



# A Study on Business performance of Life Insurance Corporation of India

SATTAR BADEKHANNAVAR

## Introduction :

Life insurance concept enter in to India from England in the year 1818. Oriental life insurance company started its first life insurance company in India. But these company insured the European community in India and Indians were not being insured. Because they treated as Indian lives were sub-standard lives. Bombay mutual life Assurance society was the first Indian company started its life insurance in the year 1870 insured all community people including Indians. The swadeshi movement of 1905-1907 gave rise to more insurance companies.

The life insurance companies Act and the provident Fund Act were passed in 1912. But this Act discriminated between foreign and Indian companies on many rules.

During the two decades of the 20<sup>th</sup> century insurance business was increasing. 176 companies started their insurance business with Rs. 298 crores. The Insurance Act 1938 was the first legislation governing but not only life insurance but also non-life insurance. The demand for nationalisation of life insurance business was made. The demand was full filled after independence. Life insurance was nationalised in India in 19<sup>th</sup> January 1956. The parliament of Inida passed the Life Insurance corporation Act on the 19<sup>th</sup> of June 1956, and the Life insurance corporation of India was established on 1<sup>st</sup> september 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

The performance of the LIC may seen in the following statement.

Year	Business in Crores
1957-58	200=00
1969-70	1000=00
1980-81	2000=00
1985-86	7000=00
1999-2000	75606=00
2021-2022	212344=00

## 1

**Literature Review**

- i) L. V. Rao (2008) -The Author identify the major changes in the insurance sector and to understand how service forms actually performing.
- ii) Nagaprasad (2009) -The author studied the relationship between company and customer.
- iii) R. S. Arora (2002) – Highlighted at LIC was Likely to face competition from private sectors entering to the Insurance.
- iv) Kumar Jogendra (2005) – Highlighted importance of Private sector companies in Insurance sector.
- v) Rastogi S. & Sarkar R. (2006) – They Highlighted the competitiveness & effectiveness of Life Insurance Business after reform in 2000.

**New Business Premiums of LIC**

New Business Premiums of life insurance companies jumped 91%. Year-on-year in July 2021 which shows strong premium growth of Life Insurance corporation.

According to data released by the IRDAI, life insurers reported NBP of Rs. 39078.90 crore in July while LIC's NBP Jumped 142% to Rs. 29116.68 crore year-on-year, while private insurers NBP grew 18.5% to 9962.22 crores. In June the Life insurance industry increased 4.15% in NBP mainly due to the contraction in LIC's premiums.

In Fy 22 so far, life insurers have reported a 54% year-on-year increase in premium witnessing 62% growth and private insurers growing 39% year-on-year.

LIC has gained over 315 basis points in market share from June to July. Since march LIC has gained over 500 basis points in market share in NBP terms.

The general consensus is that the premium growth of life insurers will remain healthy this year, given it's the first year without any restrictions, while it is expected that demand for term, annuity and guaranteed products will remain robust, unit linked products may take a hit, given the volatility in equity markets.

## 2

**Consumer Preferences in Policy Products**

To better know the consumer preference towards life insurance Benori conducted a snap poll to find that 70% of respondents claim financial safety for the family to be their primary motivator for purchasing Life insurance. 91% of the respondents say their perception of life insurance has changed, from being viewed as an investment to being for protection. 55% say that they bought their policy through an insurance agent, while 23% purchased it online.

While the poll indicates the Importance of the agent, insurance agencies take the second spot among distribution channels. Bancassurance is the primary avenue for consumers to discover and purchase life insurance, making up 55% of the distribution share

in 2022. The prevalence of the bancassurance channel is attributed to consumer trust and pre-existing relationship with banking companies, along with bank's in-depth knowledge of their customer's wealth, enabling them to provide products aligned to their customer's needs.

Insurance agencies share in the distribution mix has been declining, falling from 30% in 2017 to 23% in 2022. The decreased growth in premium purchases via agencies is not being over taken by the bancassurance segment, but rather direct-to-consumer channels. Although, D2c distribution of life insurance is still in its nascent stage which is 3% in India.

### LIC dominates Insurance Market

Life Insurance corporation of India sold 2.17 crore insurance policies in the year 2021-22, up from 2.10 crores in 2020-21, a growth of 3.54%. Its total premium increased 12.66% to Rs. 1.43 lakh crore in march 2022 from Rs. 1.27 lakh crore a year ago.

During 2021-22, individual non-single premium rose 8.82% to Rs. 30016 crore from Rs. 27,584 crore at the end of march 2021. The total first year premium of the life insurer rose by 7.92% to Rs. 1.98 lakh crore in march 2022 from 1.84 lakh crore in the previous year. LIC claims a market share of 63% in total first year premium for financial year 2021-22. The number of policies sold increased by 3.54% to 2.17 crore in the financial year 2021-22 from 2.09 crore in the previous financial year.

LIC's embedded value the core of its market value has been set at Rs. 5.39 lakh crore as on 30 september 2021, according to the draft red herring prospectus.

Despite losing market share over the years LIC continues to dominate the insurance ecosystem. Though its 8% premium growth was lower than the 13% recorded by the industry and 23% by private sector players it still has 63% share in first year premiums and 75% share in terms of number of policies sold.

3

### LIC Performance Highlights in 2021

- LIC procured 2.10 crore new policies & settled 2.28 crores claims.
- Market share of LIC in composite policies 74.58% and composite share in FYP = 66.18%.
- After 22 years of completion also, LIC in cruising with > 7.70% market share.
- Growth in Business of pensions and group schemes are 39%.
- Highest ever FYPI (First year premium Income) of Rs. 56,285 crores was realised by LIC.
- As per International Reports of UK.
  - I) LIC was rated as 10<sup>th</sup> most valuable Brand throughout the world.
  - II) On the basis of Brand strength, LIC occupies 3<sup>rd</sup> position.
- At Death claim settlement ratio is 98.74%.
- Non early Death claim settlement ratio is 99.86%.
- Profits on equities Rs. 36900 crores as compared to last year Rs. 18370 crores.
- Investment by LIC in equity portfolio Rs. 94000 crores as compared to last year Rs. 60,000 crores

- Golden Jubilee foundation of LIC disbursed Rs. 11.59 crores through 46 projects in 2021-22. Since it's inception, LIC disbursed 102 crores through 594 projects.
- Spectacular Achievement of LIC is, there was no penalty for RTI, despite being huge organisation.
- 2,21036 Agents were recruited by LIC in 2021-22. Net addition of Agents are 1,44982.
- 72% of Total premium was received by LIC either through online or through merchant portals.
- LIC achieved highest ever MDRT Agents are 16564.
- In 6 month's time, LIC will be one of the most technologically advanced and digitally organised entity.
- Centralised policy Bond printing for all 8 zones will be done latest by Quarter end.

4

### How to choose between LIC & Private Insurers

You can check the the credibility of the company.

- 1) Solvency ratio  
(A Solvency ratio measures the extent to which assets cover commitments for future payments, the liabilities i.e the size of the capital).
- 2) Claim settlement ratio (LIC has been consistent with 98% and above settling)
- 3) Past records.
- 4) Services offered by the company.
- 5) The terms and conditions in the policies.
- 6) Accessibility across the country.

#### References :

- 1) The Economictimes.indiatimes.com
- 2) Moneycontrol.com
- 3) Licinidia.in
- 4) Annual Reports of LIC

5

### ABSTRACTION

The demand was full filled after independence. Ife insurance was nationalised in India in 19<sup>th</sup> January 1956. The parliament of Inida passed the Life Insurance corporation Act on the 19<sup>th</sup> of June 1956, and the Life insurance corporation of India was established on 1<sup>st</sup> september 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

The general consensus is that the premium growth of life insurers will remain healthy this year, given it's the first year without any restrictions, while it is expected that demand for term, annuity and guaranteed products will remain robust, unit linked products may take a hit, given the volatility in equity markets.

Despite losing market share over the years LIC continues to dominate the insurance ecosystem. Though its 8% premium growth was lower than the 13% recorded by the industry and 23% by private sector players it still has 63% share in first year premiums and 75% share in terms of number of policies sold.

**Keywords :**

- Private sector
- Premium
- Insurance Market
- Insurance Agencies
- Life Insurers

