PRIVATIZATION OF LIFE INSURANCE IN INDIA-SUCCESSFUL OR NOT?

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Abstract

The Life Insurance sector was privatized in India with an objective of bolstering the social security system and enhancing 'Insurance Inclusion' amongst the vast population of the country. But the private companies are commercial organization. The policies related with these life insurance companies, have always been an imperative issue for concerned stakeholders considering the corpus of fund and the underlying objective of the fund. After a decade of privatization of the insurance sector it becomes imperative to study the performance of private companies and their contribution to the economy. There is a need to study the investment pattern of private life insurance companies and the trends in their performance individually, as well as against the industry. The given research is an empirical effort to analyze the performance of life insurance companies in India in the post insurance liberalization era.

Keywords: *Life Insurance, Investments, Efficiency, Macroeconomics*

INTRODUCTION

Continuing with the policy of control led liberalization of the Indian economy, the insurance sector was opened for private investment which was till date the monopoly and privilege of the Life Insurance Corporation of India and some government controlled general insurance companies. Since LIC is state owned and controlled, the concern for the policymakers was the private life insurance business. Till 1999, the insurance business in India was under the purview of the Insurance Act, 1938. It was only in 1999 when another act, the Insurance Regulatory and Development Authority Act was passed to control, regulate and develop the insurance market in India.

The modern concept of insurance practices in India started during the British rule in 1818 when Oriental Life Insurance Company was established in Calcutta. India became independent from British rule in 1946, and by 1956 the insurance

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sector was nationalized, with the Life Insurance Corporation of India created by combining almost 245 private life insurance companies; 107 private non-life companies combined in 1973 to form the General Insurance Corporation. But since the very purpose of nationalizing the insurance sector got sidelined due to the monopolistic power it enjoyed, coupled with the bureaucratic mindset of LIC and GIC, insurance again was opened to private players in 1999.

During 2000-2006, almost 15 life and 13 non-life private insurance players (mostly joint ventures between Indian and foreign players) started operations in India, indicating the willingness of foreign investors to enter the Indian insurance sector. But through all these major changes the actual impact was felt only in major urban areas, while the vast majority of the rural population was excluded from the insurance sector.

One major and significant change in the economic policy was allowing Foreign Direct Investment (FDI) in the life insurance business in the form of a joint venture with 74:26 ratio in favor of domestic investment. This meant that a maximum of 26% stake in the equity capital was allowed for investment by the foreign investors. The first company to get registered was HDFC in collaboration with Standard Life as a foreign partner. As on May,2012, there are 23 private LIC, amongst which there are two 100% domestic financed private life insurance companies (Reliance LIC and Sahara LIC).

The following Table 1 compares Life Insurance Penetration in 2009 amongst other countries. It is evident that India is ahead of the world average and other BRIC countries which signify that India is doing well in terms of Life Insurance inclusion, but the question of sustainability and sufficiency needs to be studied.

Table 1
Global Life Insurance penetration

COUNTRIES	LIFE INSURANCE PENETRATION (%)
Australia	3.4
France	7.2
UK	10
US	3.5
BRIC countries	
Brazil	1.6
Russia	0
India#	4.6
China	2.3
World Average	**4**

Source: IRDA Annual Report, 2009-10

Here, Insurance penetration is measured as ratio of premium (in US Dollars) to GDP (in US Dollars). Data pertains to the calendar year while data for India relates to financial year 2009-10.

Life insurance is a very critical business. It existence is as important as its survival. Also it involves huge money invested over a long term. Perhaps this is the reason that a robust surveillance and control is required over the insurance market. Investment into the company is important as the promoters/owners are the decision makers who would be the determinants of the company's future. Likewise the fund collected from the policy holders has its own criticality.

The Mission statement of IRDA (Source: Annual report, 2007-08) is:

- To protect the interest of and secure fair treatment to policyholders.
- To bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the common man, and to provide long term funds for accelerating growth of the economy.
- To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates.
- To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance handling machinery.
- To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players.
- To take action where such standards are inadequate or ineffectively enforced.
- To bring about optimum amount of self-regulation in day to day working of the industry consistent with the requirements of prudential regulation.

LITERATURE REVIEW

Shrinivas (2008) analyzes the causes behind lapses in Insurance Policies of LIC after privatization on the basis of the experiences of the functionaries like branch managers, development officers and insurance agents who are the core marketing staff for LIC of India. Subhash and Bhat (2007) highlight the role of innovation for growth in Insurance Sector. They are of the opinion that the success of the insurance industry will primarily depend upon meeting the rising expectations of the consumers. Also a concentrated effort from LIC as well as various private players towards tapping the rural market is needed to boost the insurance sector in the years to come. There exists huge potential for the wealth maximization of private institutional investors, private wealthy families, individuals, and public sector enterprises.

Ahmad (2010) discusses the importance and effectiveness of privatization of

General Insurance sector in India. Gupta (2000) discusses the state of the insurance industry in India from 1990 to 1999 and issues such as establishment of statutory reinsurance policies to increase the risk retention capacity of the domestic insurance market. Kallinath (2003) conducts a study which evaluated the products and performance of the Life Insurance Corp. of India in the Gulbarga District, India. Tone (2005) applies a new variant of data envelopment analysis model to examine the performance of Life Insurance Corporation (LIC) of India. The findings show a significant heterogeneity in the cost efficiency scores over the course of 19 years. A decline in performance after 1994–1995 can be taken as evidence of increasing inefficiencies arising from the huge initial fixed cost undertaken by LIC in modernizing its operations. A significant increase in cost efficiency in 2000–2001 is, however, cause for optimism that LIC may now be realizing a benefit from such modernization. Krishnamurthy et al (2005) discussed and concluded that some of the challenges faced by the insurance sector pertain to the demand conditions, competition in the sector, product innovations, delivery and distribution systems, use of technology, and regulation. To understand the growth and development and the future prospects of this sector, he addressed issues such as demand for insurance, types of innovative strategies of insurance education and awareness, bank participation in insurance, nature of competition and implications for profitability, margins, and efficiency.

Ramana (2008) discusses the rapid growth of the insurance industry in India. Raman (2004) emphasized on regulatory dissonance which not only poses serious challenges to insurance companies seeking global expansion, but also reiterates the fact that business models cannot be exported in their entirety from one country to another. The paper presented the regulatory dissonance that exists between the non-life insurance industry in the U.S. and India. It attempts to highlight the regulatory dissonance that exists in the business line definition area, accounting treatment of acquisition expenses, treatment of unearned premiums, creation of a catastrophe reserve, reinsurance cession, investment regulation, obligations to the rural and social sector, rate and form regulation and solvency margin computation.

RESEARCH METHODOLOGY

To fulfill the regulatory norms, effective December, 2007, all insurers have been advised to file the quarterly financial statements with the IRDA. These statements include the Balance Sheet, Revenue A/c (Policyholders' A/c) and the Profit & Loss A/c (Shareholders' A/c). Also the insurance companies have to follow the provision set out in Section 27 of the insurance Act, 1938 should be read with rule 3 of the IRDA (Investment Regulations,2000). The Policy holders' account and Shareholders' account are two important financial statements of life insurance companies and have been used in the given study also.

The given research is an empirical effort to understand and study the growth of life insurance sector in India especially after the liberalization of the insurance sector.

Alamelu (2011) did a similar study to evaluate the financial soundness of Life insurance companies in India. Garg (2008) did a similar study using DEA analysis on post liberalization General Insurance Sector in India. Data was collected from secondary sources. The significant sources include IRDA databases, Insurance regulations and notifications, electronic research database EBSCO and other related links and published matter on life insurance. All the life insurance companies operating in India as on March 31, 2009 have been taken for the study. It can be said that it is a 'census study'. The data from 2000 till 2009 has been taken for the study.

Initially the absolute data on different parameters has been taken for analysis and then it is worked upon to apply the concept of Data Envelopment Analysis (DEA) and other statistical tools for further analysis.

To implement the DEA techniques, several input and output factors are derived based on their utility in line with the objective of the research and then analyzed. The following three prominent ratios were calculated.

Ratio 1= Shareholders investment / (Share Capital +Reserve and Surplus)

Ratio 2= Fixed Assets / (Share Capital + Reserve and Surplus)

Ratio 3= Application of Policyholders fund / Source of Policyholders fund.

In the first ratio, the shareholders account's input and output have been used to understand the efficiency of this account. The second ratio compares and explains the investment in fixed assets. Fixed assets can be used as a proxy for organization's long term business strategy. In third ratio the numerator includes policyholder's fund, assets and any loan given whereas the denominator includes policy liabilities, insurance reserves and provision for linked liabilities. The ratios are then used to calculate the efficiency scores of PLICs by considering the highest value as 100% and calculating relative scores for other PLICs. Also the efficiency scores in terms of solvency ratio have been used to analyze the solvency position of PLICs. Here, PLICs stand for Private Life Insurance Companies. LIC indicates the Life Insurance Corporation of India whereas ALL LIC indicates the aggregate of all PLICs. The values have been rounded to two decimal places.

DATA ANALYSIS

List of Life insurers in India as on May,2012 (Source: IRDA).The fist name of the company has been used often in the research to indicate the company.

- Bajaj Allianz Life Insurance Company Limited
- Birla Sun Life Insurance Co. Ltd
- HDFC Standard Life Insurance Co. Ltd
- ICICI Prudential Life Insurance Co. Ltd.
- ING Vysya Life Insurance Company Ltd.

- Life Insurance Corporation of India
- Max New York Life Insurance Co. Ltd
- Met Life India Insurance Company Ltd.
- Kotak Mahindra Old Mutual Life Insurance Limited
- SBI Life Insurance Co. Ltd
- Tata AIG Life Insurance Company Limited
- Reliance Life Insurance Company Limited.
- Aviva Life Insurance Co. India Ltd.
- Sahara India Life Insurance Co, Ltd.
- Shriram Life Insurance Co, Ltd.
- Bharti AXA Life Insurance Company Ltd.
- Future Generali Life Insurance Company Ltd.
- IDBI Fortis Life Insurance Company Ltd.
- Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd
- AEGON Religare Life Insurance Company Limited.
- DLF Pramerica Life Insurance Co. Ltd.
- Star Union Dai-ichi Life Insurance Comp. Ltd.
- India First Life Insurance Company Ltd
- Edelweiss Tokio Life Insurance Co. Ltd.

Table 2
Number of new policies issued

Figure in bracket indicates the growth over the previous year in percent (Source: IRDA reports)

	2009	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
PLICs	15010710	13261558	7922274	3871410	2233075	1658847	825094
	(13.19)	(67.40)	(104.64)	(73.37)	(34.62)	(101.05)	(3.25)
Total	50923377	50874157	46151566	35462117	26211198	28626916	25370674
	(0.10)	(10.23)	(30.14)	(35.29)	(- 8.44)	(12.83)	

The YoY percentage increase is highest for 2007 but a rising trend was observed throughout the time period. Considering the industry in totality, the growth went negative in 2005 which can be traced to the government owned LIC. Also in the same year, private sector grew by 35% indicating the first dent in the market share of the state owned LIC. In terms of total premium collected (Table 3) also, private sector shows a growing trend as well as the industry also. Probably this is because theses figures are total but definitely they indicate a growing industry. An imperative observation is about the market share of PLIC of the industry which has grown from 0.54% in 2002 to 29 % in eight years. Also the pace of growth needs to be studied as YoY growth which was an average of 132% for PLIC and an average of 24% for Industry for the whole time period. The YoY growth rates in premiums for PLIC, every year, were higher than industry.

Table 3
Total premium of PLICs, year wise (Rs. Crore)

		2009	2008	2007	2006	2005	2004	2003	2002
X	PLIC	64503.22	51561.42	28253	15083.54	7727.51	3120.33	1119.06	272.58
	% change	25.10	82.50	87.31	95.19	147.65	178.83	310.59	
Y	Industry	221791.3	201351.4	156075.8	105875.8	82854.8	66653.75	55747.55	50094.46
	% change	10.15	29.01	47.41	27.78	24.31	19.56	11.28	
	X/Y Ratio	29.08%	25.61%	18.10%	14.25%	9.33%	4.68%	2.01%	0.54%

Table 4
Market share of total premium for each PLIC, year wise

Here, A indicates percentage of PLIC, B indicates percentage of total life insurance industry, NA indicates data not available

Company		2009		2008		2007		2006
	A	B	A	B	A	B	A	B
Aegon Religare	0.05%	0.01%	NA	NA	NA	NA	NA	NA
Aviva	3.09%	0.90%	3.67%	0.94%	4.06%	0.74%	3.98%	0.57%
Bajaj Allianz	16.47%	4.79%	18.86%	4.83%	18.92%	3.42%	20.78%	2.96%
Bharti Axa	0.56%	0.16%	0.23%	0.06%	0.03%	0.00%	NA	NA
Birla Sunlife	7.10%	2.06%	6.35%	1.63%	6.29%	1.14%	8.35%	1.19%
Canara HSBC	0.46%	0.13%	NA	NA	NA	NA	NA	NA
DLF Pramerica	0.01%	0.00%	NA	NA	NA	NA	NA	NA
Future Generali	0.24%	0.07%	0.00%	0.00%	NA	NA	NA	NA
HDFC Standard	8.63%	2.51%	9.42%	2.41%	10.11%	1.83%	10.41%	1.48%
ICICI Prudential	23.81%	6.92%	26.30%	6.74%	28.01%	5.07%	28.25%	4.02%
IDBI Fortis	0.49%	0.14%	0.02%	0.01%	NA	NA	NA	NA
ING Vysya	2.24%	0.65%	2.25%	0.58%	2.50%	0.45%	2.82%	0.40%
Kotak Mahindra	3.63%	1.06%	3.28%	0.84%	3.44%	0.62%	4.12%	0.59%
Met Life	3.10%	0.90%	2.25%	0.58%	1.74%	0.32%	1.37%	0.19%

Max New York	5.98%	1.74%	5.26%	1.35%	5.31%	0.96%	5.23%	0.74%
Reliance Life	7.65%	2.22%	6.26%	1.60%	3.56%	0.64%	1.49%	0.21%
Sahara	0.32%	0.09%	0.28%	0.07%	0.18%	0.03%	0.18%	0.03%
SBI Life	11.18%	3.25%	10.90%	2.79%	10.37%	1.88%	7.13%	1.02%
Shriram	0.68%	0.20%	0.69%	0.18%	0.65%	0.12%	0.07%	0.01%
Star Union	0.08%	0.02%	NA	NA	NA	NA	NA	NA
Tata AIG	4.26%	1.24%	3.97%	1.02%	4.84%	0.88%	5.84%	0.83%
Aegon Religare	NA	NA	NA	NA	NA	NA	NA	NA
Aviva	3.28%	0.31%	2.61%	0.12%	1.20%	0.02%	NA	NA
Bajaj Allianz	12.96%	1.21%	7.08%	0.33%	6.18%	0.12%	2.62%	0.01%
Bharti Axa	NA	NA	NA	NA	NA	NA	NA	NA
Birla Sunlife	11.85%	1.10%	17.23%	0.81%	12.86%	0.26%	10.37%	0.06%
Canara HSBC	NA	NA	NA	NA	NA	NA	NA	NA
DLF Pramerica	NA	NA	NA	NA	NA	NA	NA	NA
Future Generali	NA	NA	NA	NA	NA	NA	NA	NA
HDFC Standard	8.89%	0.83%	9.54%	0.45%	13.30%	0.27%	12.28%	0.07%
ICICI Prudential	30.59%	2.85%	31.71%	1.48%	37.32%	0.75%	42.71%	0.23%
IDBI Fortis	NA	NA	NA	NA	NA	NA	NA	NA
ING Vysya	4.39%	0.41%	2.84%	0.13%	1.89%	0.04%	1.54%	0.01%
Kotak Mahindra	6.03%	0.56%	4.83%	0.23%	3.60%	0.07%	2.78%	0.02%
Met Life	1.06%	0.10%	0.92%	0.04%	0.71%	0.01%	0.18%	0.00%
Max New York	5.35%	0.50%	6.90%	0.32%	8.63%	0.17%	14.29%	0.08%
Reliance Life	1.38%	0.13%	1.00%	0.05%	0.58%	0.01%	0.10%	0.00%
Sahara	0.02%	0.00%	NA	NA	NA	NA	NA	NA
SBI Life	7.78%	0.73%	7.23%	0.34%	6.47%	0.13%	5.39%	0.03%
Shriram	NA	NA	NA	NA	NA	NA	NA	NA
Star Union	NA	NA	NA	NA	NA	NA	NA	NA
Tata AIG	6.43%	0.60%	8.13%	0.38%	7.26%	0.15%	7.76%	0.04%

Significant findings from Table 4 are:

For 2009 the highest share was for ICICI and lowest for DLF in the private sector.

For 2008 the highest share was for ICICI and lowest for IDBI in the private sector.

For 2007 the highest share was for ICICI and lowest for Bharti AXA in the private sector.

For 2006 the highest share was for ICICI and lowest for Sahara in the private sector.

For 2005 the highest share was for ICICI and lowest for Sahara in the private sector.

For 2004 the highest share was for ICICI and lowest for Reliance in the private sector.

For 2003 the highest share was for ICICI and lowest for Reliance in the private sector.

For 2002 the highest share was for ICICI and lowest for Reliance in the private sector.

This means, ICICI has constantly been the number one company in terms of premium collected but Sahara and Reliance have been the last for two and three years respectively which raises apprehensions about their performance. Also the share of ICICI amongst the private players is coming down indicating increased competition.

Table 5
The efficiency scores for companies as per ratio 1

	2009		2008		2007		2006
Shriram	100	Shriram	100	SBI Life	100	SBI Life	100
SBI Life	91.26	SBI Life	96.84	Shriram	84.30	Shriram	95.56
Star	81.31	Bajaj	91.55	Bajaj	78.87	Sahara	79.58
Sahara	74.43	Sahara	88.61	Sahara	71.73	Bajaj	53.65
Canara	67.66	IDBI	72.93	Bharti	65.06	All LIC	42.45
IDBI	63.29	Future	67.76	Tata AIG	36.70	Met Life	39.32
Bajaj	62.02	Max	38.76	Met Life	35.03	Aviva	38.80
DLF	55.70	Bharti	37.93	Birla	34.55	Birla	38.09
Kotak	48.98	All LIC	35.35	All LIC	34.19	ICICI	36.49
Future	31.82	Met Life	33.14	Max	30.94	Tata	36.18
Max	28.50	Birla	32.05	ING	30.37	ING	32.87
All LIC	28.46	Tata	31.01	Aviva	29.26	Reliance	28.73
Aviva	23.00	HDFC	30.74	Kotak	18.88	Kotak	25.92
Birla	22.79	Aviva	24.41	Reliance	18.64	Max	24.11
HDFC	22.62	Kotak	23.86	HDFC	16.02	HDFC	21.27
ING	22.39	ING	23.54	ICICI	6.39	Aegon	0
Aegon	17.29	Reliance	14.20	Aegon	0	Bharti	0
Met	15.91	ICICI	5.41	Canara	0	Canara	0
Tata	15.35	Aegon	0	DLF	0	DLF	0
Reliance	14.04	Canara	0	Future	0	Future	0
ICICI	13.51	DLF	0	IDBI	0	IDBI	0
Bharti	12.34	Star	0	Star	0	Star	0
LICI	92.76	LIC	92.13	LIC	80.67	LIC	90.65
SBI Life	100	Bajaj	100	SBI Life	100	SBI Life	100
Sahara	85.89	SBI Life	89.81	Bajaj	99.52	Bajaj	84.44
Bajaj	63.32	Met Life	61.25	Aviva	81.74	ING	78.52
All LIC	46.60	Reliance	57.17	Reliance	78.18	Kotak	75.08
Met Life	43.35	Aviva	55.33	Kotak	69.72	Birla	73.45
ING Vysya	43.05	All LIC	46.65	All LIC	62.25	All LIC	68.12
Reliance	41.35	Kotak	40.30	Tata	58.16	HDFC	66.84
Tata AIG	39.15	Birla	39.31	Met Life	52.66	Max	64.69
Birla	36.50	ICICI	34.37	ING	51.55	Tata AIG	64.07
ICICI	35.89	Tata	33.98	HDFC	46.77	ICICI	31.04
Aviva	34.33	HDFC	26.68	Birla	41.32	Aegon	0
HDFC	31.90	Max	26.13	Max	39.10	Aviva	0
Kotak	28.79	ING	17.11	ICICI	34.73	Bharti	0
Max	24.88	Aegon	0	Aegon	0	Canara	0
Aegon	0	Bharti	0	Bharti	0	DLF	0
Bharti Axa	0	Canara	0	Canara	0	Future	0
Canara	0	DLF	0	DLF	0	IDBI	0
DLF	0	Future	0	Future	0	Met Life	0
Future	0	IDBI	0	IDBI	0	Reliance	0
IDBI	0	Sahara	0	Sahara	0	Sahara	0
Shriram	0	Shriram	0	Shriram	0	Shriram	0
Star	0	Star	0	Star	0	Star	0
LICI	2495	LIC	2465	LIC	2477	LIC	106

Given in the table is the efficiency score of each PLIC with respect to share capital raised and used. The figures are year wise and the most efficient company has the efficiency score of 100% and these scores are comparative scores. 'All LIC' is the industry average parameter which signifies the companies which have over performed or under performed. It has been indicated in bold and all companies above this score are efficient companies and below this score are inefficient companies based on this score only. For 2001, Birla Sunlife was most efficient out of the four companies operating at that time. The score has been calculated using the data for all private companies individually and in total (All LIC). The data and score for LICI has been also listed but not used for calculating the efficiency scores.

Table 6
The efficiency scores as per ratio 2

	2009		**2008**		**2007**		**2006**
All LIC	100	All LIC	100	Future	100	Bharti	100
Aegon	99.95	Max	74.55	All LIC	17	All LIC	8.46
Max	94.36	Tata AIG	55.32	Max	9	Max	3.83
Future	94.03	HDFC	49.41	ICICI	8	HDFC	3.03
Star	74.71	Bajaj	44.31	HDFC	7	ING	3.02
Bajaj	70.63	ICICI	42.73	Reliance	7	Tata AIG	2.90
Canara	68.30	Kotak	39.33	Birla	6	Met Life	2.83
DLF	53.35	Bharti	39.30	Bajaj	6	Birla	2.68
Tata AIG	53.32	Future	34.96	SBI Life	6	Kotak	2.37
Kotak	52.62	Met Life	34.96	Bharti	5	Bajaj	2.30
HDFC	40.67	Birla	27.42	Tata AIG	5	SBI Life	2.14
Met Life	37.73	Aviva	26.64	Kotak	5	ICICI	1.62
SBI Life	36.39	Reliance	22.88	ING	4	Sahara	1.61
ICICI	36.03	SBI Life	21.97	Sahara	3	Reliance	1.38
Bharti	30.28	ING	19.37	Shriram	3	Aviva	0.85
IDBI	21.97	Sahara	15.08	Met Life	2	Shriram	0.66
Birla	21.96	IDBI	14.8	Aviva	2	Aegon	0
Shriram	20.37	Shriram	14.62	Aegon	0	Canara	0
Aviva	18.39	Aegon	0.00	Canara	0	DLF	0
Sahara	17.99	Canara	0.00	DLF	0	Future	0
ING	13.44	DLF	0.00	IDBI	0	IDBI Fortis	0
Reliance	8.37	Star	0.00	Star	0	Star	0
HDFC	62.42	Bajaj	43.78	HDFC	33.21	HDFC	33.10
Tata	33.45	HDFC	41.55	Bajaj	27.91	ICICI	24.27
ING	32.91	Max	33.70	Kotak	26.03	Birla	22.76
Max	32.37	Kotak	32.04	Birla	25.86	Bajaj	21.33
Bajaj	31.26	ING	25.81	Max	22.63	ING	15.53
Kotak	29.71	Birla	22.41	ING	17.95	Max	15.02
Met Life	25.92	ICICI	17.07	ICICI	16.57	Tata	13.77
Birla	24.00	Tata AIG	15.23	Tata AIG	14.22	Kotak	10.74
ICICI	18.54	Met Life	12.93	Met Life	10.74	Reliance	8.98
Reliance	15.64	Reliance	10.58	Reliance	9.98	SBI Life	1.85
Sahara	13.28	Aviva	9	Aviva	6.99	Aegon	0
SBI Life	12.29	SBI Life	8	SBI Life	5.6	Aviva	0

Table 6
Contd.

	2009		2008		2007		2006
All LIC	100	All LIC	100	Future	100	Bharti	100
Aviva	10.02	Aegon	0	Aegon	0	Bharti	0
Aegon	0	Bharti	0	Bharti	0	Canara	0
Bharti	0	Canara	0	Canara	0	DLF	0
Canara	0	DLF	0	DLF	0	Future	0
DLF	0	Future	0	Future	0	IDBI	0
Future	0	IDBI	0	IDBI	0	Met Life	0
IDBI	0	Sahara	0	Sahara	0	Sahara	0
Shriram	0	Shriram	0	Shriram	0	Shriram	0
Star	0	Star	0	Star	0	Star U	0

On the basis of second ratio, for the year 2001 the private industry parameter was the most efficient and for major part of the time period was dominated by 'All LIC'.

Table 7
The efficiency scores as per ratio 3

	2009		2008		2007		2006
Aegon	100	Future	100	All LIC	100	Shriram	100
DLF	19.95	All LIC	43.17	Tata	98.64	All LIC	9
SBI	19.94	ICICI	42.04	ICICI	97.43	Kotak	8.63
Bajaj	19.71	Tata	41.88	Bajaj	96.43	Tata	8.58
Aviva	19.70	Bajaj	41.16	Met Life	95.74	ICICI	8.30
Tata	19.69	Kotak	41.10	Sahara	94.78	Aviva	8.30
ICICI	19.68	Aviva	40.87	Aviva	94.38	Bajaj	8.29
Met Life	19.52	Max	40.72	HDFC	93.52	Reliance	8.21
Birla	19.35	Met Life	40.60	Reliance	93.44	Met Life	8.21
Max	19.27	SBI Life	40.45	Kotak	93.37	Max	8.17
HDFC	19.26	Reliance	40.14	Max	93.11	HDFC	8.17
Kotak	19.23	Sahara	39.99	Bharti	92.72	Birla	8.08
Canara	19.19	ING	39.93	Birla	92.50	Sahara	7.97
Reliance	19.13	Bharti	39.82	ING	90.65	SBI Life	7.94
Sahara	19.11	Birla	39.81	Shriram	90.62	ING	7.65
Bharti	19.07	HDFC	39.30	SBI Life	90.58	Aegon	0
IDBI	19.06	Shriram	39.06	Aegon	0	Canara	0
All LIC	19.04	IDBI	38.99	Canara	0	DLF	0
Shriram	18.99	Aegon	0	DLF	0	Future	0
Future	18.84	Canara	0	Future	0	IDBI	0
ING	18.49	DLF	0	IDBI	0	Star	0
Star	16.87	Star	0	Star	0	Bharti	0
Tata	98.52	All LIC	96.71	Aviva	31.71	Bajaj	94.71
Max	96.82	HDFC S	93.88	Bajaj	20.57	ING	93.54
Bajaj	95.36	Kotak	93.24	ICICI	18.47	Birla	90.61

Table 7
Contd.

	2009		2008		2007		2006
Aegon	100	Future	100	All LIC	100	Shriram	100
Kotak	95.08	Aviva	93.07	ING	18.39	Tata	90.46
ICICI	94.84	ICICI	92.56	Birla	18.06	ICICI	90.07
Sahara	94.68	Max	92.06	All LIC	17.37	All LIC	86.17
Aviva	94.66	Met Life	92.06	Max	16.71	SBI	29.11
Reliance	94.49	Reliance	91.40	HDFC	16.63	Aegon	0
Met Life	94.47	ING	91.00	Tata	16.30	Aviva	0
Birla	94.29	Birla	90.96	SBI	15.50	Bharti	0
HDFC	91.31	Tata	90.31	Aegon	0	Canara	0
SBI	91.29	SBI	81.60	Bharti	0	DLF	0
ING	79.14	Aegon	0	Canara	0	Future	0
Aegon	0	Bharti	0	DLF	0	IDBI	0
Bharti	0	Canara	0	Future	0	Met Life	0
Canara	0	DLF	0	IDBI	0	Reliance	0
DLF	0	Future	0	Sahara	0	Sahara	0
Future	0	IDBI	0	Shriram	0	Shriram	0
IDBI	0	Sahara	0	Star	0	Star	0
Shriram	0	Shriram	0	Reliance	-1.27	Kotak	-17.64
Star	0	Star	0	Kotak	-12.70	Max	-32.10

For this ratio, in 2001 the most efficient company was HDFC and amongst the other two who scored, Birla Sunlife and the industry parameter (All LIC).Surprisingly in the later years the new insurers have been more efficient than the existing one while managing the policy holder's account.

Table 8
Efficiency scores in terms of Solvency ratio

	2009		2008		2007		2006
IDBI	100	Sahara	100	Aviva	100	HDFC	100
Aviva	96.73	Aviva	99.31	ING	45.48	SBI	100
Canara	93.94	IDBI	79.86	Shriram	43.42	Aviva	96.55
Sahara	58.92	SBI	76.39	Sahara	42.47	Bajaj	96.55
Future	51.88	Future	68.06	Tata	41.05	Sahara	93.10
Shriram	49.92	Shriram	65.97	Bajaj	38.83	Tata	93.10
Max	49.75	Bharti	63.19	Max	32.96	ING	79.31
SBI Life	47.79	Tata	57.87	HDFC	32.49	Shriram	75.86
Kotak	44.03	Kotak	55.79	Bharti	31.06	Birla	68.97
Bajaj	42.88	HDFC	55.09	Birla	28.53		68.97
HDFC	42.23	Birla	54.86	SBI	28.21	Max	68.97
Star	41.41	ING	54.63	Met Life	27.42	Reliance	62.07
Tata	41.08	Bajaj	54.17	Kotak	25.99	Kotak	58.62
Reliance	40.92	Max	52.08	Reliance	25.67	Met Life	55.17
Birla	39.93	ICICI	40.28	ICICI	24.25	ICICI	

ICICI	37.81	Met	39.35				
MetLife	37.15	Reliance	38.19				
ING	36.99						
Bharti	33.88						
Aegon	31.59						
DLF	27.99						

The most efficient company in terms of solvency has been changing ever year but Aviva has managed to stay in top three every year, once top of the list also. Surprisingly, ICICI has been amongst the companies with lowest scores.

The solvency ratio in insurance business indicates the ability of the company to meet out the liabilities of its Policyholders and Shareholders. The scores have been derived based on the solvency ratio as provided by Handbook of Insurance, 2008-2009, IRDA.

CONCLUSION

One of the major findings of the research is that competition has been increasing amongst the private players and also between private sector and LICI. Thus there is a need for strict implementation of competition laws to avoid any malpractice in the business. Also increased market share of the private players brings with itself its share of uncertainty in the management of a huge corpus of fund which calls for increased surveillance and supervision. Recent conflict between the IRDA and SEBI is a result of such a concern.

Based on the findings of the study, it can be concluded that liberalization of insurance sector was a beneficial step, considering the parameter of insurance inclusion.

LICI's market share has been declining. It needs to revamp itself to compete with the private sector. The insurance market is set to grow in the coming years as insurance literacy grows in India which would bring funds from middle class and lower middle class segment of the population. A greater accountability and responsibility is needed to manage such funds. Thus an enhanced role of the regulator is required in future.

It can be concluded that privatization of life insurance in India has been a successful decision considering the growth pattern of financials of PLICs. Also it has been a success from customer's perspective by increasing the life insurance penetration in India.

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