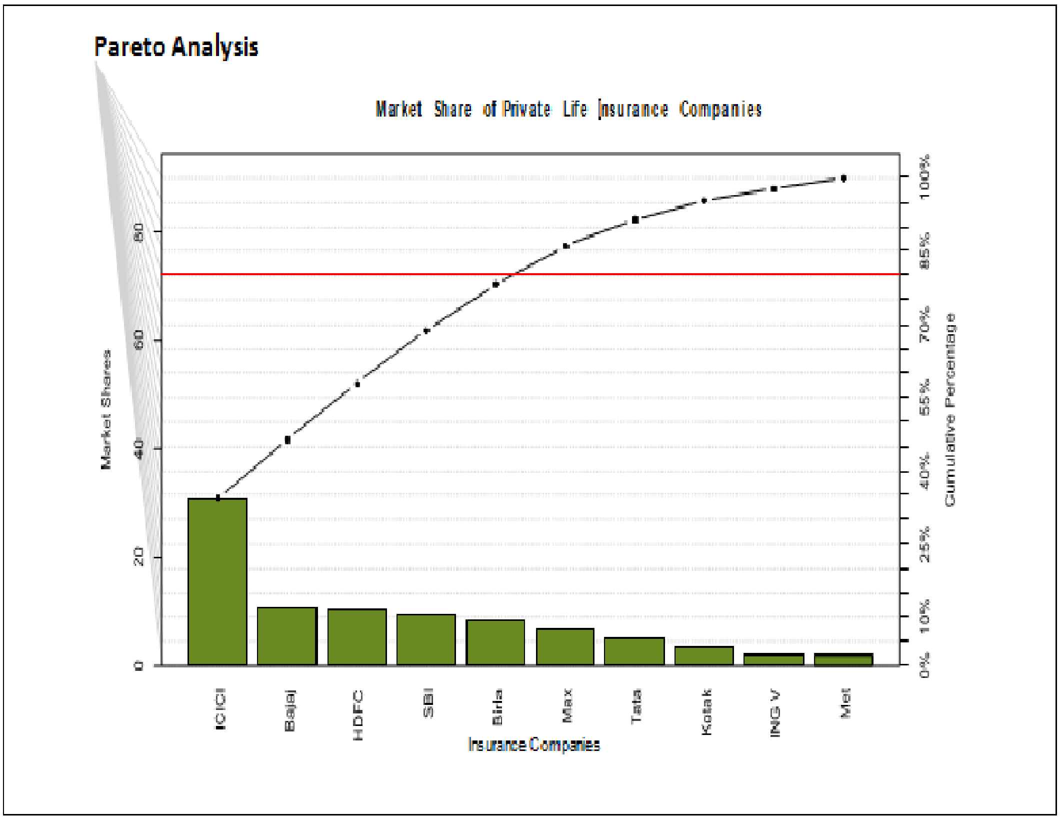
Source: IRDA annual reports from 2001-2014 .Data is computed from Appendices (A-1)

Data- refer Appendices (A-1)

[14] New business premium is the premium acquired from new policies for a particular year.It includes new premium and single premium procured during the year.

[15]Renewal premiums are the subsequent premiums that are paid by the insured to the insurer in order to keep the policy in operation

Chart no 4.2.1(A1)



Computed from table 4.2.1(A1)

Table no 4.2.1(A2)

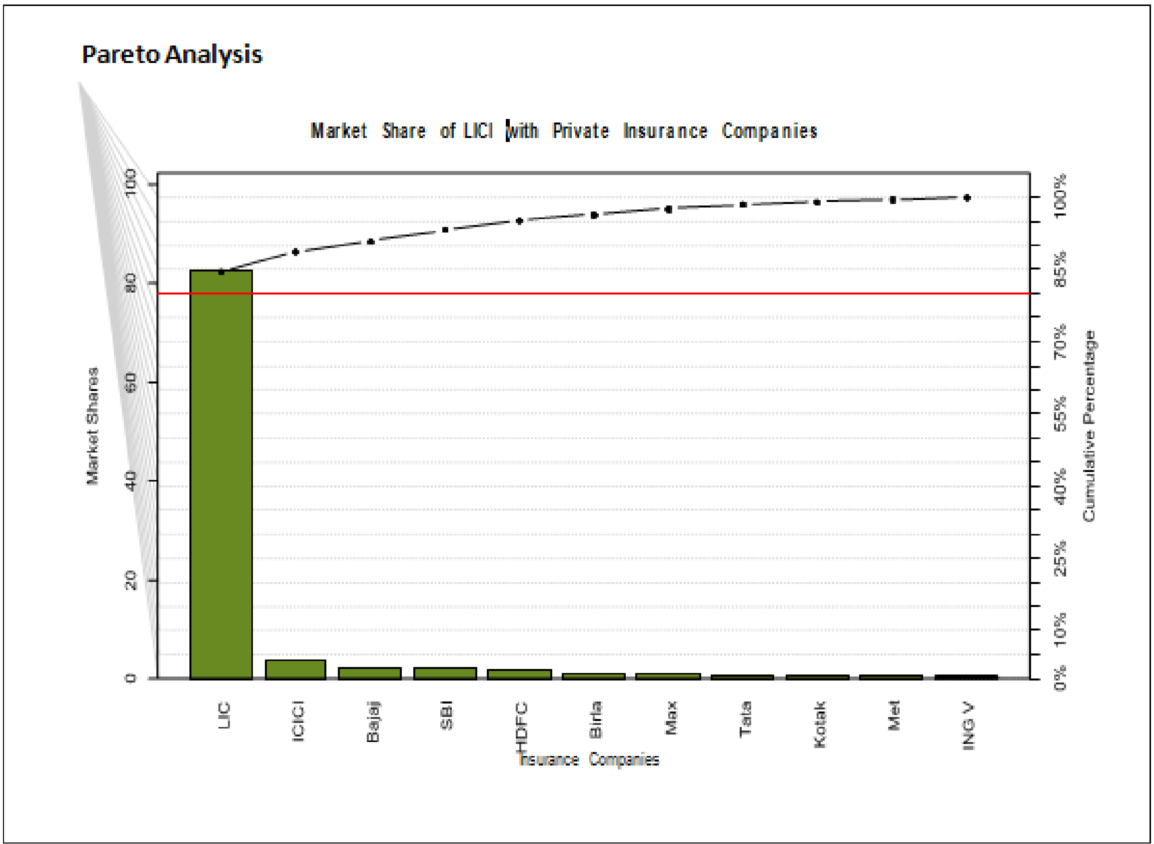
Market Share of LICI and Private Life Insurance companies (in terms of Premium Amount in Percentage)

Company	Frequency	Cum.Freq.	Percentage	Cum.Percent.
LICI	82.54	82.54	84.71	84.71
ICICI	3.86	86.40	3.96	88.67
Bajaj	2.25	88.65	2.31	90.98
SBI	2.15	90.80	2.20	93.18
HDFC	1.92	92.72	1.97	95.16
BSLI	1.26	93.98	1.30	96.45
Max life	1.18	95.16	1.21	97.67
Tata AIA	0.77	95.93	0.79	98.46
OM Kotak	0.64	96.57	0.66	99.11
Metlife	0.46	97.03	0.47	99.59
ING Vysya	0.40	97.44	0.41	100

Source: IRDA annual reports from 2001-2014 .Data is computed from Appendices (A-1)

Data- refer Appendices (A-1)

Chart no 4.2.1(A2)



Computed from table 4.2.1(A2)

The above graph no 4.2.1(A1) and 4.2.1(A2) depicts that the top five insurers have 80% of the market share in the private sector and remaining 80% of the firms are having 20% of the market share. When we take the LICI in comparison with the private sector it is found that 84.71% of the market share is with public sector LICI and the private sector has got 15.29%.This proves that private sector has a long way to go in par with public sector LICI. Among the private sector (table 4.2.1(A2) ICICI has got the major share of 34.45% followed by Bajaj 12.02%, HDFC with 11.46%,SBI life with 10.89%,and Birla Sun Life(BSLI) with 9.45% ,Max life with 7.77%,Tata AIA with 5.44 % ,Om Kotak with 3.92% and ING Vysya with 2.48 % of the market share. Least is Met life with 2.11 % .In the course of time more companies have joined life insurance business with 23 companies in the life sector. Since the commencement of business took place in different years their share has not been considered. Nevertheless the early entrants enjoy the advantage of getting the major share in the market being the early birds.

B)Equity Share Capital : Equity share capital refers to owners capital .Equity share capital refers to the strength of the company. [16]According to IRDA regulations of 2000, every private sector can enter into life business with minimum investment of Rs 100 crores or 1 billion. This is done in order to maintain the financial solvency of the firm. Share capital indicates the financial soundness of the life insurers .The following table shows the average equity share capital accumulated by the life insurers over 14 years .In the following table average equity share capital is displayed for ten companies. LICI has been excluded since it operates with only with 5 crore capital by the virtue of its public dominance and position .It is interesting to note that Bajaj Allianz operates with the same level of equity share capital of Rs 150 crores throughout the years undertaken for study. Only the average for fourteen years has been displayed in the following table.

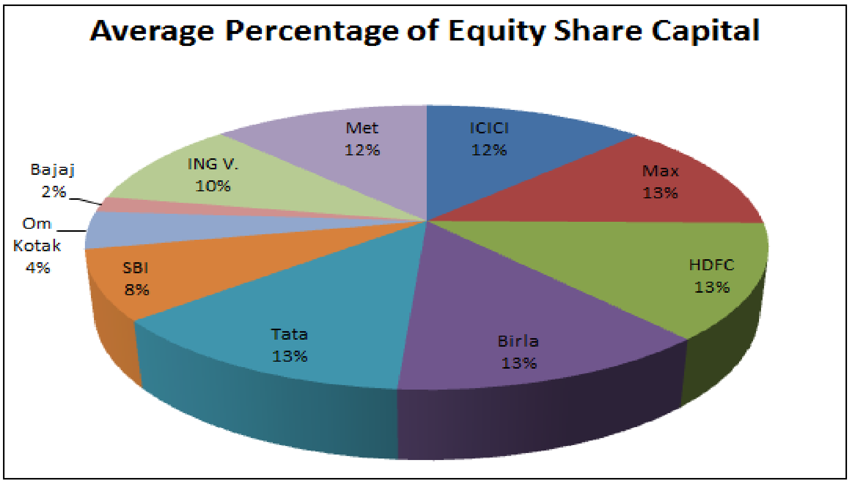
Table No 4.2.1(B)

Equity share capital of Private life Insurance Companies (Average Figures in Crores of Rs)

Insurers	ICICI	Max	HDFC	Birla	Tata	SBI	Om Kotak	Bajaj	ING V.	Met
Average	1059.60	1074.34	1108.1	1082.5	1080	669.24	362.49	150.44	834.64	1035.45
Percentage	12%	13%	13%	13%	13%	8%	4%	2%	10%	12%

(Source:Computed Data is compiled from IRDA handbook of statistics 2014)Refer A-2

Chart no 4.2.1(B)



(Computed from table no 4.2.1(B))

[16]IRDA Annual Report 2001

Interpretation: In the above table no 4.3 it could be seen that Bajaj Allianz and Om Kotak operate with 150 and 363 crores throughout the years. Since they have not issued any shares to the public with the total share of 2% and 4% of the total market share in terms of equity share capital. TATA, Birla , HDFC and Max Life have 13% of the total share capital followed by ICICI prudential and MetLife with 12%, ING Vysya with 10% SBI life with 8%. HDFC stands in no 1 position .Birla sun life stands second in the row, third being Tata AIA, Max life in fourth position , ICICI Prudential life insurer in fifth position, Met life in sixth position, ING Vysya in seventh position, eight being SBI life insurance company. In ninth position it is Om Kotak and lastly it is BAJAJ Allianz.

4.2.2 Service Quality of the life Insurers [17]: Consumer is the king in a competitive market. Therefore rendering good service to the customer has become the prime objective of the Firm. Moreover when the product is an intangible one and when there many sellers for that product, rendering efficient service become the prime goal of the firm. Providing good service leads the firm towards the success path. Moreover when it comes to life insurance the firm has along treading relationship with its customers. Service Quality is normally measured using two scales that is SERVQUAL OR SERVPERF. **SERVQUAL[18]** scale uses five dimensional structure with 22 items based on difference between expectation and performance perception of the customers .In the SERVPERF scale service quality is operationalised through performance only based on the same 22 items and five dimensional structure of SERVQUAL. Taking into consideration the customers perceived quality service, the two dimensional structure of Assurance and Competence is taken into account. Assurance in life insurance refers to firms capacity to deliver in the terms of the life insurance policy when it is redeemed and competence means that the customer can count on the agents of the firm to resolve any problems should they arise, and that too promptly.

---

[17] Jena Artta Bandhu & Misra Devi Prasad (2011) "Consumer Perception towards life Insurance product:An Empirical study" :Published by Prem Singh Bisht for Kunal Books ISBN 978-93-80752-23-5

[18]A Parasuraman,Ziethmal V and Berry L L(1988) "Serqual:AMultiple item scale for measuring consumer Perception of Service Quality" Journal of Retailing, Vol 64, pp 12-40.

Keeping in view the customers perceived quality service i.e. Assurance and compliance, following three parameters is taken for analysis. They are

4.2.2.1 Claims settlement

4.2.2.2 Redressal of Grievances

4.2.2.3 Performance of Ombudsman

4.2.2.1 Status of Claims: Status of claims is litmus test to a life insurer. Since it gives an idea of a company's performance with regard to customer service. **Status of claims is further included in three dimensions**. They are **Death claim settlement**, **Claims repudiation** and **claims pending ratio**. Death settlement refers to number of claims settled for every 100 claims reported. Claims repudiated refers to claims that are not settled or pending. **A)** Death claims settled in terms of number of policies and benefit amount for individual,Group and Total claims for all the firms respectively.

B) Claims repudiated in number of policies and benefit amount and their percentage to total death claims for individual, group and total claims repudiated for all firm respectively

C) Claims pending to total death claims and their percentages under individual, Group and Total category for all the firms.

Table No 4.2.2.1 (A1)
Individual death claims (claim pending at start of year +claims initiated) in number of policies (in Lakhs)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	6529	12011	23040	27038	27212	27282	23724
Birla	1460	2757	5921	9832	10914	9871	9197
HDFC	2062	2898	3837	4579	5149	6253	7259
ICICI	6632	10743	16057	16024	14829	14948	13398
ING	942	1523	1926	2293	2826	3312	3741
Kotak	703	1300	2280	2700	2949	3089	2963
Max	2347	3938	6019	9021	9031	9051	9478
Met	341	729	1346	1832	2174	2405	2510
SBI	2311	4260	7232	10031	11864	13426	14233
Tata	1664	2700	3495	4184	5107	4884	4711
LICI	577322	591097	677374	739502	731336	750576	760334

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table No 4.2.2.1(A2)
Individual death claims paid in number of policies(in lakhs)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	5065	10484	20316	23980	24658	24192	21658
Birla	1334	2457	5275	9307	9925	8149	8071
HDFC	1665	2549	3497	4369	4952	5988	6824
ICICI	5831	9298	14479	15160	14314	14393	12608
ING	526	1180	1720	2075	2510	2780	3111
Kotak	414	1002	1983	2411	2716	2843	2687
Max	2121	3545	3943	7033	8113	8531	8896
Met	162	422	1111	1565	1769	2017	2265
SBI	1883	3262	6022	8249	11328	12676	12960
Tata	929	1652	2732	3428	4287	4125	4225
LICI	553408	564389	653909	717529	712501	733545	746212

(Source: Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table No 4.2.2.1(A3)

Percentage of Individual death claims paid to total claims

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	77.58	87.29	88.18	88.69	90.61	88.67	91.29
Birla	91.37	89.12	89.09	94.66	90.94	82.55	87.76
HDFC	80.75	87.96	91.14	95.41	96.17	95.76	94.01
ICICI	87.92	86.55	90.17	94.61	96.53	96.29	94.1
ING	55.84	77.48	89.3	90.49	88.82	83.94	83.16
Kotak	58.89	77.08	86.97	89.3	92.1	92.04	90.69
Max	90.37	90.02	65.51	77.96	89.84	94.25	93.86
Met	47.51	57.89	82.54	85.43	81.37	83.87	90.24
SBI	81.48	76.57	83.27	82.24	95.48	94.41	91.06
Tata	55.83	61.19	78.17	81.93	83.94	84.46	89.68
LICI	95.86	95.48	96.54	97.03	97.42	97.73	98.14

(Source :Percentages are computed from table no A1 and A2)

Table No 4.2.2.1(A4)
Results: Mean value of Individual death claim settlement (in Percentages)

FIRM	LICI	ICICI	HDFC	Birla	Bajaj	SBI	Max	Kotak	ING	Tata	Met
Mean	96.89	92.31	91.60	89.36	87.47	86.36	85.97	83.87	81.29	76.46	75.55

(Results :Mean value is computed from table no A3)

Interpretation: Table no 4.2.2.1(A1) shows the Individual death claims pending and initiated in number of policies in lakhs, Table no 4.2.2.1(A2) displays death claim paid in number of policies in lakhs and Table no 4.2.2.1(A3) displays the percentage of individual death claims paid. Table No 4.2.2.1(A4) shows the mean value of the firms for seven years in Individual death claim settlement. It also depicts the ranking of the firms with regard to individual death claim settlement in terms of policies. High mean values shows the higher percentage of death claims settled. In the above table LICI stands first in the row with 96.89% for the .Among the private sector ICICI stands first with 92.31% followed by HDFC with 91.60%, Birla sunlife with 89.36%, Bajaj with 87.47 % ,SBI life with 86.36%,Max life with 85.97 %, ING Vsysa with 81.29 % TATA with 76.46 % and Met life with 75.55%.

Table no 4.2.2.1(A5)

Group death claims (claim pending at start of year +claims initiated) in number of policies in Lakhs)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	4908	14368	39387	98242	67579	46924	83170
Birla	278	542	911	1254	1069	1538	1934
HDFC	182	215	288	285	932	3650	2758
ICICI	290	1207	2007	4251	5322	3650	2784
ING	253	153	246	212	296	266	262
Kotak	875	894	1265	2662	4970	8783	13855
Max	567	475	11488	46488	28347	14027	10138
Met	693	735	1039	2814	2147	2206	1364
SBI	9546	17541	26630	12800	12351	11499	12477
Tata	1043	1111	985	1119	3246	1711	1381
LICI	141428	222845	215909	233908	244314	245467	267296

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(A6)
Group death Claims paid in terms of policies(in Lakhs)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	4339	13300	38988	98040	66067	45922	81735
Birla	270	540	900	1247	1066	1530	1933
HDFC	174	212	286	283	930	1526	2758
ICICI	276	1104	1863	3976	5279	3593	2703
ING	217	97	230	166	250	258	258
Kotak	619	729	1157	2426	4806	8690	13735
Max	557	434	10421	45084	27723	13898	10067
Met	466	617	954	2551	2024	2115	1358
SBI	7949	16387	25817	11936	11995	11187	12122
Tata	553	912	809	1069	3192	1516	1225
LICI	141258	222307	215485	233132	243429	244350	266367

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(A7)
Percentage of Group death claims paid to total claims

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	88.41	92.57	98.99	99.79	97.76	97.86	98.27
Birla	97.12	99.63	98.79	99.44	99.72	99.48	99.95
HDFC	95.6	98.6	99.31	99.3	99.79	41.81	100
ICICI	95.17	91.47	92.83	93.53	99.19	98.44	97.09
ING	85.77	63.4	93.5	78.3	84.46	96.99	98.47
Kotak	70.74	81.54	91.46	91.13	96.7	98.94	99.13
Max	98.24	91.37	90.71	96.98	97.8	99.08	99.3
Met	67.24	83.95	91.82	90.65	94.27	95.87	99.56
SBI	83.27	93.42	96.95	93.25	97.12	97.29	97.15
Tata	53.02	82.09	82.13	95.53	98.34	88.6	88.7
LIC	99.88	99.76	99.8	99.67	99.64	99.54	99.65

(Source :Percentages are computed from table no A5 and A6)

Table no 4.2.2.1(A8)

Results: **Mean value of Group death claim settlement**

FIRM	LICI	Birla	Bajaj	Max	ICICI	SBI	HDFC	Kotak	Met	ING	Tata
Mean	99.71	99.16	96.24	96.21	95.39	94.06	90.63	89.95	89.05	85.84	84.06

(Results :Mean value is computed from table no A7)

Interpretation:Table no 4.2.2.1(A5) shows the Group death claims pending and initiated in number of policies, Table no 4.2.2.1(A6) displays group death claim paid in number of policies and Table no 4.2.2.1(A7) displays percentage of Group death claims paid Table no 4.2.2.1(A8)shows the mean values of group death claim settlement ratio. It is found that LICI having 99.71% standing in number 1 position, Birla with 99.16%,Bajaj with 96.24%,Maxlife with 96.21 %,ICICI with 95.39%,SBI with 94.06%,HDFC with 90.63% ,Om Kotak with 89.95%, Metlife with 89.05%, ING with85.84%, Tata AIA with 84.06%.

Table no 4.2.2.1(A9)

Total death claims (claim pending at start of year +claims initiated) in number of policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	11437	26379	62427	125280	94791	74206	106894
Birla	1738	3299	6832	11086	11983	11409	11131
HDFC	2244	3113	4125	4864	6081	9903	10017
ICICI	6922	11950	18064	20275	20151	18598	16182
ING	1195	1676	2172	2505	3122	3578	4003
Kotak	1578	2194	3545	5362	7919	11872	16818
Max	2914	4413	17507	55509	37378	23078	19616
Met	1034	1464	2385	4646	4321	4611	3874
SBI	11857	21801	33862	22831	24215	24925	26710
Tata	2707	3811	4480	5303	8353	6595	6092
LICI	718750	813942	893283	973410	975650	996043	1027630

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(A10)

Total death claims (claim pending at start of year +claims initiated) in number of policies.

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	9404	23784	59304	122020	90725	70114	103393
Birla	1604	2997	6175	10554	10991	9679	10004
HDFC	1839	2761	3783	4652	5882	7514	9582
ICICI	6107	10402	16342	19136	19593	17986	15311
ING	743	1277	1950	2241	2760	3038	3369
Kotak	1033	1731	3140	4837	7522	11533	16422
Max	2678	3979	14364	52117	35836	22429	18963
Met	628	1039	2065	4116	3793	4132	3623
SBI	9832	19649	31839	20185	23323	23863	25082
Tata	1482	2564	3541	4497	7479	5641	5450
LIC	694666	786696	869394	950661	955930	977895	1012579

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(A11)

Percentage of death claims paid to total claims in number of policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	82.22	90.16	95	97.4	95.71	94.49	96.72
Birla	92.29	90.85	90.38	95.2	91.72	84.84	89.88
HDFC	81.95	88.69	91.71	95.64	96.73	75.88	95.66
ICICI	88.23	87.05	90.47	94.38	97.23	96.71	94.62
ING	62.18	76.19	89.78	89.46	88.4	84.91	84.16
Kotak	65.46	78.9	88.58	90.21	94.99	97.14	97.65
Max	91.9	90.17	82.05	93.89	95.87	97.19	96.67
Met	60.74	70.97	86.58	88.59	87.78	89.61	93.52
SBI	82.92	90.13	94.03	88.41	96.32	95.74	93.9
Tata	54.75	67.28	79.04	84.8	89.54	85.53	89.46
LIC	96.65	96.65	97.33	97.66	97.98	98.18	98.54

(Computed from A(9) and A(10))

Table no 4.2.2.1(A12)

Results: **Mean value of Total death claim settlement (including Individual + group)**

FIRM	LICI	Bajaj	ICICI	Max	SBI	Birla	HDFC	Kotak	Met	ING	Tata
Mean	97.57	93.10	92.67	92.53	91.64	90.74	89.47	87.56	82.54	82.15	78.63

(Computed from Table No 4.2.2.1 A(11))

Interpretation: Table no 4.2.2.1(A9) shows the Total death claims pending and initiated in number of policies , Including both individual and group .Table no 4.2.2.1(A10) displays Total death claim paid in number of policies and Table no 4.2.2.1(A11) displays percentage of Total death claims paid.Table 4.2.2.1(A12) shows the mean value of total death claim settlement and the order of ranking of total death claim settlement. It is found that LICI is the leading company on settlement of total death claims. Among the private sector, Bajaj is first in the row with 93.10% followed by ICICI with 92.67%, Maxlife with 92.53%, SBI Life with 91.67%, Birla with 90.74%, HDFC with 89.47%, Om Kotak with 87.56% , MetLife with 82.54%,ING Vsysa with 82.15% and the least in the row is TATA AIA with 78.63%.

Table no 4.2.2.1(A13)

Individual death claims (claim pending at start of year +claims initiated) in benefit amount for all firms (Rs Crores)

Company	2007- 08	2008- 09	2009- 10	2010-11	2011-12	2012-13	2013-14
Bajaj	108.92	212.5	353.11	396	423.6	443.54	440.98
Birla	38.13	74.5	130.21	213.03	280.64	321.82	344.82
HDFC	33.86	49.24	79.75	88.32	107.23	163.92	254.32
ICICI	60.39	127.98	248.52	218.77	225.52	322.47	353.47
ING	13.62	27.77	29.68	33.8	43.55	51.76	64.04
Kotak	25.03	25.66	67.97	68.03	84.29	90.35	88.81
Max	47.69	78.11	126.55	203.9	216.17	231.9	250.01
Met	14.45	32.42	76.62	67.8	80.52	92.2	108.17
SBI	33.75	61.57	103.35	149.53	185.03	235.66	288.54
Tata	28.28	44.15	75.56	82.8	114.9	127.8	114.12
LICI	4182.23	4444.17	5049.43	6427.41	6873.53	7550.87	8905.04

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(A14)

Individual death claims paid in benefit amount by all insurance firms(Rs crores)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	79.46	174.42	294.92	326.84	355.67	349.25	360.2
Birla	31.06	59.11	102.76	185.96	225.66	224.21	268.14
HDFC	23.27	37.83	66.58	80.58	96.97	143.92	216.94
ICICI	44.37	101.69	218.04	201.68	212.85	292.5	278.6
ING	7.42	17.18	24.91	28.41	34.95	35.85	41.37
Kotak	19.76	16.21	55.91	57.49	60.55	71.63	71.09
Max	41.51	66.74	78.07	148.04	181.33	205.08	214.6
Met	5.44	17.13	40.5	54.51	58.5	67.77	82.4
SBI	25.96	46.99	92.44	138.84	176.95	217.52	255.28
Tata	15.27	28.36	52	61.36	82.78	95.82	94.8
LICI	3918.72	4165.1	4799.55	6093.14	6559.51	7222.9	8475.26

(Source:Compiled from IIRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(A15)

Individual death claims paid in benefit amount by all insurance firms in Percentage

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	72.95	82.08	83.52	82.54	83.96	78.74	81.68
Birla	81.46	79.34	78.92	87.29	80.41	69.67	77.76
HDFC	68.72	76.83	83.49	91.24	90.43	87.80	85.30
ICICI	73.47	79.46	87.74	92.19	94.38	90.71	78.82
ING	54.48	61.87	83.93	84.05	80.25	69.26	64.60
Kotak	78.95	63.17	82.26	84.51	71.84	79.28	80.05
Max	87.04	85.44	61.69	72.60	83.88	88.43	85.84
Met	37.65	52.84	52.86	80.40	72.65	73.50	76.18
SBI	76.92	76.32	89.44	92.85	95.63	92.30	88.47
Tata	54.00	64.24	68.82	74.11	72.05	74.98	83.07
LICI	93.70	93.72	95.05	94.80	95.43	95.66	95.17

(Source:Computed from A(13)and(14)

Table no 4.2.2.1(A16)

Results: Mean value of individual death claim settlement in benefit amount

Firm	LICI	SBI	ICICI	HDFC	Bajaj	Max	Birla	Kotak	ING	Tata	Met
Mean	94.79	87.42	85.25	83.40	80.78	80.70	79.26	77.15	71.21	70.18	63.73

(Computed from A(15))

Interpretation:: Table no 4.2.2.1(A13) shows the Individual death claims paid in benefit amount pending and initiated in number of policies, Table no 4.2.2.1(A14) displays death claim paid in number of policies and Table no 4.2.2.1(A15) displays percentage of Individual death claims paid in benefit amount paid. Table no 4.2.2.1(A16) shows the mean values of Individual death claims resolved for seven years altogether in terms of benefit amount .LICI had resolved 94.79 % .SBI life was the first in the row with 87.42% followed by ICICI with 85.25%, HDFC with 83.40%, Bajaj with 80.78%,Max life with 80.70 %, Birla with 79.26 %, Om Kotak with 77.15%, ING Vysya with 71.21%, Tata AIA with 70.18% and Metlife with 63.73%.

Table No 4.2.2.1(A17)

Group death claims (claim pending at start of year +claims initiated) in benefit amount for all firms (Rs Crores)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Group	Group	Group	Group	Group	Group	Group
Bajaj	41.95	48.07	68.31	153.05	174.07	220.2	325.42
Birla	18	7.87	11.31	16.17	31.7	61.87	83.43
HDFC	2.15	2.84	2.48	2.88	6.64	20.57	28.95
ICICI	7.32	26.36	38.35	49.11	62.24	71.6	73.36
ING	2.51	2.17	3.89	2.26	3.05	3.23	2.03
Kotak	18.53	23.46	39.74	51.68	65.98	101.1	152.08
Max	4.55	6.92	22.9	76.51	61.22	48.7	45.84
Met	18.61	21.3	27.66	47.64	57.41	58.03	68.61
SBI	161.12	175.73	183.65	191.41	218.27	233.9	285.65
Tata	19.3	26.04	17.86	14.32	24.1	33.76	37.15
LICI	761.1	1008.62	1202.09	1401.85	1595.93	1709.8	1890.75

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table No 4.2.2.1(A18)

Group death claims paid in benefit amount by all insurance firms (Rs Crores)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	39.38	43.64	66.05	150.73	158.29	197.32	290.98
Birla	17.63	7.72	11.06	15.87	31.65	61.13	83.18
HDFC	1.84	2.71	2.36	2.78	6.44	20.49	28.95
ICICI	6.89	22.34	33.34	45.06	59.96	63.19	64.2
ING	2.36	1.65	3.46	1.52	2.72	2.99	1.79
Kotak	13.35	18.68	35.62	44.88	59.97	96.05	143.95
Max	4.32	6.16	19.87	73.42	58.55	46.71	44.4
Met	12.94	17.83	25.82	46.28	55.54	57.29	68.48
SBI	129.05	151.63	170.32	178.54	204.66	222.18	267.38
Tata	8.6	20.76	13.96	13.2	21.92	22.2	31.87
LICI	759.82	1005.15	1195.28	1393.51	1586.75	1697.37	1882.83

(Source:Compiled from Irda Annual reports from 2007-08 to 2013-14)

Table No 4.2.2.1(A19)

Percentage of Group death claims paid to total claims in benefit amount

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Group	Group	Group	Group	Group	Group	Group
Bajaj	93.87	90.78	96.69	98.48	90.93	89.61	89.42
Birla	97.94	98.09	97.79	98.14	99.84	98.80	99.70
HDFC	85.58	95.42	95.16	96.53	96.99	99.61	100.00
ICICI	94.13	84.75	86.94	91.75	96.34	88.25	87.51
ING	94.02	76.04	88.95	67.26	89.18	92.57	88.18
Kotak	72.05	79.62	89.63	86.84	90.89	95.00	94.65
Max	94.95	89.02	86.77	95.96	95.64	95.91	96.86
Met	69.53	83.71	93.35	97.15	96.74	98.72	99.81
SBI	80.10	86.29	92.74	93.28	93.76	94.99	93.60
Tata	44.56	79.72	78.16	92.18	90.95	65.76	85.79
LICI	99.83	99.66	99.43	99.41	99.42	99.27	99.58

(Computed from (A17)&(A18)

Table No 4.2.2.1(A20)

Mean value of group death claim settlement in benefit amount

Firm	LICI	Birla	HDFC	Max	Bajaj	Met	SBI	ICICI	Kotak	ING	Tata
Mean	99.51	98.61	95.61	93.59	92.83	91.29	90.68	89.95	86.95	85.17	76.73

(Computed from A(19))

Interpretation: Table no 4.2.2.1 A(17) shows the Group death claims paid in benefit amount pending and initiated in number of policies , Table no 4.2.2.1 A(18) displays death claim paid in number of policies and Table no 4.2.2.1 A(19) displays percentage of Group death claims paid in benefit amount paid. Table no 4.2.2.1 A(20) shows the mean value of group death claims in benefit amount. It is observed that LICI has the maximum mean value of 99.51 %.In the private sector Birla Sun life stands in number one position with 98.61% followed by HDFC with 95.61 %, Max life with 93.59%, Bajaj with 92.83%,Metlife with 91.29%,SBI life with 90.68%,ICICI with 89.95%,Om Kotak with 86.95%, ING Vysya with 85.17% and Tata AIA with 76.73%.

Table No 4.2.2.1 A(21)

Total death claims (claim pending at start of year +claims initiated) in benefit amount for all firms including individual and Group (Rs Crores)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	150.87	260.57	421.42	549.05	597.67	663.74	766.4
Birla	56.13	82.37	141.52	229.2	312.34	383.69	428.25
HDFC	36.01	52.08	82.23	91.2	113.87	184.49	283.27
ICICI	67.71	154.34	286.87	267.88	287.76	394.07	426.83
ING	16.13	29.94	33.57	36.06	46.6	54.99	66.07
Kotak	43.56	49.12	107.71	119.71	150.27	191.45	240.89
Max	52.24	85.03	149.45	280.41	277.39	280.6	295.85
Met	33.06	53.72	104.28	115.44	137.93	150.23	176.78
SBI	194.87	237.3	287	340.94	403.3	469.56	574.19
Tata	47.58	70.19	93.42	97.12	139	161.56	151.27
LIC	4943.33	5452.79	6251.52	7829.26	8469.46	9260.67	10795.79

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table No 4.2.2.1 A(22)

Total death claims paid in benefit amount by all insurance firms in benefit amount including individual and Group (Rs Crores)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	118.84	218.06	360.97	477.57	513.96	546.57	651.18
Birla	48.69	66.83	113.82	201.83	257.31	285.34	351.32
HDFC	25.11	40.54	68.94	83.36	103.41	164.41	245.89
ICICI	51.26	124.03	251.38	246.74	272.81	355.69	342.8
ING	9.78	18.83	28.37	29.93	37.67	38.84	43.16
Kotak	33.11	34.89	91.53	102.37	120.52	167.68	215.04
Max	45.83	72.9	97.94	221.46	239.88	251.79	259
Met	18.38	34.96	66.32	100.79	114.04	125.06	150.88
SBI	155.01	198.62	262.76	317.38	381.61	439.7	522.66
Tata	23.87	49.12	65.96	74.56	104.7	118.02	126.67
LIC	4678.54	5170.25	5994.83	7486.65	8146.26	8920.27	10358.09

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1 A(23)

Percentage of death claims paid to total claims in benefit amount in benefit amount for all firms

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Total	Total	Total	Total	Total	Total	Total
Bajaj	78.77	83.69	85.66	86.98	85.99	82.35	84.97
Birla	86.75	81.13	80.43	88.06	82.38	74.37	82.04
HDFC	69.73	77.84	83.84	91.40	90.81	89.12	86.80
ICICI	75.71	80.36	87.63	92.11	94.80	90.26	80.31
ING	60.63	62.89	84.51	83.00	80.84	70.63	65.32
Kotak	76.01	71.03	84.98	85.51	80.20	87.58	89.27
Max	87.73	85.73	65.53	78.98	86.48	89.73	87.54
Met	55.60	65.08	63.60	87.31	82.68	83.25	85.35
SBI	79.55	83.70	91.55	93.09	94.62	93.64	91.03
Tata	50.17	69.98	70.61	76.77	75.32	73.05	83.74
LIC	94.64	94.82	95.89	95.62	96.18	96.32	95.95

(Computed from Table No A(21)&A(22)

Table no 4.2.2.1 A(24)

Mean value of total death claims settled in terms of benefit amount

Firm	LICI	SBI	ICICI	HDFC	Bajaj	Max	Birla	Kotak	Met	ING	Tata
Mean	95.63	89.60	85.88	84.22	84.06	83.10	82.17	82.08	74.70	72.55	71.38

(Computed from Table No A(23))

Interpretation: Table no 4.2.2.1 A(21) shows the Total death claims paid in benefit amount pending and initiated in number of policies, Table no 4.2.2.1 A(22) displays death claim paid in number of policies and Table no 4.2.2.1 A(23) displays percentage of Total death claims paid in benefit amount paid. Table no 4.2.2.1 A(24) shows the mean value of total death claims settled in benefit amount taken for seven years altogether..LICI stood at 95.63%.Among the private sector SBI life stood first at 89.60% followed by ICICI with 85.88%, HDFC with 84.22 % ,Bajaj with 84.06%, Maxlife with 83.10%, Birla sunlife with 82.17% ,Om Kotak with 82.08 %,Met Life with74.70%,ING Vysya with 72.55% and TATA with 71.38%.

4.2.2.1(B) Claim Repudiation: claim repudiation ratio or claim pending ratio are the number of claims repudiated or pending for every 100 claims received by the life insurance company. Companies with lower claim repudiation or claim pending ratio are considered good. Following Tables highlight upon the Individual, Group and Total claim repudiated to total claims reported.

Table No 4.2.2.1(B1)

Death claim repudiated in number of policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Individual	Individual	Individual	individual	individual	individual	individual
Bajaj	689	1003	1197	1913	1709	1979	1494
Birla	109	286	629	491	958	1278	880
HDFC	87	139	179	182	187	164	341
ICICI	436	559	525	503	468	543	667
ING	132	119	82	81	148	333	379
Kotak	178	120	100	105	123	186	227
Max	221	306	741	1344	775	512	578
Met	73	166	80	111	209	317	236
SBI	164	643	1067	1678	378	442	745
Tata	413	750	452	714	791	592	340
LICI	9027	7846	8227	7384	7530	8440	8387

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table No 4.2.2.1(B2)

Percentage of Death claim repudiated in number of policies

Company	2007-08	2008-09	2009-1 0	2010-11	2011-12	2012-13	2013-14
	Individual	Individual	Individual	individual	individual	individual	individual
Bajaj	10.55	8.35	5.20	7.08	6.28	7.25	6.30
Birla	7.47	10.37	10.62	4.99	8.78	12.95	9.57
HDFC	4.22	4.80	4.67	3.97	3.63	2.62	4.70
ICICI	6.57	5.20	3.27	3.14	3.16	3.63	4.98
ING	14.01	7.81	4.26	3.53	5.24	10.05	10.13
Kotak	25.32	9.23	4.39	3.89	4.17	6.02	7.66
Max	9.42	7.77	12.31	14.90	8.58	5.66	6.10
Met	21.41	22.77	5.94	6.06	9.61	13.18	9.40
SBI	7.10	15.09	14.75	16.73	3.19	27.59	5.23
Tata	24.82	27.78	12.93	17.07	15.49	12.12	7.22
LIC	1.56	1.33	1.21	1.00	1.03	1.12	1.10

(Computed from table no A1 and B1)

Table no 4.2.2.1(B3)

Mean value of Individual claims repudiated in terms of policies

Firm	LIC	HDFC	ICICI	Bajaj	ING	Kotak	Max	Birla	Met	SBI	Tata
Mean	1.19	4.09	4.28	7.29	7.86	8.67	9.25	9.25	12.62	12.81	16.78

(Computed from Table No B2)

Interpretation: Table no **4.2.2.1(B1)** displays the number of Individual claims repudiated to total claims in terms of policies .Table no **4.2.2.1(B2)** shows the percentage of Individual claims repudiated. Table no **4.2.2.1(B3)** depicts the mean value of Individual claim repudiation ratio in terms of percentage. Lowest percentage indicates highest repudiation ratio. LICI has stood up high in its repudiation ratio with 1.19% followed by HDFC with 4.09 % , ICICI with 4.28% Bajaj with 7.29%, ING Vysya with 7.86%,Om Kotak with 8.67%,Max life with 9.25%, Birla with 9.25 %, Met life with 12.62 %,SBI life with 12.81 % and Tata AIA with 16.78%.

Table no 4.2.2.1(B4)

Group Death claim repudiated in number of policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Group	Group	Group	Group	Group	Group	Group
Bajaj	23	113	26	34	1459	518	1034
Birla	8	2	11	6	3	2	1
HDFC	0	1	1	0	2	3	0
ICICI	2	48	92	67	38	49	59
ING	24	23	7	1	10	5	1
Kotak	148	93	10	47	86	71	96
Max	10	31	420	1299	571	122	71
Met	66	21	25	46	113	83	4
SBI	835	887	779	767	260	247	227
Tata	66	101	80	32	35	59	74
LICI	9	13	21	12	12	16	1

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(B5)

Percentage of claims repudiated to total claims in number of policies.

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Group	Group	Group	Group	Group	Group	Group
Bajaj	0.47	0.79	0.07	0.03	2.16	1.10	1.24
Birla	2.88	0.37	1.21	0.48	0.28	0.13	0.05
HDFC	0.00	0.47	0.35	0.00	0.21	0.08	0.00
ICICI	0.69	3.98	4.58	1.58	0.71	1.34	2.12
ING	9.49	15.03	2.85	0.47	3.38	1.88	0.38
Kotak	16.91	10.40	0.79	1.77	1.73	0.81	0.69
Max	1.76	6.53	3.66	2.79	2.01	0.87	0.70
Met	9.52	2.86	2.41	1.63	5.26	3.76	0.29
SBI	8.75	5.06	2.93	5.99	2.11	6.59	1.82
Tata	6.33	9.09	8.12	2.86	1.08	3.45	5.36
LIC	0.01	0.01	0.01	0.01	0.00	0.01	0.00

(Computed from table no A5 and B4)

Table no 4.2.2.1(B6)

Mean value of Group claim repudiated

Firm	LIC	HDFC	Birla	Bajaj	ICICI	Max	Met	Kotak	SBI	ING	Tata
Mean	0.01	0.16	0.77	0.84	2.14	2.62	3.68	4.73	4.75	4.78	5.18

(computed from Table no B5)

Interpretation: Table no 4.2.2.1(B4), displays the number of Group claims repudiated to total claims in terms of policies .Table 4.2.2.1(B5) shows the percentage of Group claims repudiated. Table 4.2.2.1(B6) depicts the mean value of Group claim repudiation ratio in terms of percentage. Lowest percentage indicates highest repudiation ratio. LICI is having 0.01%.While in the private sector HDFC has 0.16%, followed by Birla with 0.77%, Bajaj with 0.84%,ICICI with 2.14%,Max life with 2.62%,Metlife with3.68%,Kotak with 4.73 %, SBI life with4.75% ING with4.78% and Tata AIA with 5.18%

Table no 4.2.2.1(B7)

Total Death claim repudiated in number of policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Total	Total	Total	Total	Total	Total	Total
Bajaj	712	1116	1223	1947	3168	2497	2528
Birla	117	288	640	497	961	1280	881
HDFC	87	140	180	182	189	167	341
ICICI	438	607	617	570	506	592	726
ING	156	142	89	82	158	338	380
Kotak	326	213	110	152	209	257	323
Max	231	337	1161	2643	1346	634	649
Met	139	187	105	157	322	400	240
SBI	999	1530	1846	2445	638	689	972
Tata	479	851	532	746	826	651	414
LIC	9036	7859	8248	7396	7542	8456	8388

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(B8)

Percentage of total death claims repudiated to total claims in policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Total	Total	Total	Total	Total	Total	Total
Bajaj	6.23	4.23	1.96	1.55	3.34	3.36	2.36
Birla	6.73	8.73	9.37	4.48	8.02	11.22	7.91
HDFC	3.88	4.50	4.36	3.74	3.11	1.69	3.40
ICICI	6.33	5.08	3.42	2.81	2.51	3.18	4.49
ING	13.05	8.47	4.10	3.27	5.06	9.45	9.49
Kotak	20.66	9.71	3.10	2.83	2.64	2.16	1.92
Max	7.93	7.64	6.63	4.76	3.60	2.75	3.31
Met	13.44	12.77	4.40	3.38	7.45	8.67	6.20
SBI	8.43	7.02	5.45	10.71	2.63	12.88	3.64
Tata	17.69	22.33	11.88	14.07	9.89	9.87	6.80
LIC	1.26	0.97	0.92	0.76	0.77	0.85	0.82

(Computed from Table No A9 and B7)

Table No 4.2.2.1(B9)

Mean Value of total claims repudiated in terms of policies

Firm	LIC	HDFC	ICICI	Bajaj	ING	Kotak	Max	Birla	Met	SBI	Tata
Mean	0.91	3.53	3.97	3.29	7.56	6.15	5.23	8.07	8.04	7.25	13.22

(Computed from Table No B (8))

Interpretation: Table no **4.2.2.1(B7)** displays the number of Total claims repudiated to total claims in terms of policies .Table no **4.2.2.1(B8)** shows the percentage of Total claims repudiated. Table no **4.2.2.1(B9)** depicts mean values and the order of ranking of the firms with LICI having 0.91% followed by HDFC with 3.53%, ICICI with 3.97 %, Bajaj with 3.29%,ING with 7.56%,Om Kotak with 6.15%, Maxlife with 5.23%,Birla with 8.07%,Met life with 8.04 %,SBI with7.25% and Tata AIA with 13.22%.

Table no 4.2.2.1(B10)

Individual Death claim repudiated in benefit amount by all firms (Rs Crores)

	individual	individual	individual	2010-11	2011-12	2012-13	2013-14
	2007- 08	2008- 09	2009- 10	individual	individual	individual	individual
Bajaj	14.18	23.87	25.79	46.26	41.7	62.73	57.45
Birla	4.28	14.62	26.48	25.11	53.09	64.72	56.64
HDFC	2.76	3.24	5.89	6.35	9.04	10.19	22.9
ICICI	9.11	9.39	10.98	9.95	10.02	27.63	45
ING	2.26	5.59	1.58	2.15	4.34	9.86	11.39
Kotak	3.65	4.2	3.61	5.17	15.91	14.31	13.51
Max	5.75	9.55	18.16	37.36	26.83	26.05	35.07
Met	3.5	7.88	18.48	4.19	10.9	17.38	15.3
SBI	2.42	6.5	5.93	5.37	2.5	6.3	7.57
Tata	6.66	5.08	12.03	19.59	29.58	23.32	12.76
LIC	90.54	72.45	80.36	109.41	137.96	161.68	181.3

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(B11)

Percentage of Individual claims repudiated to total claims in benefit amount (Rs Crores)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Individual	Individual	Individual	individual	individual	individual	individual
Bajaj	13.02	11.23	7.30	11.68	9.84	14.14	13.03
Birla	11.22	19.62	20.34	11.79	18.92	20.11	16.43
HDFC	8.15	6.58	7.39	7.19	8.43	6.22	9.00
ICICI	15.09	7.34	4.42	4.55	4.44	8.57	12.73
ING	16.59	20.13	5.32	6.36	9.97	19.05	17.79
Kotak	14.58	16.37	5.31	7.60	18.88	15.84	15.21
Max	12.06	12.23	14.35	18.32	12.41	11.23	14.03
Met	24.22	24.31	24.12	6.18	13.54	18.85	14.14
SBI	7.17	10.56	5.74	3.59	1.35	2.67	2.62
Tata	23.55	11.51	15.92	23.66	25.74	18.25	11.18
LIC	2.16	1.63	1.59	1.70	2.01	2.14	2.04

(Source:Computed from Table No A13 and B 10)

Table no 4.2.2.1(B12)

Mean values of Individual death claim repudiated in benefit amount

Firm	LICI	SBI	HDFC	ICICI	Bajaj	Kotak	Max	ING	Birla	Met	Tata
mean	1.90	4.81	7.57	8.16	11.46	13.40	13.52	13.60	16.92	17.91	18.54

(Computed from Table no B11)

Interpretation: Table no **4.2.2.1(B10)** displays the number of Individual Death claim repudiated in benefit amount .Table no **4.2.2.1(B11)** shows the percentage of Total claims repudiated. Table no **4.2.2.1(B12)** depicts the mean values of Individual death claim repudiated in benefit amount with 1.90%.Among the private sector SBI life had lowest repudiation ratio with 4.81%, HDFC with 7.57%,ICICI with 8.16%, Bajaj with 11.46%,Om Kotak with 13.40%,Max life with 13.52%, ING with 13.60%,Birla with 16.92 %,Met Life with 17.91% and Tata AIA with 18.54%.

Table no 4.2.2.1(B13)

Group Death claim repudiated in benefit amount by all firms Rs (Crores)

Firm	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	0.48	0.46	0.2	0.64	14.2	12.07	20.35
Birla	0.37	0.16	0.25	0.28	0.05	0.17	0.25
HDFC	0	0.01	0.02	0	0.2	0.08	0
ICICI	0.02	1.26	1.99	1.15	1.32	6.65	3.83
ING	0.02	0.17	0.17	0	0.01	0.23	0.01
Kotak	2.57	2.59	1.23	1.56	3.13	3.82	5.96
Max	0.23	0.68	1.37	2.21	1.81	1.76	1.44
Met	0.6	0.36	0.91	0.79	0.58	0.67	0.11
SBI	11.7	14.49	12.17	10.37	10.37	9.59	11.74
Tata	1.4	2.87	1.68	1	1.49	4.22	2.24
LIC	0.15	0.13	0.28	0.04	0.04	0.38	0.05

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(B14)

Percentage of Group claims repudiated to total claims in benefit amount by all firms

Firm	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	1.14	0.96	0.29	0.42	8.16	5.48	6.25
Birla	2.06	2.03	2.21	1.73	0.16	0.27	0.30
HDFC	0.00	0.35	0.81	0.00	3.01	0.39	0.00
ICICI	0.27	4.78	5.19	2.34	2.12	9.29	5.22
ING	0.80	7.83	4.37	0.00	0.33	7.12	0.49
Kotak	13.87	11.04	3.10	3.02	4.74	3.78	3.92
Max	5.05	9.83	5.98	2.89	2.96	3.61	3.14
Met	3.22	1.69	3.29	1.66	1.01	1.15	0.16
SBI	7.26	8.25	6.63	5.42	4.75	4.10	4.11
Tata	7.25	11.02	9.41	6.98	6.18	12.50	6.03
LIC	0.02	0.01	0.02	0.00	0.00	0.02	0.00

(Computed from table No A17 and B 13)

Table no 4.2.2.1(B15)

Mean values of Group death Claim repudiated in benefit amount

Firm	LIC	HDFC	Birla	Met	ING	Bajaj	ICICI	Max	SBI	Kotak	Tata
mean	0.01	0.65	1.25	1.74	2.99	3.24	4.17	4.78	5.79	6.21	8.48

(Computed from table No B 14)

Interpretation:

Table no 4.2.2.1(B13) displays the number of Group Death claim repudiated in benefit amount .Table no 4.2.2.1(B14) shows the percentage of Total claims repudiated. Table no 4.2.2.1(B15) depicts the mean value group death claim repudiated in terms of benefit amount. LICI had a repudiation ratio with 0.01%.Among the private sector HDFC had 0.65%,Birla with 1.25%, Metlife with1.74%,ING with 2.99%, Bajaj with 3.24%,ICICI with 4.17%,Maxlife with 4.78% SBI life with 5.79%, Om Kotak with 6.21% and Tata AIA with 8.48%.

Table no 4.2.2.1(B16)
Total Death claim repudiated in benefit amount by all firms (Rs Crores)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Total	Total	Total	Total	Total	Total	Total
Bajaj	14.66	24.33	25.99	46.9	55.9	74.8	77.8
Birla	4.65	14.78	26.73	25.39	53.14	64.89	56.89
HDFC	2.76	3.25	5.91	6.35	9.24	10.27	22.9
ICICI	9.13	10.65	12.97	11.1	11.34	34.28	48.83
ING	2.28	5.76	1.75	2.15	4.35	10.09	11.4
Kotak	6.22	6.79	4.84	6.73	19.04	18.13	19.47
Max	5.98	10.23	19.53	39.57	28.64	27.81	36.51
Met	4.1	8.24	19.39	4.98	11.48	18.05	15.41
SBI	14.12	20.99	18.1	15.74	12.87	15.89	19.31
Tata	8.06	7.95	13.71	20.59	31.07	27.54	15
LIC	90.69	72.58	80.64	109.45	138	162.06	181.35

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(B17)

Percentage of claims repudiated to total claims in benefit amount by all firms

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Total	Total	Total	Total	Total	Total	Total
Bajaj	9.72	9.34	6.17	8.54	9.35	11.27	10.15
Birla	8.28	17.94	18.89	11.08	17.01	16.91	13.28
HDFC	7.66	6.24	7.19	6.96	8.11	5.57	8.08
ICICI	13.48	6.90	4.52	4.14	3.94	8.70	11.44
ING	14.14	19.24	5.21	5.96	9.33	18.35	17.25
Kotak	14.28	13.82	4.49	5.62	12.67	9.47	8.08
Max	11.45	12.03	13.07	14.11	10.32	9.91	12.34
Met	12.40	15.34	18.59	4.31	8.32	12.01	8.72
SBI	7.25	8.85	6.31	4.62	3.19	3.38	3.36
Tata	16.94	11.33	14.68	21.20	22.35	17.05	9.92
LIC	1.83	1.33	1.29	1.40	1.63	1.75	1.68

(Source:Computed from A21 and B 16)

Table no 4.2.2.1(B18)

Mean Value of total claims repudiated in benefit amount

Firm	LICI	SBI	HDFC	ICICI	Bajaj	Kotak	Met	Max	ING	Birla	Tata
mean	1.56	5.28	7.12	7.59	9.22	9.78	11.38	11.89	12.78	14.77	16.21

(Computed from Table B 17)

Interpretation: Table no 4.43 displays the number of Total Death claim (Individual and Group) repudiated in benefit amount .Table 4.44 shows the percentage of Total claims repudiated. Table 4.45 depicts the mean value of Total Death claim repudiated in benefit amount in terms of percentage; LICI stands first in settling the claims with 1.56% and among the private insurers SBI had 5.28% followed by HDFC with 7.12% ICICI with 7.59%, Bajaj with 9.22%, Om Kotak with 9.78%, Metlife with 11.38%, Max life with 11.89%, ING with 12.78%,Birla with 14.77% and Tata AIA with 16.21%.

4.2.2.1(C) Claim Pending Ratio: Claim pending ratio refers that for every 100 claims the number of claims left unresolved. Therefore lower the percentage better is the companies capacity to resolve the claim .

Table no 4.2.2.1(C1)
Death claims pending at the end of the year in number of policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Individual	Individual	Individual	individual	individual	individual	individual
Bajaj	775	524	1527	1145	845	1111	572
Birla	17	14	14	34	31	444	246
HDFC	310	210	161	28	10	101	94
ICICI	365	886	1053	361	47	12	123
ING	281	216	112	119	153	179	207
Kotak	111	178	197	184	110	60	49
Max	5	87	1335	644	143	8	4
Met	106	139	152	152	187	67	8
SBI	263	355	142	103	158	254	528
Tata	322	298	306	42	29	167	146
LIC	14548	13076	9527	10803	8856	7829	3962

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table No 4.2.2.1(C2)

Percentage of death claims pending to total claims in number of policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Individual	Individual	Individual	individual	individual	individual	individual
Bajaj	11.87	4.36	6.63	4.23	3.11	4.07	2.41
Birla	1.16	0.51	0.24	0.35	0.28	4.5	2.67
HDFC	15.03	7.25	4.2	0.61	0.19	1.62	1.29
ICICI	5.5	8.25	6.56	2.25	0.32	0.08	0.92
ING	29.83	14.18	5.82	5.19	5.41	5.4	5.53
Kotak	15.79	13.69	8.64	6.81	3.73	1.94	1.65
Max	0.21	2.21	22.18	7.14	1.58	0.09	0.04
Met	31.09	19.07	11.29	8.3	8.6	2.79	0.32
SBI	11.38	8.33	1.96	1.03	1.33	15.86	3.71
Tata	19.35	11.04	8.76	1	0.57	3.42	3.1
LIC	2.52	2.21	1.41	1.46	1.21	1.04	0.52

Computed from Table A1 and C1)

Table no 4.2.2.1(C3)

Mean values of Individual death claims pending

Firm	Birla	LIC	ICICI	HDFC	Max	Bajaj	SBI	Tata	Kotak	ING	Met
Mean	1.39	1.48	3.41	4.31	4.78	5.24	6.23	6.75	7.46	10.19	11.64

(Computed from C2)

Interpretation: : Table no **4.2.2.1(C1)** displays the number of Individual death claims pending in number of policies .Table no **4.2.2.1(C2)** shows the percentage of Individual death claims pending in number of policies. Table no **4.2.2.1(C3)** shows the mean value of the Individual death claim pending in terms of policies .Lower percentage indicates the company is in better position to resolve the claims. Here it is surprising to know the fact that Birla Sun life has the lowest pending ratio with 1.39%.It has even surpassed public sector LICI which has 1.48%.ICICI with 3.41 %. HDFC with 4.31%,Max life with 4.78%,Bajaj with 5.24%,SBI life with 6.23%, Tata AIA with 6.75%,Om Kotak with 7.46%, ING with 10.19% and Metlife with11.64%.

Table no 4.2.2.1(C4)

Group Death claims pending at the end of the year in number of policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Group	Group	Group	Group	Group	Group	Group
Bajaj	546	955	373	168	53	484	401
Birla	0	0	0	1	0	6	0
HDFC	8	2	1	0	0	0	0
ICICI	12	48	41	175	5	8	22
ING	12	33	8	45	16	3	3
Kotak	108	72	98	189	78	22	24
Max	0	10	647	105	52	7	0
Met	161	39	54	4	9	7	1
SBI	728	261	34	97	96	65	128
Tata	424	98	96	5	19	136	82
LIC	161	525	403	764	873	1095	928

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(C5)

Percentage of Group death claims pending to total claims in number of policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Group	Group	Group	Group	Group	Group	Group
Bajaj	11.12	6.65	0.95	0.17	0.08	1.03	0.48
Birla	0	0	0	0.08	0	0.39	0
HDFC	4.4	0.93	0.35	0	0	0	0
ICICI	4.14	3.98	2.04	4.12	0.09	0.22	0.79
ING	4.74	21.57	3.25	21.23	5.41	1.13	1.15
Kotak	12.34	8.05	7.75	7.1	1.57	0.25	0.17
Max	0	2.11	5.63	0.23	0.18	0.05	0
Met	23.23	5.31	5.2	0.14	0.42	0.32	0.07
SBI	7.63	1.49	0.13	0.76	0.78	1.74	1.03
Tata	40.65	8.82	9.75	0.45	0.59	7.95	5.94
LIC	0.11	0.24	0.19	0.33	0.36	0.45	0.35

(Computed from Table A5 and C4)

Table no 4.2.2.1(C6)

Mean value of group death claims pending

Firm	Birla	LIC	HDFC	Max	SBI	ICICI	Bajaj	Met	Kotak	ING	Tata
mean	0.07	0.29	0.81	1.17	1.94	2.20	2.93	4.96	5.32	8.35	10.59

(Computed from Table C5)

Interpretation: Table no 4.2.2.1(C3) displays the number of Group death claims pending in number of policies .Table no 4.2.2.1(C4) shows the percentage of Group death claims pending in number of policies. Table no 4.2.2.1(C5) depicts the mean value of group death pending ratio. It is observed that BIRLA has the lowest group death claims pending followed by public sector LICI with 0.29%.HDFC with 0.81%,Maxlife with1.17%,SBI life with 1.94%,ICICI with 2.20%,Bajaj with 2.93 %, Metlife with 4.96% Om Kotak with 5.32% ING with 8.35% and Tata with 10.59%.

Table no 4.2.2.1 (C7)

Total Death claims pending at the end of the year in number of policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	Total	Total	Total	Total	Total	Total
Bajaj	1321	1479	1900	1313	898	1595
Birla	17	14	14	35	31	450
HDFC	318	212	162	28	10	101
ICICI	377	934	1094	536	52	20
ING	293	249	120	164	169	182
Kotak	219	250	295	373	188	82
Max	5	97	1982	749	195	15
Met	267	178	206	156	196	74
SBI	991	616	176	200	254	319
Tata	746	396	402	47	48	303
LICI	14709	13601	9930	11567	9729	8924

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(C8)

Percentage of Total death claims pending to total claims in number of policies

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Total	Total	Total	Total	Total	Total	Total
Bajaj	11.55	5.61	3.04	1.05	0.95	2.15	0.91
Birla	0.98	0.42	0.2	0.32	0.26	3.94	2.21
HDFC	14.17	6.81	3.93	0.58	0.16	1.02	0.94
ICICI	5.45	7.82	6.06	2.64	0.26	0.11	0.9
ING	24.52	14.86	5.52	6.55	5.41	5.09	5.25
Kotak	13.88	11.39	8.32	6.96	2.37	0.69	0.43
Max	0.17	2.2	11.32	1.35	0.52	0.06	0.02
Met	25.82	12.16	8.64	3.36	4.54	1.6	0.23
SBI	8.36	2.83	0.52	0.88	1.05	5.96	2.46
Tata	27.56	10.39	8.97	0.89	0.57	4.59	3.74
LICI	2.05	1.67	1.11	1.19	1	0.9	0.48

(Computed from A9 and C7)

Table no 4.2.2.1(C9)

Mean value of total death claim pending ratio in number of policies.

Firm	Birla	LIC	Max	SBI	ICICI	Bajaj	HDFC	Kotak	Met	Tata	ING
mean	1.19	1.20	2.23	3.15	3.32	3.61	3.94	6.29	8.05	8.10	9.60

(Computed from Table no C8)

Interpretation: Table no 4.2.2.1(C7) displays the number of Total death claims pending in number of policies .Table no 4.2.2.1(C8) shows the percentage of Total death claims pending in number of policies. Table no 4.2.2.1(C9) depicts the mean value of total death claim pending ratio which again shows the ranking of the firm .The above table proves the fact that private sector Birla Sunlife has the total pending ratio with 1.19% which is lowest and surpassed public sector LICI with 1.20%. Max life with 2.23%, SBI life with 3.15%, ICICI with 3.32%, Bajaj with 3.61%, HDFC with 3.94%,Om Kotak with 6.29% Metlife with 8.05% Tata AIA with8.10% and ING with 9.60%.

Table no 4.2.2.1(C10)

Individual Death claims pending in benefit amount at the end of the year (Rs Crores

Company	2007- 08	2008- 09	2009- 10	2010-11	2011-12	2012-13	2013-14
Bajaj	15.27	14.21	32.39	22.91	26.23	31.55	29.87
Birla	2.79	0.77	0.67	1.96	1.89	32.89	20.04
HDFC	7.83	8.16	7.28	1.39	1.22	9.81	14.48
ICICI	6.91	16.9	19.5	7.14	2.64	2.34	29.87
ING	3.92	4.75	2.88	2.8	4.07	5.64	9.65
Kotak	1.62	5.25	8.45	5.37	7.82	4.41	4.21
Max	0.43	1.82	30.32	18.5	8.01	0.77	0.34
Met	5.5	7.4	17.54	9.03	10.72	6.98	10.44
SBI	5.36	8.08	4.98	5.32	5.58	4.14	25.69
Tata	6.35	10.71	11.53	1.85	2.54	8.66	6.55
LIC	141.37	148.53	118.45	177.32	171.34	148.25	227.69

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(C11)

Percentage of Individual death claims pending to total claims in benefit amount

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	14.02	6.69	9.17	5.79	6.19	7.11	6.77
Birla	7.32	1.03	0.51	0.92	0.67	10.22	5.81
HDFC	23.12	16.57	9.13	1.57	1.14	5.98	5.69
ICICI	11.44	13.21	7.85	3.26	1.17	0.73	8.45
ING	28.78	17.1	9.7	8.28	9.35	10.9	15.07
Kotak	6.47	20.46	12.43	7.89	9.28	4.88	4.74
Max	0.9	2.33	23.96	9.07	3.71	0.33	0.14
Met	38.06	22.83	22.89	13.32	13.31	7.57	9.65
SBI	15.88	13.12	4.82	3.56	3.02	1.76	8.9
Tata	22.45	24.26	15.26	2.23	2.21	6.78	5.74
LICI	3.38	3.34	2.35	2.76	2.49	1.96	2.56

(Computed from A13 and C11)

Table no 4.2.2.1(C12)

Mean Value of Individual death claims pending to total claims in benefit amount

Firm	LICI	Birla	Max	ICICI	SBI	Bajaj	HDFC	Kotak	Tata	ING	Met
mean	2.69	3.78	5.78	6.59	7.29	7.96	9.03	9.45	11.28	14.17	18.23

(Computed from C11)

Table no 4.2.2.1(C13)

Group Death claims pending in benefit amount at the end of the year(Rs Crores)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	2.1	3.97	2.06	1.68	1.58	10.82	5.32
Birla	0	0	0	0.01	0	0.56	0
HDFC	0.31	0.12	0.1	0	0	0	0
ICICI	0.41	2.74	2.27	2.74	0.96	1.76	5.32
ING	0.12	0.34	0.26	0.74	0.12	0.01	0.24
Kotak	2.61	2.19	2.88	5.24	2.88	1.23	2.17
Max	0	0.08	1.66	0.88	0.85	0.24	0
Met	5.07	1.14	0.78	0.33	1.25	0.06	0.01
SBI	19.79	9.61	1.16	2.5	3.24	2.13	6.53
Tata	9.3	2.41	2.21	0.11	0.69	7.34	3.04
LIC	1.13	3.34	6.53	8.3	9.14	11.31	7.87

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(C14)

Percentage of Group death claims pending to Individual claims in benefit amount

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	5.01	8.26	3.02	1.1	0.91	4.91	1.63
Birla	0	0	0	0.06	0	0.91	0
HDFC	14.42	4.23	4.03	0	0	0	0
ICICI	5.6	10.39	5.92	5.58	1.54	2.46	7.25
ING	4.78	15.67	6.68	32.74	3.93	0.31	11.82
Kotak	14.09	9.34	7.25	10.14	4.36	1.22	1.43
Max	0	1.16	7.25	1.15	1.39	0.49	0
Met	27.24	5.35	2.82	0.69	2.18	0.1	0.01
SBI	12.28	5.47	0.63	1.31	1.48	0.91	2.29
Tata	48.19	9.25	12.37	0.77	2.86	21.74	8.18
LICI	0.15	0.33	0.54	0.59	0.57	0.66	0.42

(Computed from A 17 and C 13)

Table No 4.2.2.1(C15)

Mean Value of Group death claims pending to Individual claims in benefit amount

Firm	Birla	LICI	Max	HDFC	SBI	Bajaj	Met	ICICI	Kotak	ING	Tata
Mean	0.14	0.47	1.63	3.24	3.48	3.55	5.48	5.53	6.83	10.85	14.77

(Computed from C14)

Interpretation: Table no 4.2.2.1(C13) displays the number of Group death claims pending in benefit amount .Table no 4.2.2.1(C14) shows the percentage of Group death claims pending in benefit amount. Table no 4.2.2.1(C15) depicts the mean value of Group death claims pending in benefit amount .Birla sun life showed an average value of 0.14%,LICI with 0.47%,Maxlife with 1.63%,HDFC with 3.24%,SBI life with 3.48%,BAJAJ with 3.55%, Metlife with 5.48%, ICICI with 5.53%, Kotak with 6.83%,ING with 10.85% and Tata with 14.77%.

Table no 4.2.2.1(C16)

Total Death claims pending in benefit amount at the end of the year (Rs Crores)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	17.37	18.18	34.45	24.59	27.81	42.37	35.19
Birla	2.79	0.77	0.67	1.97	1.89	33.45	20.04
HDFC	8.14	8.28	7.38	1.39	1.22	9.81	14.48
ICICI	7.32	19.64	21.77	9.88	3.6	4.1	35.19
ING	4.04	5.09	3.14	3.54	4.19	5.65	9.89
Kotak	4.23	7.44	11.33	10.61	10.7	5.64	6.38
Max	0.43	1.9	31.98	19.38	8.86	1.01	0.34
Met	10.57	8.54	18.32	9.36	11.97	7.04	10.45
SBI	25.15	17.69	6.14	7.82	8.82	6.27	32.22
Tata	15.65	13.12	13.74	1.96	3.23	16	9.59
LIC	142.5	151.87	124.98	185.62	180.48	159.56	235.56

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.2.1(C17)

Total Percentage of death claims pending in benefit amount

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Bajaj	11.51	6.98	8.17	4.48	4.65	6.38	4.59
Birla	4.97	0.93	0.47	0.86	0.61	8.72	4.68
HDFC	22.6	15.9	8.97	1.52	1.07	5.32	5.11
ICICI	10.81	12.73	7.59	3.69	1.25	1.04	8.24
ING	25.05	17	9.35	9.82	8.99	10.27	14.97
Kotak	9.71	15.15	10.52	8.86	7.12	2.95	2.65
Max	0.82	2.23	21.4	6.91	3.19	0.36	0.11
Met	31.97	15.9	17.57	8.11	8.68	4.69	5.91
SBI	12.91	7.45	2.14	2.29	2.19	1.34	5.61
Tata	32.89	18.69	14.71	2.02	2.32	9.9	6.34
LICI	2.88	2.79	2	2.37	2.13	1.72	2.18

(Computed from A21and C16)

Table no 4.2.2.1(C18)

Mean Value of death claims pending to Total claims in benefit amount

Firm	LICI	Birla	SBI	Max	ICICI	Bajaj	Kotak	HDFC	Tata	Met	ING
Mean	2.30	3.03	4.85	5.00	6.48	6.68	8.14	8.64	12.41	13.26	13.64

(Computed from C17)

Interpretation: Table no 4.2.2.1(C16) displays the number of Total death claims pending in benefit amount .Table no 4.2.2.1(C17) shows the percentage of Total death claims pending in benefit amount. Table no 4.2.2.1(C18) depicts the mean value of Total death claims pending in benefit amount .LICI had 2.30% claims pending in benefit amount. Among the private sector Birla sun life was in no 1 position with only 3.03% pending in benefit amount followed by SBI life with 4.85%, Max life with 5%, ICICI with 6.48%, Bajaj with 6.68 %, Om Kotak with 8.14%,HDFC with 8.64%,Tata AIA with 12.41 %, Met life with 13.26% and ING with 13.64%.

4.2.2.2 A) Grievance settlement: In order to protect the interest of the policy holders Consumer grievance cell was set up by IRDA in 2002 for the settlement of grievances come what may the nature of grievances. This cell is solely given the responsibility to settle the problem of the policy holders at the earliest. Data is taken for seven years from 2007 to2014 for all the private as well as public sector life insurer. The following tables and charts highlights the total complaints outstanding at the beginning of the year and reported in the current year for seven respective years. Percentage of the total complaints reported and resolved is been taken for analysis and year wise analysis is done and represented in the bar diagrams**.**

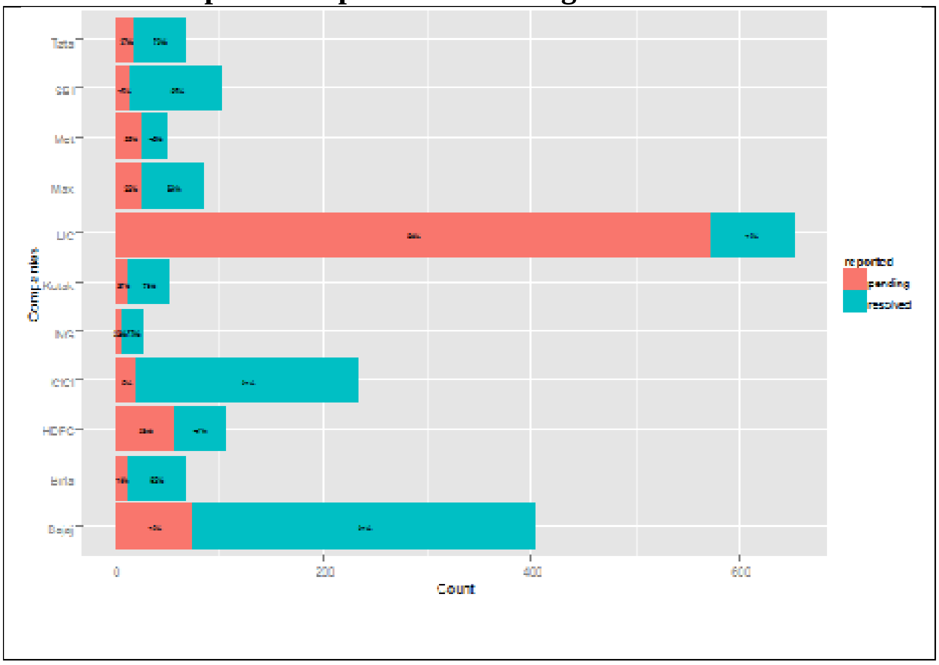
Table no 4.2.2.2(A1)

Complaints Reported & Pending 2007-08

Companies	Reported	Resolved	Pending	Resolved in %	Pending in %
Bajaj	403	328	75	81.39	18.61
Birla	67	55	12	82.09	17.91
HDFC	106	50	56	47.17	52.83
ICICI	233	212	21	90.99	9.01
ING	26	20	6	76.92	23.08
Kotak	51	37	14	72.55	27.45
Max	84	57	27	67.86	32.14
Met	49	22	27	44.90	55.10
SBI	101	86	15	85.15	14.85
Tata	66	48	18	72.73	27.27
LIC	651	80	571	12.29	87.71

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Chart no 4.2.2.2(A1)
Complaints Reported & Pending 2007-08



Interpretation : The SBI and ICICI companies were top in solving the grievances with 85.15% and 90.99% respectively whereas Met has solved only 44.90% which is less as compared to other private insurance companies, while LICI has solved only 12.29 % of the total complaints in the year 2007-2008.

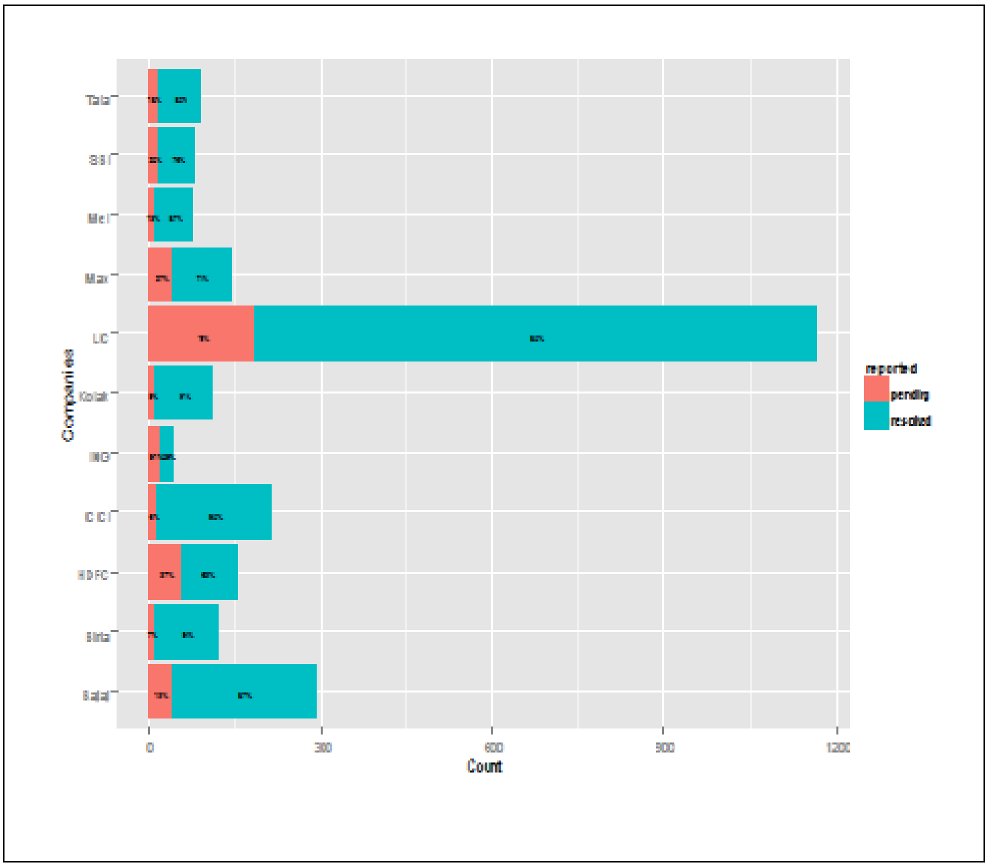
Table No 4.2.2.2(A2)
Complaints Reported & Pending 2008-09

Companies	Reported	Resolved	Pending	% Resolved	% Pending
Bajaj	289	251	38	86.85	13.15
Birla	122	113	9	92.62	7.38
HDFC	151	95	56	62.91	37.09
ICICI	216	202	14	93.52	6.48
ING	41	20	21	48.78	51.22
Kotak	112	102	10	91.07	8.93
Max	144	105	39	72.92	27.08
Met	76	66	10	86.84	13.16
SBI	78	59	19	75.64	24.36
Tata	89	73	16	82.02	17.98
LIC	1166	980	186	84.05	15.95

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Chart No 4.2.2.2(A2)

Complaints Reported & Pending 2008-09



<u>Interpretation</u>

The ICICI and Birla companies stood in top position in solving the complaints with 93.52% and 92.62% respectively whereas ING has solved only 48.78% which is less as compared to other private insurance companies, while LICI has solved 84.05 % of grievances in the year 2008-2009.

Table No 4.2.2.2(A3)

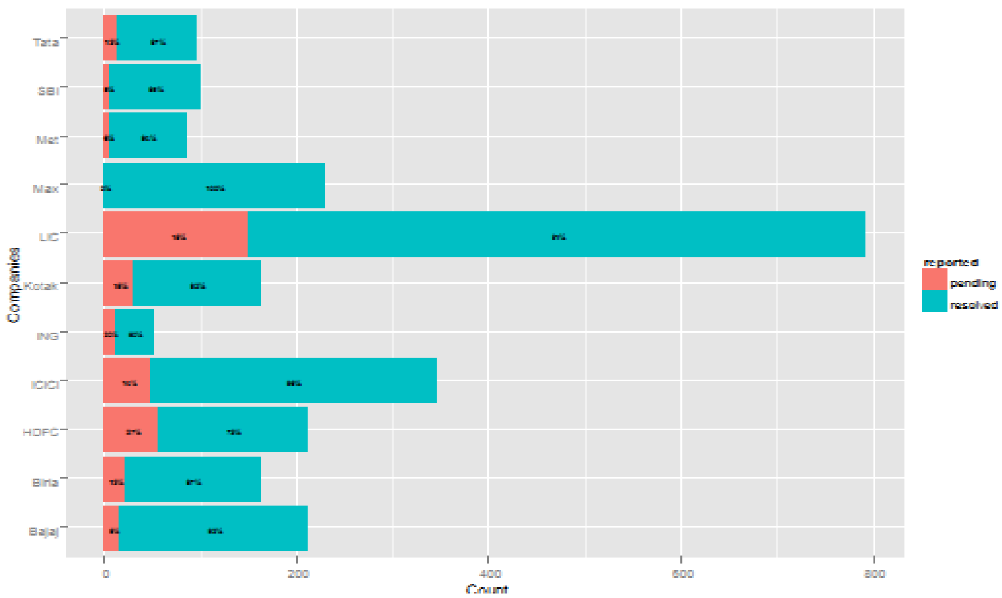
Complaints Reported & Pending 2009-10

Companies	Reported	Resolved	Pending	% Resolved	% Pending
Bajaj	211	195	16	92.42	7.58
Birla	162	141	21	87.04	12.96
HDFC	210	154	56	73.33	26.67
ICICI	344	296	48	86.05	13.95
ING	50	40	10	80.00	20.00
Kotak	161	132	29	81.99	18.01
Max	227	227	0	100.00	0.00
Met	84	79	5	94.05	5.95
SBI	99	94	5	94.95	5.05
Tata	95	83	12	87.37	12.63
LIC	792	642	150	81.06	18.94

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Chart No 4.2.2.2(A3)

Complaints Reported & Pending 2009-10



<u>Interpretation</u>

In the year 2009-2010 all the companies have resolved more than 70% of grievances Max life has resolved 100% whereas LICI has solved only 81.06 % of total grievances

Table No 4.2.2.2(A4)

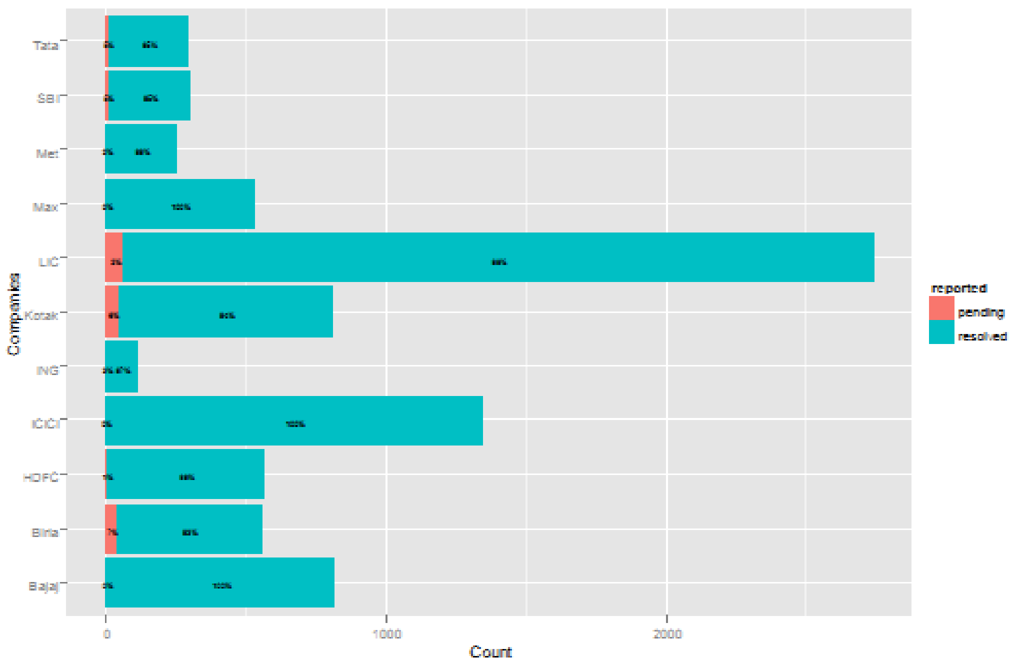
Complaints Reported & Pending 2010-11

Companies	Reported	Resolved	Pending	% Resolved	% Pending
Bajaj	815	811	4	99.51	0.49
Birla	554	515	39	92.96	7.04
HDFC	567	562	5	99.12	0.88
ICICI	1342	1342	0	100.00	0.00
ING	109	106	3	97.25	2.75
Kotak	808	757	51	93.69	6.31
Max	525	523	2	99.62	0.38
Met	251	247	4	98.41	1.59
SBI	298	284	14	95.30	4.70
Tata	291	276	15	94.85	5.15
LIC	2738	2672	66	97.59	2.41

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Chart No 4.2.2.2(A4)

Complaints Reported & Pending 2010-11



<u>Interpretation</u>

In the year 2010-2011 all the companies have resolved more than 90% of complaints. ICICI has resolved 100% & LIC has solved 97.69 % of grievances.

Table No 4.2.2.2(A5)

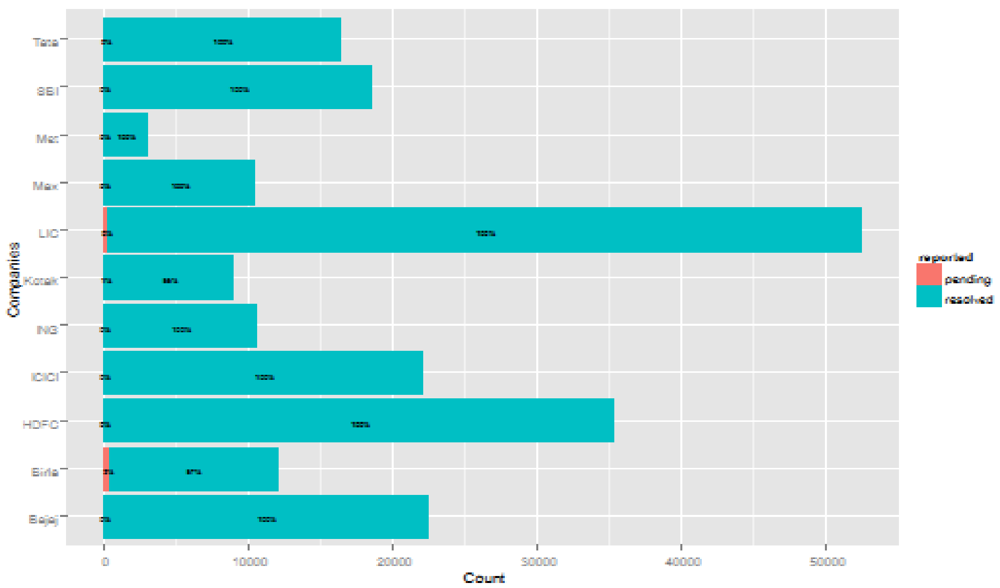
Complaints Reported & Pending 2011-12

Companies	Reported	Resolved	Pending	% Resolved	% Pending
Bajaj	22394	22388	6	99.97	0.03
Birla	11950	11632	318	97.34	2.66
HDFC	35223	35205	18	99.95	0.05
ICICI	22016	22016	0	100.00	0.00
ING	10501	10479	22	99.79	0.21
Kotak	8901	8844	57	99.36	0.64
Max	10364	10360	4	99.96	0.04
Met	2944	2940	4	99.86	0.14
SBI	18504	18482	22	99.88	0.12
Tata	16322	16291	31	99.81	0.19
LICI	52366	52135	231	99.56	0.44

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Chart No 4.2.2.2(A5)

Complaints Reported & Pending 2011-12



Interpretation: In the year 2011-2012 all the companies including LICI have resolved 99% of grievances . Birla has resolved 97.34% of grievances and ICICI has resolved 100% of grievances and HDFC with 99.5%.

Table No 4.2.2.2(A6)

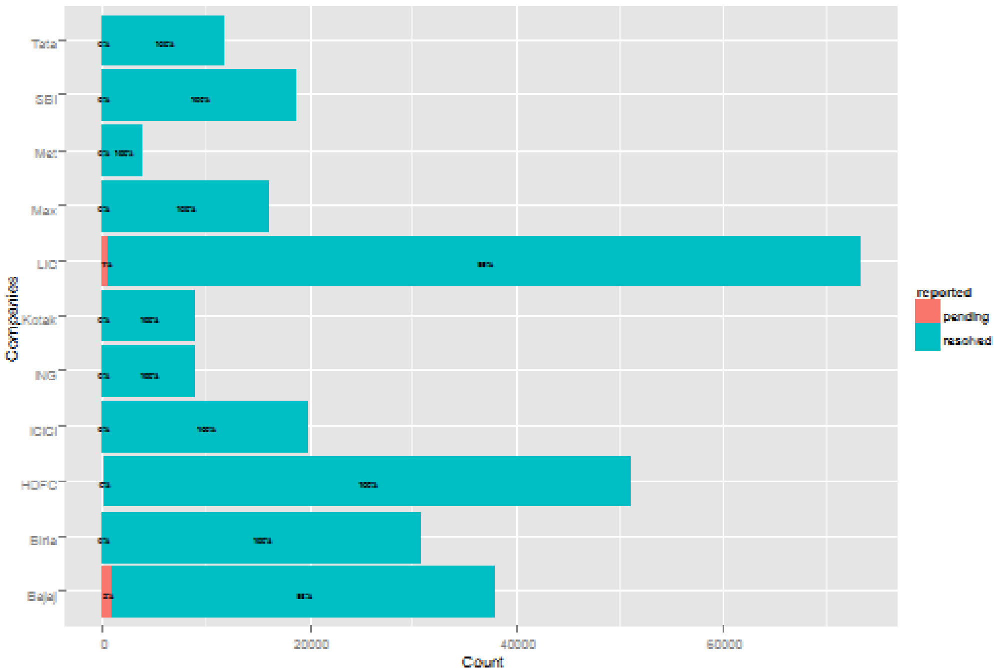
Complaints Reported & Pending 2012-13

Companies	Reported	Resolved	Pending	% Resolved	% Pending
Bajaj	37904	37090	814	97.85	2.15
Birla	30709	30709	0	100.00	0.00
HDFC	50960	50814	146	99.71	0.29
ICICI	19759	19746	13	99.93	0.07
ING	8745	8732	13	99.85	0.15
Kotak	8745	8732	13	99.85	0.15
Max	15901	15895	6	99.96	0.04
Met	3832	3825	7	99.82	0.18
SBI	18689	18678	11	99.94	0.06
Tata	11688	11673	15	99.87	0.13
LICI	73199	72655	544	99.26	0.74

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Chart No 4.2.2.2(A6)

Complaints Reported & Pending 2012-2013



Interpretation: In the year 2012-2013 all the companies including LIC have resolved 99% of grievances and only Bajaj has resolved 97.85% of grievances and Birla has resolved 100% grievances.

Table No 4.2.2.2(A7)

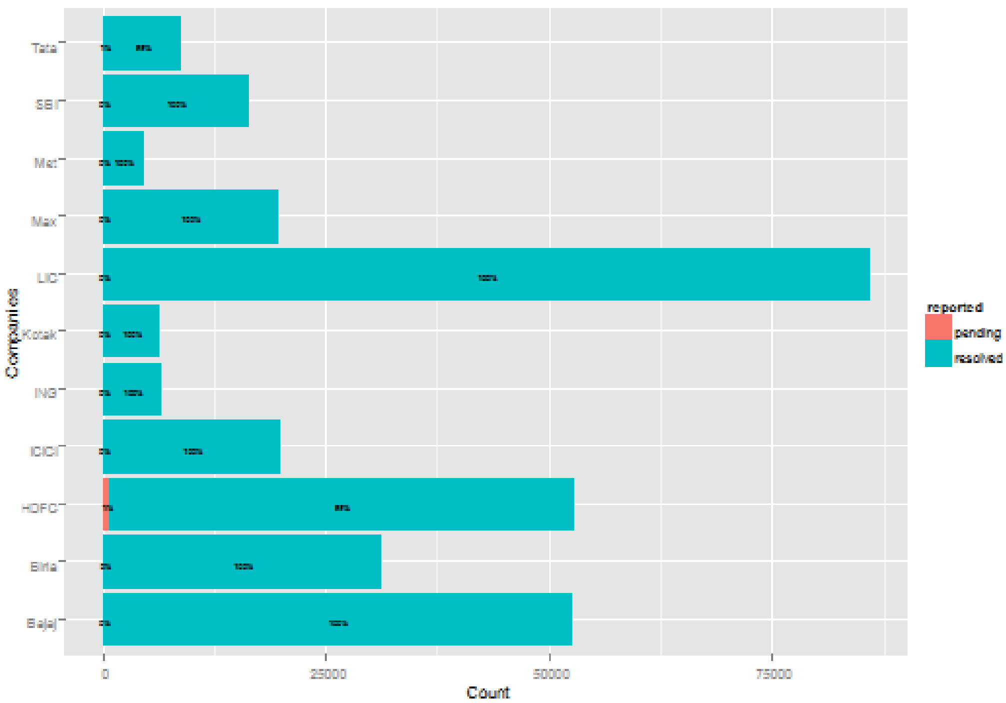
Grievances Reported & Pending 2013-14

Companies	Reported	Resolved	Pending	% Resolved	%Pending
Bajaj	52318	52308	10	99.98	0.02
Birla	30957	30917	40	99.87	0.13
HDFC	52548	51882	666	98.73	1.27
ICICI	19710	19677	33	99.83	0.17
ING	6472	6459	13	99.8	0.2
Kotak	6177	6169	8	99.87	0.13
Max	19395	19395	0	100	0
Met	4369	4365	4	99.91	0.09
SBI	16072	16067	5	99.97	0.03
Tata	8576	8521	55	99.36	0.64
LIC	85828	85828	0	100	0

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Chart No 4.2.2.2(A7)

Complaints Reported & Pending 2013-14



Interpretation

In the year 2013-2014 all the companies have resolved 99% of the complaints and Max and LICI have resolved 100% of grievances.

Table No 4.2.2.2(A8)

Average mean of grievances resolved (2007-2014)

Company	ICICI	Bajaj	Birla	SBI	Max	Kotak	Tata	Met	ING	HDFC	LIC
Mean	95.76	94.00	93.13	92.98	91.47	91.20	90.86	89.11	86.06	82.99	81.97

(computed from 4.2.2.2(A1)to(A7))

The above table no **Table No 4.2.2.2(A8)** gives us the mean value of the ten private companies and public sector LICI. It is interesting to note that for the combined seven years of data collected private sector seems to be in better position in resolving customer grievances. The above table shows the ranking of the companies in grievance settlement. ICICI has the highest percentage with 95.76% followed by Bajaj with 94%, Birla with 93.13% SBI with 92.98%, Maxlife with 91.47%, Om Kotak with 91.20%, Tata AIA with 90.86%,Metlife with 89.11%ING with 86.06% HDFC with 82.99% and LICI with 81.97%.

4.2.2.3 Insurance Ombudsdam[19]: Institute of insurance Ombudsdam has great relevance for the protection of interest of the policy holders and also build up the confidence amongst the consumers about the insurers. Ombudsdam is empowered to consider complaints and resolve it within three months. The complaint may be from the policy holder with regard to grievances of the claims which are not repudiated. The maximum limit of amount which the institute can resolve is upto 20 lakhs. There are twelve institutes all over the country. It has to function in its own jurisdiction. The following table refers to the total complaints received by the Institutes all over India .The table shows number of complaints received and resolved over fourteen years. Year wise analysis is done for the complaints registered from the entire life Insurance Industry.

Table No 4.2.2.3

Disposal of Complaints by OMBUDSMAN from 2000-2001 to 2013-2014

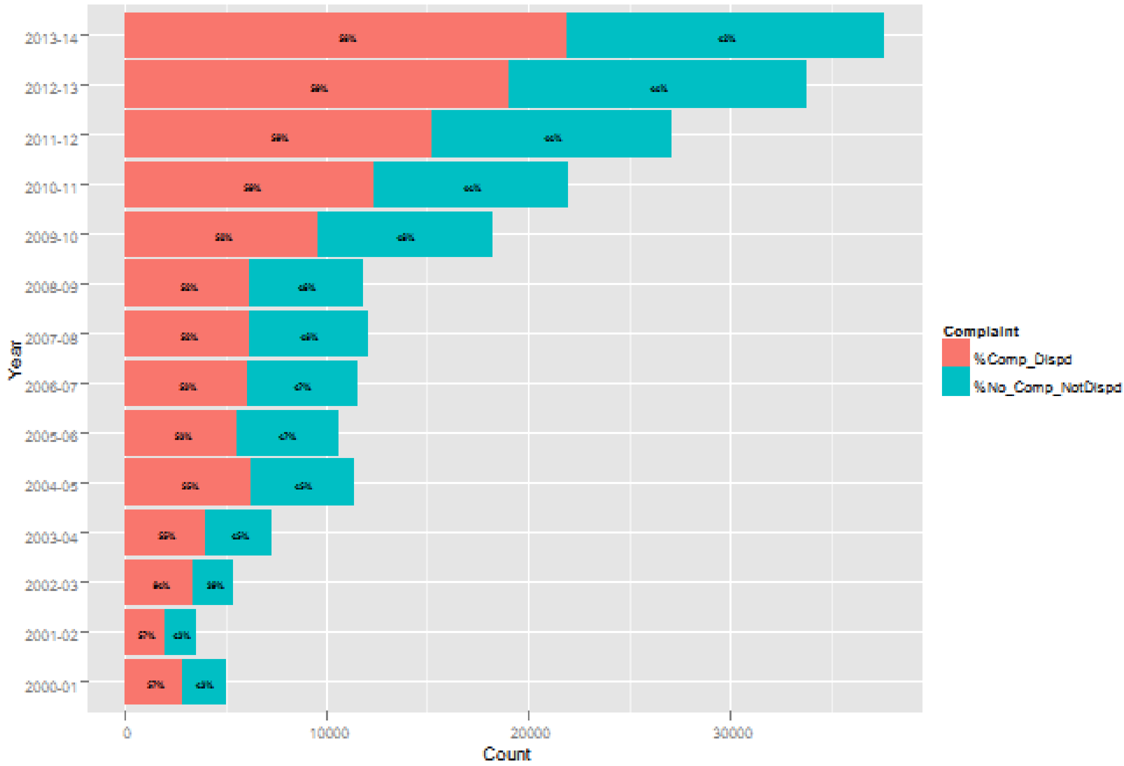
Sr. No.	Complaint	Years													
		2000-2001	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1	Complaint Disposed	57.37	56.64	63.97	54.68	55.44	52.88	52.63	51.63	52.37	52.44	56.46	56.17	56.49	58.27
2	Complaint pending	42.63	43.36	36.03	45.32	44.56	47.12	47.37	48.37	47.63	47.56	43.54	43.83	43.51	41.73

(Source:Compiled from IRDA handbook of Statistics 2013-14)

[19] **http://www.irda.gov.in**

Chart No 4.2.2.3(A1)

Disposal of Complaints by OMBUDSMAN from 2000-2001 to 2013-2014



<u>Interpretation</u>

The percentage of complaint disposed is more in the year 2002-2003 with 63.97% whereas it is less in the year 2007-2008 with 51.63%.The percentage of complaint pending is more in the year 2007-2008 with 48.37% whereas it is less in the year 2002-2003 with 36.03%

4.2.3 Innovativeness: Innovation refers to a new idea or invention of a new product or strategy. In life insurance business, Innovation can be brought about in its marketing strategy. Marketing today is a very comprehensive term which covers a wide range of activities right from the inception of an idea to create a product till the sale of product .Moreover with life insurance which is an intangible product, marketing does not end with the selling of the service unlike other tangible products it is the beginning since the insurer has the maintain the loyalty of the customer and also guide them for a long period of time say from 3 years to 20-25 years. Since the liberlisation period, Marketing of an insurance service has become more challenging as the industry has entered into a competitive zone. Few features of Indian life insurance industry will throw light upon the nature of competition prevailing in the market and the strategies adopted by them to gain the market pie. With the operation of both public and private sector side by side, and public sector still holding a major market share, The private sector has a real great deal to prove itself in terms of introduction of new idea , product, distributional channel, service quality & technology. Innovation can be seen in new product mix, Advertisement , brand building, Changing distribution channels are catering towards the changing service requirements of the customers. In short, the entire insurance market landscape has undergone considerable change, achieving success and has become a lucrative sector of the Indian economy.

Liberlisation has changed the entire scenario in the life insurance industry. The biggest beneficiary of the competition amongst life insurers is the customer. A wide-variety of insurance products, professional consultancy to customers and customer-focused service are some of the benefits available to customers. It is also made important to remain in constant touch with the customers' needs and expectations many times a year. The competition among insurance players has created increased insurance awareness and also helped to expand the insurance market. It has increased the efficiency of all insurers.

4.2.3.1 Products : The term ‘product’ has been referred to anything produced. The economist Adam Smith first used the economic and commercial meaning of product i.e. the product should have an economic value. In Marketing, a ‘product’ is anything that can be offered to a market that might satisfy a want or need (Kotler, 2006)[20]. Therefore, Life insurance contract or policy is a product, which is non-physical in nature i.e. intangible product. In the literature, non-physical goods are distinguished from other goods by their unique characteristics, which are intangibility, inseparability, perishability and heterogeneity .Insurance in modern world has made life more meaningful, dignified and worth living. Innovating new products is a continuous process. Competition has brought with it an element of new product Innovation. Product innovation is a must for the long run survival of the firm This involves strategies like product positioning, packaging, labelling, branding and product supporting services.

The product innovation and development has led to a birth of long chain of attractive and useful products brought in by the insurers developed mainly from the exposure of their foreign partners. Customers have got a tremendous choice from a large variety of these products. Innovation in product also seen in different products developed depending upon the needs of the customer such as family need, investment need, saving need, old-age need, readjustment need and special need.

There are different types of insurance products designed according to the needs of the customers. Initially insurance was purchased as a tax saving tool. Today people look at it as a source of investment due to the innovation done in designing the products .Following products throws light upon the nature and type of the products.

---

[20]Kotler Philip; Keller Kevin; Koshy Abraham(2009),Marketing Management, A south Asian perspective ,Pearson Prentice Hall ISBN 978-81-317-1683-0

Traditional products[21]: These products are designed for offering medium and long term need of the customers with an average return of 3% -5% return on investment which offers risk cover and saving needs of the customers. The products that come under traditional head are as follows.

A) Term Insurance: A term insurance plan allows a customer to have an affordable life cover protection. It is a pure risk cover and does not carry any separate cash value. Upon the death of the policyholder, the insurance company will pay the sum assured to the beneficiary. In the event of survival, the policy will not carry any maturity value. Term policies also allow riders or benefits such as critical illness benefit, accelerated sum assured and accident death on payment of additional premium. For life insurers, offering term plans during the initial stages has great advantage. The advantage is that term plans offer just risk coverage and are not savings-linked premiums paid on term policy is comparatively low and affordable to the customers.

B) Whole Life Insurance : In the whole life insurance policy, the risk covered is for the entire life of the policyholder and the policy money and the bonus so accumulated are payable to the nominee or the beneficiary only on the death of the policyholder. The new whole-life policy has gone a step further and the customer gets a small sum of money at regular intervals while the policy runs its course.

C) Endowment Insurance

An endowment policy covers a stipulated number of years. The designated beneficiary gets the death benefit equal to the policy amount if the insured dies within the period covered. If the insured survives at the end of this period, he is paid the policy amount. The investment component in an endowment policy yields a cash value to the insured in the event of cancellation prior to the completion of the policy term. An endowment policy covers risk for a specified period and at the end of which the sum assured is paid back

---

[21]G Gopalakrishna (2007) "Life Insurance products: their Innovation and Development", Insurance Chronicle© the ICFAI University press, pp 21-30

to the policyholder, usually with accumulated amount of bonus. Endowment plans are more traditional by nature and perceived to be more transparent. Unit-linked endowment plans have been introduced which offer exposure to equity and debt markets. The customers can choose these plans based on their risk profile and financial goals.

D) Money-back Policy

A money-back plan is a modified version of the endowment plan. This plan makes partial payments periodically during the term and the remaining on the expiry of the plan. The emphasis is more on savings in these plans. The focus is more on the benefits to be accrued and received as opposed to the premium pay-outs.

E) Children's Insurance

Children's insurance plans are deferred assurance plans providing risk cover on life of the child after it has attained 18 years of age. The low premium rate under these plans is a great attraction. A parent can help his children to take a policy at a rate which is considerably lower than that what they would be called upon to pay at the attaining of majority. These policies are taken on the life of the child and not the life of the parent.The entry of private players brought about the introduction of newer products in the form of Annuities, Pension and Unit Linked Products

A)Annuities: Annuities are a form of pension in which an insurance company makes a series of periodic payments to a person (annuitant) or his her dependents over a number of years (term), in return for the money paid to the insurance company either in a lump sum or in installments. Annuities start where life insurance ends. It is called the reverse of life insurance. Annuity stops on death of a person, whereas theoretically, life insurance starts on the death of the assured.

B) Pension Plan: The pension plan is different form of life insurance. It does not provide any life insurance coverage benefits, but gives definite returns for whole life or curtained period of life. The premium amount is paid as a single lump sum payment or installment paid up to some limited period. The return to be received in the form of income every year, every half-year and every month, either for whole life or for a certain period of time.

C)Unit Linked Plans: Unit linked plan is life insurance solution rather that offer the benefits of safeguard and flexibility in investments. The investments are indicated as units and symbolize the value that it has achieved known as Net Assets Value (NAV). The policy value at any time differs as per the value of the basic assets on the time. The unit linked plan offers several benefits to the policy holders. The benefits include: life protection, investment and saving, flexibility, adjustable life coverage, investment options, transparency, disability, critical illness, surgeries and liquid tax planning.

4.2.3.2 Riders[22] :Riders are the add-ons which has brought about a new to dimension to the designing of the products. As per the IRDA (Actuarial and Abstract) Regulations, 2000 'riders' or 'rider benefits' mean add-on benefits which are in addition to the basic benefits under a policy. These are the additional benefits that can be bought and added to a basic insurance cover. The Riders are termed as supplements to the basic risk cover provided. A set of riders are added to the main products by the insurance company. Due to addition of riders appended, the premiums have undergone an upward revision. The different types of riders commonly accepted by the customers are given below: Accidental death benefit, The critical illness rider, The other two riders offered by the insurance companies are the major surgical procedure and the pre and post-hospitalization benefits The following table displays the number of products and riders offered by the private and public sector LICI. Data for ten years from 2000 to 2010 is taken irrespective of the products dropped.

---

[22]A rider is a clause or condition that is added on, to a basic policy providing an additional benefit, at the choice of the proposer. Life insurance riders are the fringe benefits offered to the policyholders along with a life insurance policy. These riders actually are a value addition to the policies. (Life Insurance Guide, 2007).

Table no 4.2.3.1
Company wise Products and riders

Insurer	Products	Number of firms	Industry Average for 11 Firms	Rank	Riders	Number of firms	Industry Average for 11 Firms	Rank
HDFC	76	11	7.6	**5**	18	11	1.8	**6**
ICICI	133	11	13.3	**1**	23	11	2.3	**3**
Max New	61	11	6.1	**10**	29	11	2.9	**1**
Birla	71	11	7.1	**6**	13	11	1.3	**8**
Bajaj	110	11	11	**2**	25	11	2.5	**2**
ING	53	11	5.3	**11**	7	11	0.7	**10**
Kotak	88	11	8.8	**4**	25	11	2.5	**2**
Met Life	67	11	6.7	**9**	17	11	1.7	**7**
SBI	68	11	6.8	**8**	21	11	2.1	**5**
Tata AIG	93	11	9.3	**3**	22	11	2.2	**4**
LICI	69	11	6.9	**7**	9	11	0.9	**9**

(Source:Compiled from IRDA Annual reports from 2001-10)

From the above table no 4.2.3.1 the average number of products launched in ten years from 2001-2010 ,taking LICI into consideration it is observed that ICICI has launched highest number of products with number 1 position with an average Industry average of 13.3 followed by Bajaj with an average of 11 products ,Tata AIA in third position with an average of 9.3 products, Kotak in 4th position with the industry average of 8.8 products ,HDFC in 5th position with 7.6 products, Birla in 6th position with 7.1 products , LICI with 7th position 6.9 products, SBI in 8th position with 6.8 products , Metlife in 9th position with an average of 6.7 position,Max life in 10th position with an average of 6.1 position and ING in 11th position with an average of 5.3.

While analyzing riders ,OM Kotak is in no 1 position with an average of 2.9 riders followed by Kotak and Bajaj in 2nd position with an average of 2.5 riders ,ICICI in number 3 position with the industry average of 2.3 riders,Tata AIA in 4th position with 2.2 riders,SBI life in 5th position with average of 2.1 riders, HDFC in 6th position with 1.8 riders, Metlife in 7th position with 1.7 riders, Birla in 8th position with 1.3 riders, LICI in 9th position with 0.9 riders and ING in 10th position with an average of 0.7 riders.Moreover the years where no riders were attached are not taken for average calculation. However it can be concluded that liberlisation has brought about an element of more choices for the customer with number of products and riders appended along with it. It is because of the competition in the industry which has forced the insurers to come out with more innovative products and riders. Here we find that consumer is the king.

4.2.3.3 Distribution channels[23]: A Distribution channel refers to medium through which the products are sold out. There are various channels through which the products can reach out to the customers. They are A) Individual Agents B)Corporate Agents C) Corporate agents including bank D) Brokers E) Direct selling F) Referrals .

A) Agents: Agents are the backbone of the insurance distribution system. The Insurance Act defines an insurance agent as one who is licensed under Section 42 of that Act and is paid by way of commission or otherwise, in consideration of his soliciting or procuring insurance business, including business relating to the continuance, renewal or revival of policies of insurance. He is, for all purposes, an authorized salesman for insurance and needs a license (Life Insurance Guide, 2007.).

B) **Corporate Agents**: In order to spread awareness about insurance and to increase the coverage of a large section of population who has remained outside the radius of insurance coverage all these years, the IRDA introduced a variety of intermediaries as "distribution" is key to insurance penetration. The Corporate Agent is a concept introduced with to take advantage of the presence of a large number of firms, corporations, banks, NGOs, cooperative societies and Panchayats who are in contact with people in normal discharge of their activities and utilize their presence and services for canvassing the sale of insurance contracts.

C) Corporate Agents -Including banks: This channel includes banks as a medium of distributing Insurance products which is termed as Bancassurance. Bancassurance describes a package of financial services that can fulfill both banking and insurance needs at the same time.

---

[23]Rosari .S.Lily and Ganasekar I.Francis(2013) "Marketing strategy of Life Insurance Company",New Delhi: Discovery publishing house Ltd, ISBN 978-93-5056-281-9,pp 47-48.

For banks, it acts as a diversification and additional fee income, for insurance companies it acts as a tool for increasing their market penetration and premium turnover. For the customers, it is a bonanza in terms of reduced price, high quality products delivered at their door steps.

D) Brokers are corporate entities that act as the intermediary for more than one company. As a promotional measure, they are allowed to pass on a part of their commission to the customers. These brokers are ideally suited for group plans for corporate where they negotiate with the insurance companies on behalf of clients to tailor a product best suited to the client's requirements. Customers have the option to select a product among varieties of products offered by different companies through one broker only.

E) Direct Selling: The intermediaries are surpassed in this mode of distribution. The company directly contacts the consumers and sells the products to them without the intervention of intermediaries. Generally group insurance products are sold to big companies through this mode. Selling activities is now entrusted mainly to development officers. Corporate customer building is entrusted to managers of branches and divisions. The managers are also entrusted with a variety of other important duties of which marketing and selling is one of them. Information Technology like internet plays very important role for promoting sales of the insurance products and it also provides detailed information regarding the company's policy, products and future plans. Internet has proved to be one of the most potent and low-cost sales channel all over the world.

f) Referrals are those companies who are not into direct distribution business. Referral companies offer their customer database to the insurance companies and the insurance companies in turn solicit insurance from those customers using their marketing teams shown separately.In this analysis company wise data is not taken but the entire industry as a whole including public and private sector taken together.

The performance of the various distribution channels in the country is assessed by compiling data from 2007 to 2014 . The table no **4.2.3.3A(1) and 4.2.3.3(2)**shows the channel wise business for individual and group policies in premium amount in crores. Table No **4.2.3.3 A(3)and 4.2.3.3 A(4)** shows the Channel wise individual and group new business in number of policies in lakhs.

Table no 4.2.3.3(A1)

Channel wise business-individual plus group(amt of premium in crores of Rs)

Distribution Channel	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Individual Agents	67611	56884	66906	68094	53113	49761	48831
Corporate agents- Banks	6822	7307	9288	12391	12811	12154	11327
Corporate agents- Others	3503	3511	3912	3277	2322	1653	1252
Brokers	573	857	1476	1685	1460	1288	1267
Direct Selling	15174	18340	28262	40886	44163	42380	57478
Total	93683	86900	109845	126333	113868	107236	120156
Referrals	2347	2731	2610	875	35	21	20

(Source:Compiled from IRDA Annual reports from 2007-08 to 2013-14)

Table no 4.2.3.3 A(2)

Channel wise business-individual plus group in percentage

Disturbution Channel	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Individual Agents	72.17	65.46	60.91	53.90	46.64	46.40	40.64
Corporate agents- Banks	7.28	8.41	8.46	9.81	11.25	11.33	9.43
Corporate agents- Others	3.74	4.04	3.56	2.59	2.04	1.54	1.04
Brokers	0.61	0.99	1.34	1.33	1.28	1.20	1.05
Direct Selling	16.20	21.10	25.73	32.36	38.78	39.52	47.84
Referrals	2.51	3.14	2.38	0.69	0.03	0.02	0.02

(Source:Compiled from Irda Annual reports from 2007-08 to 2013-14)

Chart no 4.2.3.3 A(1)

Channel wise business-individual plus group in Premium Amount (in crores of Rs)

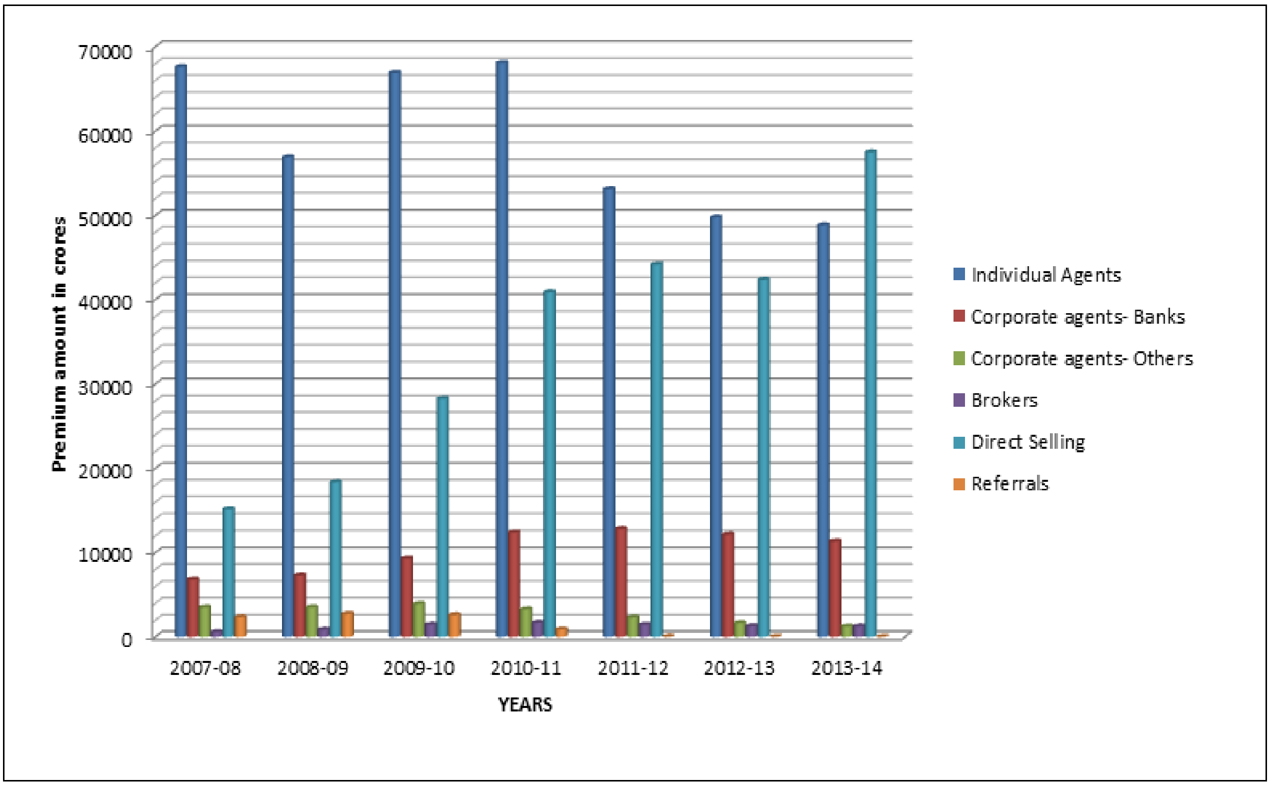


Table no 4.2.3.3 (A3)

Channel wise new business(no of lives covered)Individual plus group in lakhs

Distribution Channel	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Individual Agents	500	463	540	450	478	510	484
Corporate agents-Banks	35	41	33	66	48	52	56
Corporate agents-Others	33	33	104	97	27	74	53
Brokers	9	9	54	52	28	27	41
Direct Selling	277	491	609	648	527	560	714
Total	854	1037	1340	1313	1108	1223	1348
Referrals	14	20	13	9	0.13	0.13	0.13

(Source:Compiled from Irda Annual reports from 2007-08 to 2013-14)

Table no 4.2.3.3A(4)

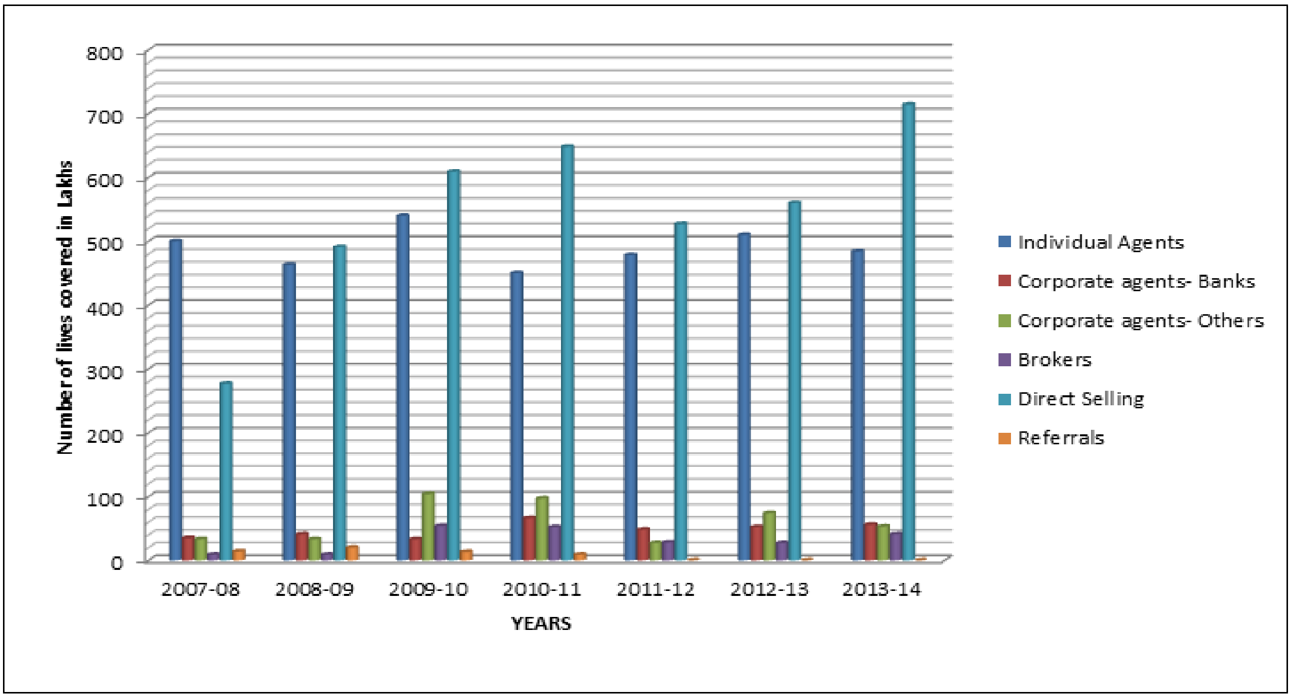
Channel wise new business(no of lives covered)Individual plus group)in percentage

Distribution Channel	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Individual Agents	58.55	44.65	40.30	34.27	43.14	41.70	35.91
Corporate agents-Banks	4.10	3.95	2.46	5.03	4.33	4.25	4.15
Corporate agents-Others	3.86	3.18	7.76	7.39	2.44	6.05	3.93
Brokers	1.05	0.87	4.03	3.96	2.53	2.21	3.04
Direct Selling	32.44	47.35	45.45	49.35	47.56	45.79	52.97
Total	100	100	100	100	100	100	100
Referrals	1.64	1.93	0.97	0.69	0.01	0.01	0.01

(Source:Compiled from Irda Annual reports from 2007-08 to 2013-14)

Chart No 4.2.3.3 (A3)

Channel wise new business(no of lives covered)Individual plus group in lakhs



Interpretation: During pre liberlisation period the most important distribution channel was Individual Agents and brokers. However with the entry of private players other channels of distribution like corporate agents like banks and internet have emerged over a period of time. In the year 2007-08 it is observed that Individual agents have sold 72.17 % of business of premium amount in crores and 16.20 business by direct selling. However in 2013-14.The scenario has changed completely. The percentage of business earned through direct selling has increased to 47.84 % and that of individual agents have decreased to 40.64%.Other channels are moreover stable all over the years .Likewise, percentage of number of lives covered under individual and group policies sold in lakhs is displayed in table number 3.76. which shows 58.55% of lives were covered in 2007 by individual agents and 32.44% business was earned through direct selling. Other channels have considerable percentage of business earned. Whereas in 2014, 35.91% of business has earned by individual agents and 52.97 is earned by direct selling. Direct selling includes business earned through internet facility. Here the technology plays a dominant role. Since people are aware about the use of technology they prefer buying the products online rather than going through other medium or channel. However other medium still have a hold where technology has not reached. Hence the life insurers have to be cautious in building a good technology infrastructure with simple process involved while buying a product. From the above analysis ,it is been noticed that over the years, the role of agents has been declining and other Channels of distribution like Bancassurance, Corporate agents and internet are being used by the companies .Agency channels have their own importance ,but marketing aggressively through other channels like commercial banks and retail shops are in vogue. The following table exhibits the banks which are tied up insurance companies to sell insurance products. Shop assurance are also become the trend in marketing life insurance products.4.2.3.4 Bancassurance: Bancassurance has evolved has a new channel of Insurance distribution of products. It is quite popular in developed countries .In India Bancassurance is spreading as an important channel in modern days. The table No 4.2.3.4 gives us the list of Insurance companies having tied up with banks to carry on the insurance business .Banks comes under corporate agent category.

Table No 4.2.3.4

List of Insurance companies tied up with banks

	Name of the insurance Company	**Bancassurance Members**
1	LICI	Andhra Bank, Dena Bank, Indian Overseas Bank, Corporation Bank, Allahabad Bank, Vijaya Bank, and Central Bank Of India.
2	Bajaj Allianz	Standard Chartered Bank, Syndicate Bank, Maharashtra state Co-operative Bank
3	Birla Sun Life	Citi Bank, IDBI Bank, Catholic Syrian Bank, Development Credit Bank, Nagar Co-operative
4	HDFC Standard Life	Union Bank,Indian Bank,HDFC Bank,Bank of Baroda, Saraswat Bank
5	ICICI Prudential Life	Federal Bank,ICICI Bank,Bank Of India,Lord Krishna Bank,South Indian Bank and other co-operative Bank
6	ING Vysya Life Insurance(Exide Life Insurance)	ING Vysya Bank
7	Om Kotak Mahindra	Kotak Mahindra Bank,
8	Max Life	Axis Bank
9	Met Life Insurance	UTI Bank (Axis Bank), Dhanalakshmi Bank, J&K Bank, Karnataka Bank
10	SBI Life Insurance	SBI, United Bank Of India
11	Tata AIA Life Insurance	HSBC Bank, United Bank Of India

(Source:Websites of the respective companies)

The above table displays the tie up between the life insurance companies with the various commercial Banks.Shopassurance has evolved lately as a new way of selling policies . Companies like Kisan Seva Kendra Of Indian Oil Corporation Ltd has a tie up with Max life Insurance, Godrej Adhaar(Agro Service cum Retail Shop)has a tie up with Bajaj Allianz and Apna Bazar(Mumbai)With Met Life India Insurance.

4.2.3.5 Innovation in Brand building & Advertising: In the era of Competition specially in an Oligopolistic market where there is no much difference in the products offered and the price of the products, Insurers are forced to focus more on brand building and advertising .

Brand building & Advertising[24]: Selling life insurance is a very delicate task and insurance is considered to be one of the most difficult product to sell. The reason being insurance is considered to be an emotional product and is associated with the possible loss .Insurance companies have adopted various tools like television ,print, radio, outdoor and internet advertisements, sponsorship of television and other programs like free seminars, road shows, sales promotion activities, short films, and slides in movie halls, tele-calling, SMS marketing, Mobile video vans, participation in trade fairs etc. Being an emotional product, Innovative marketing termed as "emotive marketing" has been fruitful. Indians being emotional people, Insurers have evolved Emotive Marketing for over a past decade, taking this fact Into consideration, a cursory glance of marketing strategies, particularly advertising strategies adopted by few selected life insurance companies is explained. To begin with Public sector LICI which has gained popularity in rural areas with an ambition to reach all insurable population of the country has always being positioned as "Brand LIC" with its popular punch line "Zindagi ke saath bhi Zindagi ke baad bhi" The company has created a soft corner in the hearts of the customers through its promotional campaigns.

Private sector has directed itself at building an image of trustworthiness and reliability for themselves. HDFC Standard life insurance one among the earliest mover in life business promoted their brand with an advertisement which portrayed two friends travelling together out of town with official work and a very realistic and honest conversation brings out the contention that complete financial security of an individual's family is taken care forever, for which one requires to plan today itself which verbalized as: Kal Ki Socho,Sar Utha Ke Jiyo"

---

[24]**http://www.hindubusliness.com/catalyst/2002/01/17/stories/20020117**

The advertisement highlighted the importance of life insurance in a forthright manner rather than showing the negative emotion of death. At the same time the advertisement highlighted the core values of the brand, that is ‘self respect’ and ‘Financial independence’. ICICI Prudential came up with the sequence of views from life’s stages –childhood, marriage and old age. As a brand ICICI Prudential has committed to ‘protection to every stage of Life’. They linked the concept to Sindoor, which symbolizes protection .Sindoor has been shown through the entire commercial as a sign of emotion and protection and finally merged with the red line beneath the ICICI Prudential logo.

Max Life has also focused on the positive emotions in many of its print ads. Two print ads are worth mentioning. One of these has the picture of goddess Durga, While another depicted three youngsters standing together, with their faces painted green, White and Saffron which look similar to Indian tricolor. The advertisements tried to communicate that insurance “is your associate for your entire life”.

Om Kotak and Birla Sun Life took to sponsoring events in a major way, to attract prospective customers. In 2001, Birla Sun Life sponsored a play to which a few Citibank credit card customers were invited. A company official said, “Sponsoring plays and events like these give us good mileage. They may not directly give us leads to sales, but certainly give us better visibility.” According to company sources, Birla Sun life was considering the sponsorship of premier shows and offering tickets to corporate agents like Citibank and employees of Deutsche Bank, who helped in the sale of policies. A senior company official said, “It is all about building relationships with our corporate agents.”

Om Kotak initially highlighted in its advertisements the credibility and trustworthiness of individual partners (Old Mutual & Kotak Mahindra) through its generic campaigns. The TV commercials featured men and women “meeting” themselves in the future“ happy, healthy and secure, thanks to insurance.

Allianz Bajaj went a step ahead. Apart from bringing out TV commercials and putting up hoarding and billboards, it entered into a two-month long contract with Shoppers Stop. According to the contract, every Shoppers Stop outlet had an Allianz Bajaj kiosk that provided information about policies in order to attract customers. According to company sources, its plans were to try any kind of activity that would generate awareness about company and its policies and "leads" (interest by a prospective customer) and converting the same into its customers. Allianz Bajaj's entire communication package included print advertisements, outdoor media campaigns and direct marketing methods. All its print advertisements carried a visual of human hands, which symbolized partnership and care to stress on the concept of care.

Similarly, Tata AIG entered into an agreement with Westside to set up information kiosks in all its outlets in order to attract people's attention. Also, Tata AIG was one of the first insurance companies to adopt the celebrity endorsement strategy. Tata AIG chose the Hindi movie star, Naseeruddin Shah (Shah), as its brand ambassador for endorsing its personal accidental death insurance policy. According to company sources, Shah was selected because he had the image of being an intelligent and reliable individual.

Met Life came up with simple, lucid advertisements that could be easily understood by all. One of its advertisements read, "Why does anyone need insurance? Well, why does a car need a spare tyre?" According to analysts, this advertisement successfully projected the importance of insurance for an individual. MetLife's advertisements carried cartoons from the popular "Peanuts" series and carried emotional messages.

During the late-2001, when SBI Life has moved in the same direction by advertising through internet and Television and tapped major business through Bancassurance.

Another interesting development was regarding the punch lines used by private insurance players that invariably tried to associate positive emotions with insurance products. While ING Vysya said "Adding life to insurance," Om Kotak highlighted its campaigns with "Jeene ki azaadi" (Freedom to live) and Allianz Bajaj stated "Allianz Bajaj, Life insured by care."

While the private players paid much attention to advertising and promotional activities, LICI, too, made efforts to increase its visibility and enhance its brand image. The company commenced intense, systematic and well-focused public relations and publicity activities both at the corporate and operational levels. LICI came out with a corporate advertisement on TV with the punch line, “Zindagi Tumhari Roshan Rahe” (May your life be glorious). In addition, LICI established a broad-based frame for external communication aimed at building a stronger brand image. Several sports events were co-sponsored by the company and special publicity activities with a social purpose were undertaken .

Traditionally, LICI used to target either middle-aged people or elderly ones. But private insurers targeted individuals in all age groups, in their advertisement campaigns. Analysts pointed out that LICI was also biased against women; most of its policies were designed with men in mind, whereas private insurers products covered women’s needs, too. Thus, LICI was forced to modify its advertisement campaigns and communication in order to appeal to all groups. It made its advertisements carry universally applicable messages, focusing particularly on the young executive or the working woman, in order to tap the market comprised of people in the age group of 18-35 years.

Hence competition has paved way to innovation in every aspect of the life insurance business right from inception of the products to selling of the product and in the case of life business the rapport with customer continues even after delivering the product since the customer and the company as a continued relationship for more than 10 to 25 years.

Conclusion : From the above analysis it can be concluded that Onset of liberlisation has brought in a lot of changes in the performance of various insurers in terms of differences in the market share, Equity share capital, service quality rendered and marketing strategies adopted. Therefore the first hypothesis which states that there is differences in the performance of the private life insurers holds to be true from the analyses.

Chapter V

Data Analysis

5.1 Meaning and Concept of Efficiency of the life Insurers

5.1.1 Estimation Technique of Firm’s Performance

5.1.2 Specification of Input and Output of the life Insurers

5.1.3 Analysis of the firms Efficiency Performance

5.2 Role Of Private life Insurance company In Economic Development in India

5.2.1 A)Insurance Penetration

5.2.1 B)Insurance Density

5.2.2 Contribution of Life Insurance towards Gross Domestic Product (GDP

5.2.3 Role of Life Insurance In the generation of Savings Of The Country

5.2.4 Developmental role of Life insurance Industry in the country

Chapter V

Data Analyses and Hypotheses testing

Efficiency Measurement of Private Life Insurance Companies In India.

This chapter deals with the testing of the second and third hypotheses.Second Hypotheses states that **Ha .2: Competition among the private players has improved the performance in terms of efficiency of private life Insurers.**

Third hypothesis states that the entry of private life Insurers contribute in Economic Development. The third hypothesis is stated that

Ha.3: Private Insurance companies play a significant role in Macro economic parameters of development of the country through improved penetration and density, generation of household savings, contribution towards GDP and Investments of funds in government securities and Infrastructure financing.

The methodology used to test the second hypothesis is Data Envelopment Analysis (DEA). DEA is adopted (Kshetrimayum Sobita Devi 2011)[1] for the following reasons: (1) Unlike the econometric approach, DEA deals with multiple outputs as well as multiple inputs, but does not require exogenous specification of the parametric form of the production function. Because, it is a non-parametric method and thereby it is not necessary to identify a functional form or make distributional assumptions. This makes DEA particularly useful in dealing with insurance industry which is a service industry where there is limited knowledge of underlying production technology and typically confronted with multiproduct firms (2) Indian life insurance industry is relatively small and DEA can ideally be able to handle relatively small sample sizes, (3) It allows for convenient decomposition of total technical efficiency (TE) into pure technical efficiency (PTE) and scale efficiency (SE); and (4) As this approach focuses primarily on the technological aspects of production functions, it can be used to estimate productive efficiency without requiring estimates of input and output prices.

---

[1] Kshetrimayum Sobita Devi(2011) P.hd Thesis titled "An Impact of Liberlisation on the Indian Life Insurance Industry", Submitted to Maharaja Sayajirao University of Baroda, Vadodara

5.1 Meaning and Concept of Efficiency of the life Insurers[2]: Efficiency refers to the performance of the firms relative to the existing technology in the industry. The concept of economic efficiency is borrowed from the microeconomic theory of the firm. In the theory of firm, production (or economic) efficiency of the firm is divided into technical and Allocative efficiency. A producer is said to be technically efficient if production occurs on the economic frontier of producer‘s production possibilities set and technically inefficient if the production occurs off the frontier. Thus, technical efficiency is said to be achieved when maximum possible output is achieved from a given combination of inputs. On the other hand a producer is said to be allocatively efficient if the production occurs in a region of production possibilities set that satisfy the producer‘s behavioral objective.

5.1.1 Estimation Technique of Firm's Performance: A Firm's performance can be estimated using traditional financial ratios such as CARAMELS. However frontier methodologies have been regarded superior to the traditional methods in the economic theory. The frontier methodologies estimate firm's performance relative to 'best practice'. Frontiers have been employed to measure firm success in using technology (technical efficiency), achieving optimal size (scale efficiency), minimizing costs (cost efficiency), maximizing revenues (revenue efficiency), and maximizing profits (profit efficiency).

There are various approaches towards the study of firm's performance. However in this study Data Envelopment Analysis (DEA) which is a non parametric linear programming tool is used to study the efficiency of the economic units (life insurers) through the construction of the economic frontier. The main advantage of this method arises from the fact that the assumption of a specific functional form of the underlying technology is not required.DEA is specially beneficial to a service industry which has limited knowledge about the underlying technology. This method uses linear programming to envelope the observed data as closely as possible .Farrell (1957)[3]was the first to introduce the concept of the efficiency frontier and application of DEA.

---

[2]**Cummins. J.David and Santomero Anthony .M(1999)"Changes in the life Insurance Industry: Efficiency,Technology and Risk Management"Kluwer Academic Publisher, Boston, ISBN 0-7923-8535-7 .**

[3]**Farrell,M.J.,(1957)The Measurement of Productive Efficiency."Journal of the Royal Statistical Society 120(3) 253- 282.**

It was further developed by Charnes, Cooper, and Rhodes (1978)[4]. The DEA analysis uses a linear programming technique to construct an envelope for the observed input output combinations of all the firms under the constraint that all best practice firms support the envelope, while all inefficient firms are kept off the frontier. The result of the DEA analysis is used to assess the technical efficiency of individual firms with respect to the best practice or benchmark firms. It further allows the classification of the technical efficiency into pure technical and scale efficiency.

Technical efficiency has been classified into pure technical efficiency (PTE) and scale efficiency (SE), where TE = PTE x SE, by solving additional linear programming problems. Pure technical efficiency is measured relative to a variable returns to scale (VRS) frontier, which may have segments where best practice firms operate with increasing returns to scale (IRS), constant returns to scale (CRS), and/or decreasing returns to scale (DRS). Pure technical efficiency is the reciprocal of the distance of firm i from the VRS frontier. Thus, the firm could achieve pure technical efficiency by moving to the VRS frontier. If the firm is operating in an IRS or DRS region of the frontier, it could further improve its efficiency by attaining CRS. Both pure technical and scale efficiency are bounded within the values 0 and 1.

Firms with pure technical efficiency equal to 1 are operating on the VRS frontier, and a scale efficiency score equal to 1 indicates that a firm is operating with CRS. The methodology also reveals whether a non-CRS firm is operating with IRS or DRS .

This study has employed Data Envelopment Analysis (DEA) developed by Charnes et al. (1978). In the Indian context study done by Sobita Devi in her research an “Impact of liberlisation on Indian Insurance Industry in India” (2011) has been taken as a base for the study of efficiency of private life insurers, since her study has analysed the efficiency and productivity of Life insurers since the liberlisation period. In the present study the efficiency of the first movers in the wake of competition has been analysed .The main objective being to find out whether competition has led to efficiency of the firms performance ,an in depth analysis of the ten firms stated earlier including public sector LICI has been made. Data for the period from 2001 to 2014 is gathered and analysed.

---

[4]Charnes A, Cooper W W and Rhodes E (1978) "Measuring the Efficiency of Decision Making Units." European .Journal of Operational Research 2(6) 429- 444.

Efficiency is measured under two different assumptions, viz.

1) Variable Returns to Scale (VRS) model, allows increasing and decreasing returns to scale. Here, the sum of weights of linear program is equated to 1 .This gives the measure of pure Technical Efficiency.

2) The Constant Return to Scale (CRS) model which assume a non negativity constraint instead of the VRS constraint on weights. This gives the measure of Technical efficiency.

The input minimization model of DEA is used which is given as Min $\boldsymbol{\theta_0}$

$$\text{Subject to } \sum \mathbf{y r j} \;\; \boldsymbol{\lambda} \mathbf{j} \geq \mathbf{y\ r0},$$

$$\boldsymbol{\theta_0}\ \mathbf{xi0} - \sum \mathbf{x}_{\mathbf{ij}}\ \boldsymbol{\lambda}\ \mathbf{j} \geq \mathbf{0} \qquad \boldsymbol{\theta}_{\mathbf{0}\ \mathbf{free},}\ \boldsymbol{\lambda}\mathbf{j} \geq \mathbf{0}$$

$$\sum \boldsymbol{\lambda} \mathbf{j} = \mathbf{1} \text{ for VRS}$$

$$\sum \boldsymbol{\lambda} \mathbf{j} \geq \mathbf{0} \text{ for CRS}$$

Where

$\boldsymbol{\theta_0}$ stands for the efficiency score of the firm.

j indicates the number of firms, **j=1…….J**

$\mathbf{y_{rj}}$ is the $\mathbf{r^{th}}$ output of the **j-th** firm and x_{ij} is the **i-th** input of the $\mathbf{j^{th}}$ firm.

y and **x** are output and input of the firms where **y=1……r** and **x=1,…..i.**

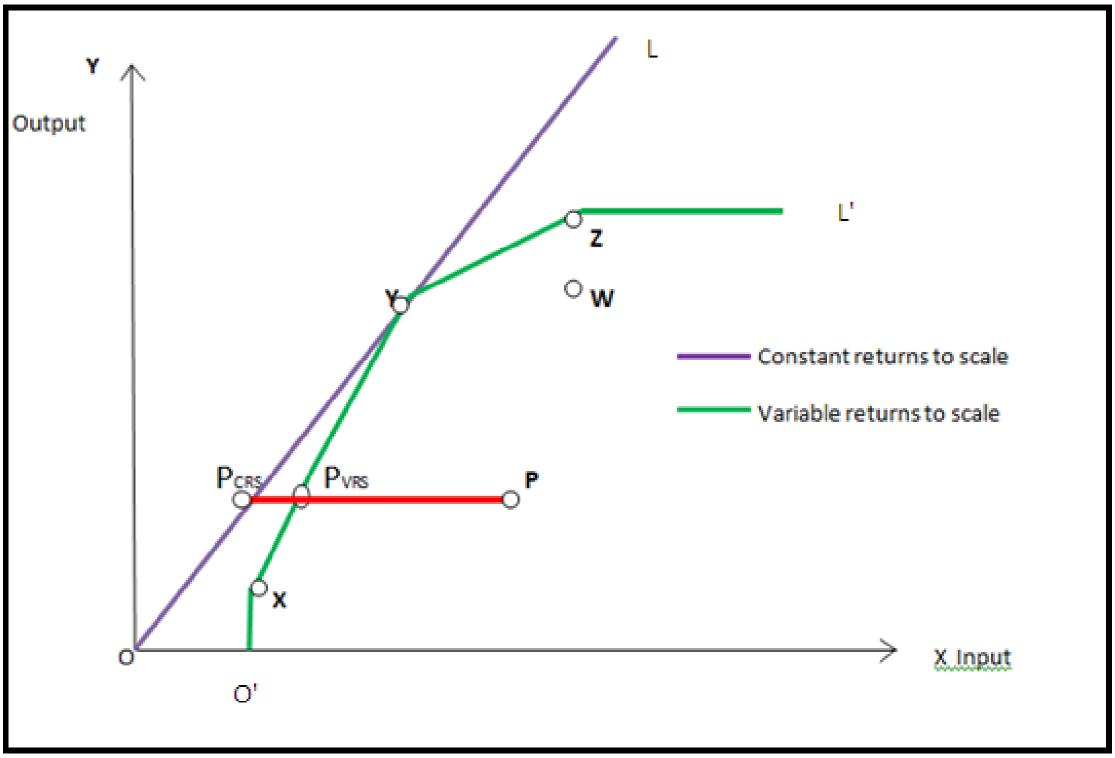
The above procedure of minimizing efficiency score of θ_0 of a single firm is repeated for each firm and thus the input oriented efficiency of each firm is obtained. Technical efficiency is decomposed into pure technical efficiency and scale efficiency. The scale efficiency (SE) which is the ratio of CRS efficiency to VRS efficiency is also calculated.

For one output and one input case, the envelope which fulfills the VRS condition is depicted with the curve $\mathbf{O^1L^1}$. The straight line **OL** from the origin indicates the CRS frontier. The combinations of inputs and outputs of efficient firms support the efficiency frontier whereas that of inefficient one lies to the right or below the frontiers.

Technical efficiency is defined as the ratio of the input usage of a fully efficient firm producing the same output vector to the input usage of a specified firm. The point 'P' given is a case of inefficient firm which can either increase production using the same amount of input i.e. output maximization or decrease input holding the output constant i.e. input minimization. 'Y' indicates the point where a firm is operating optimally with available technology. At this point, the firm therefore is efficient under CRS as well as VRS. Under CRS, the ratio of distance P_{CRS} P/0P serves the input oriented measure of technical efficiency and its value varies over the range (0, 1). The firm at P is inefficient and its ratio is smaller than 1 whereas for Y_{CRS} and Y coincides so ratio is 1.The fraction (1- P_{CRS} P/0P), on the other hand shows the potential input savings that a shift to technically efficient production would bring about. In case of VRS, the ratio based on VRS as reference technology provide an efficiency technology under VRS assumption. So under VRS assumption firm X, Y and Z are efficient.

Chart no 5.1

Pure Technical Efficiency and Scale Efficiency



Source: **Cummins. J.David and Santomero Anthony .M(1999) "Changes in the life Insurance Industry: Efficiency, Technology and Risk Management" Kluwer Academic Publisher**

5.1.2 Specification of Input and Output of the life Insurers:

To estimate the technical and scale efficiency Under DEA it requires identifying relevant input and output of the life insurance firms. However it's a challenging task to identify the input prices which are implicit and output which are tangibles. To measure the output there are three main approaches: The Asset Approach, Value Added Approach and user cost approach.

Based on the value added approach, this study has employed both premium income and benefit paid to customers as output. Premium income can be used as an appropriate proxy for output for risk pooling / risk bearing function of the life insurer. Benefits paid are correlated with the function of real financial services of the insurer.

Insurers input are easily identified due to the tangibility in nature and can be classified into four principal groups: acquisition (marketing and distribution) input mainly agent labour, managerial and administrative input, fixed capital (office buildings and computer) and financial equity capital. Labor, fixed capital and financial equity capital are the factor of production for insurers. Equity capital is primary input into the risk pooling and risk bearing function, because the insurer must maintain the equity capital to ensure their promise to pay losses that are larger than the expected. Cost studies mainly used three inputs viz. labor, capital and materials. Labor input may consist of employees, agent and brokers. Agent and brokers are mainly responsible for marketing of products while employee‘s labor include managerial and clerical workers. The labor input volume of all the employees and agents for each company may be obtained by summing all the wages, salaries and benefits provided to employees and all the commission and benefits given to agents.

Therefore, operating expenses and commission expenses are used as input proxy. The use of operating expenses and commission expense as input is justifiable because, operating costs of life insurance will take into account the labor-related expenses, capital expenses, and materials consisting of all other expenses. In addition to operating expenses, commission expense is another input in line of labour input as agent and brokers are mainly responsible for marketing of products.

5.1.3 Analysis of the firm's Efficiency Performance: For the purpose of the study ,data for ten private life insurers along with public sector LICI is taken for a period of 14 years from 2001-2014. It is so because in the initial years of commencement of business the life insurers are at the infancy stage hence the operating cost and commission expenses would be higher to set up the business. Hence the study is extended till 2014. However the focus is basically upto the year 2010.Life insurers take at least six to seven years to breakeven so in the initial years it would be difficult to identify the firms which are efficient. The following results display the descriptive statistics of the firms for various years.

Table No 5.1

Gross Efficiency Scores at Constant Return to Scale (CRS) i.e. Technical Efficiency (TE)

Years	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Companies	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS
LIC	1	1	1	1	1	1	1	1	1	1	1	1	1
Bajaj	0.138	0.257	0.285	0.504	0.674	0.393	0.410	0.577	0.643	0.665	1	1	1
Birla	0.287	0.305	0.516	0.532	0.572	0.588	0.603	0.495	0.504	0.528	0.709	0.740	0.758
HDFC	0.297	0.438	0.509	0.497	0.846	0.904	0.841	0.597	0.599	0.671	0.695	0.904	1
ICICI	0.484	0.559	0.635	0.775	0.990	1	1	1	1	1	1	0.999	0.941
ING	0.106	0.108	0.210	0.409	0.399	0.499	0.657	0.596	0.524	0.418	0.496	0.621	0.547
Kotak	0.126	0.188	0.384	0.666	0.711	0.822	0.665	0.536	0.703	0.717	1	1	0.742
Met	0.053	0.122	0.179	0.219	0.330	0.313	0.273	0.325	0.428	0.901	0.865	0.785	0.657
MAX	0.182	0.224	0.283	0.304	0.387	0.438	0.436	0.449	0.464	0.416	0.434	0.568	0.590
SBI	1	1	1	1	1	1	0.972	0.931	1	1	1	1	1
TATA	0.206	0.288	0.388	0.347	0.439	0.478	0.541	0.522	0.494	0.514	0.976	1	0.929

(Results computed through 'R' Software)

Interpretation:

Table No 5.1 displays the Gross efficiency score calculated at constant returns to scale which depicts the technical efficiency of the firms .LICI the only dominant public sector has the gross efficiency score equal to 1 which indicates that it is technically efficient throughout the years. Since our study focuses on private sector, it becomes very important to know the highly efficient one and the less efficient. The following discussion throws light upon this aspect .Bajaj's efficiency score has shown an increasing trend from 2001-02 till 2005-06 which has thereafter fallen for 2006-07 and thereby increased from 2007 onwards and remained highly efficient in par with LICI. Birla's efficiency score has shown an increasing trend till 2007-08 which has thereafter fallen for one year and then showing a upward trend from 2009- 10. HDFC's efficiency score has shown an increasing trend till 2006-07 which has there after fallen for two years and then increased from 2010- 11. ICICI's efficiency score has shown an increasing trend till 2006-07 which has there after remained constant for next five years and then decreasing from 2012- 13. ING' Vsysa and Met life's efficiency score has shown has been fluctuating from 2001- 2002 till 2013- 14. Kotak's efficiency score has shown an increasing trend till 2006-07 which has thereafter fallen for two years and again increasing from 2009- 10 and again fallen in 2013-2014. Max has shown an increasing trend till 2013-14 with slight increase year after year with small amount of decrease in the year 2007-2008 and 2010-2011 SBI shows CRS score as 1 for all the years except for 2007-2008 and 2008-2009 which is in par with LICI. TATA has shown increasing trend with slight fluctuations till 2010-2011 and thereafter 0.98 in 2011-2012, 1 in 2012-2013 and 0.93 in 2013-2014.

The Technical efficiency score for 13 years from 2001-14 were added and found that LICI having full 13 score was technically efficient followed by SBI life with 12.90,ICICI with 11.38 ,HDFC with 8.80, Kotak with 8.26 score ,Bajaj with 7.55,Birla with 7.14.TATA AIA with 7.12 score ING with 5.59 and Met life with 5.45 and Max with 5.18 score.

Table No 5.2

Efficiency Scores at Variable Return to Scale (VRS) i.e. Pure Technical Efficiency (PTE)

Years	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Companies	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS
LIC	1	1	1	1	1	1	1	1	1	1	1	1	1
Bajaj	0.292	0.349	0.431	0.716	0.674	0.422	0.417	0.600	0.689	0.769	1.000	1	1
Birla	0.323	0.329	0.565	0.827	0.720	0.728	0.694	0.591	0.603	0.629	0.720	0.751	0.789
HDFC	0.304	0.449	0.642	0.564	0.855	0.918	0.904	0.671	0.679	0.723	0.700	0.907	1
ICICI	0.651	0.887	0.825	0.958	1	1	1	1	1	1	1	1	0.992
ING	0.306	0.403	0.490	0.726	0.730	0.852	1	1	1	1	1	1	0.982
Kotak	0.223	0.380	0.585	1	1	1	1	0.815	1	1	1	1	0.875
Met	1	1	1	1	1	1	0.946	0.757	0.715	1	0.977	0.927	0.884
MAX	0.202	0.226	0.348	0.451	0.466	0.511	0.510	0.543	0.564	0.485	0.562	0.688	0.708
SBI	1	1	1	1	1	1	1	1	1	1	1	1	1
TATA	0.248	0.378	0.518	0.578	0.538	0.720	0.685	0.691	0.663	0.667	0.984	1	1

Results computed through 'R' Software

Interpretation:

Table No 5.2 shows the Pure Technical efficiency score of the firms calculated at variable returns to scale. Bajaj's efficiency score has shown an increasing trend till 2004-05 which has There after fallen for three years and again shown increasing trend from 2008-09 and remained constant from 2011-12 till 2013-14.Birla's efficiency score has shown fluctuating trend till 2008-2009 and then increasing trend from 2009-10 till 2013-2014. HDFC's efficiency score has shown fluctuating trend till 2011-12 but increasing from 2012- 13.ICICI's efficiency score has shown an increasing trend which has remained constant from 2005-2006 with VRS equal to 1, and 0.99 in 2013-2014.ING's efficiency score has shown an increasing trend which has remained constant from 2007-2008 with VRS 1, and 0.98 in 2013-2014.Kotak's efficiency score has shown an increasing trend and remained 1 from 2004-2005 except in the year 2008-09 and 2013-2014.MET's efficiency score remains 1 for all the years except for some years. Max has shown an increasing trend year after year with small amount of decrease in the year 2010-2011.SBI shows Technical efficiency score at VRS equal to 1 for all the years. TATA has shown increasing trend with slight fluctuations till 2011-2012 and thereafter with VRS being 1 for 2012-2013 and 2013-2014.SBI life is again in par with LICI with VRS score equal to 1.

Table No 5.3

Scale Efficiency scores of the Firm

Years	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Companies	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE	SE
LIC	1	1	1	1	1	1	1	1	1	1	1	1	1
Bajaj	0.472	0.737	0.662	0.704	1.000	0.931	0.985	0.961	0.933	0.865	1	1	1
Birla	0.888	0.927	0.913	0.643	0.795	0.807	0.868	0.837	0.837	0.839	0.984	0.986	0.960
HDFC	0.977	0.976	0.792	0.880	0.989	0.986	0.930	0.890	0.882	0.928	0.994	0.996	1
ICICI	0.744	0.630	0.770	0.808	0.990	1	1	1	1	1	1	0.998	0.948
ING	0.345	0.269	0.428	0.563	0.547	0.586	0.657	0.596	0.524	0.418	0.496	0.621	0.557
Kotak	0.566	0.496	0.657	0.666	0.711	0.822	0.665	0.658	0.703	0.717	1	1	0.847
Met	0.053	0.122	0.179	0.219	0.330	0.313	0.289	0.430	0.598	0.901	0.886	0.847	0.743
MAX	0.901	0.991	0.814	0.675	0.831	0.857	0.854	0.827	0.823	0.859	0.773	0.826	0.833
SBI	1	1	1	1	1	1	0.972	0.931	1	1	1	1	1
TATA	0.829	0.761	0.750	0.601	0.816	0.664	0.790	0.756	0.746	0.771	0.992	1	0.929

Results computed through 'R' Software

Interpretation:

Table No 5.3 displays the scale efficiency of life insurers which is calculated as the ratio of CRS efficiency score to VRS efficiency score. Bajaj‘s Scale efficiency score has shown an fluctuating till 2010-11 and thereafter scale efficiency 1 from 2011-2012 till 2013-14. Birla‘s Scale efficiency score has been fluctuating for all the years. HDFC‘s Scale efficiency score has shown an fluctuating till 2009-10 and thereafter increasing from 2010-2011 till 2013-14. ICICI‘s Scale efficiency score has shown an increasing trend till 2005-06 which has there after remained constant with scale 1 for next six years and then decreasing from 2012- 13. Scale efficiency score of ING, Met and Max has been fluctuating for all the years. Kotak‘s efficiency score has been fluctuating for all the years except for the years 2011-2012 and 2012-2013 with scale efficiency equal to 1. SBI shows scale efficiency 1 for all the years except for 2007-2008 and 2008-2009 with scale efficiency with 0.97 and 0.93 respectively TATA scale efficiency has been fluctuating for all the years except for the year 2012-2013 with scale efficiency equal to 1.

Scale efficiency measured at constant returns to scale has been summed for 13 years which shows that LICI has got the total score of 13.00 followed by SBI with 12.90, HDFC with 12.22, ICICI with 11.89, Birla with 11.28, Bajaj with 11.25,Max Life with 10.86 score ,Tata AIA with 10.41 ,Kotak with 9.51, ING with 6.60 ,Met Life with 5.91.

To conclude it can be said that only SBI life has the efficiency score equal to 1 with is calculated at both VRS and CRS having PTE, TE and SE equal to 1 which is at par with LICI in all three scores. ICICI is said to be second in line among the private life insurers followed by BAJAJ, HDFC and Birla Life insurance company.

Table No 5.4

Combined list of Gross Efficiency Scores at VRS,CRS and Scale Efficiency

Year-wise CRS, VRS and SE of Insurers

Years	2001-02			2002-03			2003-04		
Companies	VRS	CRS	SE	VRS	CRS	SE	VRS	CRS	SE
LIC	1	1	1	1	1	1	1	1	1
Bajaj	0.2915	0.1376	0.4720	0.3492	0.2574	0.7369	0.4309	0.2853	0.6622
Birla	0.3231	0.2870	0.8883	0.3293	0.3054	0.9274	0.5654	0.5162	0.9130
HDFC	0.3039	0.2968	0.9766	0.4487	0.4378	0.9756	0.6424	0.5086	0.7918
ICICI	0.6506	0.4841	0.7442	0.8869	0.5589	0.6301	0.8251	0.6353	0.7700
ING	0.3062	0.1056	0.3449	0.4035	0.1084	0.2687	0.4904	0.2101	0.4284
Kotak	0.2233	0.1264	0.5659	0.3796	0.1884	0.4962	0.5846	0.3841	0.6571
Met	1	0.0533	0.0533	1	0.1224	0.1224	1	0.1788	0.1788
MAX	0.2016	0.1817	0.9009	0.2264	0.2244	0.9912	0.3483	0.2835	0.8139
SBI	1	1	1	1	1	1	1	1	1
TATA	0.2481	0.2057	0.8291	0.3785	0.2882	0.7615	0.5177	0.3885	0.7504

Table 5.4 continued

Years	2004-05			2005-06			2006-07		
Companies	VRS	CRS	SE	VRS	CRS	SE	VRS	CRS	SE
LIC	1	1	1	1	1	1	1	1	1
Bajaj	0.7159	0.5039	0.7039	0.6740	0.6739	0.9998	0.4224	0.3933	0.9311
Birla	0.8267	0.5316	0.6430	0.7199	0.5722	0.7948	0.7280	0.5876	0.8071
HDFC	0.5644	0.4967	0.8801	0.8549	0.8455	0.9891	0.9176	0.9043	0.9855
ICICI	0.9583	0.7746	0.8083	1	0.9896	0.9896	1	1	1
ING	0.7261	0.4085	0.5626	0.7297	0.3988	0.5465	0.8517	0.4987	0.5856
Kotak	1	0.6662	0.6662	1	0.7113	0.7113	1	0.8216	0.8216
Met	1	0.2189	0.2189	1	0.3296	0.3296	1	0.3128	0.3128
MAX	0.4509	0.3042	0.6746	0.4656	0.3870	0.8311	0.5110	0.4377	0.8567
SBI	1	1	1	1	1	1	1	1	1
TATA	0.5777	0.3471	0.6008	0.5383	0.4392	0.8159	0.7196	0.4781	0.6644

Table 5.4 continued

Year-wise CRS, VRS and SE of Insurers

Years	2007-08			2008-09			2009-10		
Companies	VRS	CRS	SE	VRS	CRS	SE	VRS	CRS	SE
LIC	1	1	1	1	1	1	1	1	1
Bajaj	0.4165	0.4102	0.9849	0.6002	0.5771	0.9614	0.6893	0.6433	0.9333
Birla	0.6944	0.6030	0.8684	0.5913	0.4948	0.8368	0.6027	0.5044	0.8369
HDFC	0.9045	0.8412	0.9301	0.6709	0.5970	0.8898	0.6788	0.5987	0.8821
ICICI	1	1	1	1	1	1	1	1	1
ING	1	0.6566	0.6566	1	0.5956	0.5956	1	0.5239	0.5239
Kotak	1	0.6654	0.6654	0.8145	0.5356	0.6576	1	0.7032	0.7032
Met	0.9463	0.2731	0.2886	0.7568	0.3252	0.4297	0.7151	0.4279	0.5983
MAX	0.5098	0.4356	0.8544	0.5432	0.4490	0.8266	0.5639	0.4642	0.8232
SBI	1	0.9717	0.9717	1	0.9310	0.9310	1	1	1
TATA	0.6848	0.5413	0.7904	0.6910	0.5223	0.7559	0.6628	0.4943	0.7457

Table 5.4 continued

Years	2013-14		
Companies	VRS	CRS	SE
LIC	1	1	1
Bajaj	1	1	1
Birla	0.7892	0.7578	0.9603
HDFC	1	1	1
ICICI	0.9923	0.9412	0.9485
ING	0.9818	0.5467	0.5568
Kotak	0.8752	0.7416	0.8474
Met	0.8840	0.6570	0.7432
MAX	0.7082	0.5899	0.8329
SBI	1	1	1
TATA	1	0.9285	0.9285

Table No 5.4 shows the efficiency scores of life insurance firms viz. CRS, VRS and Scale efficiency. From the year 2001-02 to 2013-14 the efficiency scores of 10 private life insurers along with LICI.

Table No 5.5 (A)
Number of firms at Variable returns to scale efficiency(VRS)

	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS
PTE	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
No.of firms	10	10	10	10	10	10	10	10	10	10	10	10	10
above 0.90	2	2	2	4	4	5	6	3	4	5	7	8	6
between 0.899 to 0.75	0	1	1	1	1	1	0	2	0	1	0	1	3
between 0.7499 to 0.5	1	0	4	4	4	3	3	5	6	3	3	1	1
below 0.499	7	7	3	1	1	1	1	0	0	1	0	0	0

Compiled from table no 5.4

Table No 5.5(B)
The list of firms at Variable returns to scale efficiency(VRS)

	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS	VRS
PTE	2001 - 02	2002 - 03	2003 - 04	2004 - 05	2005 - 06	2006 - 07	2007 - 08	2008 - 09	2009 - 10	2010 - 11	2011 - 12	2012 - 13	2013 - 14
No.of firms	10	10	10	10	10	10	10	10	10	10	10	10	10
above 0.90	MET SBI	MET SBI	MET SBI	ICICI KOTAK MET SBI	ICICI KOTAK MET SBI	ICICI KOTAK MET SBI HDFC	ICICI KOTAK ING SBI HDFC MET	ICICI ING SBI	ICICI KOTAK ING SBI	ICICI KOTAK MET SBI HDFC	ICICI ING MET SBI BAJAJ TATA KOTAK	ICICI ING MET SBI BAJAJ TATA KOTAK HDFC	ICICI ING SBI BAJAJ TATA HDFC
between 0.899 to 0.75	NA	ICICI	ICICI	BIRLA	HDFC	ING	NA	KOTAK MET	NA	BAJAJ	NA	BIRLA	TATA BIRLA MET
between 0.7499 to 0.5	ICICI	NA	TATA BIRLA HDFC KOTAK	ING BAJAJ TATA HDFC	ING MET BAJAJ TATA	MAX TATA BIRLA	TATA MAX BIRLA	BAJAJ TATA HDFC BIRLA MAX	BAJAJ TATA HDFC BIRLA MAX MET	ING TATA BIRLA	BIRLA MAX TATA	MAX	MAX
below 0.499	ING BAJAJ KOTAK HDFC TATA MAX BIRLA	ING BAJAJ TATA KOTAK HDFC TATA MAX	MAX ING BAJAJ	MAX	MAX	BAJAJ	BAJAJ	NA	NA	MAX	NA	NA	NA

Compiled from table no 5.4

Table no 5.5(A) and (B) displays the number and list of the firms which indicates the Pure Technical Efficiency at VRS. It is observed that there were 7 firms in inefficient zone that is below 0.499 which included ING, Kotak, Bajaj, Tata, HDFC, Max, Birla in 2001-02. It was nil in 2010.The number in highly efficient zone that is above 0.90 score has increased from 2 to 5 firms in 2010 which include ICICI, Kotak, Met, SBI and HDFC. There were eight firms in 2012-13 which were maximum compared to any other year. Number of firms in efficiency score between 0.899 to 0.75 and 0.745 to 0.5 score has reduced simultaneously. SBI has been in efficiency zone throughout the study period .ICICI in the initial years were operating in the lower efficiency zone however since 2004-05 it has been in highly efficient zone continuously in the successive years of the study period. Kotak and Met life have also shown consistency in their score except for the years 2008-09 and 2009-10 in case of met and 2013-14 in case of Kotak. They have been in highly efficient zone. Bajaj, Max and ING have been operating in the lowest efficiency score 2001 to 2011 .However Bajaj has come in the highly efficient zone in 2013-14.Max life has never operated in highly efficient zone in the study period. It has been able to shift from inefficient zone to normal zone operating in the efficiency score between 0.7499 to 0.5. HDFC had been operating in inefficient zone in the initial two years however it picked up momentum in the successive years .since 2011 it is been operating in highly efficient zone. Birla has never operated in highly efficient zone. It has initially been in less efficient zone in the first year of its operation and always operated between the efficiency score of 0.5 to 0.89 area .TATA was in inefficiency score in the first two years and later started operating in the average score between 0.5 to 0.744 and been in highly efficient zone since 2011-12.

The total score for 13 years were added and it was found that LICI and SBI life had the efficiency score of 13 followed by ICICI with the efficiency score of 12.31,Met Life with 12.21,Kotak with 10.88,ING with 10.49,HDFC with 9.32,Tata with 8.67,Bajaj with 8.36,Birla with 8.27 and Max life with 6.26.

Table No 5.6(A)
Number of firms at Constant Returns to Scale

SE	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS
Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
No.of firms	10	10	10	10	10	10	10	10	10	10	10	10	10
above 0.90	1	1	1	1	2	3	2	2	2	3	5	6	5
between 0.899 to 0.75	0	0	0	1	1	1	1	0	0	0	1	1	1
between 0.7499 to 0.5	0	1	3	3	3	0	4	5	5	5	2	3	4
below 0.499	9	8	6	5	4	5	3	3	3	2	2	0	0

Table no 5.6 (B)

List of firms at Constant Returns to Scale (CRS) efficiency

	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS	CRS
Year	2001 - 02	2002 - 03	2003 - 04	2004 - 05	2005 - 06	2006 - 07	2007 - 08	2008 - 09	2009 - 10	2010 - 11	2011 - 12	2012 - 13	2013 - 14
No.of firms	10	10	10	10	10	10	10	10	10	10	10	10	10
above 0.90	SBI	SBI	SBI	SBI	SBI ICICI	ICICI SBI HDFC	ICICI SBI	ICICI SBI	SBI ICICI	SBI ICICI MET	BAJAJ ICICI KOTAK SBI TATA	BAJAJ ICICI KOTAK SBI TATA HDFC	BAJAJ ICICI SBI TATA HDFC
between 0.899 to 0.75	NA	NA	NA	ICICI	HDFC	KOTAK	HDFC	NA	NA	NA	MET	MET	KOTAK
between 0.7499 to 0.5	NA	ICICI	HDFC BIRLA ICICI	KOTAK BIRLA BAJAJ	KOTAK BIRLA BAJAJ	NA	KOTAK ING BIRLA	TATA HDFC MET MAX ING	HDFC BIRLA ING KOTAK BAJAJ	HDFC MET BIRLA	HDFC BIRLA	MAX BIRLA ING	MET MAX BIRLA ING
below 0.499	BAJAJ ICICI KOTAK TATA HDFC MET MAX BIRLA ICICI	BAJAJ KOTAK TATA HDFC MET MAX BIRLA ICICI	BAJAJ KOTAK TATA MET MAX ING	KOTAK TATA MET MAX ING	TATA MET MAX ING	TATA HDFC MET MAX BIRLA ING	TATA MET MAX BIRLA	BIRLA MET MAX	MET MAX TATA	MAX ING	MAX ING	NA	NA

The above two tables 5.6(A) and (B) namely shows the number of firms operating in different efficiency zones at constant returns to scale .Firms operating at constant returns to scale refers to the technical efficiency of the firms. In the year 2000-01, only SBI had the efficiency score above 0.90 .During the same period all other firms were below 0.499 score. However SBI life has been in highly efficient zone throughout the study period. In 2002-03, ICICI achieved the efficiency score between 0.5 to 0.7499.Other firms were in the range below 0.499.In 2003-04, SBI was in highly efficient zone above 0.9 range while HDFC, ICICI and Birla were in the efficiency zone between 0.5 to 0.7499. Bajaj, Kotak, Tata, Met life, Max and ING were in the range below 0.499 efficiency zone. In 2004-05, SBI life was in the efficiency score above 0.90.ICICI in the efficiency score between 0.899 to 0.75. Bajaj, Kotak, Birla between 0.7499 and 0.5 and Kotak, Tata, Met, Max and ING were in the efficiency score below 0.499.

In 2005-06 SBI and ICICI were in the highly efficient zone above 0.9.HDFC was in the range between 0.899 to 0.75.Kotak,Birla ,Bajaj were in the efficiency zone between 0.7499 and 0.5.Tata,Met,Max and ING were in the less efficient zone below 0.499.In 2006-07 ,Along with SBI ,ICICI and HDFC entered into highly efficient zone above 0.90. Kotak was in the efficiency zone between 0.799 to 0.5.Rest of the companies were in the lowest efficiency zone below 0.499. In 2007-08, and 2008 -09 and 2009-10 SBI and ICICI were in high efficiency zone. But from 2010-11 onwards more companies joined the highly efficiency zone and 2012-13 and 2013-14 there were no companies operating in less efficiency zone.

Table no 5.7 (A)
Number of firms at Scale Efficiency

	SE 2001 - 2	SE 2002 - 3	SE 2003 - 4	SE 2004 - 5	SE 2005 - 6	SE 2006 - 7	SE 2007 - 8	SE 2008 - 9	SE 2009 - 10	SE 2010 - 11	SE 2011 - 12	SE 2012 - 13	SE 2013 - 14
No. of firms	10	10	10	10	10	10	10	10	10	10	10	10	10
above 0.90	3	4	2	1	4	4	4	3	3	4	7	7	6
between 0.899 to 0.75	2	1	4	2	3	3	3	4	3	4	2	2	2
between 0.7499 to 0.5	3	2	2	6	3	2	2	2	4	1	0	1	2
below 0.499	2	3	2	1	0	1	1	1	0	1	1	0	0

Table no 5.7 (B)
List of firms at Scale Efficiency

	SE 2001 - 02	SE 2002 - 03	SE 2003 - 04	SE 2004 - 05	SE 2005 - 06	SE 2006 - 07	SE 2007 - 08	SE 2008 - 09	SE 2009 - 10	SE 2010 - 11	SE 2011 - 12	SE 2012 - 13	SE 2013 - 14
No .of firms	10	10	10	10	10	10	10	10	10	10	10	10	10
above 0.90	HDFC MAX SBI	BIRLA HDFC MAX SBI	BIRLA SBI	SBI	BAJAJ HDFC ICICI SBI	BAJAJ HDFC ICICI SBI	BAJAJ HDFC ICICI SBI	BAJAJ ICICI SBI	BAJAJ ICICI SBI	HDFC ICICI MET SBI	BAJAJ ICICI HDFC SBI BIRLA KOTAK TATA	BAJAJ ICICI HDFC SBI BIRLA KOTAK TATA	BAJAJ ICICI HDFC BIRLA SBI TATA
between 0.899 to 0.75	TATA BIRLA	TATA	HDFC ICICI MAX TATA	HDFC ICICI	BIRLA MAX TATA	BIRLA KOTAK MAX	BIRLA MAX TATA	BAJAJ ICICI TATA MAX	BIRLA HDFC MAX	BAJAJ BIRLA MAX TATA	MAX MET	MAX MET	KOTAK MAX
between 0.7499 to 0.5	KOTAK ICICI	ICICI BAJAJ	BAJAJ KOTAK	BAJAJ SBI BIRLA KOTAK TATA MAX	ING MET KOTAK	ING TATA	ING KOTAK	ING KOTAK	KOTAK TATA ING	KOTAK MET	NA	ING	ING MET
below 0.499	MET BAJAJ ING	MET ING KOTAK	ING MET	MET	NA	MET	MET	MET	NA	ING	ING	NA	NA

From the above three tables we can find that the firms which were in efficiency score between 0.899 to 0.75 and 0.7499 to 0.5 and below 0.499 were more in the beginning of the liberlisation period which represents the inefficient zone .The scenario after 2010 shows an improvement in all the scores taken for study. The number of firms above 0.90 score were only 3 in number increased to 6 in 2014.This can be proved that competition in the life insurance industry which was brought about due to liberlisation has definitely proved to enhance the efficiency of the life insurers.

From the above analysis ,It can be summed up that over the years since the liberlisation, the number of firms operating in lower efficiency score zone to higher efficiency score which clearly indicates that the operating and commission expenses which has been taken as proxy for input has been declining over the years with relation to output that premium amount and benefit amount paid to customers. It can be definitely said that the life insurers are operating in an oligopolistic market where the prices of the products are more or less similar but the differences occurs in terms of expenses done by the insurer in order to gain the market share .Hence the above analysis clearly prompts that the competition in the field of life insurance has definitely been proved to be true and the second hypothesis turns to be true which states that

Ha .2: Competition among the private players, has improved the performance in terms of Efficiency of Private Life Insurers.

5.2 Role of Private life Insurance company In Economic Development in India

In this section, testing of the third hypothesis is carried on. There are four parameters taken for study in order to find the role performed by private life insurers in Economic development of the country which are as follows.

5.2.1 A) Insurance penetration B) Insurance Density.

5.2.2 Contribution of Private life Insurance Industry in the Gross Domestic Product of the country

5.2.3 Contribution of Private life insurance in the financial savings of the country.

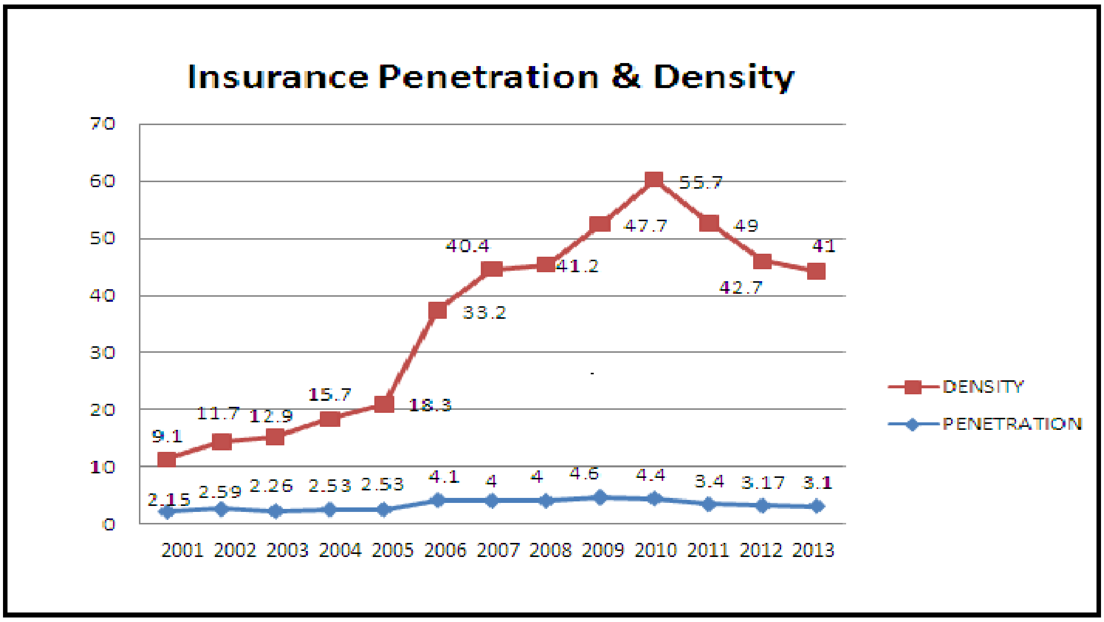
5.2.4 Contribution of Private life Insurance Investment of funds in the Economic Development.

5.2.1 A) Insurance penetration: Insurance plays a significant role in shaping the economy of a nation. The contribution of the insurance sector to growth can be gauged by the rate of penetration. The life insurance penetration and density are the standard measures of the development of life business. Penetration is defined as the ratio of premium volume to the Gross Domestic Product (GDP). The rate of penetration means the quantum of premium mobilized by the insurance sector vis-à-vis the growth of Gross Domestic Product .It is measured in terms of percentage. **During the monopoly regime insurance sector was said to be underdeveloped with barely total insurance penetration of 1.90% in 1990 to 4.4% in 2010.** The opening up of the insurance sector has marked an improvement since 2000 with consistent increase in the total penetration levels. India's growing consumer class, rising insurance awareness, increasing domestic savings and investments are among the most critical factors that have positively driven the market penetration of the insurance products among its consumer segments. Table No 5.8 and chart No 5.2 depicts the insurance penetration in the country.

5.2.1 B) Insurance Density: Insurance density is known as per capita premium and measured as ratio of premium (in US Dollars) to total Population. After liberalization, **total insurance density has experienced an upward trend as it increases from 9.1**

(US Dollar) in 2000 to 55.7 (US Dollar) in 2010. Similarly, the following diagram depicts life insurance density in India.

Chart No 5.2



(Source: Data Compiled from IRDA annual Reports from respective years)

The main factors that have led to the rise in density and penetration are the conducive economic environment, government tax policies, rising population, income, interest rates have caused a rise in demand for life insurance demand thereby leading to further rise in penetration and density. Various studies have found a strong correlation between life insurance penetration and density with strong economic growth. With the implementation of economic reforms in early 90,s state monopolies have been dismantled, decreased tax rates, rising population, increased literacy rates have set the cushion for life insurance industry towards a developmental path. However compared to developed countries Insurance Penetration and Density is low due to financial illiteracy and vast number of people living below the poverty line. If people are educated to develop the savings habit by developing customer needs products and better distribution channels Insurance penetration and density would increase.

International scenario: In comparison with International or advanced countries one can find that India is still far behind in terms of penetration and density. The following table gives us an idea with respect to developed countries of the world.

Table No 5.8
Insurance Penetration

LIFE INSURANCE PENETRATION													
YEAR	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Australia	5.7	5.02	4.42	4.17	3.51	3.8	3.8	4.4	3.4	3.1	3	2.84	3
Brazil	0.36	1.05	1.28	1.36	1.33	1.3	1.4	1.4	1.6	1.6	1.7	1.99	2.2
France	5.73	5.61	5.99	6.38	7.08	7.9	7.3	6.2	7.2	7.4	6.2	5.64	5.7
Germany	3	3.06	3.17	3.11	3.06	3.1	3.1	3	3.3	3.5	3.2	3.12	3.1
Russia	1.55	0.96	1.12	0.61	0.12	0.1	0.1	–	–	–	0.1	0.09	0.1
South Africa	15.19	15.92	12.96	11.43	10.84	13	12.5	12.5	10	12	10.2	11.56	12.7
Switzerland	7.95	8.14	7.72	6.73	6.2	6.2	5.7	5.5	5.4	5.5	5.5	5.25	5.3
United Kingdom	10.73	10.19	8.62	8.92	8.9	13.1	12.6	12.8	10	9.5	8.7	8.44	8.8
United States	4.4	4.6	4.38	4.22	4.14	4	4.2	4.1	3.5	3.5	3.6	3.65	3.2
Asian Countries													
Hong Kong	5.13	5.2	6.38	7.88	8.63	9.2	10.6	9.9	9.6	10.1	10.1	11.02	11.7
India#	**2.15**	**2.59**	**2.26**	**2.53**	**2.53**	**4.1**	**4**	**4**	**4.6**	**4.4**	**3.4**	**3.17**	**3.1**
Japan	8.85	8.64	8.61	8.26	8.32	8.3	7.5	7.6	7.8	8	8.8	9.17	8.8
Malaysia	3.38	2.94	3.29	3.52	3.6	3.2	3.1	2.8	2.9	3.2	3.3	3.08	3.2
Pakistan	0.3	0.24	0.24	0.28	0.27	0.3	0.3	0.3	0.3	0.3	0.4	0.43	0.5
PR China	1.34	2.03	2.3	2.21	1.78	1.7	1.8	2.2	2.3	2.5	1.8	1.7	1.6
Singapore	3.4	3.48	6.09	6.02	6	5.4	6.2	6.3	5.1	4.6	4.3	4.43	4.4
South Korea	8.69	8.23	6.77	6.75	7.27	7.9	8.2	8	6.5	7	7	6.87	7.5
SriLanka	0.53	0.55	0.55	0.6	0.62	0.6	0.6	0.6	0.6	0.6	0.6	0.54	0.5
Taiwan	6.03	7.35	8.28	11.06	11.17	11.6	12.9	13.3	13.8	15.4	13.9	15.03	14.5
Thailand	1.86	2.09	2.25	1.94	1.99	1.9	1.8	1.8	2.4	2.6	2.7	2.95	3.8
World	**4.68**	**4.76**	**4.59**	**4.55**	**4.34**	**4.5**	**4.4**	**4.1**	**4**	**4**	**3.8**	**3.69**	**3.5**

(source: handbook of Insurance statistics 2014)

Table 5.9
Insurance Density

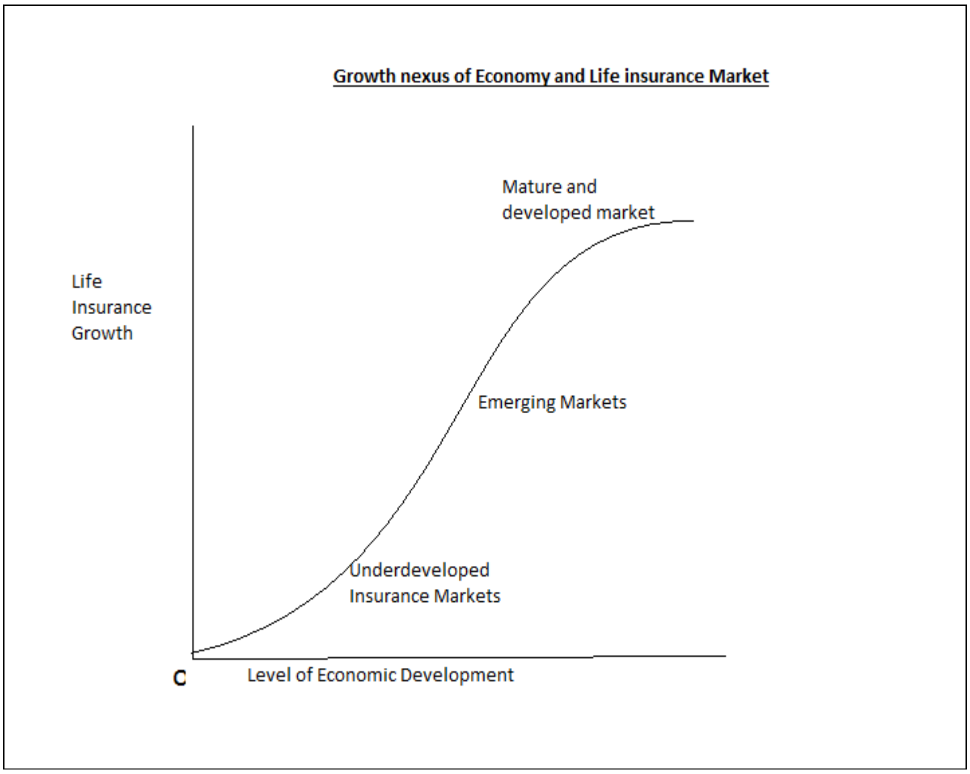
LIFE INSURANCE DENSITY													
YEAR	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Australia	1040.3	1010.4	1129.3	1285.1	1366.7	1389	1674.1	2038	1524.8	1766.3	2077	1987.7	2056
Brazil	10.8	27.2	35.8	45.9	56.8	72.5	95.3	115.4	127.9	169.9	208	225.5	246
France	1268.2	1349.5	1767.9	2150.2	2474.6	2922.5	2928.3	2791.9	2979.8	2937.6	2638	2239.2	2391
Germany	674.3	736.7	930.4	1021.3	1042.1	1136.1	1234.1	1346.5	1356.7	1402.2	1389	1299.3	1392
Russia	33.2	23.1	33.9	24.8	6.3	4	6.1	5.4	4.5	6.4	8	12.1	19
South Africa	377.2	360.5	476.5	545.5	558.3	695.6	719	707	574.2	854.6	823	882.3	844
Switzerland	2715.7	3099.7	3431.8	3275.1	3078.1	3111.8	3159.1	3551.5	3405.6	3666.8	4421	4121.1	4211
United Kingdom	2567.9	2679.4	2617.1	3190.4	3287.1	5139.6	5730.5	5582.1	3527.6	3436.3	3347	3255.8	3474
United States	1602	1662.6	1657.5	1692.5	1753.2	1789.5	1922	1900.6	1602.6	1631.8	1716	1808.1	1684
Asian Countries													
Hong Kong	1249.7	1237.9	1483.9	1884.3	2213.2	2456	3031.9	2929.6	2886.6	3197.3	3442	4024.7	4445
India#	**9.1**	**11.7**	**12.9**	**15.7**	**18.3**	**33.2**	**40.4**	**41.2**	**47.7**	**55.7**	**49**	**42.7**	**41**
Japan	2806.4	2783.9	3002.9	3044	2956.3	2829.3	2583.9	2869.5	3138.7	3472.8	4138	4142.5	3346
Malaysia	129.5	118.7	139.8	167.3	188	189.2	221.5	225.9	206.9	282.8	328	329.9	341
Pakistan	1.2	1	1.1	1.5	1.9	2.3	2.6	2.8	3	3.2	4	5.3	6
PR China	12.2	19.2	25.1	27.3	30.5	34.1	44.2	71.7	81.1	105.5	99	102.9	110
Singapore	713.2	730.1	1300.2	1483.9	1591.4	1616.5	2244.7	2549	1912	2101.4	2296	2471.8	2388
South Korea	763.4	821.9	873.6	1006.8	1210.6	1480	1656.6	1347.7	1180.6	1454.3	1615	1578.1	1816
Sri Lanka	4.3	4.5	5.3	6.2	6.9	8.5	10.2	12.8	11.8	13.7	15	14.8	16
Taiwan	760.9	925.1	1050.1	1494.6	1699.1	1800	2165.7	2281.1	2257.3	2756.8	2757	3107.1	3204
Thailand	34.1	42.1	52	50.8	54.6	60	70.8	77.2	91.7	121.9	134	156.5	214
World	**235**	**247.3**	**267.1**	**291.5**	**299.5**	**330.6**	**358.1**	**369.7**	**341.2**	**364.3**	**378**	**372.6**	**366**

(source: handbook of Insurance statistics 2014)

Table No 5.8 and 5.9 depicts the life Insurance Penetration and density abroad. The figures depicts that when compared to developed countries India has low level of insurance penetration and density.

Carter and Dickinson (1992) and Enz (2000) developed logistic models to describe the relationship between insurance penetration and GDP per capita. Under their growth models, the regression curves for insurance depict ‘S’-shaped relationship’ and have been referred as the S-curve models. The following ‘S’ curve proves that when the economy is on the lower trajectory growth track life insurance spending is low hence insurance penetration is low. When a country is underdeveloped GDP per capita spending on life insurance is low. As the country develops or when there is rise in GDP per capita people start buying life insurance products .Emerging economies like India comes under emerging economies which is reflected in the following ‘s’ curve. Highly developed countries where older population is much greater start withdrawing their savings hence there is a decline in life insurance spending. This relation is seen in the following graph

Chart No 5.3



Source: http://www.oecd.org/dataoecd/40/11/1857811.pdf (Dickinson, CIIS, London).

Hence with the opening of the economy and the rising population provides an opportunity to insurance industry to widen insurance penetration and density and spread the tentacles towards the untapped area. According to the projections made by Swiss Re International Research (Swiss Re , Sigma , December 2010:11) Emerging markets , as a group would tend to grow twice as fast as industrialised economies (5.9 per cent versus 2.4 per cent). The contribution from industrialised countries would decline, especially over the next few years due to their slow recovery from the financial crisis. By 2020, Of the world’s five largest economies India and China would be accelerating growth in life insurance business with the increase in the ranking dramatically.

5.2.2 Contribution of Life Insurance towards Gross Domestic Product (GDP): There has been series of studies done in examining the role of life insurance in GDP. Literature review gives a brief description on this aspect. To know the relationship between life insurance on GDP in India an empirical Study has been performed between the variables. To study the relationship between life insurance and GDP in India, evidence from the research done by Verma Anju and Bala Renu (2013)[5] has been borrowed. However the contribution of LICI has been done since it is the major player and private sector is done separately .Since in this study the focus is on private sector.

Model specification: Multiple linear regression model is used to test the relationship between Life insurance and economic Growth or GDP.GDP at Factor cost is taken as a proxy for economic growth. Total Life Insurance Premium(TLIP)and Total Life Insurance Investment(TLII) has been taken as a proxy for life Insurance business.GDP is considered to be a dependent variable on TLIP and TLII .Data has been compiled from the handbook on Indian Insurance statistics(2014)and Handbook of Statistics on Indian Economy (2014)(http//dbie.rbi.org.in).Linear Regression model is based on five assumptions a)Linear relationship b) Multivariate normality c)No or little Multicollinearity d)No Auto-correlation e) Homoscedasticity.

A) Linear regression needs the relationship between the independent and dependent variables to be linear .Our analysis establishes GDP as dependent variable on TLIP and TLII as independent variable.B)The linear regression analysis requires all variables to be multivariate normal.C) Multicollinearity occurs when the independent variables are not independent from each other D)Durbin-Watson test is used to check the autocorrelation of the linear regression model.It assumes the value between 0-4. Value around 2 indicates no autocorrelation. E)Homoscedasticity refers to error terms along the regression are equal.The following analysis is checked on all the five assumptions of the linear regression model.

---

[5]Verma Anju and Bala Renu (2013) "The relationship between Life Insurance and Economic Growth :Evidence from India" Global Journal Of Management and Business Studies,Vol III,No 4,pp 413-422©Research India Publications

Table no 5.10(A)

Analysis of life insurance premium and Investment of LICI on GDP

Model : GDP =Log(TLIP) + Log(TLII)

Coefficients	Estimate	Std. Error	t-value	Pr(>|t|)
(Intercept)	8.4900	0.1290	65.8100	0.0000
log(TLIP)	0.2530	0.0211	11.9900	0.0000
log(TLII)	0.0000	0.0000	11.7900	0.0000

Residual standard error: 0.01908 on 11 degrees of freedom			
Multiple R-Square	0.9968	Adjusted R-Squared	0.9962
F-Statistics	1719 on 2 and 11 df, p-value = 1.862e-14		

Particulars	**Df**	**Sum Square**	**Mean Square**	**f-value**	**Pr(>F)**
log(TLIP)	1	1.2016	1.2016	3299.7	5.50E-15
log(TLII)	1	0.0506	0.0506	138.9	1.40E-07
Residuals	11	0.004	0.0004		

Durbin Watson Test

Lag	Autocorrelation	D-W Statistic	p-value
1	-0.132824	1.855409	0.356

Non-constant Variance Score Test

Variance formula: ~ fitted. values

Chisquare= 0.008678594	Df = 1	p = 0.9257773

Variance Inflation factor

log(TLIP)	**log(TLII)**
6.341358	6.341358

Interpretation

The Multiple linear regression model is based on five assumptions and the above model is analysed based on those assumptions. The results are substantially similar as was expected. A significant impact of TLIP and TLII on GDP is observed in India. Total life insurance Premium and Total Life Insurance Investment of LICI influences significantly to the GDP at 5% level.

The robustness of the Multiple linear regression model is reflected in the R-square and adjusted R-square of the model are (0.99 and 0.99),respectively more than(0.60) which show that statistically 99% of variance explained in GDP by Total life insurance premium and Total life insurance investment.

F-statistic significance is a good indicator of the overall significance of the model which is reflected in the p-value < 0.05,which shows that overall model, is good.

The Durbin Watson is (1.86),which is near about 2 which show that residuals are not serially correlated.

The non parametric score test which is 0.9258(p-value>0.05) show there are errors and has constant variance.

The Variance Inflation factor show that no serious multicollinearity in regression analysis was found .If the variance Inflation factor of a variable exceeds more than 10 than it be can interpreted that variable is said to be highly collinear. However in our results the variance Inflation factor of both the variables is 6.34.Hence there is no serious multicollinearity.

Table no 5.10(B)

Analysis of Private life insurers premium and Investment on GDP

Model : GDP = Log(TLIP) + Log(TLII)

Coefficients	**Estimate**	**Std. Error**	**t-value**	**Pr(>|t|)**
(Intercept)	10.1200	0.0255	397.143	0.0000
log(TLIP)	0.0453	0.0062	7.257	0.0000
log(TLII)	0.0001	0.0000	11.893	0.0000

Residual standard error:	0.04736 on 11 degrees of freedom		
Multiple R-Square	0.9804	Adjusted R-Squared	0.9768
F-Statistics	274.6 on 2 and 11 df, p-value = 4.093e-10		

Particulars	**Df**	**Sum Square**	**Mean Square**	**f-value**	**Pr(>F)**
log(TLIP)	1	0.9143	0.9143	407.7	4.82E-10
log(TLII)	1	0.3172	0.3172	141.4	1.28E-07
Residuals	11	0.0247	0.0022		

Durbin Watson Test

lag	Autocorrelation	D-W Statistic	p-value
1	0.3812011	1.023437	0.004

Non-constant Variance Score Test

Chi square = 3.748132	Df = 1	p = 0.05287

Variance Inflation factor

log(TLIP)	log(TLII)
1.780623	1.780623

Interpretation:

The Multiple linear regression results are substantially similar as was expected. A significant impact of TLIP and TLII on GDP is observed in India. Total life insurance premium and Total life insurance investment of Private life insurers influences significantly towards GDP at 1% level.

The robustness of the Multiple linear regression is reflected in R-square and adjusted R-square of the model which were (0.99 and 0.98) which again is more than (0.60).This signifies that statistically 99% of variance is explained in GDP by Total life insurance premium and Total life insurance investment of private life insurers.

F-statistic signifies the overall significance of the model which is reflected in (p-value < 0.05) shows that overall model is good.

The Durbin Watson shows (1.02) which reflects that residuals are not serially correlated.

The non parametric score test which is 0.05287(p-value>0.05) show there are errors and has constant variance.

The Variance Inflation Factor show that are no serious multicollinearity in regression analysis. It can be concluded that If there is a unit change in TLIP there is a expected change of 0.0453 change in GDP, (estimate value) and one unit change in TLII there is expected change of 0.0001 change in GDP. So the alternate hypothesis is accepted and proved that private life insurers has an impact on GDP which is tested which regression analysis.Thus it could be concluded that private life insurers does exert a slight influence on the GDP of the country. With better investment policies private life insurers can definitely influence the GDP significantly.The results provide empirical evidence of life insurance having positive and significant inpact on economic growth of the country.

5.2.3 Role of Life Insurance In the generation of Savings of the Country[6].

The theories on economic development developed from classical to modern days have identified 'savings', as one of the factor for Economic Development. Neo classical Economist, Robert Solow identified saving as one among the important factor in Economic Growth. According to him, 'saving' is that part of income, which is abstained from current consumption. The interrelationship between saving and the growth of GDP is quite simple.

$$g = s / k \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \text{(Robert Solow)}$$

Where, g = rate of growth of GDP, s = saving ratio, and k= capital-output ratio.

It establishes direct positive correlation between rate of saving on the one hand and the rate of growth of GDP on the other. Various studies underline the same inference. Right from the history of economic thought say the classical, saving has been considered as one of the determinants of growth. To lead the underdeveloped countries towards the path of development, rate of savings must be enhanced. For the individuals and households, savings provide a cushion of security against future contingencies, whereas for the nation, savings provide the funds needed in the developmental efforts. To achieve higher rate of growth with relative price stability, the marginal propensity to save should be enhanced. Also, in an era of international financial integration, for macroeconomic stability, higher domestic savings is Indispensable. This has been observed from the Traditional theory of development, that increasing saving would accelerate growth (Lewis, 1955)

Kaldor (1956) and Samuelson and Modigilani (1966) studied how different saving - behaviour induce growth and development. The sources of generation of savings could be both internal and external. The sources of internal savings could be voluntary cut in consumption, involuntary cut in consumption through taxation, forced lending to the government, inflation etc. The internal savings flow from household sector, private corporate sector and public sector. The savings from the household sector constitute the major proportion of the total savings in a country. The household savings comprise of two components- physical and financial. Life insurance policies constitute one of the major components of financial saving.

---

[6]Shrivastava, D. C and Shashank Srivastava (2002), "Indian Insurance Industry, Transition and Prospects", New Century Publications Delhi.

5.2.4.1 Composition of savings from the household Sector in India:

Household savings comprises two parts- saving in the physical assets and financial savings. Households saving in physical assets, comprises investment in construction, machinery & equipment and changes in stocks. Generally, the more economically developed a country is, greater the proportion of its total wealth in financial saving. This is consistent with the view that financial development and overall economic development move in tandem.

Table No: 5.11(A)

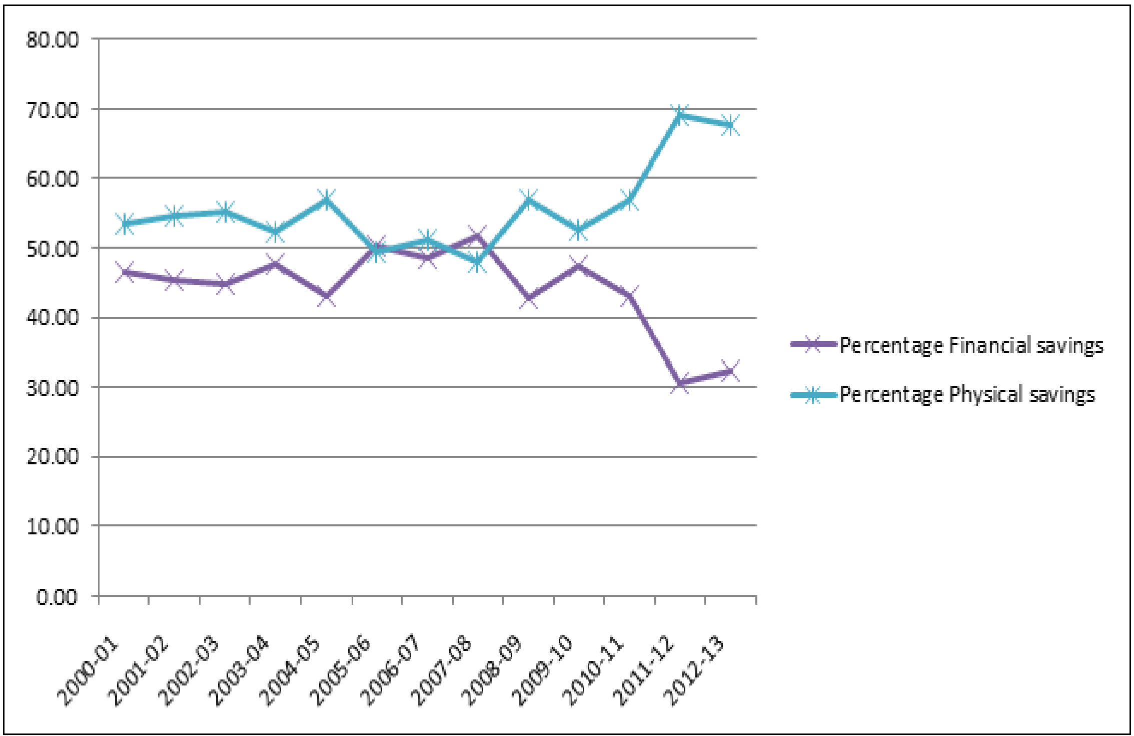
Household Financial Savings and Physical Savings in India (In Percentage)

Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
% Financial savings	46.41	45.38	44.89	47.64	42.94	50.44	48.7	51.88	42.91	47.51	42.99	30.77	32.41
% Physical savings	53.59	54.62	55.11	52.36	57.06	49.56	51.3	48.12	57.09	52.49	57.01	69.23	67.59

Source: www.dbie.rbi.org.in

Chart No 5.4

Household Financial anf Physical savings in India



(Computed from Table No 5.11(A))

The Chart No 5.4 depicts the percentage of Financial and Physical savings towards the total household savings in India. India's physical and financial savings. It is observed that physical savings are greater than financial savings. Developed countries have higher financial savings than the physical savings. It is the financial savings that induce the development of the country .Since people invest their savings in government bonds, debentures, fixed deposits and other form of financial savings which in turn is utilized for the development of infrastructure and industries of the country.

Life insurers offer the same advantages as other financial intermediaries in channeling savings into domestic investment (Black and Skipper, 2000). By designing simple life products, which can be purchased in small amounts on a regular basis, insurance companies have been able to accumulate large amounts of money from a large proportion of the population. By pooling these savings from many small investors into large accumulation of investable funds, insurance companies have been able to invest not only in a wider range of investments but have also been able to invest in large scale and more risky investment opportunities. India's Insurance market was just in an evolutionary stage of development prior to liberlisation. However with one and half decade of liberlisation it is been gaining momentum towards growth of the nation.

The Financial savings are held in the form of currency, deposits with financial institutions, shares & debentures ,claims on government, net equity in the life funds, provident and pension funds net of changes in the financial liabilities is depicted in the following table. The estimates of financial saving of the households are derived as the increments in the financial assets net of increments in their financial liabilities.

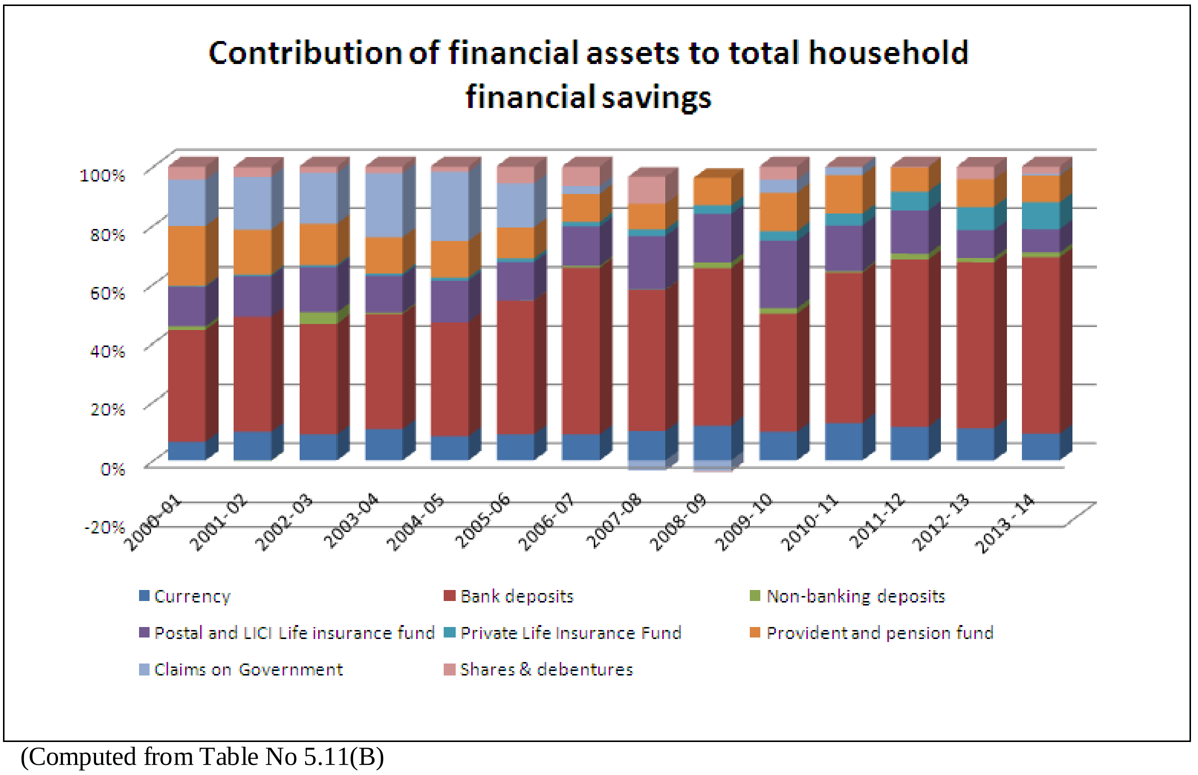
Table No 5.11(B)

Composition of household financial savings(In Percentage)

Financial Assets	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	**2013-14**
Currency	6.3	9.77	8.81	10.72	8.21	8.92	8.86	10.71	12.78	9.78	12.78	11.55	10.92	9.03
Bank deposits	38.15	39.24	37.75	39.16	38.86	45.43	56.6	51.26	57.94	40.15	51.1	57.18	56.29	59.6
Non-banking deposits	1.21	-0.12	3.85	0.49	0.02	0.09	0.6	0.17	2.04	1.87	0.48	2.02	1.54	1.64
Postal and LICI Life insurance fund	13.39	13.92	15.48	12.68	14.13	12.97	13.44	19.58	17.84	22.90	15.49	14.74	9.39	7.87
Private Life Insurance Fund	**0.29**	**0.50**	**0.60**	**0.74**	**1.07**	**1.33**	**1.58**	**2.41**	**3.19**	**3.35**	**3.96**	**6.51**	**7.89**	**9.13**
Provident and pension fund	20.49	15.35	14.14	12.29	12.39	10.59	9.56	9.43	10.18	13.1	13.15	8.27	9.39	9.05
Claims on Government	15.71	18.03	17.26	21.94	23.63	14.9	2.53	-3.73	-3.82	4.38	2.75	0	-0.08	0.57
Shares & debentures	4.49	3.41	2.19	2.28	1.8	5.79	6.7	9.79	-0.32	4.52	0.16	0.3	4.29	2.43

Source: www.dbie.rbi.org.in

Chart No 5.5



(Computed from Table No 5.11(B)

The above Table 5.11 and the graph depicts the composition of Financial savings in the country and. However in case of various financial instruments, except for saving in the form of life insurance funds and provident & pension funds, are derived as a residual after estimation for such instruments held by the public and private corporate sectors.

Bank deposits constitutes major share in financial savings of the country followed by life Insurance funds. At the onset of liberlisation the contribution of life fund towards household financial savings by the private life insurance sector was only 0.29% in 2000-2001 .Postal life insurance and LICI constituted 13.39%.In 2001-02 private life sector contributed 0.50% that of Public sector was 13.92%.In 2002-03, private life sector contributed 0.60% and public sector contributed 15.48%. In 2003-04 private life sector contributed 0.74%, and that of public life insurance it was 12.68%.In 2004-05 private sector contributed 1.07%, and public sector and postal life insurance contributed 14.13%.In 2005-06 it was 1.33% by private life insurer and public sector was 12.97%. In 2006-07 private sector contributed 1.58% and public sector contributed 13.44 %.In 2007-08 private life insurer contributed 2.41% and public sector contributed 19.78 % .In 2008-09 it was 3.19% from private life insurer and that of public life insurer was 17.84%.In 2009-10 it was 3.35% by private sector and 22.90% by public life insurer .In 2010-11 private life insurer contributed 3.96 % and public sector contributed 15.49%.In 2011-12 it was 6.51% from private and 14.74% from public life insurer. In 2012-13 private life insurer contributed 9.39 % and public sector contributed 7.89% and in 2013-14 it was 9.13% from private and 7.87% from public sector life insurer. It is surprising to note that private sector is contributing more towards household financial savings than the public sector LICI and postal life insurance from 2012 onwards.Compared to other financial components private life insurers are playing a very marginal role towards household financial savings.However Private life Insurers can contribute more towards household savings with the infusion of more capital by the private life insurers into business private sector would provide better financial products than offered by the banking sector so as to edge the banking sector. With the entry of 49% FDI in Insurance sector there is silver lining in the insurance business in the future.

5.2.4 Developmental role of Life insurance Industry in the country:

Developmental role of insurance can be seen through the investment pattern of the life insurers. The insurance companies have traditionally been the players in the stock markets. They invest in stocks with relatively steady earnings and a strong asset base. Insurance companies have been the largest institutional investors in the world. Assets managed by insurance companies are estimated to account for over 40 per cent of the world's top 100 asset managers.

While recommending the opening up of the insurance industry in India, the Malhotra Committee envisaged that insurance may serve as an effective instrument for mobilization of financial resources for development. The insurance sector, by its business nature, attracts long-term funds, and therefore, is required to invest in a manner which ensures asset-liability match and also equip the insurers to meet their obligations towards their policyholders in case of claims. Therefore, life insurers invest their funds in long-term horizon.

The source of funds of an insurer includes premiums, interests, capital gains, savings in expenses and non-payment of claims. The major items of fund generated and utilized by the life insurance companies in India are **Life Fund, Pension & Annuity Fund and Unit Linked Funds**. Prior to liberlisation, LICI made investments in the Life fund. It made considerable investments in various sectors of the economy. With the entry of private players, the industry received further boost in the generation of funds. Various innovative products were introduced since the liberlisation and the private companies started generating resources from these products. These products were in the form of pension annuity funds and market linked funds like ULIP’s entered the market taking away the part of life fund investment. Investments of life funds have been governed by the provisions of the Insurance Act, 1938 later Amended by IRDA regulations Act of 2000 and have prescribed the following norms for the investments which is narrated in the next page.

5.2.4.1 Life Fund Investments

Table no 5.12

Life Fund Investments

i)	Government Securities	25 per cent
ii)	Government Securities or other approved securities (including i) above)	Not less than 50 percent
iii)	Approved Investments as specified in Schedule-I, i.e.	
	a) Infrastructure and Social Sector	Not less than 15 percent
	b) Others to be governed by Exposure/Prudential Norms	Not exceeding 20 percent
iv)	Other than in Approved Investments to be governed by Exposure/Prudential Norms	Not exceeding 15 percent

Source: The Gazette of India Extraordinary Part II Section 4 IRDA Reports New Delhi, the 14th August 2000

5.2.4.2 Pension and General Annuity Fund

Every insurer shall invest and at all times keep invested the assets of pension business, general annuity business and group business in the following manner:

Table no 5.13

Pension and General Annuity Fund

i)	Government Securities	Not less than 20 percent
ii)	Government securities or other approved securities inclusive of i) above	Not less than 40 percent
iii)	Balance to be invested in approved investments to be governed by Exposure/Prudential Norms	Not exceeding 60 percent

IRDA annual report 2003-04

5.2.4.2 Unit-Linked Fund

In unit-linked policies, the policyholders are opted higher returns and hence the insurers have to invest in equities which present more risks. As these policies attract investment risk, the insurers are required to use certain prudent measures to diversify the funds collected from the policyholders under these policies.

In ULIPs, the whole of premium is not invested. The insurer offering the product generally deducts certain charges from the premium amount and invests only the balance.

In the case of unit linked life insurance business, every insurer is required to invest as per the pattern of investment offered to and approved by the policyholders, with a provision that total investment in 'other than approved category' shall at no time exceed 25 per cent of the fund.

Analysis of Data: The data is taken for 13 years from 2001-2002 to2013- 2014 for life funds .In the case of pension and ULIP fund investment data is taken from 2003-04 to 2013-14 for 11 years from the IRDA annual reports which is covered as Assets Under Management of life insurers which is duly synthesized for the purpose of the study.

The following tables and graphs narrate the investment of funds made by Life insurance industry in different instruments prescribed by the various legislations enacted. It also throws light upon sectoral utilization of funds in various instruments which in turn is been utilized towards the developmental process of the country. Following analysis gives the bird's eye view of various investments done in the country. Average and average percentage are been used in the analysis. Since the main objective being to find out the role played by insurance in Economic development entire life Industry is taken for study. No doubt the share of LICI is greater than private sector, nearly 85% of the investment comes from LICI and only 15% is contributed by private sector. This is so because private sector is bounded to follow stringent norms which hamper the investment activity .But this can be enhanced by relaxation of IRDA norms prescribed for the Investments of fund in various instruments. Even a small contribution made by these private life insurers can significantly enhance the growth of the economy. Insurance investments are mostly of a long-term in nature. The fund management has become a challenge for the life insurance industry since the investments of life insurers provide a long term supply of capital to industry and more specifically to the developmental programmes of the Government, which would have not been possible if not for insurance.

The following table no 5.14 displays the investment done by the entire life insurance industry on various funds in percentages.

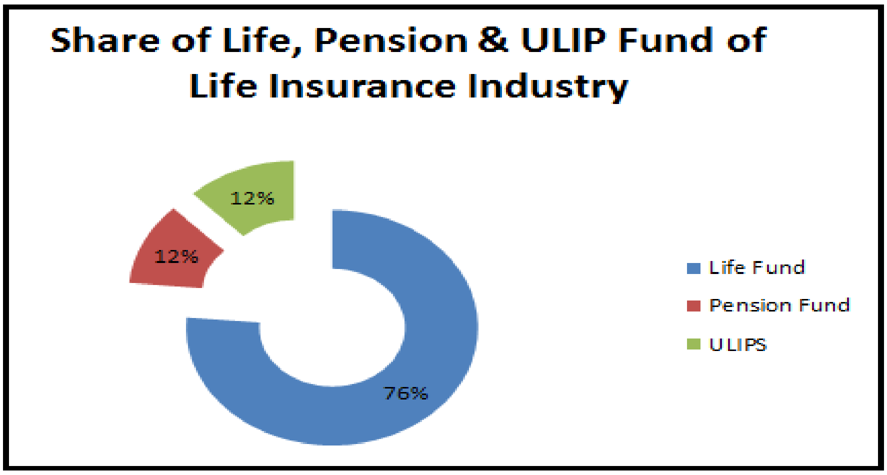
Table no 5.14

Total investment of funds of the Life Insurance Industry(in Percentage)

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL	Average%
Life fund	100	100	88.1	87.2	85.5	81.5	77.1	70.7	68.7	60.3	58.8	61.6	64.2	65.8	1070	76.4
Pension fund	0	0	11.8	12.4	12.8	13.2	11.9	11.9	12.4	11.9	13.3	15	16.2	17.3	160	11.41
ULIPS	0	0	0.1	0.48	1.76	5.31	11.1	17.4	18.9	27.8	27.9	23.4	19.6	16.9	171	12.19

Source: Handbook of IRDA statistics 2014

Chart no 5.14



(Compiled from Table No 5.14)

Interpretation: Table no 5.14 shows the overall growth of life fund investment ,pension and ULIP fund for the period 2001-2014 .The year 2001 was the year when liberlisation of insurance industry started taking place .It is found that the average investment for fourteen years in life fund is 76% that of pension and ULIP fund is 12% each. However the share of life fund since 2001 is gradually declining and that of pension and ULIPS. fund is increasing. In the year 2010 the share of life fund was that of 60.31% that of pension funds was 11.8% and ULIPS were 27.84%.This is so because private life insurers have been focusing more on Pension and Unit linked products that of life fund. Since life fund is invested for a long period of time say 20-25yrs on developmental projects like central government securities, state government securities, Infrastructure projects social ,approved and investment other than approved investments. The returns for these funds is delayed. Hence private life insurers are keen in Unit linked products where the returns are quick within the span of 3-5 years .This is proved in the further analysis. However, life fund investment still has a larger share due to the strict investment norms prescribed by the act of 1938 and IRDA regulation act of 2000

Life Fund Investment: Table no 5.15 shows the total Life fund investment by the life insurers for 13 years from 2001 to 2014. The total investment of private sector was to the tune of 359457.2 crores and that of public sector was 6381030 crores. The average value of investment done by private sector was 27650.55 crores which is around 5% and that of public sector was 490848.4 crores which constitutes 95% of life fund.

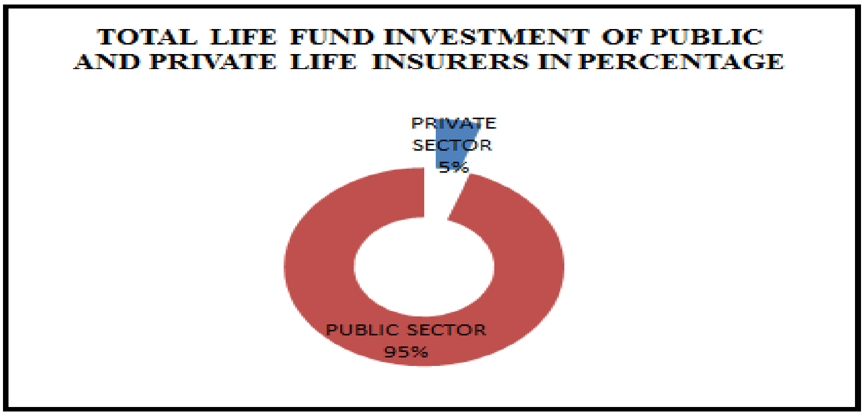
Table no 5.15

Share of life fund investment of Public and Private sector (in crores)

	TOTAL	AVERAGE	AVERAGE %
PRIVATE SECTOR	359457.2	27650.55	5
PUBLIC SECTOR	6381030	490848.4	95

(Computed from IRDA Annual reports from 2001-2014)

Chart no 5.15



Computed from table No 5.15

Table no 5.12 shows the investment limit of Life fund investment in five categories namely Investment in central government securities, state government securities, Infrastructure and social sector, Investment in approved securities and investment subject to exposure norms. Table no 5.16 to table no 5.23 displays the investments of life fund in various instruments.

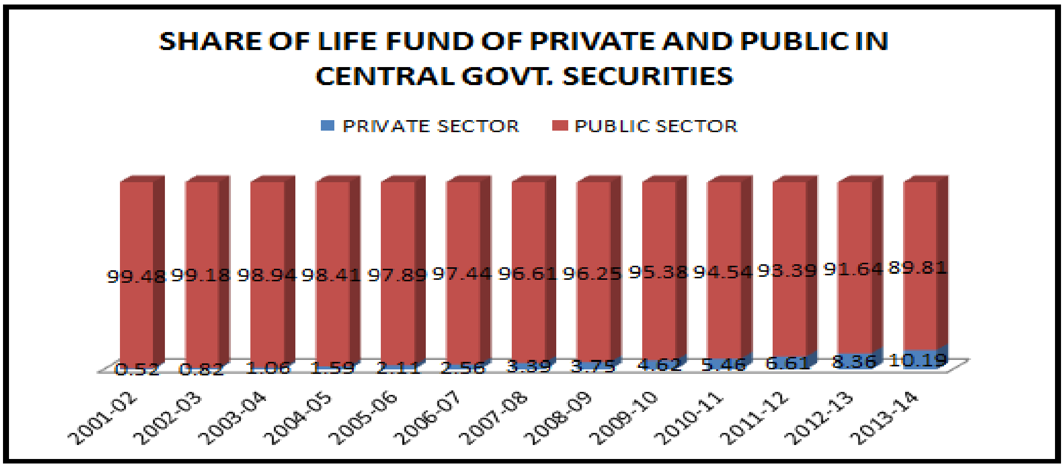
Table no 5.16

Percentage share of Investment of life fund in Central government securities of Public and Private sector

YEAR	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
PRIVATE SECTOR	0.52	0.82	1.06	1.59	2.11	2.56	3.39	3.75	4.62	5.46	6.61	8.36	10.19
PUBLIC SECTOR	99.48	99.18	98.94	98.41	97.89	97.44	96.61	96.25	95.38	94.54	93.39	91.64	89.81

Source: Compiled from IRDA annual reports from 2001-02 to 2013-14

Chart no 5.16



(Computed from table No 5.16)

Interpretation: Table no 5.16 displays the average investment done by public and private life insurers in central government securities ever since the liberlisation period. Data for 13 years show that the share of private life insurers are gradually increasing which was 0.52%in 2001-02 .In the year it 2009-10 it was 4.62 % and 2013-14 it was 10.19%.The share of Public life Insurer has declined from 99.48% in 2001-02 to 95.38% in 2010 and 89.81%.The investment in central Government securities constitutes the major portion of life fund investment.

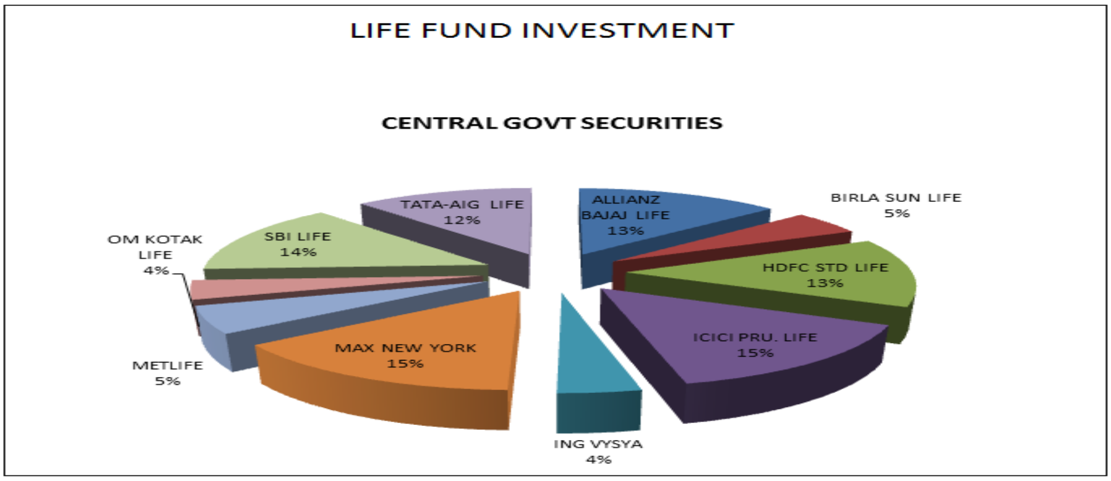
Table no 5.17

Life fund investment in Central government securities of Private life Insurers(in crores of Rs)

INSURER	ALLIANZ BAJAJ	BIRLA SUN	HDFC STD	ICICI PRU.	ING VYSYA	MAX life	MET	OM KOTAK	SBI	TATA-AIG	TOTAL
TOTAL	19624.37	6925.01	19757.67	21254.44	5789.2	21519.67	7799.19	5498.96	20499.1	17184.25	145851.9
AVERAGE	1509.57	532.69	1519.82	1634.96	445.32	1655.36	599.94	423	1576.85	1321.87	11219.37
PERCENTAGE	13.46	4.75	13.55	14.57	3.97	14.75	5.35	3.77	14.05	11.78	100

Source: Compiled from IRDA annual reports of respective years from from 2001-02 to 2013-14

Chart no 5.17



(Computed from table No 5.17)

Interpretation: The above table no 5.17 shows the average Investment of the private life Insurers from 2001 -2014.The total Investments of life fund was to the tune of Rs 145851.86 crores. It is found that among the private life Insurers Max life Invested 21519.67 crores has the maximum share in central Government securities of 14.75% followed by ICICI with an Investment of 21254.44 crores with 14.57% , SBI life of 20499.1 crores with14.5%, HDFC of 19757.67 with 13.55%, Bajaj Allianz of 19624.37 crores with 13.46% and Tata AIA of 17184.25 crores with 11.78%,Met life of 7799.19 crores with 5.35%,Birla Sun Life of 6925.01 crores with 4.75%, ING Vysya of 5789.2 crores with 3.97%, OM Kotak of 5498.96 crores with 3.77%. In the case of private life fund investment in central government securities Max life takes the lead followed by ICICI, SBI Life, HDFC and Bajaj Allianz.

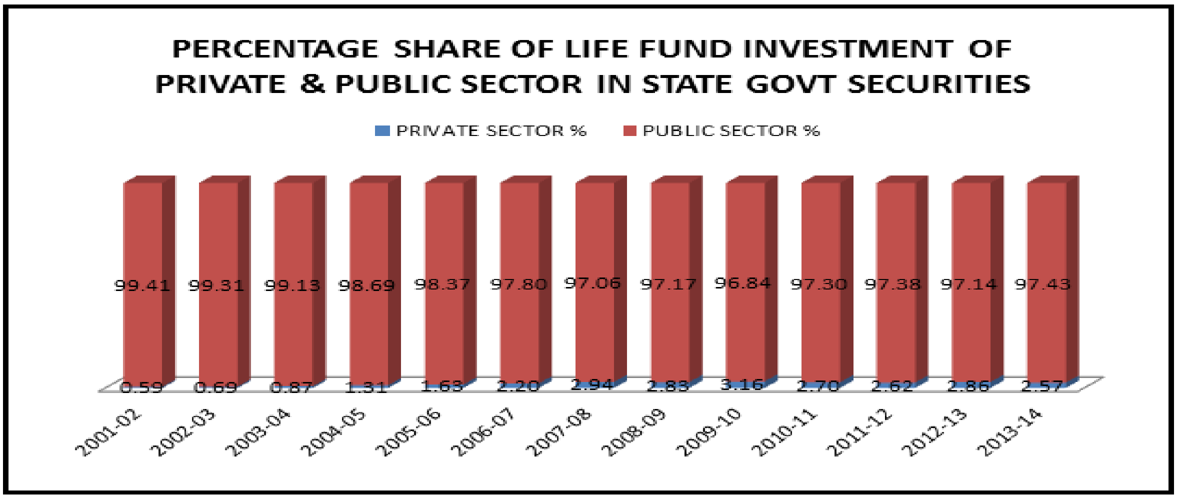
Table no 5.18

Life fund investment in State government securities of Public and Private life Insurers (in Percentage)

INSURER	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
PRIVATE SECTOR	0.59	0.69	0.87	1.31	1.63	2.2	2.94	2.83	3.16	2.7	2.62	2.86	2.57
PUBLIC SECTOR	99.41	99.31	99.13	98.69	98.37	97.8	97.06	97.17	96.84	97.3	97.38	97.14	97.43

Source: Compiled from IRDA annual reports for respective years from from 2001-02 to 2013-14

Chart no 5.18



Computed from table No 5.18

Interpretation: Table 5.18 shows the share life fund investment of public and private life insurers in state government securities. The share of private life insurer in 2001 was 0.59% and public sector was 99.41%.In 2009-10 the share increased to 3.16% of private sector and that of public sector was 96.84%.

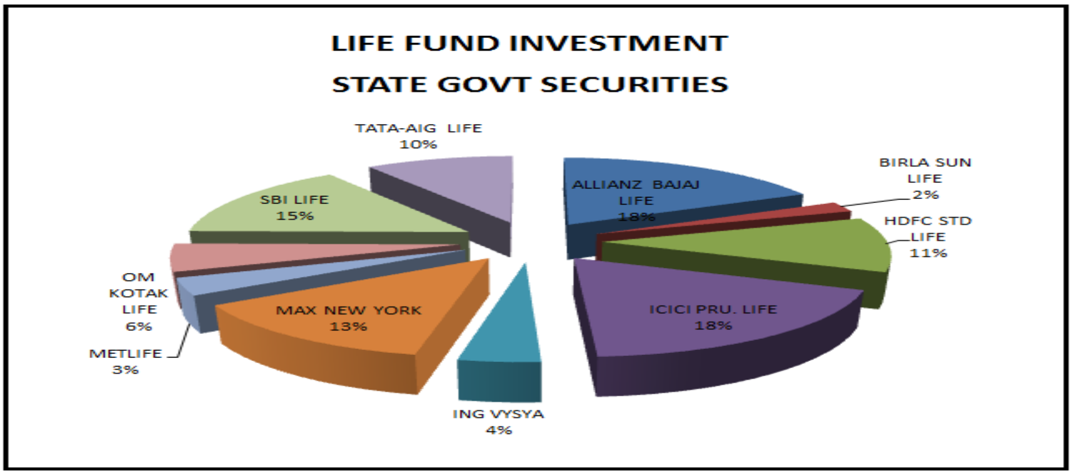
Table no 5.19

Life fund investment in state government securities of Private life Insurers (in crores of Rs)

INSURER	ALLIANZ BAJAJ LIFE	BIRLA SUN LIFE	HDFC STD LIFE	ICICI PRU. LIFE	ING VYSYA	MAX LIFE	MET LIFE	KOTAK LIFE	SBI LIFE	TATA-AIA	TOTAL
TOTAL	9501.82	1097	5675.83	9686.57	2081.54	6981.27	1769.6	2872.69	7941	5140.39	52747.69
AVERAGE	678.7	78.36	405.42	691.9	148.68	498.66	126.4	205.19	567.21	367.17	3767.69
PERCENTAGE	18.01	2.08	10.76	18.36	3.95	13.24	3.35	5.45	15.05	9.75	100

Source: Compiled from IRDA annual reports of respective years from from 2001-02 to 2013-14

Chart No 5.19



(Computed from table No 5.19)

Interpretation: Table 5.19 shows the life fund Investments in state government securities of the private life insurers taken for study. The total investments made by these companies were to the tune of Rs 52747.69 crores for the period of 13 years. The highest investment in state government securities were made by ICICI of 9686.57 crores with 18.36% ,Bajaj Allianz of 9501.82 crores with 18.01 %, SBI life of 7940.98 crores with 15.05%, Max life of 6981.27 crores with 13.24%, HDFC of 5675.83 crores with 10.76%,Tata AIG of 5140.39 crores with 9.75%, Om Kotak of 2872.69 crores with 15.05%,ING Vysya of 2081.54 crores with 3.95%, Met life of 1769.60 crores with3.35%,Birla sun life of 1097.00 crores with 2.08%. In the case of life fund investment in state government securities ICICI is the leader followed by Bajaj, SBI, Max Life and HDFC life insurer.

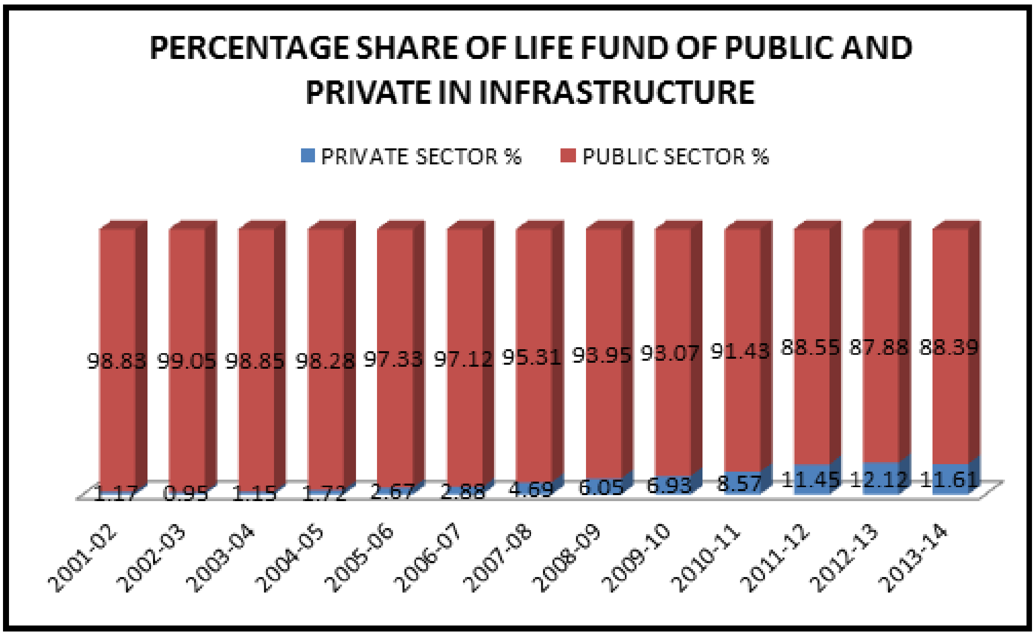
Table no 5.20

Percentage share of Life fund investment in Infrastructure of public and Private sector

YEAR	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
PRIVATE SECTOR %	1.17	0.95	1.15	1.72	2.67	2.88	4.69	6.05	6.93	8.57	11.45	12.12	11.61
PUBLIC SECTOR %	98.83	99.05	98.85	98.28	97.33	97.12	95.31	93.95	93.07	91.43	88.55	87.88	88.39

Source: Compiled from IRDA annual reports of respective years from from 2001-02 to 2013-14

Chart no 5.20



(Computed from table No 5.20)

Interpretation: Table no 5.20 shows the Life fund investment on Infrastructure of Public and Private Life insurers. In 2001-02 the average investment of the private life insurers was 1.17%.In 2009-10 it was 6.93% and 11.61% in 2013-14.The share of Public sector in infrastructure Investment was 98.83% in 2001, 93.07% in 2010 and 88.39% in 2014.Private sector share in infrastructure investment is increasing and that of public sector has been gradually declining.

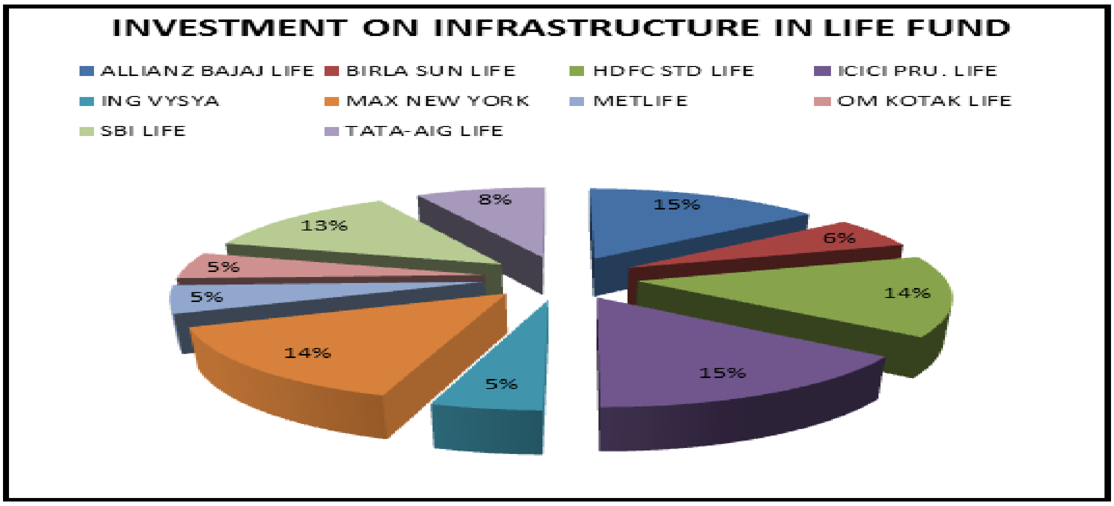
Table no 5.21

Share of Life fund investment in Infrastructure of private insurers(in crores of Rs)

INSURER	ALLIANZ BAJAJ LIFE	BIRLA SUN LIFE	HDFC STD LIFE	ICICI PRU. LIFE	ING VYSYA	MAX NEW YORK	METLIFE	OM KOTAK LIFE	SBI LIFE	TATA-AIG LIFE	TOTAL
TOTAL	10017.95	3867.18	9960.78	10376.58	3274.27	9810.56	3452.17	3329.33	8652.71	5497.06	68238.59
AVERAGE	770.61	297.48	766.21	798.20	251.87	754.66	265.55	256.10	665.59	422.85	5249.12
PERCENTAGE	14.68	5.67	14.60	15.21	4.80	14.38	5.06	4.88	12.68	8.06	100.00

Source: Compiled from IRDA annual reports of respective years from from 2001-02 to 2013-14

Chart no 5.21



(Computed from table No 5.21)

Interpretation: Table no 5.21 displays the Investments made by Private life Insurers from the life fund on Infrastructure by the ten companies .The total Investments made by these companies valued to 68238.59 crores. The Total Investment made by these companies on Infrastructure is as follows .ICICI made maximum Investment on Infrastructure of 10376.58 with 15.2%, Bajaj Allianz of 10017.95crores with 14.68%,HDFC standard life of 9960.78with 14.59%, Max Life of 9810.56 with 14.37%,SBI life of 8652.71 crores with12.68%,TATA AIG of 5497.06 crores with 8.05%,Birla Sun life of 3867.18 crores with 5.66%,Met Life of 3452.17 crores with

5.05%,Om Kotak of 3329.33 with 4.87% and ING Vysya of 3274.27 crores with 4.79%.In case of Infrastructure Investment ICICI takes a lead once again followed by Bajaj, HDFC, Max life and SBI life insurer.

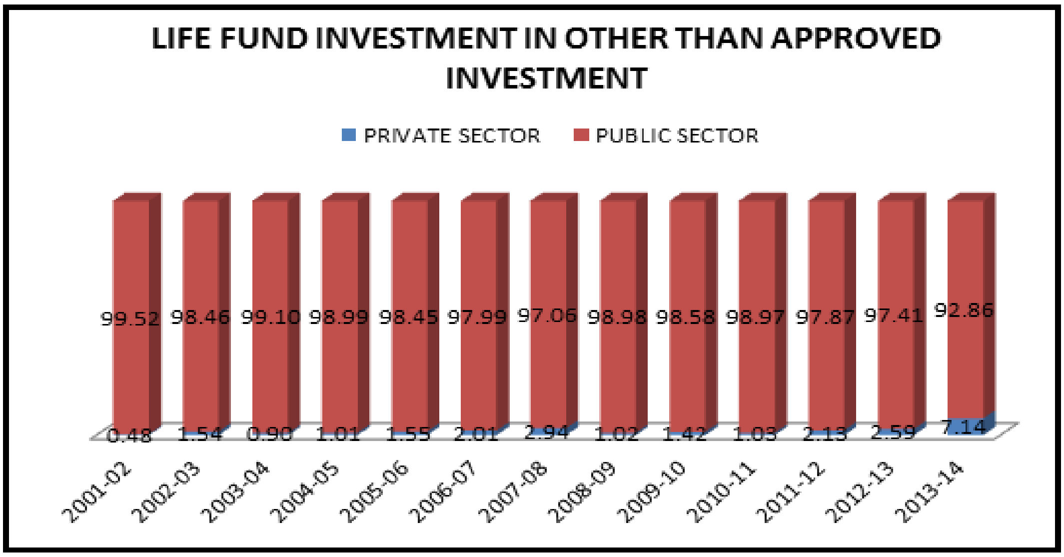
Table no 5.22

Percentage share of Life fund investment of Public and Private sector in other than approved Investments

INSURER	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
PRIVATE SECTOR	0.48	1.54	0.9	1.01	1.55	2.01	2.94	1.02	1.42	1.03	2.13	2.59	7.14
PUBLIC SECTOR	99.52	98.46	99.1	98.99	98.45	97.99	97.06	98.98	98.58	98.97	97.87	97.41	92.86

Source: Compiled from IRDA annual reports of respective years from 2000-01 to 2013-14

Chart No 5.22



(Computed from table No 5.22)

Interpretation: Table no 5.22 reflects the investments of life fund other than approved Investments between and public and private life insurers. In 2001 private life insurers had a share of 0.48 % and public sector 99.52%.In 2009-10 it increased to 1.42 % of private sector 98.58% belonging to public sector. However in 2014 there has been a drastic rise from the private sector to 7.14 % and that of public sector to 92.86%.

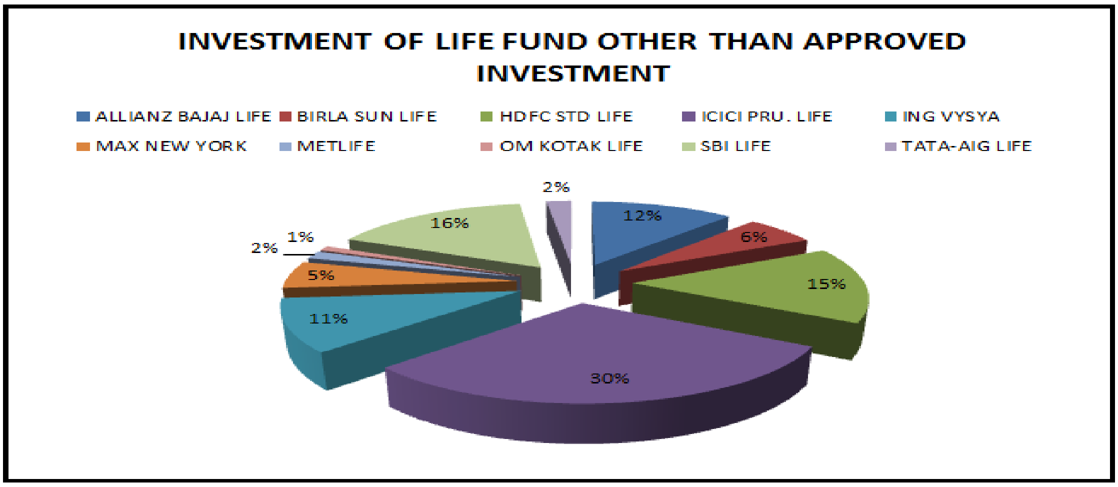
Table no 5.23

Life fund investment of private insurers in other than approved Investments (in crores of Rs)

INSURERS	ALLIANZ BAJAJ LIFE	BIRLA SUN LIFE	HDFC STD LIFE	ICICI PRU. LIFE	ING VYSYA	MAX NEW YORK	METLIFE	OM KOTAK LIFE	SBI LIFE	TATA-AIG LIFE	TOTAL
TOTAL	759.69	382.06	985.68	1947.91	682.36	354.1	102.73	63.11	1053.8	132.55	6463.95
AVERAGE	58.44	29.39	75.82	149.84	52.49	27.24	7.9	4.85	81.06	10.2	497.23
PERCENTAGE	11.75	5.91	15.25	30.13	10.56	5.48	1.59	0.98	16.3	2.05	100

Source: Compiled from IRDA annual reports of respective years from from 2001-02 to 2013-14

Chart no 5.23



(Computed from table No 5.23)

Interpretation: Table no 5.23 shows The total Investments of life fund by the selected private life insurers in other than Approved investments was 6463.9 crores. Out of which ICICI having a major share of 30% with 1947.91 crores of Investment followed by ,SBI life with 16.30% with 1053.76 crores of Investments, HDFC with 15.25% with 985.68 crores of investments followed by Bajaj Allianz with 11.75% share with 759.69 crores. Other companies like ING Vysya having 10.56% with investment of 682.36 crores of investment, Birla Sun life of 5.91% with 382.06 crores, Max Life with 5.48% with 354.10 crores of Investment, followed by TATA AIG with 132.55 crores, Metlife with 102.73 crores and Om Kotak with 63.11 crores having a percentage share of

2.05%,1.59% and 0.98% respectively. Life Fund investment other than approved securities is bagged by ICICI ,SBI life, HDFC and Bajaj Allianz.

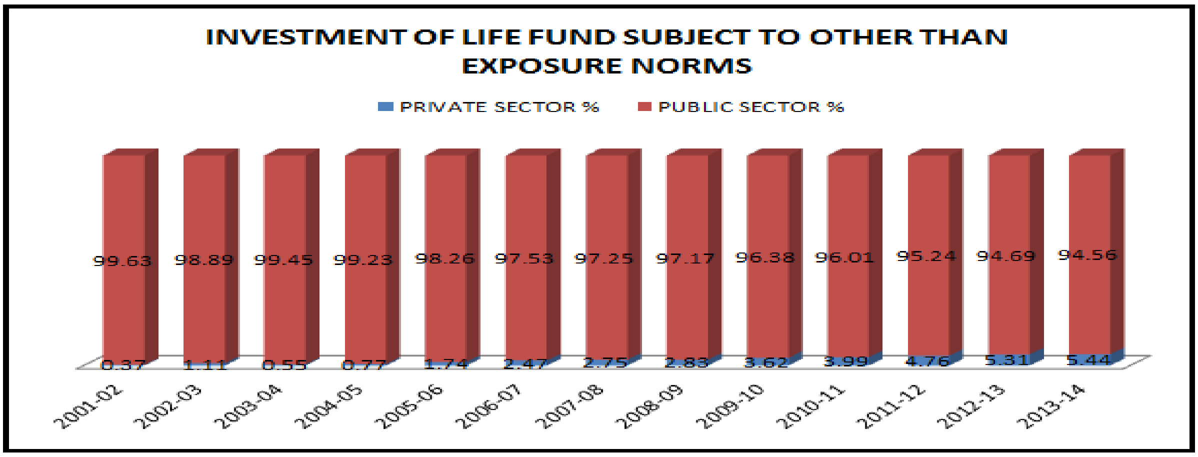
Table no 5.24

Percentage share of Life fund investment of Public and Private sector in approved Investments subject to exposure norms

INSURERS	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
PRIVATE SECTOR %	0.37	1.11	0.55	0.77	1.74	2.47	2.75	2.83	3.62	3.99	4.76	5.31	5.44
PUBLIC SECTOR %	99.63	98.89	99.45	99.23	98.26	97.53	97.25	97.17	96.38	96.01	95.24	94.69	94.56

Source: Compiled from IRDA annual reports of respective years from from 2001-02 to 2013-14

Chart no 5.24



(Computed from table No 5.23)

Interpretation: Table no 5.24 shows the Investments of Public and private life insurers in Approved but subject to exposure norms. In 2001 Private had a share of 0.37% and that of public it was 99.63%.In 2010 it was private sector had a share of 3.62% and public sector with 96.38% and 2014 it was 5.44% owing to private and 94.56% of public sector.

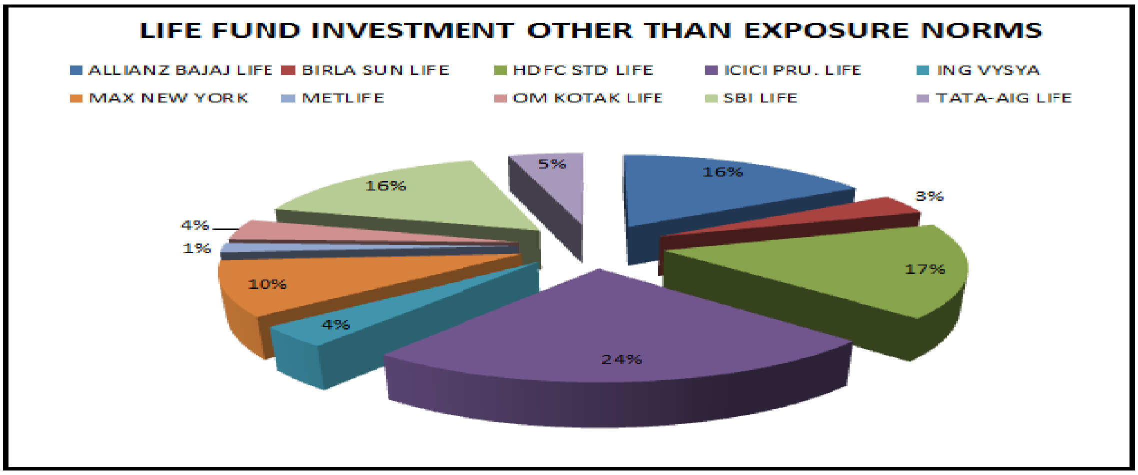
Table no 5.25

Life fund investment of Private insurers in Investment subject to exposure norms(in crores of Rs)

INSURERS	ALLIANZ BAJAJ LIFE	BIRLA SUN LIFE	HDFC STD LIFE	ICICI PRU. LIFE	ING VYSYA	MAX NEW YORK	METLIFE	OM KOTAK LIFE	SBI LIFE	TATA-AIG LIFE	TOTAL
Total	12682.32	2733.95	12768.01	18096.69	2801.00	7387.48	1255.08	2866.34	12184.10	3665.16	76440.13
Average	975.56	210.30	982.15	1392.05	215.46	568.27	96.54	220.49	937.24	281.94	5880.00
Percentage	16.59	3.58	16.70	23.67	3.66	9.66	1.64	3.75	15.94	4.79	100.00

Source: Compiled from IRDA annual reports of respective years from from 2001-02 to 2013-14

Chart No 5.25



(Computed from table No 5.25)

Interpretation: Table no 5.25 displays the investments of the private life insurers subject to exposure norms. The total investments made by life fund investing in securities subject to exposure norms were to the tune of 76440.13 crores. To begin with ICICI has once again got the upper edge with greater market share of 23.67% with investment of 18096.69 crores .HDFC with 16.70 % with 12768.01 crores, Bajaj with 16.59% with 12682.32 crores, Max life of 9.66% with 7387.48 crores, TATA AIG with 4.79% with 3665.16 crores, Om Kotak with 3.75% with 2866.34 crores, ING Vysya with 3.66% with 2801 crores, Birla sun life with 3.58% with 2733.95 crores and Met life with 1.64% with 1255.08 crores. Investment subject to exposure norms is again topped by ICICI, HDFC, Bajaj, Max and Tata AIA.

CONCLUSION: Although the share of private sector in life fund Investments is around 5% and that of public sector is 95%, it is invested in long term instruments such as government bonds and treasury bills. These instruments deliver reasonable returns at maturity. Life funds, because of their long-term character, constitute an important factor governing capital markets. Growth of capital market itself highlights the Economic development of the country. Therefore the above analysis prove that the investment of life insurance funds prudently can lead to economic development of the country.

5.2.5.2 Pension Fund: Investment of pension and general annuity fund are done in instruments of minimum credit rating of 'AA'. In case of pension and General Annuity Fund, the liability structure is primary influenced by the age profile of the policyholders under these policies of pension and Annuity. The following table no 5.26 shows the investments of pension fund of public and private players for a period from 2002-03 to 2013-14.It is found that private sector is having major share in pension and general annuity compared to public sector. This is because many insurance potential have realized the importance of their post-retirement life and have taken measures to invest in different pension schemes of many private insurance companies. The life insurers have also shown interest to innovate new schemes and develop their pension and annuity market. As a result, there is a tremendous growth in the amount available for investment under the pension and general annuity fund. Table no 5.13 has laid down the guidelines for investment of pension funds in various instruments.

Table No 5.26

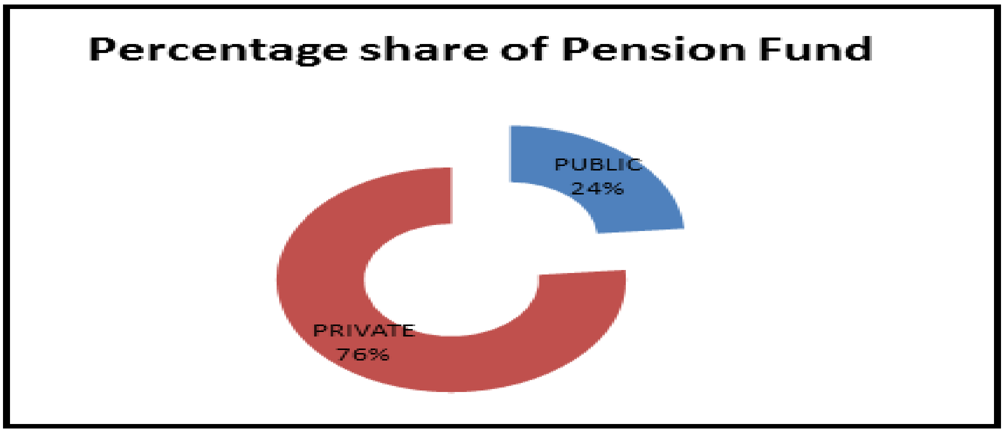
Share of Pension Fund of Public and Private Life Insurer

Insurer	Total	Average	Percentage
PUBLIC	391379.5	32614.96	24
PRIVATE	1268639	105719.9	76

Compiled from IRDA annual reports for respective years from 2002-03 to 2013- 2014

Interpretation: Table no 5.26 displays the share of public and private life insurers in pension fund. The total Investment of Public sector was 391379.5 crores and that of private sector was 12,68,639 crores. The share of public sector is only 24% and that of private sector is 76%.

Chart No 5.26



Computed from table No 5.26

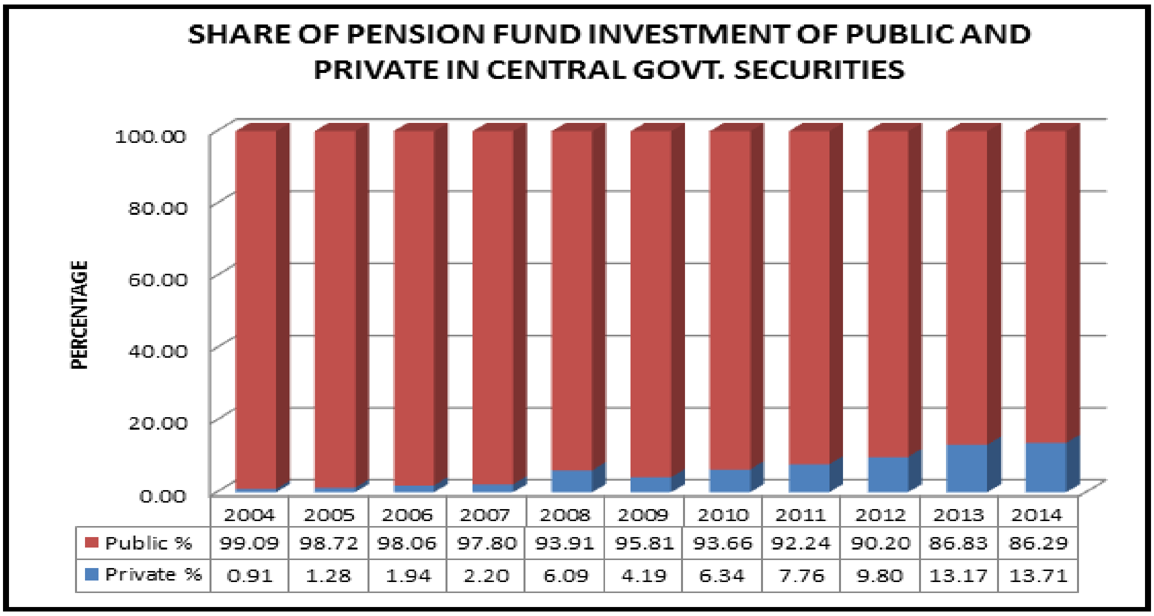
Table no 5.27

Percentage share of Pension fund in Central Government Securities of Public and Private Insurers

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Private	0.91	1.28	1.94	2.20	6.09	4.19	6.34	7.76	9.80	13.17	13.71
Public	99.09	98.72	98.06	97.80	93.91	95.81	93.66	92.24	90.20	86.83	86.29

Source:Compiled from IRDA annual reports of respective years from 2003-04 to 2013-14

Chart no 5.27



Computed from table No 5.27

Interpretation: Table no 5.27 shows the total investment of pension and annuity fund of Public and private sector in central Government securities .The share of private sector in central government securities was 0.91% in 2003-04 to 6.34% in 2009-10 and 13.71% in 2013-14.While that of public sector it was 99.09% in 2003-04 ,94.66% in 2009-2010 and 86.29%in 2013-14.The share of private life insurers are continuously rising and that of public sector is declining. It can be observed that the private sector investment in pension and annuity fund is much greater when compared to the investment done in life fund.

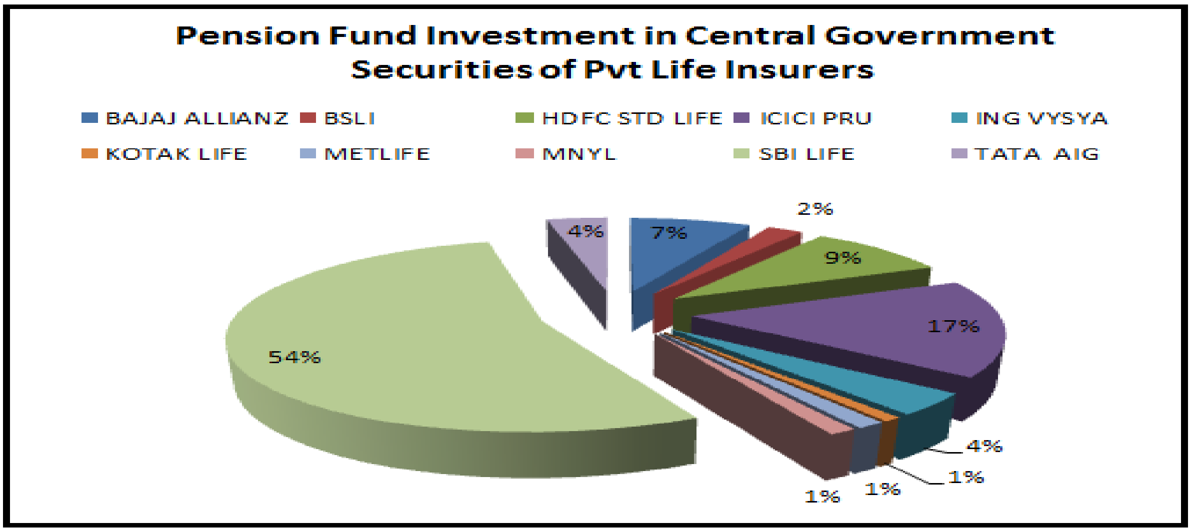
Table no 5.28

Pension Fund Investment in Central Government Securities of Private Life Insurers(in crores of Rs)

INSURER	BAJAJ ALLIANZ	BSLI	HDFC STD LIFE	ICICI PRU	ING VYSYA	KOTAK LIFE	METLIFE	MNYL	SBI LIFE	TATA AIA	TOTAL
TOTAL	3166.43	939.31	3735.72	7001.81	1579.30	331.70	531.60	517.01	22618.82	1587.69	42009.39
AVERAGE	287.86	85.39	339.61	636.53	143.57	30.15	48.33	47.00	2056.26	144.34	3819.04
PERCENTAGE	7.54	2.24	8.89	16.67	3.76	0.79	1.27	1.23	53.84	3.78	100.00

Source: Compiled from IRDA annual reports of respective years from 2003-04 to 2013-14

Chart No 5.28



(Computed from table No 5.28)

Interpretation: Table no 5.28 shows the investment done by private insurers in Central government securities. The total Investments In Central Government securities are to the tune of 42009.39 crores. The investments made by SBI life was 22618.82 crores which constituted 53.84% one of among the maximum share. This proves that SBI life had a major share in pension funds. It was followed by ICICI with 7001.81 crores with 16.67%, HDFC with 8.89%,Bajaj Allianz with 3166.43 crores with 7.54%,TATA AIA with 1587.69 crores with 3.78 %, ING Vysya with 1579.30 crores with 3.76 % followed by Birla sun life 939.31 crores with 2.24%,Met life with 537.60 crores with 1.27%,Max life with 517.01 crores with 1.23% and Kotak Life with 331.70 crores with 0.79%.

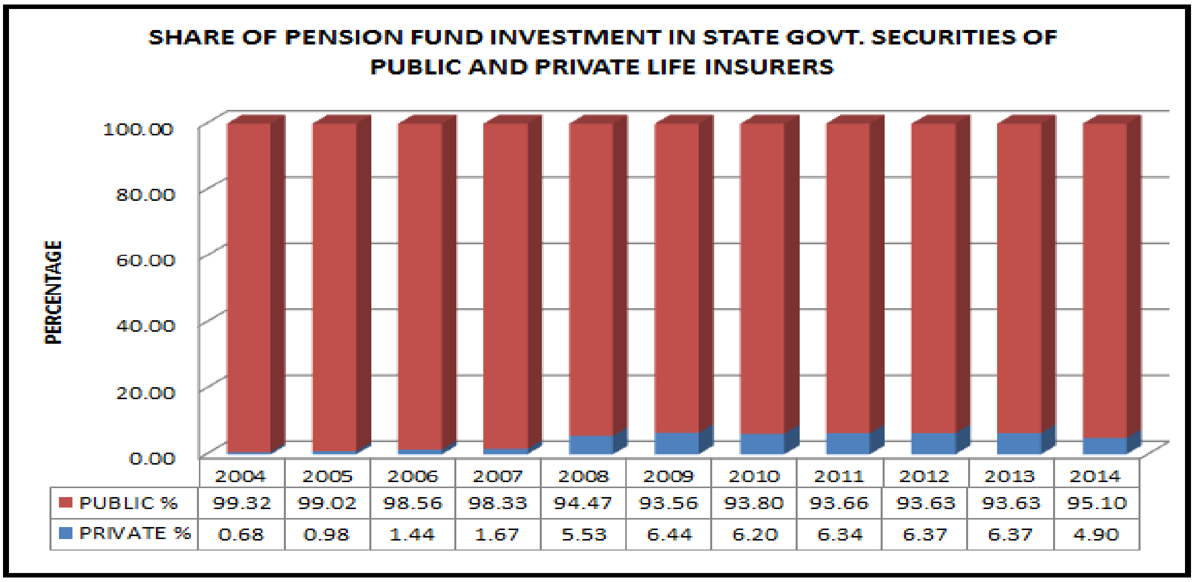
Table no 5.29

Percentage Share of Pension Fund Investment in State Government Securities of Public and Private Life Insurers

YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PRIVATE %	0.68	0.98	1.44	1.67	5.53	6.44	6.20	6.34	6.37	6.37	4.90
PUBLIC %	99.32	99.02	98.56	98.33	94.47	93.56	93.80	93.66	93.63	93.63	95.10

Source: Compiled from IRDA annual reports of respective years from from 2003-04 to 2013-14

Chart No 5.29



(Computed from table No 5.29)

Interpretation: Table No 5.29 displays the share of public and private life insurers of pension funds in state government securities. In the year 2003-04 the share of public sector was 99.32% and that of private sector was 0.68%.In 2010 the share of public sector reduced to 93.80% and that of private sector increased to 6.20% .In 2014 the share of public sector was 95.10% and that of private sector was 4.90%.

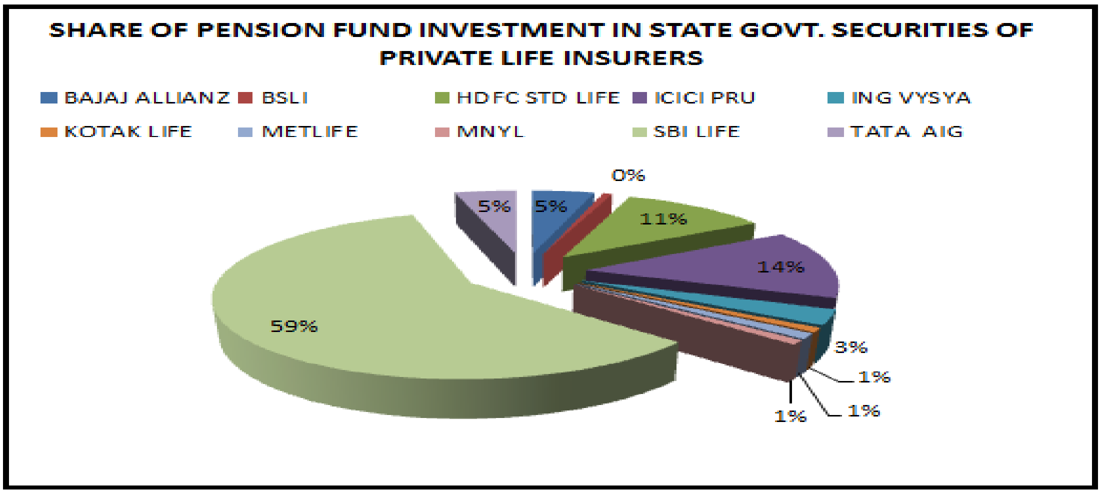
Table no 5.30

Share of Pension Fund Investment in State Government Securities of Private Life Insurers(in crores)

INSURER	BAJAJ ALLIANZ	BSLI	HDFC STD LIFE	ICICI PRU	ING VYSYA	KOTAK LIFE	METLIFE	MNYL	SBI LIFE	TATA AIA	Total
TOTAL	877.75	126.23	2051.26	2541.2	555.97	152.76	205.52	160.68	10785.86	867.532	18324.76
AVERAGE	79.80	11.48	186.48	231.02	50.54	13.89	18.68	14.61	980.53	78.87	1665.89
PERCENTAGE	4.79	0.69	11.19	13.87	3.03	0.83	1.12	0.88	58.86	4.73	100.00

Source: Compiled from IRDA annual reports of respective years

Chart No 5.30



(Computed from table No 5.30)

Interpretation: Table no 5.30 displays the share of pension funds in state government securities by the private life insurers.SBI life holds a major share in state government securities with 59% with 10785.86 crores followed by ICICI with 13.87% with 2541.2crores, HDFC with 11.19%,Bajaj Allianz with 4.79% and TATA AIA with 4.73 %.Remaining companies like Met life, Max life, Birla sun life of 1% each with 0.83% with a very trivial share in the state government securities like 1% each.

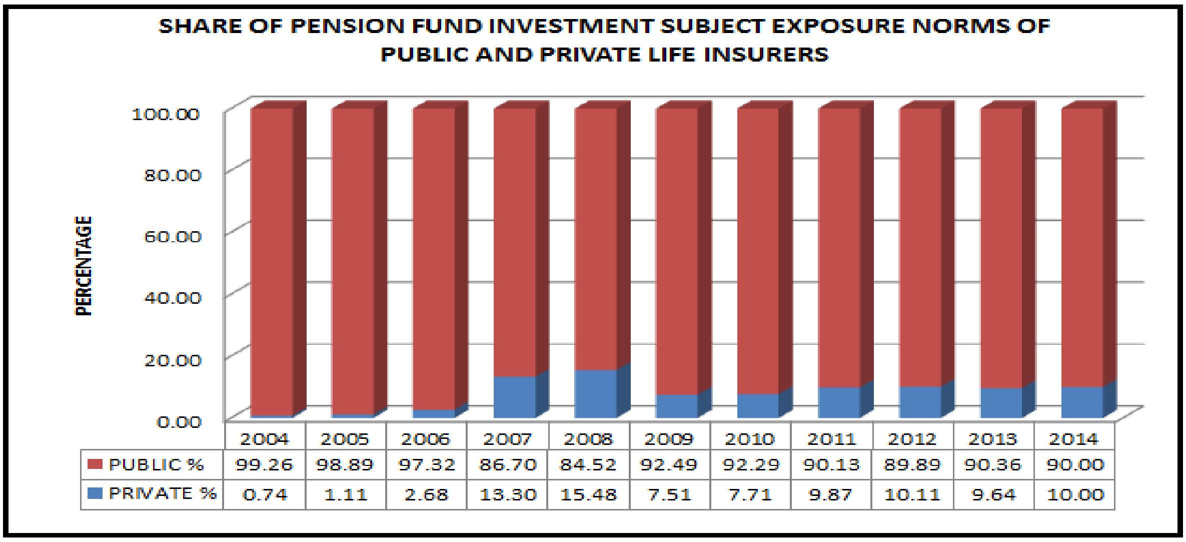
Table no 5.31

Pension Fund Investment in Approved Investments subject to exposure norms of Public and Private Life Insurers(in Percentage)

YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PRIVATE %	0.74	1.11	2.68	13.30	15.48	7.51	7.71	9.87	10.11	9.64	10.00
PUBLIC %	99.26	98.89	97.32	86.70	84.52	92.49	92.29	90.13	89.89	90.36	90.00

Source: Compiled from IRDA annual reports of respective years

Chart No 5.31



(Computed from table No 5.31)

Interpretation: Table no 5.31 reflects the share of public and private life insurers of pension funds Investment subject to exposure norms. In 2003-2004 the share of private sector was 0.74% and that of public sector was 99.26%. In 2010 the share of private sector was to the tune of 7.71 % and that of public sector was 92.29%.In 2014 the share of public sector was 90% and that of private sector was 10%.There is definite rise in the share of private sector which indicates that private sector is playing a prominent role over the years.

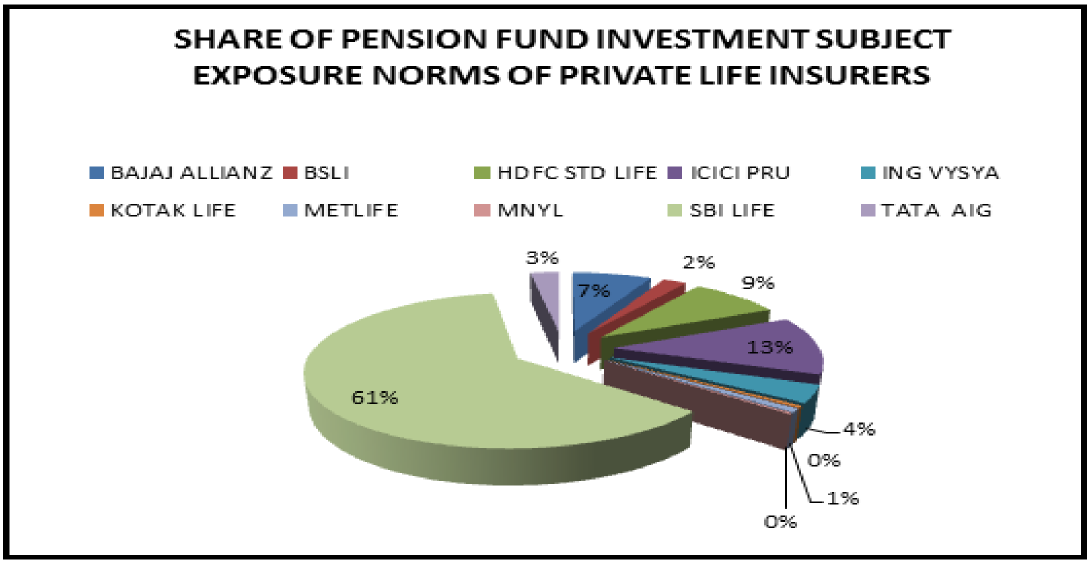
Table no 5.32

Share of Pension Fund Investment in Approved Investments subject to exposure norms of Private Life Insurers

INSURER	BAJAJ ALLIANZ	BSLI	HDFC STD LIFE	ICICI PRU	ING VYSYA	KOTAK LIFE	METLIFE	MNYL	SBI LIFE	TATA AIG	TOTAL
TOTAL	4857.72	1455.03	5590.66	8218.84	2462.16	286.21	544.38	169.56	40458.11	1752.85	65795.52
AVERAGE	441.61	132.28	508.24	747.17	223.83	26.02	49.49	15.41	3678.01	159.35	5981.41
PERCENTAGE	7.38	2.21	8.50	12.49	3.74	0.43	0.83	0.26	61.49	2.66	100.00

Source: Compiled from IRDA annual reports of from respective years from 2003-2014

Chart No 5.32



(Computed from table No 5.32)

Interpretation: In table no 5.32 shows the role of private insurers in the investments of pension funds in Approved investment subject to exposure norms. The total investments made by private life insurers to the tune of 65795.52 crores.SBI life has a complete sweep of 61% with 40458.11 crores followed by ICICI WITH 12.49% HDFC with 8.49% and Bajaj Allianz with 7.38%.

5.2.5.3 ULIP Fund: The birth of ULIP fund in Indian insurance market took place in the country after the entry of private players in the country. ULIP’s have the advantage of fundamental positives of merging insurance and investment in the single entity. The important reason for the popularity of ULIP’s in domestic market was the declined returns on endowment plans. ULIP is the life insurance solution that provides for the benefits of protection and flexibility in investment. The investment is denoted as units and is represented by the value that it has attained called as Net Asset Value(NAV).In order to avoid erosion of money ULIP'S were introduced.

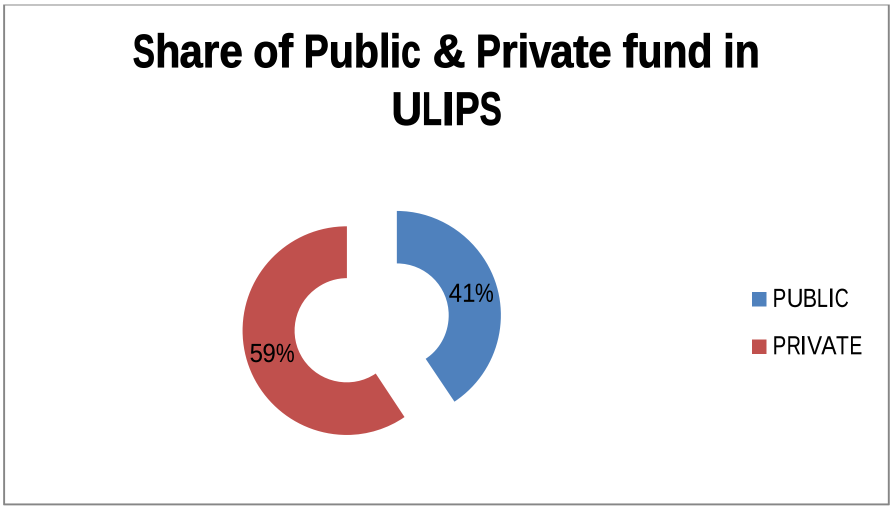
The following table no 5.33 shows the share of the entire industry in ULIP'S. The total Investment of the public sector was to the tune of 886795.5 crores from 2003- 2014 and that of private sector was 1296644 crores. The private sector has a market share of 59% and that of public sector is 41%.This proves the fact those private insurers are interested in the investment of ULIP'S due to high returns yielded by the product.

Table no 5.33
Share of Public and Private insurers in ULIP fund

INSURER	TOTAL	AVERAGE	PERCENTAGE
PUBLIC	886795.5	73899.6	41
PRIVATE	1296644	108053.6	59

Computed from IRDA annual reports of respective years from 2003-2014

Chart No 5.33



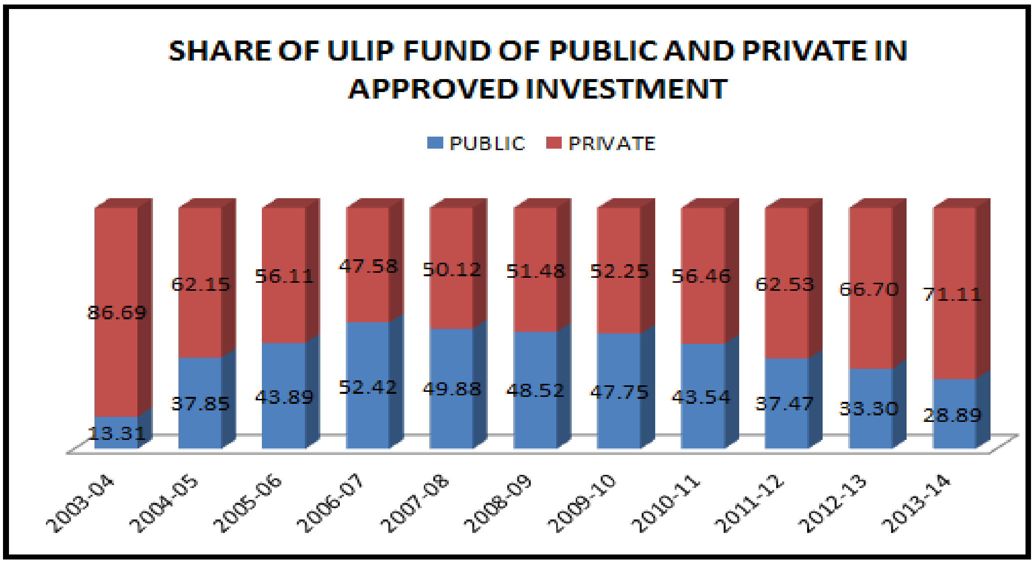
(Computed from Table No 5.33)

Table no 5.34

Percentage Share of ULIP Fund Of Public and Private insurers in Approved Securities

YEAR	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
PUBLIC	13.31	37.85	43.89	52.42	49.88	48.52	47.75	43.54	37.47	33.30	28.89
PRIVATE	86.69	62.15	56.11	47.58	50.12	51.48	52.25	56.46	62.53	66.70	71.11

Chart No 5.34



(Computed from table no 5.34)

Interpretation: Table no 5.34 displays the share of ULIP fund of public and private sector in approved investment .In 2003-2004 the share of public sector was 13.31 and that of private was 86.69%.In 2010 the share of public sector was 47.75 and that of private sector was 52.25.LICI had to adjust to the tune of the investors caused due to competition. However in 2014 the share of public declined further to 28.89 and that of private sector it is 71.11 %.

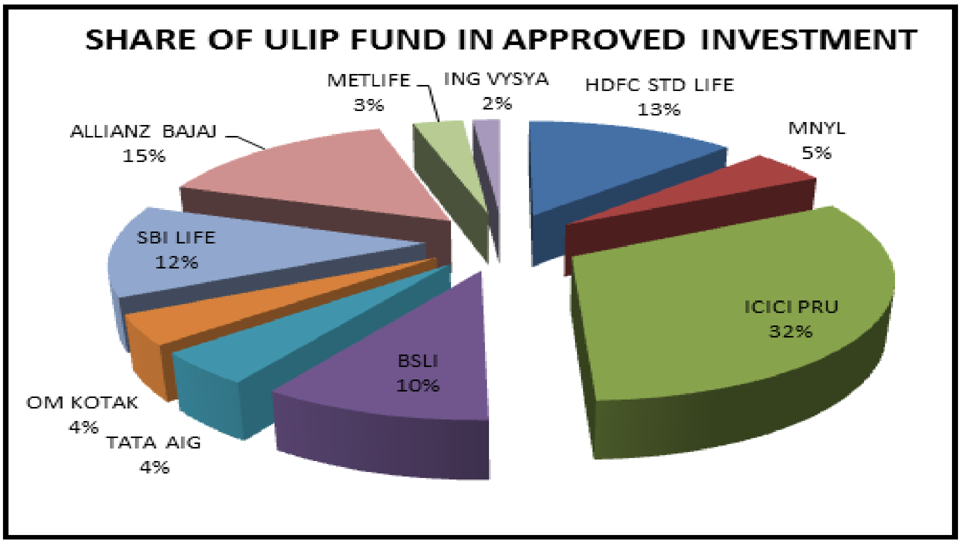
Table no 5.35

Average share of ULIP fund Investments of Private life Insurers in Approved Investments

INSURERS	HDFC STD LIFE	MNYL	ICICI PRU	BSLI	TATA AIG	OM KOTAK	SBI LIFE	ALLIANZ BAJAJ	METLIFE	ING VYSYA	TOTAL
Approved investments	134002.8	49183.7	332911.2	102535.1	46441.5	41999.9	129490	156294.5	32315.5	17383.83	1042557.9
Average	12182.07	4471.24	30264.65	9321.38	4221.96	3818.17	11771.81	14208.59	2937.77	1580.35	94777.99
Percentage	12.85	4.72	31.93	9.83	4.45	4.03	12.42	14.99	3.1	1.67	100

Source: Compiled from IRDA annual reports of respective years from 2003-2014

Chart No 5.35



Computed from table No5.35

Interpretation: Table no 5.35 shows the investment made by ten private insurers was to the tune of 1042557.91 crores. Average Investment being 94777.99 crores. ICICI has got maximum share of 31.93 % with 332911.16 crores followed by Bajaj Allianz with156294.45 crores with 14.99% HDFC with 134002.81 with12.85%,SBI life with 129489.96 crores with14.99% Birla sun life with102535.14 crores with 9.83%.Max Life, TATA AIG, Met life and ING Vysya had a market share of 4.72% ,4.45% ,3.10 and 1.67 percent respectively.

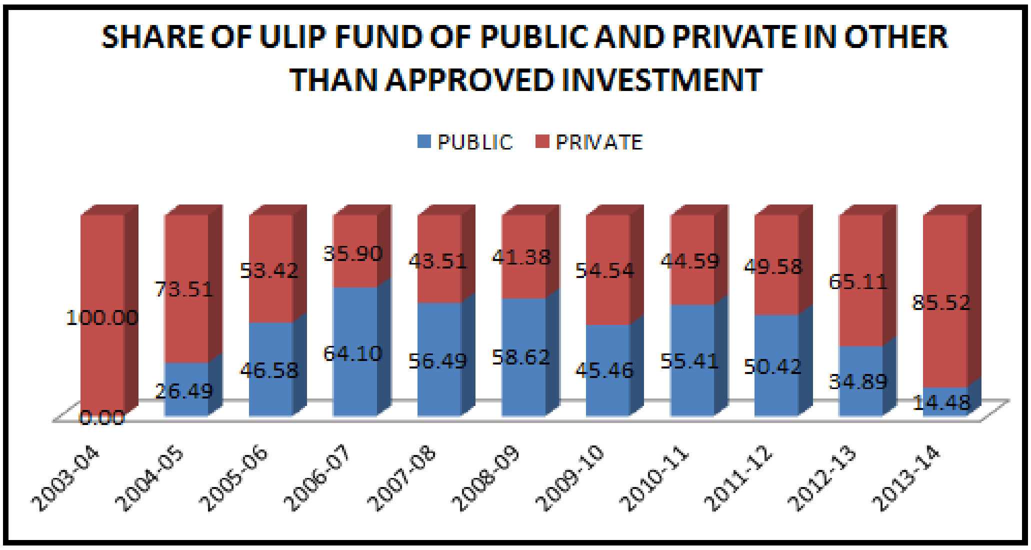
Table no 5.36

Percentage Share of ULIP Fund Of Public and Private insurers in other than Approved Investments

YEAR	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
PUBLIC	0.00	26.49	46.58	64.10	56.49	58.62	45.46	55.41	50.42	34.89	14.48
PRIVATE	100.00	73.51	53.42	35.90	43.51	41.38	54.54	44.59	49.58	65.11	85.52

Source: Compiled from IRDA annual reports of respective years 2003-2014

Chart No 5.36



(Computed from table no 5.36)

Interpretation: Table no 5.36 shows the share of ULIP fund investment of public and private sector in other than approved Investment. In 2003-2004 private had 100% share. In 2009 -10 Public sector had the share of 45.56% and private sector had 54.54%.In 2014 private sector had share of 85.52% and that of public sector was 14.48 %.

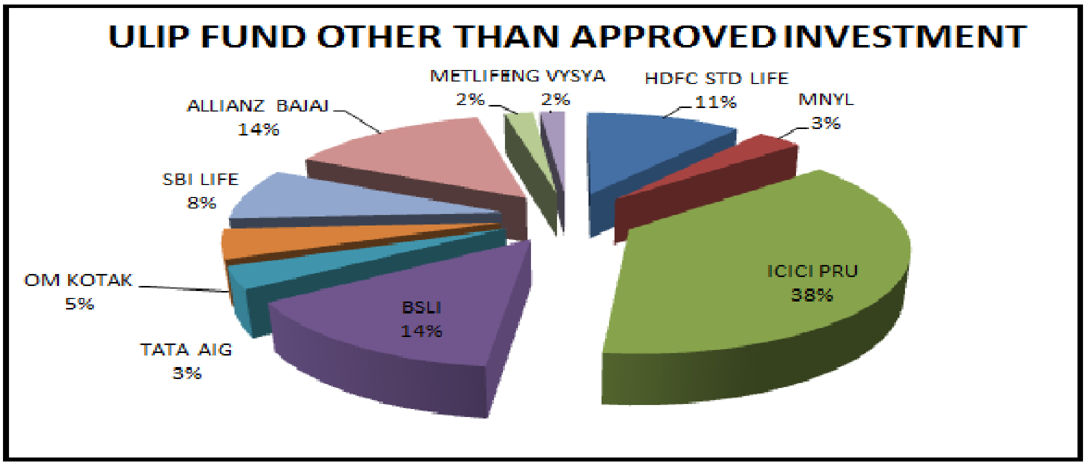
Table no 5.37

Share of ULIP Fund of Private Life Insurers in other than Approved Investments in crores

INSURER	HDFC STD LIFE	MNYL	ICICI PRU	BSLI	TATA AIA	OM KOTAK	SBI LIFE	ALLIANZ BAJAJ	METLIFE	ING VYSYA	TOTAL
Total Other than Approved Investments	120.17	35.36	414.60	155.60	38.05	50.46	89.35	154.89	22.30	19.23	1100.01
Average	10.92	3.21	37.69	14.15	3.46	4.59	8.12	14.08	2.03	1.75	100.00
Percentage	10.92	3.21	37.69	14.15	3.46	4.59	8.12	14.08	2.03	1.75	100.00

Source: Compiled from IRDA annual reports of respective years 2003-2014

Chart No 5.37



(Computed from table no 5.37)

Interpretation: Table no 5.37 shows the investment of ULIP fund of the private life insurers taken for study. The total Investment of ULIP'S in other than approved were to the tune of 1100 crores. ICICI having a major share once again with 37.69% followed by Bajaj Allianz with 14.08 %,HDFC with 10.92 %,SBI life with 8.12% followed by TATA AIG, Max life, Met life and ING Vysya with 3.46.3.21,2.03 and 1.75 % respectively.

Conclusion: The above analysis of insurance penetration and density ,contribution done by life Insurance funds in financial savings thereby in Gross domestic savings, Contribution done by private life insurers towards GDP and the investment of funds done by the life insurers definitely prove the third hypothesis.

Ha.3: Private Insurance companies play a significant role in economic development through Increased Penetration and Density,contribution in Household Financial Savings ,Impact On GDP and through Investments of Life insurance fund in Government securities and Infrastructure Financing.

Chapter VI

Findings ,Suggestions and Recommendations

6.1 Findings and justification of the hypothesis

6.2 Suggestions & Recommendations

6.3 Directions for future research work

Chapter-VI

Findings, Suggestions and Recommendations

Opening up the Insurance sector has completely transformed the landscape of the Industry. The Indian regulator has done a commendable job in liberalizing the market and putting in place rules of the game to effectively monitor the

Domestic liberalization and introducing the monopoly providers to competition has been a part of the present study. The positive change brought by deregulation is inestimable. The major purpose of the study was to find out the role performed by Insurance Industry specially after liberlisation process in the country which took place with the setting up of Insurance Regulatory Authority of India in 1999 which paved way for the opening of the economy. The introduction of competition from foreign insurers has also served to wake up the large State-owned company, the Life Insurance Corporation of India or LICI. LICI has shaken off slumber, upgraded its systems, embraced actuarial prudence, and introduced more modern products and withdrawn products that had inherent guarantees in them.This helps in improving insurance sector of the economy.

6.1 Findings and justification of the hypothesis:

6.1.1 The performance evaluation of the private life insurers was done on eight selected parameters and following are the findings of the study.

1) Market share of the life insurers was the first parameter for study. An analysis of market share based on total premium showed that even after LPG policy LICI is still a dominant player having a 75% market share and that of private sector is around 25% .However in comparison with the first ten movers**, LICI has 84.71% and the ten players shared 15.29% of the market share among them based on premium amount**.

2) **In the private sector ICICI got the major share of 34.45%** followed by Bajaj with 12.02%, HDFC with 11.46%,SBI life with 10.89%,and Birla Sun Life(BSLI) with 9.45% ,Max life with 7.77%, Tata AIA with 5.44 % ,Om Kotak with 3.92% and ING Vysya with 2.48 % and Met life with 2.11 % based on premium amount..

3) A study of equity share capital of the life insurers showed that LICI being in the public sector has been operating with the meager capital of Rs 5crores. Among the private life insurers ,Bajaj Allianz and Om Kotak operated with Rs 150 crores and Rs 363 crores throughout the years. Since they did not issue any shares to the public and the total share of 2% and 4% of the total market share in terms of equity share capital. TATA, Birla , HDFC and Max Life has a market share of 13% each followed by ICICI prudential and MetLife with 12%, ING Vysya with 10% SBI life with 8%. **Among the private sector share in Equity participation HDFC stood in no 1 position followed by Birla sun life which was second in the row, third being Tata AIA. Max life in fourth position , ICICI Prudential life insurer in fifth position, Met life was in sixth position, ING Vysya in seventh position, eight being SBI life insurance company. In ninth position was Om Kotak and BAJAJ Allianz was at the lowest bottom.**

4)**The Service Quality of the life insurers** was analysed using **claim settlement ratio** ,**grievances settlement and Insurance Ombudsdam** .Claim settlement was judged using Death claims settled, claims repudiated and claims pending to death claims for the period of seven years from 2007-2014 and the results are obtained by the taking the mean value of seven years.

5) Death claim settlement was analysed using number of policies settled in terms of policies and in terms of benefit amount under Individual , Group and Total .

6) Individual death claim settlement in terms of number of policies showed that LICI stood first in the row with 96.89% .**Among the private sector ICICI was first in individual death claim settlement in terms of number of policies with 92.31% followed by HDFC with 91.60%, Birla sunlife with 89.36%, Bajaj with 87.47 % ,SBI life with 86.36%,Max life with 85.97 %, ING Vsysa with 81.29 % TATA with 76.46 % and Met life with 75.55%.**

7) Group death claims paid in terms of policies show that LICI had 99.71% standing in number 1 position, Birla with 99.16%,Bajaj with 96.24%,Maxlife with 96.21 %,ICICI with 95.39%,SBI with 94.06%,HDFC with 90.63% ,Om Kotak with 89.95%, Metlife with 89.05%, ING with 85.84%, Tata AIA with 84.06%.

8) Total death claims paid in terms of policies is a summation of both Individual and group policies. It is seen that LICI was the leading company in the settlement of total death claims in terms of policies. **Among the private sector, total death claims settlement in terms of policies was bagged by Bajaj who was first in the row with 93.10% followed by ICICI with 92.67%, Maxlife with 92.53%, SBI Life with 91.67%, Birla with 90.74%, HDFC with 89.47%, Om Kotak with 87.56% , MetLife with 82.54%,ING Vsysa with 82.15% and the least in the row is TATA AIA with 78.63%.**

9) Death Claim settlement in terms of benefit amount under individual, group and total was analysed. **Individual death claim settlement in benefit amount** showed that LICI had resolved 94.79 % .**SBI life was the first in the row with 87.42%** followed by ICICI with 85.25%, HDFC with 83.40%, Bajaj with 80.78%,Max life with 80.70 %, Birla with 79.26 %, Om Kotak with 77.15%, ING Vysya with 71.21%, Tata AIA with 70.18% and Metlife with 63.73%.

10) Group death claim settlement in benefit amount show that LICI has the maximum mean value of 99.51 %.**In the private sector Birla Sun life stands in number one position with 98.61% in Group death claim settlement** followed by HDFC with 95.61 %, Max life with 93.59%, Bajaj with 92.83%, Met life with 91.29%,SBI life with 90.68%,ICICI with 89.95%,Om Kotak with 86.95%, ING Vysya with 85.17% and Tata AIA with 76.73%.

11) Total death claims takes into account individual and group death settlement in benefit amount for seven years altogether. Total death claim settlement in benefit amount of LICI stood at 95.63%.**Among the private sector SBI life stood first at in total death claim settlement with 89.60% followed by ICICI with 85.88%, HDFC with 84.22 % ,Bajaj with 84.06%, Max life with 83.10%, Birla sunlife with 82.17%**

,Om Kotak with 82.08 %,Met Life with74.70%,ING Vysya with 72.55% and TATA with 71.38%.

12) **Claim repudiation refer to number of claims repudiated or pending for every 100 claims received by the life insurance company.** Companies with lower claim repudiation or claim pending ratio are considered to be a better performer. Claim repudiation ratio is again classified under Individual, Group and total in terms of policies and benefit amount. %, ING Vysya with 7.86%,Om Kotak with 8.67%,Max life with 9.25%, Birla with 9.25 %, Met life with 12.62 %,SBI life

13) Individual death claim repudiation ratio was lowest for LICI with repudiation ratio of 1.19% followed by HDFC with 4.09% ,ICICI with 4.28% Bajaj with 7.29 with 12.81 % and Tata AIA with 16.78%.

14) Group claim repudiation ratio was 0.01% for LICI .While in the private sector HDFC had 0.16%, followed by Birla with 0.77%, Bajaj with 0.84%, ICICI with 2.14%,Max life with 2.62%,Metlife with3.68%,Kotak with 4.73 %, SBI life with4.75% ING with4.78% and Tata AIA with 5.18%.

15) Total claim repudiation in terms of policies gives the summation of individual and total claim repudiation in terms of policies. LICI was first in the row with 0.91% **.Among the private sector Bajaj had the lowest repudiation ratio with 3.29%in terms of policies** followed by HDFC with 3.53%, ICICI with 3.97 %, ING with 7.56%,Om Kotak with 6.15%, Maxlife with 5.23%,Birla with 8.07%, Met life with 8.04 %,SBI with7.25% and Tata AIA with 13.22%.

16) Individual death claim repudiated in benefit amount was 1.90% for LICI. Among the private sector SBI life had lowest repudiation ratio with 4.81%, HDFC with 7.57%,ICICI with 8.16%, Bajaj with 11.46%,Om Kotak with 13.40%,Max life with 13.52%, ING with 13.60%,Birla with 16.92 %,Met Life with 17.91% and Tata AIA with 18.54%.

17) Group death claim repudiation in benefit amount was lowest for LICI with 0.01%.Among the private sector HDFC had 0.65%,Birla with 1.25%, Metlife

with1.74%,ING with 2.99%, Bajaj with 3.24%,ICICI with 4.17%,Maxlife with 4.78% SBI life with 5.79%, Om Kotak with 6.21% and Tata AIA with 8.48%.

18) **Total death claim repudiated in benefit amount is the summation of individual as well as group.** LICI stood first in settling the claims with 1.56% and **among the private insurers SBI had the lowest repudiation ratio in benefit amount with 5.28%** followed by HDFC with 7.12% ICICI with 7.59%, Bajaj with 9.22%, Om Kotak with 9.78%, Metlife with 11.38%, Max life with 11.89%, ING with 12.78%,Birla with 14.77% and Tata AIA with 16.21%.

19) **Claim pending ratio of the company refers that for every 100 claims the number of claims left unresolved**. Therefore lower the percentage indicates that better is the companies capacity to resolve the claim .An analysis of claim pending ratio in terms of policies and benefit amount was analysed separately under individual, group and total.

20)Individual pending ratio in terms of policies showed that Birla Sun life has the lowest pending ratio with 1.39%.It had even surpassed public sector LICI which has 1.48%.ICICI with 3.41 %. HDFC with 4.31%,Max life with 4.78%,Bajaj with 5.24%,SBI life with 6.23% ,Tata AIA with 6.75%,Om Kotak with 7.46%,ING with 10.19% and Met life with 11.64%.

21) Group pending ratio in terms of policies proved that Birla has the lowest group death claims pending followed by public sector LICI with 0.29%.HDFC with 0.81%,Maxlife with1.17%,SBI life with 1.94%,ICICI with 2.20%,Bajaj with 2.93 %, Met life with 4.96% Om Kotak with 5.32% ING with 8.35% and Tata with 10.59%.

22) **In total death claim pending in terms of policies it is found that Birla Sunlife showed the lowest pending ratio with 1.19% which was lowest and surpassed public sector LICI with 1.20%.** Max life with 2.23%, SBI life with 3.15%, ICICI with 3.32%,Bajaj with 3.61%, HDFC with 3.94%,Om Kotak with 6.29% Met life with 8.05% Tata AIA with8.10% and ING with 9.60%.

23) Individual pending ratio in benefit amount showed LICI having the mean value of 2.69% followed by Birla with 3.78%,Max life with 5.78%,ICICI with 6.59 %,SBI life 7.29%,Bajaj with 7.96%,HDFC with 9.03 %,Kotak with 9.45%, Tata AIA with 11.28%, ING with 14.17% and Metlife with 18.23%.

24) Group pending ratio in benefit amount reveals that Birla sun life showed an average value of 0.14%,LICI with 0.47%,Maxlife with 1.63%,HDFC with 3.24%,SBI life with 3.48%,BAJAJ with 3.55%, Metlife with 5.48%, ICICI with 5.53%, Kotak with 6.83%,ING with 10.85% and Tata with 14.77%.

25) Total pending ratio in benefit amount reveals that LICI had 2.30% claims pending in benefit amount. **Among the private sector Birla sun life was in no 1 position with only 3.03% pending in benefit amount** followed by SBI life with 4.85%, Max life with 5%, ICICI with 6.48%, Bajaj with 6.68 %, Om Kotak with 8.14%,HDFC with 8.64%,Tata AIA with 12.41 %, Metlife with 13.26% and ING with 13.64%.

26) **The analysis of grievances resolved by life insurers prove that ICICI has the highest percentage of grievances resolved with 95.76%** followed by Bajaj with 94%, Birla with 93.13% SBI with 92.98%, Max life with 91.47%, Om Kotak with 91.20% ,Tata AIA with 90.86%, Met life with 89.11% ,ING with 86.06% HDFC with 82.99% and LICI with 81.97%.

27) The institute of **Insurance Ombudsdam refers to resolving of the complaint from the policy holder with regard to grievances of the claims which are not repudiated**. The percentage of complaint disposed was more in the year 2002-2003 with 63.97% whereas it declined in the year 2007-2008 with 51.63%.The percentage of complaint pending is more in the year 2007-2008 with 48.37% whereas it is less in the year 2002-2003 with 36.03%.

28) **An analysis of products offered by the life insurers revealed that ICICI has launched highest number of products with number 1 position with an average Industry average of 13.3** followed by Bajaj with an average of 11 products ,Tata AIA in third position with an average of 9.3 products, Kotak in 4th position with the industry

average of 8.8 products ,HDFC in 5th position with 7.6 products, Birla in 6th position with 7.1 products , LICI with 7th position 6.9 products, SBI in 8th position with 6.8 products , Metlife in 9th position with an average of 6.7 position, Max life in 10th position with an average of 6.1 position and ING in 11th position with an average of 5

29) Riders refer to the add on benefit offered along with the products .**An analysis of riders show that OM Kotak being in no 1 position with an average of 2.9 riders** followed by Kotak and Bajaj in 2nd position with an average of 2.5 riders ,ICICI in number 3 position with the industry average of 2.3 riders, Tata AIA in 4th position with 2.2 riders, SBI life in 5th position with average of 2.1 riders, HDFC in 6th position with 1.8 riders, Metlife in 7th position with 1.7 riders, Birla in 8th position with 1.3 riders, LICI in 9th position with 0.9 riders and ING in 10th position with an average of 0.7 riders.

30)The entry of private players has brought the shift in the distribution channel. The products were sold maximum by the individual Agents and brokers .It has been replaced h by direct selling with the rise in the usage of technology. In the year 2007-08 it is observed that Individual agents have sold 72.17 % of business of premium amount in crores and 16.20 business by direct selling. However in 2013-14.The scenario has changed completely. **The percentage of business earned through direct selling has increased to 47.84 % and that of individual agents have decreased to 40.64 %.**

Justification of the hypothesis: The first hypothesis states that there is differences in the performances of the private life insurers which started their operations in 2001.**An analysis of market share in premium amount and equity share capital has also proved that there is a wide differences in the premium amount collected and the equity share capital generated**. Likewise other ratio like **death claim settlement, Claim repudiation ratio , Claim Pending ratio also show the differences which shows the capacity of the company to resolve the claims. Grievances resolved by the companies is also an indicator of companies service rendering facilities**. This can be attributed to the promptness of the company to resolve the issues of the customers .In order to cater to the needs of the customers the companies have also designed various products and riders and been able to reach out to customers through the various channels of distribution. Effective marketing done through various medium of advertising and brand building has also helped the companies to gain the market which has been analysed through descriptive analysis.

The firms have been ranked based on all the eight parameters. Ranks were assigned with numerical value from 10 to 1 points .10 points were assigned to the top company ranking first followed with 9.8,7 ….1 .**On the basis of consolidated points ICICI Stood first with 68 points out of 80 followed by BAJAJ Allianz with 57 points ,third SBI life with 56 points, fourth position was bagged by two companies that is HDFC and Birla sunlife with same score of 49 ,Kotak was in sixth position with 42 points, Max Life with 41 points in seventh position, Tata AIA in eight position with 35 points, Met life in ninth position with 26 points and last was ING Vsysa with 16 points in tenth position.**

6.1.2 The second hypothesis states that competition among the life insurers has brought about the efficiency among the life insurers

1) Efficiency of the firms were analysed using DEA analysis .The following findings suggest the extent of the firms which is measured based on technical and allocative efficiency. Technical efficiency was further classified into pure technical efficiency and scale efficiency.

2) Technical efficiency was measured at Constant returns to scale .Pure technical efficiency was measured at Variable Returns to scale and scale efficiency at constant returns to scale.

3) Gross efficiency scores of the firms at constant returns to scale which depicted technical efficiency of the firm from 2000-2001 to 2013-14, reveals that **SBI life was the only firm having gross efficiency score above 0 .90 score. LICI efficiency score has been equal to 1 through the study period which indicates to be highly efficient. SBI proved to be in par with LICI. The Technical efficiency score for 13 years from 2001-14 were added and found that LICI having full 13 score was technically efficient followed by SBI life with 12.90.ICICI with 11.38 ,HDFC with 8.80,Kotak**

with 8.26 score ,Bajaj with 7.55,Birla with 7.14.TATA AIA with 7.12 score ING with 5.59 and Met life with 5.45 and Max with 5.18 score.

4) The Gross Efficiency score of the firms at pure technical efficiency measured at Variable returns to scale were added up for 13 years were added and it was found that **LICI and SBI life had the efficiency score of 13 followed by ICICI with the efficiency score of 12.31,Met Life with 12.21,Kotak with 10.88, ING with 10.49,HDFC with 9.32,Tata with 8.67,Bajaj with 8.36,Birla with 8.27 and Max life with 6.26.**

5)**Scale Efficiency which is measured at constant returns to scale prove that Scale efficiency measured at constant returns to scale** has been summed for 13 years which shows that **LICI has got the full score of 13.00 which indicates highly efficient followed by SBI with 12.90, HDFC with 12.22,ICICI with 11.89,Birla with 11.28,Bajaj with 11.25,Max Life with 10.86 score Tata AIA with 10.41 ,Kotak with 9.51 ING with 6.60 ,Met Life with 5.91 score.**

Justification of the hypothesis: The second hypothesis states that competition among the private life insurers has brought about the efficiency among the private players. A detailed analysis of the players in terms of efficiency measured at different parameters proves that as the years have moved on from 2001 to 2014. Numbers of firms have also moved from low efficiency zone to higher efficiency zone. This is possible by the very nature of the insurance market prevailing in the country. With liberlisation policy more players have entered into the market and every players strives to get a sizeable share by adopting various marketing strategies and innovative practices which helps the firm to minimize cost in the long run pushes them into the higher efficiency zone. In case of absence of competition this scenario would have ceased to take place. Hence it can be proved that competition in the insurance market which has taken place due to the liberlisation process has brought about efficiency in the performance of the firms

6.1.3 The third Hypothesis states that the private life insurers helps in the economic development of the country which is reflected through improved penetration ,rise in household financial savings, contribution towards GDP and through investment of Life Insurance funds in government securities and infrastructure financing.

1) The strength of the Insurance market is determined by Insurance penetration and Insurance density .**During the pre liberlisation period the insurance penetration was around 1.90% in 1990 which has increased to 4.4% in 2010** which indicates that opening up of insurance sector has improved the penetration which is measured as a ratio of premium to GDP.

2) Insurance density which is denoted as per capita premium measured as ratio of premium to total population. **The total premia was 9.1 US dollar in 2000 increased to 55.7 US dollar in 2010.**The factors that have led to rise in density and penetration has been attributed to the rising potential population, conducive economic environment, Government policies, Income, Interest rates etc.

3)The contribution of LICI on GDP, has shown that Total life insurance Investment and total Life insurance Premium which were considered to be proxy. **The effect of total life insurance premium of LICI was 0.25 on GDP and total life insurance Investment had no effect on GDP. This indicates that a unit change in LICI premium brings about 0.25 change in GDP.**A significant impact of Total life insurance premium and total life insurance investment of LICI are statistically significant at 5% level.

4) **The contribution Of Private sector insurers on GDP, has proved that the effect of total life insurance premium of private life insurers on GDP was 0.043% and total life insurance Investment is 0.0001.**The total life insurance premium and investment are statistically significant at 1% level

5)The contribution of life insurance funds towards household plays an important role after bank deposits. **The contribution of life funds towards household financial savings was 13.64 % in 2000 which has increased to 26% in 2010.** The analysis of private sector contribution of life fund reveals that in 2001-02 private life sector contributed 0.50% that of Public sector was 13.92%.In 2002-03, private life sector contributed 0.60% and public sector contributed 15.48%. In 2003-04 private life sector contributed 0.74%, and that of public life insurance it was 12.68%.In 2004-05 private sector contributed 1.07%, and public sector and postal life insurance contributed 14.13%.In 2005-06 it was 1.33% by private life insurer and public sector was 12.97%. In 2006-07 private sector contributed 1.58% and public sector contributed 13.44 %.In 2007-08 private life insurer contributed 2.41% and public sector contributed 19.78 % .In 2008-09 it was 3.19% from private life insurer and that of public life insurer was 17.84%.In 2009-10 it was 3.35% by private sector and 22.90% by public life insurer .In 2010-11 private life insurer contributed 3.96 % and public sector contributed 15.49%.In 2011-12 it was 6.51% from private and 14.74% from public life insurer. In 2012-13 private life insurer contributed 9.39 % and public sector contributed 7.89% and in 2013-14 it was 9.13 from private and 7.87% from public sector life insurer. It is surprising to note that private sector has been contributing more towards household financial savings than the public sector LICI and postal life insurance from 2012 onwards. **However the percentage contribution of private sector is only marginal and yet to reach the expectations.Hence it is concluded that private sector helps marginally in Economic Development.**

6)The developmental role of Life insurance has been analysed through the investments of funds done by the life insurers under various assets. The various sources of funds are identified as premiums, Interests, capital gains.

7)The major item of funds generated and utilized by the life insurance companies are life fund ,Pension funds and ULIPS. **The total share of life fund constituted 76% that of pension and ULIPS constituted 12% each**. The total funds generated from life funds of public sector was Rs 6381030 crores and that of private it was 359457.2 crores. The total share of public sector in life fund was 95% and that of private was 5%.

8)The total funds generated from pension funds of public sector was Rs 391379.5 crores and that of private sector was Rs1268639 crores which constituted 76% of private sector and that of public sector constituted 24% .This indicates that private sector is generating more funds through pension products.

9) ULIP’s generated Rs 886795.5 crores from public sector and that of private sector was Rs 1296644 crores wherein the private sector constituted 59% and public sector constituted 41%.Which concluded that private sector has more inclination towards ULIP products which are subject to market risk.

10) Life funds are invested in various instruments such as **Central Government, Sate government securities, Infrastructure, Investment in Approved investments and investments in other than approved investments to be governed by exposure norms.** The share of private life insurers was 0.52% in 2001-02 .In the year 2009-10 it was 4.62 % and 2013-14 it was 10.19%.The share of Public life Insurer declined from 99.48% in 2001-02 to 95.38% in 2010 and 89.81%. In 2013-14 the investment in central Government securities constitutes the major portion of life fund investment.

11)Private sector Investments of life funds in central government securities were to the tune of Rs 145851.86 crores .**Max life Invested 21519.67 crores which has the maximum share in central Government securities of 14.75%** followed by ICICI with an Investment of 21254.44 crores with 14.57% , SBI life of 20499.1 crores with 14.5%, HDFC of 19757.67 with 13.55%, Bajaj Allianz of 19624.37 crores with 13.46% and Tata AIA of 17184.25 crores with 11.78%,Met life of 7799.19 crores with 5.35%,Birla Sun Life of 6925.01 crores with 4.75%, ING Vysya of 5789.2 crores with 3.97%,OM Kotak of 5498.96 crores with 3.77%. In the case of Private life fund investment in central government securities Maxlife takes the lead followed by ICICI, SBI Life, HDFC and Bajaj Allianz

12)The share of private life insurer of life fund in state government securities' in 2001 was 0.59% and public sector was 99.41%.In 2009-10 the share increased to 3.16% of private sector and that of public sector was 96.84%.

13)Private companies investment in state government securities shows that **ICICI had a maximum share of 9686.57 crores with 18.36% in state government securities** ,Bajaj Allianz of 9501.82 crores with 18.01 %, SBI life of 7940.98 crores with 15.05%,Max life of 6981.27 crores with 13.24%,HDFC of 5675.83 crores with 10.76%,Tata AIG of 5140.39 crores with 9.75%, Om Kotak of 2872.69 crores with 15.05%,ING Vysya of 2081.54 crores with 3.95%, Met life of 1769.60 crores with3.35%,Birla sun life of 1097.00 crores with 2.08%. **In the case of life fund investment in state government securities ICICI is the leader followed by Bajaj, SBI, Max Life and HDFC life insurer.**

14) Life Fund Investment on Infrastructure in 2001-02 of private life insurers was 1.17%.In 2009-10 it was 6.93% and 11.61% in 2013-14.The share of Public sector in infrastructure Investment was 98.83% in 2001 , 93.07% in 2010 and 88.39% in 2014.The total investment of private companies on infrastructure was valued to 68238.59 crores. **ICICI made maximum Investment on Infrastructure of 10376.58 with 15.2%,** Bajaj Allianz of 10017.95crores with 14.68%,HDFC standard life of 9960.78with 14.59%, Max Life of 9810.56 with 14.37%,SBI life of 8652.71 crores with12.68%,TATA AIG of 5497.06 crores with 8.05%,Birla Sun life of 3867.18 crores with 5.66%,Met Life of 3452.17 crores with 5.05%,Om Kotak of 3329.33 crores with 4.87% and ING Vysya of 3274.27 crores with 4.79%.In case of Infrastructure Investment ICICI takes a lead once again followed by Bajaj, HDFC, Max life and SBI life insurer.

15) Investments of life fund in other than approved Investments in 2001 of private life insurers was 0.48 % and public sector was 99.52%. In 2009-10 it increased to 1.42 % of private sector 98.58% belonging to public sector. In 2014 there has been a drastic rise from the private sector to 7.14 % and that of public sector to 92.86%.

16) The total Investments of life fund by the selected private life insurers in other than Approved investments was to the tune of 6463.9 crores. **Out of which ICICI having a major share of 30% with 1947.91 crores of Investment** followed by ,SBI life with 16.30% with 1053.76 crores of Investments, HDFC with 15.25% with 985.68 crores of investments followed by Bajaj Allianz with 11.75% share with 759.69 crores. Other companies like ING Vysya having 10.56% with investment of 682.36 crores of investment, Birla Sun life of 5.91% with 382.06 crores, Max Life with 5.48% with 354.10 crores of Investment, followed by TATA AIG with 132.55 crores, Metlife with 102.73 crores and Om Kotak with 63.11 crores having a percentage share of 2.05%,1.59% and 0.98% respectively.

17) Investments of Public and private life insurers in Approved but subject to exposure norms. In 2001 was 0.37% of private sector and that of public it was 99.63%.In 2010 private sector had a share of 3.62% and public sector with 96.38% and 2014 it was 5.44% owing to private and 94.56% of public sector.

18)The total investments made by life fund investing in securities subject to exposure norms were to the tune of 76440.13 crores. **To begin with ICICI has once again got the upper edge with greater market share of 23.67% with investment of 18096.69 crores** .HDFC with 16.70 % with 12768.01 crores, Bajaj with 16.59% with 12682.32 crores, Max life of 9.66% with 7387.48 crores, TATA AIG with 4.79% with 3665.16 crores, Om Kotak with 3.75% with 2866.34 crores, ING Vysya with 3.66% with 2801 crores, Birla sun life with 3.58% with 2733.95 crores and Met life with 1.64% with 1255.08 crores.

19) Pension funds are invested in **central and state government securities and approved Investments.** The total funds generated through pension funds from LICI was Rs 391379.5 crores and that of private sector was 12,68,639 crores. **The share of public sector from 2003-2014 altogether was 24% and that of private sector was to the tune of 76%.This clearly states that private insurers are basically interested in pension fund investment since funds invested in pension schemes are to be paid out only after a long period of time.**

20) The share of private sector in central government securities was 0.91% in 2003-04 to 6.34% in 2009-10 and 13.71% in 2013-14.While that of public sector it was 99.09% in 2003-04 ,94.66% in 2009-2010 and 86.29% in 2013-14.The share of private life insurers are continuously rising and that of public sector is declining.The private sector is increasing its share in pension funds as it in position to raise funds in the long run which again is utilized for nation building activities.

21) The total Investments of pension funds In Central Government securities are to the tune of 42009.39 crores. **The investments made by SBI life was 22618.82 crores which constituted 53.84% one among the maximum share.** This proves that SBI life had a major share in pension funds. It was followed by ICICI with 7001.81 crores with 16.67% HDFC with 8.89%, Bajaj Allianz with 3166.43 crores with 7.54%,TATA AIG with 1587.69 crores with 3.78 %, ING Vysya with 1579.30 crores with 3.76 % followed by Birla sun life 939.31 crores with 2.24%,Met life with 537.60 crores with 1.27%,Max life with 517.01 crores with 1.23% and Kotak Life with 331.70 crores with 0.79%.

22) The share of pension funds for the year 2003-04 of public sector was 99.32% and that of private sector was 0.68%.In 2010 the share of public sector reduced to 93.80% and that of private sector increased to 6.20% .In 2014 the share of public sector was 95.10% and that of private sector was 4.90%.

23) The **share of pension funds in state government securities by the private life insurers like SBI life in state government securities was 59% with Rs 10785.86 crores** followed by ICICI with 13.87% with 2541.2crores, HDFC with 11.19%,Bajaj Allianz with 4.79% and TATA AIG with 4.73 %.Remaining companies like Met life, Max life, Birla sun life of 1% each with 0.83% with a very trivial share in the state government securities like 1% each.

24) Pension funds Investment subject to exposure norms In 2003-2004 of private sector was 0.74% and that of public sector was 99.26%. In 2010 the share of private sector was

to the tune of 7.71 % and that of public sector was 92.29%.In 2014 the share of public sector was 90% and that of private sector was 10%.

25) **Private insurers investments of pension funds in Approved investment subject to exposure norms was to the tune of 65795.52 crores. SBI life has a complete sweep of 61% with 40458.11 crores followed by ICICI with 12.49%** ,HDFC with 8.49% and Bajaj Allianz with 7.38%.

26) ULIP fund investment in approved investment in 2003-2004 of public sector was 13.31% and that of private was 86.69%.In 2010 the share of public sector was 47.75 and that of private sector was 52.25.LICI had to adjust to the tune of the investors caused due to competition. However in 2014 the share of public sector declined further to 28.89 and that of private sector was 71.11 %.

27) ULIP fund investments of private insurers in approved instruments was to the tune of 1042557.91 crores. Average Investment being 94777.99 crores**.ICICI has got maximum share of 31.93 % with 332911.16 crores** followed by Bajaj Allianz with156294.45 crores with 14.99% HDFC with 134002.81 with12.85%,SBI life with 129489.96 crores with14.99% Birla sun life with102535.14 crores with 9.83%.Max Life, TATA AIG, Met life and ING Vysya had a market share of 4.72,4.45,3.10and 1.67 percent respectively.

28) ULIP fund Investment in other than approved investment in 2003-2004 of private sector was 100%. In 2009 -10 Public sector had the share of 45.56% and private sector had 54.54%.In 2014 private sector had share of 85.52% and that of public sector was 14.48 %. The total Investment of ULIP'S in other than approved Investment were to the tune of 1100 crores. **ICICI having a major share once again with 37.69% followed by Bajaj Allianz with 14.08 %,HDFC with 10.92 %,SBI life with 8.12% followed by Tata AIG, Max life, Met life and ING Vysya with 3.46.3.21,2.03 and 1.75 % respectively.**

Justification of the hypothesis

The third hypothesis (Ha3) is also true that private life insurers helps in the economic development of the country through the improved penetration, contribution in household savings and GDP and Investment of life funds in government securities and Infrastructure development.

It should be noted that the share of Private life insurance companies is very small even today.The findings of the study shows firstly, the increased levels of Insurance penetration and density since the liberlisation has proved that private life insurers have made an impact on the economy which shows that more people are covered with life cover. Secondly private life insurance funds in household financial savings is rising over the years which clearly establishes the relation between contribution of life fund and household savings .Thirdly, Total private life insurance premium and investment of private life insurers shows the impact on GDP which again is an indicator of Economic growth which again is reflected in Penetration and through multiple regression. Lastly it is observed that Investment of funds accumulated from the people by the private life insurers through the premium and their investments in various government instruments and development of infrastructure of the country definitely justifies the third hypothesis

6.2 Suggestions & Recommendations:

Indian economy is growing at a rapid pace. The entry of several new players in the liberalized insurance sector has opened up new avenues and significant employment opportunities in the country. Insurance sector reforms represent a continuous process aiming at improving the strengths and opportunities of insurance companies and bringing them to reach to the level of international standards. The recent policy of the government of increasing the FDI to 49% from 26% is a first such move working towards the desired objective. However the need of the hour is that LICI should not enjoy preferential treatment as it has privilege of sovereign guarantee given by Govt. of

India. A free market should be provided to life insurance sector so as to promote healthy competition .

6.2.1 Suggestions and Recommendations to the Private Life Insurers

1. Private life insurance companies should concentrate on customer services rather than its own profits. Develop products that are suitable to the needs of the customer and maintain good relations with the customer so as to retain them as the loyal customers in the long run.

2. Private life insurers should try and target the rural market which is untapped and not been focused. The policy terms and conditions should be made simple so as to make the common man understand the conditions easily. Insurance products should be made available to the customers very easily in order to gain the market.

3. Private life insurers should make use of electronic media to sell products so as to save time of the customers and maintain greater retention of the customers towards the policy.

4.Private life Insurers should market themselves in order to command confidence .Customers should be able to relate themselves as a company for whom customer relations, values, ethics are of prime importance .

5.Private life insurers should update their annual reports and issue journals so that the customer will know the financial strength of the company.

6 Advertisement play a prime role in influencing customers. The companies should adopt proper advertising strategy and use right promotion mix for providing information on various policy

7. For any life insurance company, it is essential to identify customers with respect to their net worth and retaining them. Customer demand personalized services across all channels, and organizations must align their resources appropriately to create to the needs of the customers. A successful organisation should have a deep insight into the departmental

initiatives as well as the departmental jurisdictions, which should be kept flexible.

8. A smart life insurance company will understand that the only way to offer a profitable, differentiated services and product mix is better understanding of customers and their requirements. By gaining insight into both individual customers and target market segments, these life insurance companies can boost up their sales, achieve the corporate objectives and optimize business performance.

9. LICI as a dominant player should play the role of an Ideal big brother in standardizing best practices in private companies, Thereby leading towards the development of the economy.

6.2.2 Suggestions and Recommendations to the Government

1. Government should implement the increase in FDI limit quickly so as to increase the infusion of capital among the private players.

2. Government should ensure healthy competition among the players by issuing clear guidelines to the regulatory body and see that the regulatory authority is exercising its role in leading the companies in the right track.

3. Government should create such an environment that there will be no liquidation of the companies taking place and only those companies have granted licenses which have enough capital to run insurance business.

4. Insurance education should be implemented in the school and college curriculum so as to make the concept and importance of insurance awareness among the youngsters at a very early age.

6.2.3 Suggestions and Recommendations to IRDA

1. Rural insurance should be made the corner stone by IRDA by being strict with the private life insurers in following the guidelines of rural and social sector obligations.

2. Publish Annual reports and journals and circulate timely so as to gain confidence of the public in the authority. This will make the policy holders and shareholders of the companies to know the financial strength of the companies and also the changes brought about by IRDA.

3. IRDA should enforce law strictly to the policy holders with regard to payment of premium or nonpayment of the premium. Grievances of the customers should also be settled quickly without making delay, lest it would lose the customer.

4. IRDA should increase the confidence of the public in private life insurers by issuing licenses with diligence to the companies which can withstand financial loses.

5. IRDA should encourage Bancassurance to sell insurance products so as to increase the distributional network of the companies in the uncovered regions.

6. IRDA should increase the insurance spread in low developing regions of the country like the northeastern countries of India.

7. Investment of the companies should be made with the development of the basic infrastructure and other key developmental departments of the country.

8 There should be fair effort made by regulatory commission to enlarge the distribution network to provide a level playing field to all players and also discourage dominance of LIC due to exclusive distribution of network through agents.

9. IRDA should be aware that with the opening up of insurance markets to competition, there is a greater impetus to demand growth and volumes would start dictating economic sizes and pricing. This fuels mergers and acquisition and makes survival of small sized firm difficult. This would lead to merger and acquisition with the growth of market. This should be identified so that the customer may not lose hope in the company and withdraw its policy.

6.2.4 Suggestions and Recommendations to Customers and general Population

1) Policy holders should be vigilant while choosing the company for Investments.

2) Policy holders while choosing products should ensure that the portfolio of the product should provide basic life cover and Investment benefit.
3) Policy holders should try and hold on to the policy until maturity so as to get the benefit of the particular policy.
4) Policy holders should educate themselves with regard to various policies designed to suit the specific need.
5) Policy holders can make use of online portals of the company to know about various products made available by the companies and take maximum benefit out of it.
6) The customers should not get carried away by the sales talk of the agents until and unless they make sure about the product or else they would be misguided.

6.3 Directions for Future Research:

The present research has evaluated the role of first movers into insurance Industry. However with the entry of more number of players which is now 23 can have a strong impact on the economy. With 49% FDI permitted recently by the government has liberated the private life insurers from long starved for capital. This would induce more number of players entering into life insurance business. With this the private life insurers can leap forward three fold. The funds collected would also increase and be utilized for the development of the economy.

Bibliography

Books

1. Bhole L.M. (2004). Financial Institutions and Markets. New Delhi: Tata McGraw-Hill Publishing House.

2. Bodla B. S, Garg M. C., & Singh K.P. (2003) Insurance Fundamentals, Environment and Procedures, New Delhi: Deep & Deep Publications Pvt. Ltd.

3. Charnes, A,Cooper,W. W, Lewin,A.,& Seiford, U. (1994). Data Envelopment Analysis: Theory, Methodology and Applications. Boston: Kluwer Academic Publishers.

4. Chaturvedi H, Kumar Dharmendra, & Singh Rahul. (2005). India Insurance Report-Series 1 Birla Institute of Technology. New Delhi: Allied publishers Pvt Ltd.

5. Cummins. J.David, & Santomero Anthony. (1999). Changes in the life Insurance Industry: Efficiency, Technology and Risk Management. Boston:Kluwer Academic Publisher.

6. G, Dang & Sui Pheng. (2015). Infrastructure Investments in Developing Economies: The case of Vietnam .National University of Singapore(ebook) www.springer.com/US/book/978-981-287-7 DOI 10.1007

7. Genetary Nadege., & Molyyneux Philip. (1988.). Bancassurance.London: Macmillan press ltd.

8. Gopalakrishna G. (2011). Social Security, Insurance and the law. New Delhi: Shroff publishers & distributors Pvt. Ltd.

9. Gupta.K.R. (1995) .Liberlisation and Globalisation of Indian Economy. New Delhi: Atlantic Publishers & distributors.

10. Gupta .Shashi K., Aggarwal Nisha., & Gupta Neeti. (2007).Financial Institution and Markets. Ludhiana: Kalyani Publishers.

11. Haridas R. (2011). Life Insurance in India. New Delhi: New Century publications.

12. Harrington & Niehans. (2004). Risk Management and Insurance. New Delhi: Tata McGraw Hill Publishing House Limited.

13. Jain, T.,Kaur, B., & Bajaj. (2010).Development Economics. New Delhi: V.K.Global Publications Pvt. Ltd.

14. Jena, A.,& Misra, D.(2011). Consumer Perception towards life Insurance product:An Empirical study. New Delhi: Kunal Books.

15. Justin Paul., & Padmatha Suresh. (2007).Management of Banking and Financial Services. New Delhi: Pearson Education.

16. Kotler Philip., Keller Kevin., & Koshy Abraham. (2009). Marketing Management, A south Asian perspective.New Delhi: Pearson Prentice Hall.

17. Krishna Shri., & Karve Laxman. (2009). Principles of Life Insurance. Mumbai: Himalaya Publishing House.

18. Mark S. Dorfman. (2002). Introduction to Risk Management and Insurance. New Delhi: Prentice Hall.

19. Mishra, K.C., & Bakshi Mangala. (2009). Insurance Business Environment and Insurance Company Operations. Delhi: Cengage Learning India Private Limited.

20. Mitra, D., & Ghosh, A. (2010). Life Insurance in India –Reforms and Impacts. New Delhi: Abhijeet Publications.

21. Narayanan .H. (2008). Indian Insurance -A Profile. Mumbai: Jaico Publishing house.

22. Palande, P.S., Shah, R.S, & Lunawat, M.L. (2003). Insurance in India: Changing Policies and Emerging Opportunities. New Delhi: Sage Publications.

23. Ramanathan R. (2003). An Introduction to Data Envelopment Analysis: A Tool for Performance Measurement. New Delhi: Sage Publications.

24. Rosari .S.Lily, & Ganasekar I.Francis. (2013). Marketing strategy of Life Insurance Company. New Delhi: Discovery publishing house Ltd.

25. Sadhak, H. (2009). Life Insurance in India: Opportunities ,Challenges and Strategic Perspective. New Delhi: Sage publication.

26. Sethi, J., & Bhatia, N. (2007).Elements of Banking and Insurance. New Delhi: Prentice Hall of India Learning Pvt. Ltd.

27. Sharma K.C. (2013). Life Insurance in India : Principles and Practices. New Delhi: Regal Publication.

28. Shrivastava, D. C., & Srivastava S. (2002). Indian Insurance Industry, Transition and Prospects. New Delhi: New Century Publications.

29. Skipper, H. D. (1996). International Trade in Insurance. In C. E. Barfield (Ed.) International Financial Markets: Harmonization versus Competition. Washington, DC: The AEI Press.

30. Srivastava, D.C., & Srivastava, S. (2001). Indian Insurance Industry - Transition and Prospects. New Delhi: New Century Publications.

31. Vijayakumar A. (2009). Indian Insurance Sector in 21st century: An Outlook. New Delhi: Kalpa Publication.

Journals

1. Adams,M., Andersson J., Andersson L F., & Lindmark M. (2005). The Historical Relation between Banking, Insurance and Economic Growth in Sweden: 1830 to 1998. Department of Economics Discussion.

2. Arena, M. (2006) .Does Insurance Market Promote Economic Growth? A Cross-Country Study for Industrialized and Developing Countries. Journal of Risk and Insurance, 75(4), pp. 921– 946.

3. Barros, P., & Luis M.B. Cabral. (1991).Foreign entry and domestic welfare, with an application to Portuguese life insurance. Working Paper No.166.

4. Beck,Thorsten., & Webb,Ian.(2002).Economic, Demographic and Institutional Determinants of Life Insurance Consumption across Countries. World Bank and International Insurance Foundation.

5. Beenstock Michael, Dickinson Gerry, & Khajuria Sanjay. (1988).The Relationship between Property Liability Insurance Penetration and Income: An International Analysis. The Journal of Risk and Insurance, 55(2), pp.259 – 272.

6. Boonyasai,T., & Grace, Skipper.(2002).The Effect of Liberalization and Deregulation on Life Insurer Efficiency. Center for Risk Management and Insurance Research Georgia State University, Atlanta.

7. Carmichael,Jeffrey.,&Pomerleano,Michael.(2002).The Development and Regulation of Non-Bank Financial Institutions. Washington, DC:World Bank. Retrieved from https://openknowledge.worldbank.org/handle/10986/15236

8. Chang, T Lee., Chien-Chiang., & Chi-Hung.(2013). Does Insurance Activity Promote Economic Growth? Further Evidence Based on Bootstrap Panel Granger Casuality Test. The European Journal Of Finance, pp 1–24.

9. Chen B., Powers M .R., & Qui J. (2009). Life Insurance Efficiency in China: A Comparison of Foreign and Domestic Firms. China and World Economy, 17(6), pp 43–63.

10. Chidambaram N.K., Thomas A. Pugel., Anthony S. (1997). An Investigation of the Performance of the U.S Property Liability Insurance Industry. The Journal of Risk and Insurance, 64(2), pp 371–381.

11. Cummins, J. D., Maria. R. M., H. Zi. (2004). The Effect of Organizational Structure on Efficiency: Evidence from the Spanish Insurance Industry. Journal of Banking and Finance, 28, 3113–3150.

12. Cummins, J. D, Tennyson, S, & Weiss, M. A. (1993). Consolidation and Efficiency in the US Life Insurance Industry. Journal of Banking and Finance, 23(2), pp 325–357.

13. Ennsfellner K. C, Lewis, D, & Anderson, R. (2004). Production Efficiency in the Austrian Insurance Industry: A Bayesian Examination. Journal of Risk and Insurance, 71(1), 135—159.

14. Farrell, M. J. (1957). The Measurement of Productive Efficiency. Journal of the Royal Statistical Society, 120(3), pp 253– 282.

15. Fenn, P., Vencappa, D., Diacon, S., Klumpes, P., & O'Brien, C. (2008). Market Structure and the Efficiency of European Insurance Companies: A Stochastic Frontier Analysis Vol. 32 (1). Journal of Banking and Finance.

16. Fukuyama H.(1997). Investigating Productive Efficiency and Productivity Changes of' Japanese Life Insurance Companies. Pacific-Basin Finance Journal, 5(4), pp 482–509.

17. Fukuyama H., & Weber W. L. (2001). Efficiency and Productivity Change of Non-Life Insurance Companies in Japan." Pacific Economic Review. Pacific Economic Review, 6(1), 129– 146.

18. Gamarra L. T. (2008). The Effect of Liberalization and Deregulation on the Performance of Financial Institution: the Case of the German Life Insurance Market. University of Rostock, Institute of Economics, 93.

19. Gerry,Dickinson. (1998). The Economic Role of The Insurance Market in the risk Transfer: Capital Market Nexus. The Geneva Papers on Risk and Insurance, 89(23), pp 519–529 .Retrieved fromhttps://www.genevaassociation.org/media/234194/ga1998_gp23(89)-dickinson.pdf accessed on 24-7-2014 at 8:56

20. G,Gopalakrishna.(2007).Life Insurance products :their Innovation and Development. Insurance Chronicle© the ICFAI University Press, pp 21–30.

21. Gosalia Chirag. (2008). A study on the Financial Performance of Indian Non life Insurance Industry. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstractid=1264267&rec= 1&srcabs=1339447

22. Haiss, P., & Sümegi K. (2008). The relationship between insurance and economic growth in Europe: a theoretical and empirical analysis. Empirica, 34(4).

23. Han,L., Li,D., Moshirian,F., & Tian,Y. (2010). Insurance Development and Economic Growth. The Geneva Study on Risk and Insurance-Issue and Practice 35, pp183–199.

24. Holsboer, Jan H. (1999). Repositioning of the Insurance Industry in the Financial Sector and its Economic Role. The Geneva Papers on Risk and Insurance, 24(3), pp. 243–290.

25. Horng, M.S., Chang,Y.W., & Wu,T.Y. (2012). Does Insurance Demand or Financial Development promote Economic Growth. Applied Economics Letters, 19(2), pp105–111.

26. Hussels,S., & Ward, D.R. (2004). Cost Efficiency and Total Factor Productivity in the European Life Insurance Industry: The Development of the German Life Insurance Industry Over the Years 1991-2002. University of Bradford, School of Management.

27. Hussels, S., & Ward, D. R. (2006). The Impact of deregulation on German and UK life insurance markets: an Analysis Efficiency and Productivity between 1991 - 2002. University of Bradford, School of Management.

28 Jeng V., & Gene C. Lai. (2008). The Impact of Deregulation on Efficiency: An Analysis of Life Insurance Industry in Taiwan from 1981 to 2004".Risk Management and insurance Review. Risk Management and Insurance Review, 11(2), pp 349–375.

29. Kugler, M., & Ofoghi R. (2005). Does Insurance Promote Economic Growth? Evidence from the UK. Division of Economics, University of Southampton.

30. Lee, Chien., Chiang,Lee., Chi-Chuan., & Chiu,Yi-Bin. (2013). The Link between life Insurance Activities and Economic Growth: Some New Evidences. Journal of International Money and Finance, 32, pp 405–427.

31. Leverty J. T., Yijia L., &Hao Z. (2004). Firm Performance in the Chinese Insurance Industry. Georgia State University.

32. Luhnen M. (2008).Determinants of Efficiency and Productivity in German Property-Liability Insurance: Evidence for 1995-2006. Risk Management and Insurance, 63.

33. Mahlberg B., & Url Th. (2003). Effects of the Single Market on the Austrian Insurance Industry. Empirical Economics, 28, pp 813–838.

34. Mojekwu, J.N, Aguwuebo,S., & Olowokudejo,F. (2011). The impact of Insurance Contributions on Economic Growth in Nigeria. Journal of Economics and International Finance, 3(7), pp 444–451.

35. Myrdal G. (1974). What is Development? Journal of Economics, 8(4), pp729.

36. Noriyoshi Yanase., Y Asai., K. Tomimura., & J Ozeki. (2007).Investigating Productivity Efficiency and Changes of Japanese Non life Insurance Companies after the Deregulation using Non Parametric Frontier Approach.

37. Oetzel J.M., & Banerjee S. G. (2008). A Case of the Tortoise versus the Hare? Deregulation Process, Timing, and Firm Performance in Emerging Markets. International Business Review, 17(1), pp 54–77.

38. Outreville, J. Francois. (1990).The economic significance of insurance markets in developing countries. The Journal of Risk and Insurance, 57(3), pp 487–498.

39. Pant N. (1999). The Insurance Regulation and Development Bill: An Appraisal. Economic and Political Weekly, 34(45), pp 3166– 69.

40. Parasuraman A., Ziethmal V., & Berry L L. (1988). Serqual:A Multiple item scale for measuring consumer Perception of Service Quality. Journal of Retailing, 64, pp 12–40.

41. Patrick.(1966). Financial Development and Economic Growth in Underdeveloped Countries. Economic Development and Cultural Change, 14(2), pp. 174–189.

42. Pearce D. W., & Turner, R. K. (1990). Economics of natural resources and the environment. New York: Harvester Wheatsheaf.

43. Qui S., & Chen B. (2006). Efficiencies of Life Insurers in China- An application of Data Envelopment Analysis. Presented at the International Symposium on Financial Engineering and Risk Management (FERM), Xiamen University, China.

44. Ranade A., & Rajeev A. (1999). Life Insurance in India: Emerging Issues. Economic and Political Weekly, 34(3), pp 16–23.

45. Ranade A., & Rajeev A. (2000). Issues in Regulation of Insurance. Economic and Political Weekly, 35(5), pp 331–338.

46. Shaw. (1973). Financial Deepening in Economic Development. Oxford University .

47. Shukla, S. S. (2010). A Cutting Edge in Indian Life Insurance Industry: An Empirical Analysis. The Journal of Innovations, 5(1).

48. Singh Kirti., & Kumar Vijay. (2011). Micro Insurance tool for Poverty Alleviation. International Journal of Multidisciplinary Management Studies.

49. Sinha Abhijit. (2013). Financial Soundness in Indian Life Insurance:A Comparison Between Two Leading Private Player. Indian Journal of Finance, 7(4).

50. Sinha Ram Pratap., & Biswajit Chatterjee. (2009). Are Indian Life Insurance Cost Efficient. , Indira Gandhi Institute of Development Research, Mumbai.

51. Soo, H. Hong. (1996). Life insurance and economic growth: Theoretical and empirical investigation. University of Nebraska - Lincoln.

52. Souma T., & Yoshiro T. (2005). Recent Competition in Japanese Life insurance Industry. The Institute of Social and Economic Research Osaka University. Japan.

53. Sterzynski M. (2003). The European Single Insurance Market ―Overview and Impact of the Liberalization and Deregulation Processes. Belgian Actuarial Bulletein, 3(1).

54. Stiglitz, J. (1998). More instruments and broader goals:Moving toward the post-Washington consensus. World Institute for Development Economics Research.

55. Verma Anju., & Bala Renu. (2013). The relationship between Life Insurance and Economic Growth :Evidence from India. Global Journal Of Management and Business Studies, 3(4), pp 413–422.

56. Wadlamannati, K.C(2008).Do Insurance Sector Growth & Reforms Effect Economic Development"? - Empirical Evidence from India. The Journal of Applied Economic Research, 2(1). pp. 43-86.

57. Ward Damian., Zurbruegg R. (2000). Does Insurance Promote Economic Growth? Evidence from OECD Countries. The Journal of Risk and Insurance, 67(4), pp. 489–506.

58. Webb, Ian P., Grace,Martin F., & Skipper, Harold D. (2002). The Effect of Banking and Insurance on the Growth of Capital and Output, Center for Risk Management and Insurance. Robinson College of Business, Georgia State University, Atlanta.

59. Webb, I.,Grace M. F., & Skipper, H. (2005). The effect of banking and insurance on the growth of capital and output. Journal of Financial Issues, 2(2), pp. 1–32.

60. Webb, I. P., Grace Martin, & Harold D. Skipper. (2002). The Effect of Banking and Insurance on the growth of Capital and Output. Center for Risk Management and Insurance, Georgia State University, Atlanta.

61. Whalley J.(2003). Liberalization in China‘s Key Service Sectors following WTO Accession: Some Scenarios and Issues of Measurement. National Bureau of Economic Research.

62. Yang M.(2006).Efficiency and Productivity of Chinese Property Insurance Industry. International Journal of Business and Management.

63. Yuengert (1993). The Measurement of Efficiency in Life Insurance: Estimates of a Mixed Normal Gamma Error Model. Journal of Banking and Finance, 17(2), pp 483–496.

Thesis

1. Agarwal Ram Kishore. (1959). Investment policy of Indian Insurance Companies (PhD Thesis). Agra University, Agra.

2. Boonyasai .T.(1999).The Effect of Liberalization and Deregulation on Life Insurance Industry. Georgia State University, Georgia.

3. Chandarana,H.K.M. (2008). Performance Evaluation of Life Insurance Corporation of India (Ph.D. Thesis). Saurashtra University, Rajkot.

4. Chang,W. (1998). Deregulation and Efficiency Analysis of Life Insurers in Taiwan (Ph.D. Thesis). National Central University, Taiwan.

5. Dwivedi Raj Kishore. (1977). Investment of Life Insurance Funds and Industrial Growth in India (Ph.D. Thesis). Allahabad University.

6. Irani,Sherin. (1974). Investment by LIC in Industries in India (Ph.D. Thesis). Lucknow University, Lucknow.

7. Kshetrimayum ,Sobita Devi. (2011). An Impact of Liberlisation on the Indian Life Insurance Industry. Maharaja Sayajirao University of Baroda, Vadodara.

8. Kumar,Ajay. (2012). Role of Insurance services In Economic Development-A context Of India. Charan Singh University, Meerut.

9. Kumar,S .Rajesh. (2012). Dynamics of life insurance business: A study of private and public sector in India (Ph.D. Thesis). Mahatma Gandhi University, Kottayam.

10. Singhal,R.P. (2011). A critical review of private life insurers in India. Savitribai Phule Pune University, Pune.

Reports

1 Economic Survey Report .(2010).Department of Economic Affairs, Government of India, New Delhi

2 IRDA Annual reports (2001-2014).Department of financial services, Ministry of Finance, Government of India, New Delhi

3 Report on Insurance sector reforms.(1994).Department of financial services Ministry of Finance, Government of India, New Delhi

Web resources

1 IRDA handbook of statistics. (2013). retrieved from https: //www.irda.gov.in /ADMINCMS/cms/frmGeneral_Layout.aspx? accessed on 23-5-2014, 24-5-2015

2 Report on Global Insurance Market trends. (2014). OECD ,retrieved from http:// www.oecd.org /daf/.../insurance/Global-Insurance-Market-Trends-2014.pdf accessed on 4-5-2015, 2-10-2015

3 United Nations report .(2011) .Millennium Development goals". Retrieved from http:// www.un.org/millenniumgoals/bkgd.shtml accessed on 20-12-2014, 22-5-2015

4 UNCTAD .(2007). Trade and Development aspects of Insurance services and Regulatory frameworks" retrieved from http:// www.unctad.org /en/docs/ dictncd 200515 en.pdf accessed on 2-5-2015

5. USAID.(2006),."Assessment on how strengthening the Insurance Industry in Developing Countries contribute to Economic Growth. "Retrieved from http:/ / www.usaid.gov /pdf_docs /Pnadf482.pdf accessed on 12-10-2014

6. World development report. (1991).The challenge of development. Washington, D.C Retrieved from https:// openknowledge.worldbank.org/handle/10986/5974 accessed on 1-12-2014

7. World Bank Report.(2006). "India- Inclusive growth and service-delivery: Building on India's success and development policy-review. Report No 34580 IN retrieved from http://documents.worldbank.org /curated/en/2006/06/6934487/ accessed on 10-10-2014

8. World Commission on Environment and Development Report. (1987).From one Earth to one World" retrieved from www.wsu.edu/~susdev/WCED87.html accessed on 13-06-2015 at18:55

9. http:// www.licindia.in accessed on 22-11-2014, 15-09-2015

10 http://www.hdfclife.com accessed on 22 -11-2014, 15-09-2015

11. http://www.maxlifeinsurance.com accessed on 13-10-2014, 16-09-2015

12. http://www.iciciprulife.com accessed on 24-09-2014 , 16-09-2015

13. http://www.kotak-lifeinsurance.com accessed on 12-09-2014 , 16-09-2015

14. http://www.birlasunlife.com accessed on 15-05-2014 , 16-09-2015
15. http://www.tata.com/company/profile/Tata-AIA-Life-Insurance accessed on 16-09-2014 ,16-09-2015
16. http://www.sbilife.co.in/sbilife accessed on 18-09-2014, 16-09-2015
17. http://www.customercarenumber.co.in/finance/insurance/ing-vysya-life-insurance-customer-care.html now www.exidelife.in accessed on 17-09-2014, 16-09-2015
18. http://www.bajajallianz.com/LifeInsurance accessed on 17-09-2014, 16-09-2015
19. http://online.pnbmetlife.com/lifeinsurance accessed on 19-09-2014, 16-09-2015
20. http:// www.dbie.rbi.org.in accessed on 19-09-2015
21. https://openknowledge.worldbank.org/handle/10986/15236 accessed on 19-2-2015
22. http://zenithresearch.org.in/ accessed on 19-2-2015
23. http:// www.bimabazzar.com accessed on 28-05-2015
24. http://www.bimaonline.com accessed on 28-05-2015
25. http://www.businessline.in accessed on 10-06-2015

APPENDICES -1

A-1 Total life insurance premium (In crores)

Insurers	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
LIC	34892	49822	54628	63533	75127	90792	127823	149790	157288	186077	203473	202889.3	208803.6	236942.3
ICICI	5.97	116.4	417.62	989.28	2363.8	4261.1	7913	13561	15356.2	16531.9	17881	14021.58	13538.24	12428.65
Max	0.16	38.95	96.59	215.25	413.43	788.13	1500.3	2714.6	3857.26	4860.54	5812.6	6390.53	6638.7	7278.54
HDFC	0.002	33.46	148.83	297.76	686.63	1569.9	2855.9	4858.6	5564.69	7005.1	9004.2	10202.4	11322.68	12062.9
Birla	0.32	28.26	143.92	537.54	915.47	1259.7	1776.7	3272.2	4571.8	5505.66	5677.1	5885.36	5216.3	4833.05
Tata		21.14	81.21	253.53	497.04	880.19	1367.2	2046.4	2747.5	3493.78	3985.2	3630.3	2760.43	2323.7
SBI		14.69	72.39	225.67	601.18	1075.3	2928.5	5622.1	7212.1	10104	12945	13133.74	10450.03	10738.6
Kotak		7.58	40.32	150.72	466.16	621.85	971.51	1691.1	2343.19	2868.05	2975.5	2937.43	2777.78	2700.79
Bajaj		7.14	69.17	220.8	1001.7	3133.6	4302.7	9725.3	10624.5	11419.7	9610	7483.8	6892.7	5843.14
ING V		4.19	21.16	88.51	338.86	425.38	707.2	1158.9	1442.28	1642.65	1709	1679.98	1742.36	1830.67
Met		0.48	7.91	28.73	81.53	205.99	492.71	1159.5	1996.64	2536.01	2508.2	2677.5	2429.52	2240.59
Pvt total	6.45	272.6	1119.1	3120.4	7727.5	15084	27208	51561	64497.4	79373.1	88165	84182.83	78398.91	77340.9
Total	34898.5	50094	55748	66654	82855	105876	155030	201351	221785	265450	291639	287072.1	287202.5	314283.2

A-2 Equity share capital of life insurers (Rs Crores)

Insurers	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
LIC	5	5	5	5	5	5	5	5	5	5	5	5	5	5
ICICI	150	190	425	675	925	1185	1312.3	1401.11	1427.26	1428.1	1428.46	1428.85	1428.94	1429.26
Max	105	250	255	346.08	466.08	557.43	732.43	1032.43	1782.43	1838.8	1841	1944.69	1944.69	1944.69
HDFC	166	168	218	255.5	320	620	801.26	1271	1796	1968	1994.88	1994.88	1994.88	1944.88
Birla	120	150	180	290	350	460	671.5	1274.5	1879.5	1969.5	1969.5	1969.5	1969.5	1901.21
Tata		185	185	231	321	447	547	870	1519.5	1920.5	1953.5	1953.5	1953.5	1953.5
SBI		125	125	175	350	425	500	1000	1000	1000	1000	1000	1000	1000
Kotak		101	131.3	151.26	211.76	244.58	330.35	480.27	510.29	510.29	510.29	510.29	510.29	510.29
Bajaj		150	150.03	150.07	150.07	150.23	150.37	150.71	150.7	150.71	150.71	150.71	150.71	150.71
ING V.		110	170	245	325	490	690	790	1019.15	1019.2	1464	1464	1464	1600
Met		110	110	160	235	235	530	761.08	1580	1774.8	1969.57	1969.57	2012.88	2012.88
Pvt total	541	1664	2229.1	3238.7	4347.8	5887	8119.4	12291.4	18248	21015	23656.85	24831.92	25418.72	25838.51
Total	546	1669	2234.1	3243.7	4352.8	5892	8124.4	12296.4	18253	21020	23661.85	24931.92	25518.72	25938.51

A-3 Total life Insurance Premium and Investment of LICI

YEAR	TLIP	TLII	
	LICI (Crores)	LICI (Crores)	GDP(Billion)
2000-01	34892	193282.99	23484.8
2001-02	49821.9	228945.72	24749.6
2002-03	54628.5	258200.64	25709.4
2003-04	63533.4	347,959.10	27757.5
2004-05	75127.3	418,289.00	29714.6
2005-06	90792.2	463,771.14	32530.7
2006-07	127823	559,200.56	35643.6
2007-08	149790	674,475.00	38966.4
2008-09	157288	799,593.00	41586.8
2009-10	186077	985,028.00	45160.7
2010-11	203473	1148589.18	49185.3
2011-12	202889	1269070.44	52475.3
2012-13	208804	1402991.42	54821.1
2013-14	236942	1574296.34	57417.9

A-4 Total life Insurance Premium and Investment of Private Life Insurers

	TLIP	TLII	
Year	PVT(Crores)	PVT(Crores)	GDP (Billion)
2000-01	6.45	726.61	23484.81
2001-02	272.55	1423.28	24749.62
2002-03	1119.06	2351.84	25709.35
2003-04	3120.35	4665.38	27757.49
2004-05	7727.51	10162.93	29714.64
2005-06	15083.55	23379.55	32530.73
2006-07	27207.52	44979.24	35643.64
2007-08	51561.42	87567.00	38966.36
2008-09	64497.41	116772.00	41586.76
2009-10	79373.05	220127.00	45160.71
2010-11	88165.24	281528.38	49185.33
2011-12	84182.83	312188.46	52475.30
2012-13	78398.91	341902.46	54821.11
2013-14	77340.90	383169.24	57417.91

A-5 Premium Amount and Benefit Paid

Company	2001-02		2002-03		2003-04		2004-05		2005-06	
	P*	BP	P	BP	P	BP	P	BP	P	BP
LICI	4982191	1747664	5462849	2053039	6316760	2392375	7512729	2844045	9079222	3392711
Bajaj	714	0	6917	36	22080	278	100168	5651	313358	65348
BSLI	2826	30	14392	102	53754	772	91547	3303	125566	7379
HDFC	3346	3	14883	55	29776	270	68663	1572	156991	4483
ICICI	11637	65	41762	316	98928	816	236382	10120	426105	20947
ING	419	0	2116	29	8851	96	33886	260	42538	3034
Kotak	758	0	4032	21	15072	408	46616	456	62185	4197
Met	48	0	791	18	2873	54	8153	350	20599	597
Max	3895	67	9659	249	21525	1164	41343	1242	78813	4254
SBI	1468	0	7239	274	22567	2145	60118	4636	107532	8243
TATA	2114	123	8121	367	25353	852	49704	2282	88019	4738

A-5 Continued

Company	2005-06		2006-07		2007-08		2008-09		2009-10	
	P	BP	P	BP	P	BP	P	BP	P	BP
LICI	9079222	3392711	12782284	5328646	14978999	5655033	15728804	5247814	18607731	7913066
Bajaj	313358	65348	534524	69854	972531	85140	1062452	75651	1141971	263020
BSLI	125566	7379	176617	12484	325713	42968	446944	64644	550566	113878
HDFC	156991	4483	285587	17454	485856	50146	556469	68127	700510	133789
ICICI	426105	20947	791299	72750	1356106	201487	1535622	220656	1653188	720999
ING	42538	3034	70720	5051	115887	8958	144228	13371	164265	24544
Kotak	62185	4197	97151	17317	169114	26255	234319	24304	286805	49668
Met	20599	597	49271	2077	115954	3465	199664	7669	253601	18573
Max	78813	4254	150028	8337	271460	13601	385726	22082	486054	58917
SBI	107532	8243	292849	14006	562214	35085	721210	39675	1010403	85144
TATA	88019	4738	136718	8209	204635	11218	274750	12120	349378	32458

A-5 Continued

Company	2010-11		2011-12		2012-13		2013-14	
	P	BP	P	BP	P	BP	P	BP
LICI	20347340	11124119	20288928	11747214	20880358	13488128	23694230	15801554
Bajaj	960995	498467	748380	549460	689270	930377	584314	847725
BSLI	567707	193437	588536	270462	521630	365864	483305	366543
HDFC	900417	283091	1020240	295353	1132268	425199	1206290	466191
ICICI	1788063	1059117	1402158	845438	1353824	1328045	1242865	1207396
ING	170895	58627	167998	75888	174236.21	119340	183067.13	115306
Kotak	297551	103615	293743	143494	293743	143494	270079	185422
Met	250817	47792	267750	80864	242952	139669	224059	160451
Max	581263	123679	639053	172830	663870	255161	727854	293120
SBI	1291164	292577	1313374	477531	1045003	779101	1073860	879181
TATA	398522	70920	363030	100518	276043	197452	232370	268999

A-6 Commission Expenses and Operating Expenses

Company	CE*		2002-03		2003-04		2004-05		2005-06	
	CE*	OE	CE	OE	CE	OE	CE	OE	CE	OE
LICI	451791	426040	499861	462109	573384	504233	624517	598718	709492	604156
Bajaj	235	2511	1242	6672	5044	13237	14584	21439	34187	48681
BSLI	440	4816	2951	8907	7713	14512	12922	17744	15964	24393
HDFC	662	4126	1977	6973	3871	9817	7309	23075	12033	39849
ICICI	1447	8485	3776	17383	9562	28728	17796	46151	28339	72500
ING	135	2312	645	5775	1993	9891	4107	14649	6913	21083
Kotak	181	3698	761	6138	1920	8984	3890	11133	5912	13408
Met	16	653	167	3044	673	4465	1449	9538	4050	16157
Max	1186	8488	1849	11194	4028	16273	6509	24641	13447	33932
SBI	19	1127	187	2330	945	5735	2339	12456	6969	18996
TATA	572	4038	1480	6353	4158	11504	8994	19802	13755	29078

A-6 Continued

Company	2005-06		2006-07		2007-08		2008-09		2009-10	
	CE	OE	CE	OE	CE	OE	CE	OE	CE	OE
LICI	709492	604156	916907	708584	956810	830932	1003324	906429	1211031	1224582
Bajaj	34187	48681	94668	107302	149686	200434	105155	187579	96257	177163
BSLI	15964	24393	20138	37587	33555	67073	48179	114633	51620	132675
HDFC	12033	39849	20993	57674	35126	101298	42489	176007	52550	150904
ICICI	28339	72500	52551	152296	81097	291994	69999	273873	60297	256915
ING	6913	21083	9417	30353	10555	40370	11038	46392	12076	46727
Kotak	5912	13408	8020	24031	15511	42487	22543	60767	16792	57384
Met	4050	16157	10505	23197	26629	42661	34956	63290	29251	68199
Max	13447	33932	22852	51370	38446	88054	39158	160896	42121	150439
SBI	6969	18996	19597	32238	36535	48696	46788	62050	75825	66090
TATA	13755	29078	19124	35702	22892	70252	23978	107119	28085	102631

A-6 Continued

Company	2010-11		2011-12		2012-13		2013-14	
	CE	OE	CE	OE	CE	OE	CE	OE
LICI	29927263	1330868	28731538	1403563	1476798	1670766	1668129	2027788
Bajaj	61647	160658	38827	140628	28042	160030	14825	147289
BSLI	38058	120348	32540	121512	30048	115970	23471	103817
HDFC	47681	149521	57764	126954	63940	134377	50970	141465
ICICI	56068	218739	60693	200738	76542	203863	62749	192347
ING	13058	49441	13246	48148	11759	47669	13115	48676
Kotak	13017	58006	11212	55460	11212	55460	13438	58272
Met	8732	56360	11844	55417	12199	57045	12677	54060
Max	53990	144044	57986	125476	61403	122884	68281	126523
SBI	67105	88299	51836	102393	51141	115105	55618	122273
TATA	24628	93877	14198	76019	10354	59157	9205	47789