

4.2 ANALYSIS OF THE PRIVATE LIFE INSURERS AND THEIR COMPARISON WITH THE PUBLIC LIFE INSURANCE SECTOR:

The structure of the insurance industry has undergone a drastic change since liberalization, privatization and globalization of Indian economy, in general and the insurance sector in particular. The life insurance public sector giant i.e. LIC which never faced competition earlier, now has to compete with the private players who boast of the rich and long experience of their partners from the developed countries of the world. They are also coming up with different types of innovative policies and other strategic plans. The number of private players competing for business during the year 2001-02 increased to eleven and as of 2008-09 it numbered twenty one in total.

In this scenario there arise a need to study the performance of private players and to make a comparison between private and public life insurance companies in India. The analysis was made on three main core areas namely performance, productivity and investment portfolio management on the basis of certain parameters listed in the reports of Insurance Regulatory Development Authority (IRDA), exclusively for the evaluation of the insurance companies in India.

4.2.1 Performance of private life insurers in India and the comparative study

The analysis has been made by using the following performance measures:

- 4.2.1(a) Total life insurance premium and its market share
- 4.2.1(b) First year premium and Market share of first year premium
- 4.2.1(c) Market share of Single premium, Renewal premium and Total premium
- 4.2.1(d) New policies issued & growth rate
- 4.2.1(e) Business in force in terms of number of policies
- 4.2.1(f) Business in force in terms of sum assured
- 4.2.1(g) Number of life insurance offices
- 4.2.1(h) Number of licensed agents (New & Renewed) and its growth rate
- 4.2.1(i) Lapsation ratio (Number of policies & Sum Assured)
- 4.2.1(j) Solvency margin of insurers

4.2.1(a) Total Life Insurance Premium and Market share of Total premium

Total Premium Income is one of the important and major indicator of the performance of the insurance business. The total premium income of LIC and the private players during 2001-02 to 2007-08 has been presented in table 4.58. This table shows the trend in total premium income of various players during the study period.

Table No: 4.58

TABLE SHOWING THE TOTAL LIFE INSURANCE PREMIUM (RS. IN CRORES)

NAME OF INSURER	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
PUBLIC SECTOR								
LIC (A)	34892.02	49821.91 (42.79)	54628.49 (9.65)	63533.43 (16.30)	75127.29 (18.25)	90792.22 (20.85)	127822.84 (40.79)	149789.99 (17.19)
PRIVATE SECTOR								
HDFC STD LIFE	0.002	33.46	148.83	297.76	686.63	1569.91	2855.87	4858.56
MNYL	0.16	38.95	96.59	215.25	413.43	788.13	1500.28	2714.60
ICICI PRU	5.97	116.38	417.62	989.28	2363.82	4261.05	7912.99	13561.06
BSLI	0.32	28.26	143.92	537.54	915.47	1259.68	1776.71	3272.19
TATA AIG	-	21.14	81.21	253.53	497.04	880.19	1367.18	2046.35
KOTAK LIFE	-	7.58	40.32	150.72	466.16	621.85	971.51	1691.14
SBI LIFE	-	14.69	72.39	225.67	601.18	1075.32	2928.49	5622.14
BAJAJ ALLIANZ	-	7.14	69.17	220.80	1001.68	3133.58	5310.00	9725.31
MET LIFE	-	0.48	7.91	28.73	81.53	205.99	492.71	1159.54
RELIANCE LIFE	-	0.28	6.47	31.06	106.55	224.21	1004.66	3225.44
ING VYSYA	-	4.19	21.16	88.51	338.86	425.38	707.20	1158.87
AVIVA	-	-	13.47	81.5	253.42	600.27	1147.23	1891.88
TOTAL(B)	6.45	272.55 (4124.31)	1119.06 (310.59)	3120.33 (178.83)	7725.77 (147.65)	15045.55 (94.74)	27974.82 (85.93)	50927.08 (82.04)
TOTAL (A+B)	34898.47	50094.46 (43.54)	55747.55 (11.28)	66653.75 (19.56)	82853.06 (24.31)	105837.77 (27.78)	155797.66 (47.38)	200717.07 (29.01)

It can be seen from the table 4.58 that from Rs.49821.91 crores of total premium in the year 2001-02, LIC was able to gain Rs.149789.99 crores of business in the year 2007-08. Hence the graph has shown an upward trend all through the years from 2001-02 to 2007-08. Taking the growth rate into consideration LIC strove hard to show a

considerable growth rate from 9.65 percent in 2002-03 to 40.79 percent in 2006-07 and with a decline of 17.19 percent in the year 2007-08.

In case of private players, there was a tremendous increase in their premium amount from Rs.6.45 crores in the initial year to Rs.50927.08 crores in the year 2007-08. But when the rate of growth was considered there was a declining trend as the percentage gradually decreases from 310.59 percent in 2002-03 to 82.50 percent in the year 2007-08.

Comparably LIC scores the performance in respect of total life insurance premium. For better understandability the determinant in terms of their market share was also taken into account. Table 4.59 depicts the market share of total life insurance premium of all insurers in India.

Table No: 4.59

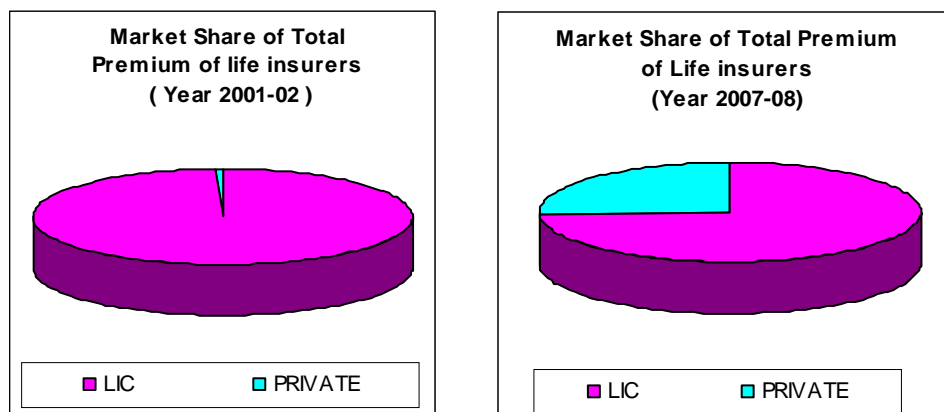
Table Showing the Market share of Total premiums

NAME OF INSURER	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
PUBLIC SECTOR								
LIC (A)	99.98	99.46	97.99	95.32	90.67	85.75	81.92	74.39
PRIVATE SECTOR								
HDFC	0	0.07	0.27	0.45	0.83	1.48	1.83	2.41
MNYL	0	0.08	0.17	0.32	0.50	0.74	0.96	1.35
ICICI PRU	0.02	0.23	0.75	1.48	2.85	4.03	5.07	6.74
BSLI	0	0.57	0.26	0.81	1.11	1.19	1.14	1.63
TATA AIG	-	0.04	0.15	0.38	0.60	0.83	0.88	1.02
KOTAK LIFE	-	0.02	0.07	0.23	0.56	0.59	0.62	0.84
SBI LIFE	-	0.03	0.13	0.34	0.73	1.02	1.88	2.79
BAJAJ ALLIANZ	-	0.02	0.12	0.33	1.21	2.96	3.40	4.83
MET LIFE	-	0	0.01	0.04	0.10	0.20	0.32	0.58
RELIANCE LIFE	-	0	0.01	0.05	0.13	0.21	0.64	1.60
ING VYSYA	-	0.01	0.04	0.13	0.41	0.4	0.45	0.58
AVIVA	-	-	0.02	0.12	0.31	0.57	0.74	0.94
TOTAL(B)	0.02	0.54	2.01	4.68	9.33	14.25	18.08	25.61
TOTAL A+B)	100	100	100	100	100	100	100	100
	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)		
Public sector	74.39	99.46	89.35	9.182	13.24	-4.66		
Private sector	0.54	25.61	10.65	9.182	86.24	84.03		

The above table 4.59 shows that the percentage of market share of total premium in case of public sector ranges between 74.39 to 99.46 with a mean of 89.35 and a coefficient of variation 13.24 percent. The market share of total premium has shown a negative growth rate of 4.66 percent. In case of private sector the percentage ranges between 0.54 to 25.61 with a mean of 10.65 and a coefficient of variation 86.24 percent and has shown a growth rate of 84.03 percent.

Chart No: 4.26

Chart Showing the Market Share of Total Premium of Life insurers



While analyzing the market share of life insurance companies in India it was clear that LIC has lost its market share and got reduced with the entry of the private players after 2001-02. Contrary to this the private players has increased its market share from 0.02 percent in 2000-01 to 25.61 percent in 2007-08 thereby giving tough competition to the insurance giant LIC.

4.2.1 (b) First Year Premium

The table 4.60 depicts the performance of both public and private life insurance companies with respect to first year premium. The performance of LIC, in case of this determinant was satisfactory as it shows year after year increasing growth rate. Except in the year 2002-03, in which the rate of growth declines and even turns out to be negative with 18.44 percent and with an income of Rs.15976.76 crores. This was the year when the private players entered the insurance market. But in the next consecutive years LIC sustained to grow from 8.58 percent in the 2003-04 to 97.17 percent in the year 2006-07.

Table No: 4.60**TABLE SHOWING THE FIRST YEAR PREMIUM (RS. IN CRORES)**

NAME OF INSURER	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
PUBLIC SECTOR								
LIC (A)	9700.98	19588.77 (101.93)	15976.76 (-18.44)	17347.62 (8.58)	20653.06 (19.05)	28515.87 (38.07)	56223.56 (97.17)	59996.57 (6.71)
PRIVATE SECTOR								
HDFC STD LIFE	0.002	32.78	129.31	209.33	486.15	1042.65	1648.85	2685.37
MNYL	0.16	38.80	67.31	137.28	233.63	471.36	912.11	1597.83
ICICI PRU	5.97	113.33	364.11	750.84	1584.34	2602.5	5162.13	8034.75
BSLI	0.32	28.11	129.57	449.86	621.31	678.12	882.72	1965.01
TATA AIG	-	21.14	59.77	181.59	297.55	464.53	644.82	964.51
KOTAK LIFE	-	7.58	35.21	125.51	373.99	396.06	614.94	1106.62
SBI LIFE	-	14.69	71.88	207.05	484.85	827.82	2563.84	4792.82
BAJAJ ALLIANZ	-	7.14	63.39	179.55	857.45	2716.77	4269.80	6674.48
MET LIFE	-	0.48	7.70	23.41	57.52	148.53	340.44	825.35
RELIANCE LIFE	-	0.28	6.32	27.21	91.33	193.56	932.11	2751.05
ING VYSYA	-	4.19	17.66	72.10	282.42	283.98	467.66	704.44
AVIVA	-	-	13.47	76.96	192.29	407.12	721.35	1053.98
Private Total (B)	6.45	268.51 (4061.70)	965.69 (259.65)	2440.71 (152.74)	5562.83 (127.99)	10233.00 (84.55)	19160.75 (88.84)	33156.21 (73.56)
Industry Total (A+B)	9707.40	19857.28 (104.56)	16942.45 (-14.68)	19788.32 (16.80)	26217.64 (32.49)	38748.87 (47.94)	75384.33 (94.96)	93152.78 (23.88)

Figures in brackets show the growth rate over the previous years.

The scene in case of private players was entirely different. From Rs.6.45 crores in the initial year 2000-01, they were able to increase the first year premium to Rs.33156.21 crores in the year 2007-08. But the rate of growth was declining year after year from 259.65 percent in the year 2002-03 to 88.84 percent in the year 2006-07.

Table No: 4.61

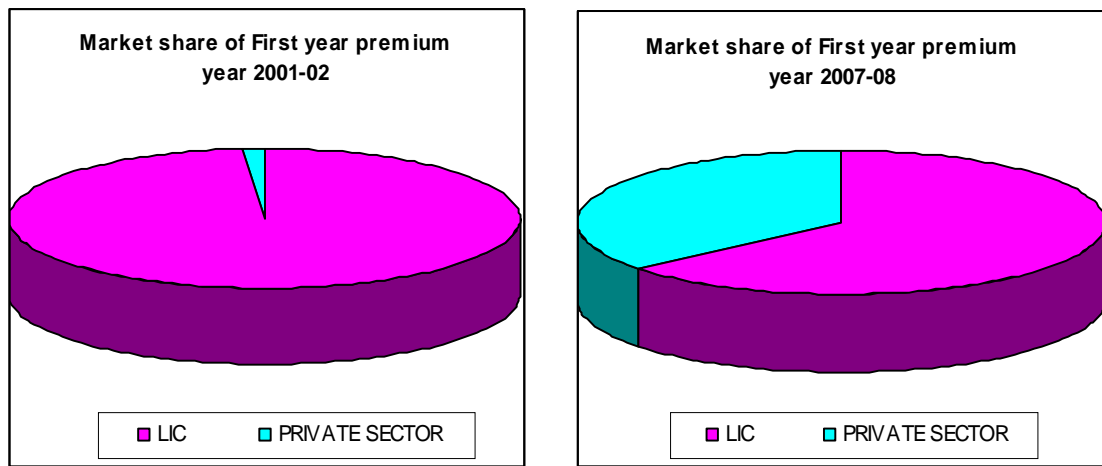
TABLE SHOWING THE MARKET SHARE OF FIRST YEAR PREMIUM OF LIFE INSURERS

NAME OF INSURER	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
PUBLIC SECTOR								
LIC (A)	99.93	98.65	94.30	87.67	78.78	73.52	74.35	64.02
PRIVATE SECTOR								
HDFC LIFE	0	0.17	0.76	1.06	1.85	2.69	2.18	2.87
MNYL	0	0.20	0.40	0.69	0.89	1.22	1.21	1.71
ICICI PRU	0.06	0.57	2.15	3.79	6.04	6.71	6.83	8.57
BSLI	0.01	0.14	0.77	2.27	2.37	1.75	1.17	2.10
TATA AIG	-	0.11	0.35	0.92	1.14	1.20	0.85	1.03
KOTAK LIFE	-	0.02	0.21	0.63	1.43	1.02	0.81	1.18
SBI LIFE	-	0.07	0.42	1.05	1.85	2.13	3.39	5.11
BAJAJ ALLIANZ	-	0.04	0.37	0.91	3.27	7.01	5.65	7.12
MET LIFE	-	0	0.05	0.12	0.22	0.38	0.45	0.88
RELIANCE LIFE	-	0	0.04	0.14	0.35	0.50	1.23	2.93
ING VYSYA	-	0.02	0.10	0.36	1.08	0.73	0.62	0.75
AVIVA	-	-	0.08	0.39	0.73	1.05	0.95	1.13
Private Total (B)	0.07	1.35	5.7	12.33	21.22	26.48	25.65	35.98
Industry Total (A+B)	100	100	100	100	100	100	100	100
		Min.Val.	Max.Val.	Mean	SD	C.V(%)	C.G.R(%)	
Public sector		64.02	98.65	80.813	12.75	15.78	-6.71	
Private sector		1.35	35.98	19.187	12.75	66.45	62.55	

Source: Annual Reports, 1993-94 To 2007-08.

Chart No: 4.27

Chart Showing the Market Share of First Year Premium



The table 4.61 shows the market share of public and private insurers in terms of first year premium. In case of LIC the percentage of market share gradually decreases year after year from 99.93 percent in the year 2000-01 to 64.02 percent in the year 2007-08. But in case of private players from 0.07 percent market share, they were able to capture 35.98 percent in the year 2007-08. Hence LIC has lost its market share with the entry of private insurers in India.

4.2.1 (c) Market share of Single Premium, Renewal premium and Total premium

The table 4.62 depicts the comprehensive picture of the market share of LIC and private insurers in terms of first year premium, single premium, renewal premium and total premium. In all the cases LIC's market share was declining whereas that of private player's was increasing.

In First year premium LIC's share starts initially from 98.65 percent and declines down to 64.02 percent. It was the same in the case of single premium also in which the initial share of 98.65 percent declined to 86.99 percent. In renewal premium the share started from 99.99 percent but reduced to 83.42 percent in the year 2007-08. In case of total premium the share of 99.46 percent in the year 2001-02 declined to 74.39 percent in 2007-08.

Private players comparably have increased their market share in all the above said parameters. In First year premium from 1.35 percent market share they raised up to 35.98 percent share in 2007-08. In single premium from 1.35 percent share they increased to 15.65 but again declined to 13.01 percent. In case of renewal premium it starts from 0.01 percent proceeded to 16.56 percent in the year 2007-08. Total premium as such started from 0.54 percent share and ended up with 25.61 percent share in 2007-08.

To sum up the market share of LIC declined and that of private players has increased year by year.

Table No: 4.62

Table Showing the First Year, Single, Renewal and Total Premium

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
FIRST YEAR PREMIUM							
LIC	98.65	94.30	87.44	73.41	73.52	74.35	64.02
Private sector	1.35	5.70	12.56	26.59	26.48	25.65	35.98
SINGLE PREMIUM							
LIC	98.65	94.30	87.44	87.02	84.35	87.04	86.99
Private Sector	1.35	5.70	12.56	12.98	15.65	12.96	13.01
RENEWAL PREMIUM							
LIC	99.99	99.60	98.55	96.18	92.82	89.03	83.42
Private sector	0.01	0.40	1.45	3.82	7.18	10.97	16.56
TOTAL PREMIUM							
LIC	99.46	97.99	95.29	90.67	85.75	81.92	74.39
Private Sector	0.54	2.01	4.71	9.33	14.25	18.08	25.61

Chart No: 4.28

Chart Showing Single Premium

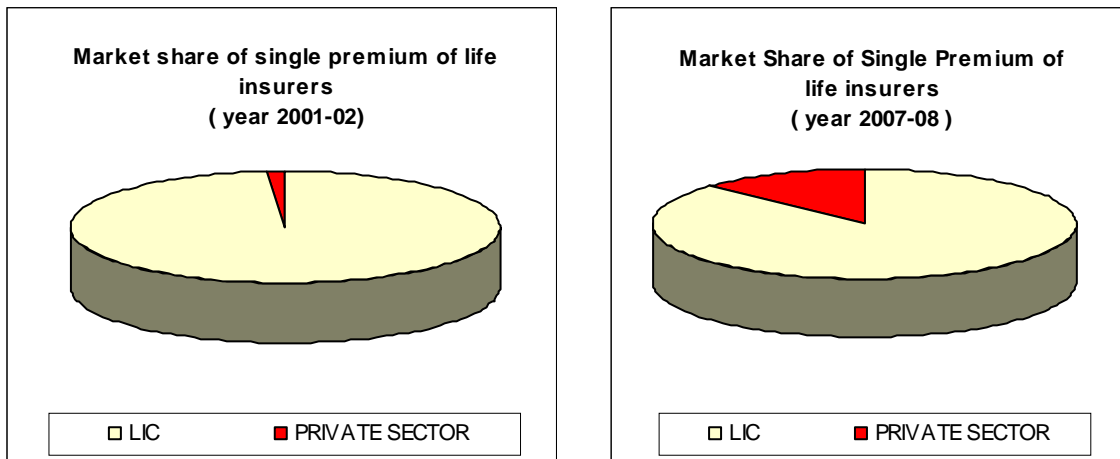
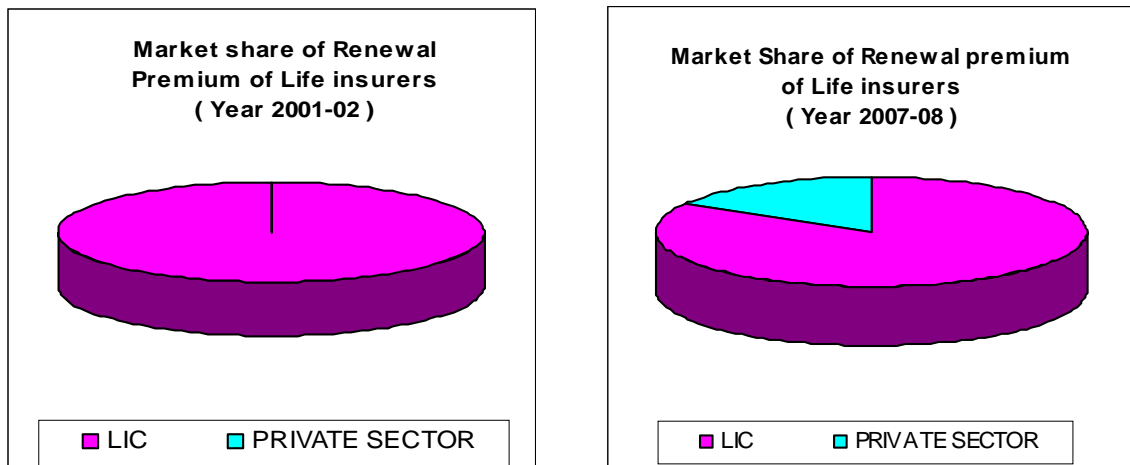


Chart No: 4.29

Chart showing Renewal Premium



4.2.1(d) New policies issued and its growth rate

The New policy issued every year is an important determinant as this shows the effort taken by the insurance companies in expanding its market share. Hence the performance of both the private and public life insurers was taken to assess and compare which of these two sectors were performing better and especially the impact of private player's entry with regard to LIC. Table 4.63 depicts the new policies issued and its growth rate from the year 2001-02 to 2007-08.

The table shows that the new policies issued in private sector ranges between 8,25,094 to 1,32,61,558 with a mean of 49,62,043 and a coefficient of variation 96.36 percent and has shown a growth at 63.80 percent.

The performance of LIC in case of new policies issued ranges between 2,39,78,123 to 3,82,29,292 with a mean of 3,04,87,395 and a coefficient of variation 20.85 percent with a growth at 6.60 percent.

Table No: 4.63

Table showing New policies Issued and its growth rate

YEAR	INSURER					
	PRIVATE SECTOR		LIC	TOTAL		
2001-02	-		-	-		
2002-03	825094		24545580	25370674		
2003-04	1658847 (101.05)		26968069 (9.87)	28626916 (12.83)		
2004-05	2233075 (34.62)		23978123 (-11.10)	26211198 (8.44)		
2005-06	3871410 (73.37)		31590707 (31.75)	35462117 (35.29)		
2006-07	7922274 (104.64)		38229292 (21.01)	46151566 (30.14)		
2007-08	13261558 (67.40)		37612599 (-1.61)	50874157 (10.23)		
	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)
Private sector	825094	13261558	4962043	4781362	96.36	63.80
Public sector	23978123	38229292	30487395	6355852	20.85	6.60

Source: Annual Reports, 1993-94 To 2007-08. Figures in the brackets indicate growth ratio (in percent)

To sum up LIC has shown fluctuating performance and comparatively private players has shown high rate of growth in new policies issued as they were in their initiation period and many new players entered the insurance market year by year.

Table No 4.64

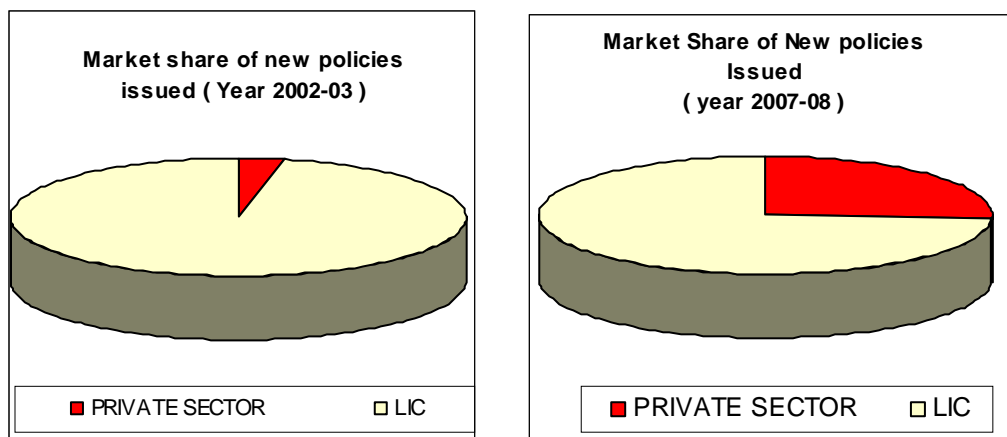
TABLE SHOWING MARKET SHARE IN TERMS OF NEW POLICIES ISSUED

YEAR	INSURER		
	PRIVATE SECTOR	LIC	TOTAL
2001-02	-	-	-
2002-03	3.25	96.75	100
2003-04	5.79	94.21	100
2004-05	8.52	91.48	100
2005-06	10.92	89.08	100
2006-07	17.17	82.83	100
2007-08	26.07	73.93	100

It is essential to have a look at their market share also and the table 4.64 clearly depicts the market share of both LIC and the private players with regard to new policy issuance. The percentage of market share of private insurers kept on increasing from 3.25 to 26.07 percent. The market share of LIC shows a declining trend from 96.75 percent initially it started to decline to 73.93 percent in the year 2007-08. This shows that LIC has lost its new business performance and has got impacted because of the entry of private players.

Chart No: 4.30

Chart showing Market Share of New Policies Issued



4.2.1(e) Business In force (Number of policies)

The table 4.65 indicates the quantum of business in terms of number of policies from 2004-05 to 2007-08 as this was the year of crucial consideration. It's a major indicator and was taken for evaluation along with its growth rate and its market share.

LIC initially attained 16.3 crores of policies of business in the year 2004-05 and gained 98.54 percent of market share. Gradually it grew up and attained 19.2 crores number of policies in the year 2007-08 and was able to maintain 97.10 percent of market share. Taking the market share of this parameter, LIC holds a majority of the share holding 97 percent throughout the years.

In case of private players they started with 23,98,000 number of policies and attained 57,39,000 in the year 2007-08. The growth rate in the year 2005-06 shows a drastic increase of 47.18 percent when compared to the previous year, but the private players could not sustain it and goes in a declining trend with 32.82 percent in the year 2006-07 and 23.41 percent in the year 2007-08. They were able to keep up their market share from 1.46 percent in the year 2004-05 to only 2.90 percent in the year 2007-08.

Comparably LIC has shown better performance in terms of business in force with regard to number of policies.

Table No: 4.65

Table showing Business In force In terms of Number of policies

	2004-05		2005-06			2006-07			2007-08		
Name of Insurer	No. of policies	Market share	No. of policies	Growth rate %	Market share	No. of policies	Growth rate %	Market share	No. of policies	Growth rate %	Market share
Public sector											
LIC (A)	162950920	98.54	179564000	10.20	98.06	189419000	5.49	97.56	192428000	1.59	97.10
Private Sector											
HDFC STD LIFE	410000	0.25	590000	43.90	0.32	752000	27.46	0.39	996000	32.45	0.50
MNYL	353000	0.21	562000	59.21	0.31	713000	26.87	0.37	896000	25.67	0.45
ICICI PRU	374000	0.23	473000	26.47	0.26	734000	55.18	0.38	1037000	41.28	0.52
BSLI	102000	0.06	159000	55.88	0.09	234000	47.17	0.12	325000	38.89	0.16
TATA AIG	329000	0.20	453000	37.69	0.25	567000	25.17	0.29	579000	2.12	0.29
KOTAK LIFE	97000	0.06	108000	11.34	0.06	123000	13.89	0.06	149000	21.14	0.08
SBI LIFE	200000	0.12	351000	75.5	0.19	411000	17.09	0	420000	2.19	0.21
BAJAJ ALLIANZ	248000	0.15	395000	59.27	0.22	511000	45.58	0.26	540000	5.68	0.27
MET LIFE	62000	0.04	106000	70.97	0.06	112000	5.67	0.06	115000	2.68	0.06
RELIANCE LIFE	48000	0.03	77000	60.42	0.04	189000	145.45	0.10	220000	16.4	0.11
ING VYSYA	152000	0.09	193000	26.97	0.11	253000	31.09	0.13	289000	14.23	0.15
AVIVA	23000	0.01	34000	4.35	0.02	51000	50	0.03	48000	5.88	0.02
Private Total (B)	2398000	1.46	3501000	47.18	1.94	4650000	32.82	2.44	5739000	23.41	2.90
Industry Total(A+B)	165348920	100	183065000	10.73	100	194069000	6.04	100	198042000	2.06	100

4.2.1(f) Business In force in terms of Sum Assured (Rs. in Crores)

Table 4.66 depicts the business in force in terms of sum assured by the life insurers from 2004-05 to 2007-08. From the table it was clear that LIC was able to attain Rs.10,65,095 crores of business in force in the year 2004-05 and reached Rs.14,85,380 crores in the year 2007-08. The private insurers were able to attain Rs.68,082 crores of business in the year 2004-05 and reached Rs.1,35,497 crores in the year 2007-08.

The rate of growth of LIC has shown a declining trend from 20.19 percent in the year 2005-06 to 6.29 percent in the year 2007-08. This was the case in private players also as the rate declined from 38.37 percent in the year 2005-06 to 16.4 percent in the year 2007-08.

From the above statements it is implied that LIC has got its market share reduced from 93.99 percent in the year 2004-05 to 91.64 percent in the year 2007-08, whereas private insurers gained 8.36 percent share of market in the year 2007-08. Hence comparably the performance of private players was better to that of LIC.

Table No: 4.66

Table showing Business In force in terms of Sum Assured (Rs. in Crores)

Name of Insurer	2004-05		2005-06			2006-07			2007-08		
	Sum Assured	Market share	Sum Assured	Growth rate %	Market share	Sum Assured	Growth rate %	Market share	Sum Assured	Growth rate %	Market share
Public sector											
LIC (A)	1065095	93.99	1280159	20.19	93.15	1397468	9.16	92.31	1485380	6.29	91.64
Private Sector											
HDFC STD LIFE	8153	0.72	11801	44.74	.86	14253	20.78	.94	16973	19.08	1.05
MNYL	14132	1.25	19191	35.79	1.39	24525	27.79	1.62	29887	21.86	1.84
ICICI PRU	11030	0.97	13438	21.83	0.98	15403	14.62	1.02	21644	40.52	1.34
BSLI	2951	0.26	3933	33.28	0.27	5113	30	0.34	4654	8.98	.29
TATA AIG	7216	0.64	10303	42.78	0.75	12428	20.63	0.82	12550	0.98	0.77
KOTAK LIFE	5391	0.48	6083	12.84	0.44	7159	17.69	0.47	7561	5.62	0.47
SBI LIFE	3713	0.33	7254	95.37	0.53	9155	26.21	0.6	10997	20.12	0.68
BAJAJ ALLIANZ	8041	0.71	10619	32.06	0.77	12554	18.22	0.83	12998	3.54	0.80
MET LIFE	2633	0.23	4491	70.57	0.33	5018	11.73	0.33	5522	10.04	10.04
RELIANCE LIFE	992	0.09	1767	78.13	0.13	3339	88.96	0.22	4102	22.85	0.25
ING VYSYA	3580	0.32	4393	22.71	0.32	5036	14.64	0.33	5600	11.2	0.35
AVIVA	113	0.01	201	77.88	0.02	415	106.47	0.03	294	29.16	0.018
Private Total (B)	68082	6.01	94206	38.37	6.85	116411	23.57	7.69	135497	16.40	8.36
Industry Total (A+B)	1133136	100	1374364	21.29	100	1513876	10.15	100	1620876	7.07	100

4.2.1(g) Number of life insurance offices

Table No: 4. 67
Table showing the Number of life insurance offices

Name of Insurer	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Public sector							
LIC (A)	2190	2191 (0.046)	2196 (0.23)	2197 (0.046)	2220 (1.047)	2301 (3.65)	2522 (9.60)
Private Sector							
HDFC STD LIFE	4	18	26	90	150	448	569
MNYL	15	23	33	64	84	118	194
ICICI PRU	14	29	69	109	175	583	1958
BSLI	19	29	41	53	97	148	538
TATA AIG	6	13	26	40	72	89	283
KOTAK LIFE	9	28	39	43	46	75	151
SBI LIFE	5	10	19	31	46	138	200
BAJAJ ALLIANZ	7	33	49	153	567	877	1007
MET LIFE	3	8	16	35	43	53	94
RELIANCE LIFE	17	35	48	80	157	159	745
ING VYSYA	4	18	26	38	68	183	265
AVIVA	3	12	22	50	110	140	213
Private Total (B)	116	256 (118.97)	416 (63.78)	804 (93.27)	1645 (104.60)	3072 (86.75)	6391 (108.04)
Industry Total (A+B)	2306	2445 (6.03)	2612 (6.83)	3001 (14.89)	3865 (28.19)	5373 (39.02)	8913 (65.88)
Number of Life Insurance Offices	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)	
Public sector	2190	2522	2260	122.24	5.41	0.12	
Private sector	116	6391	1814	2267.57	125	87.79	

Source: Annual Reports, 1993-94 To 2007-08.

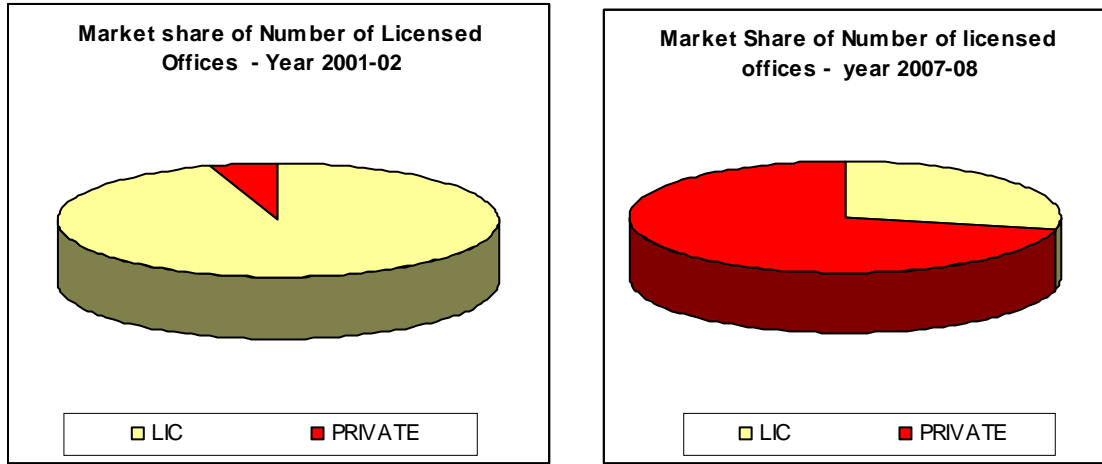
For measuring the performance of life insurers the number of life insurance offices was also considered, as the growth in number determines the wide spread and coverage of the policies in every corner of the country. The table 4.67 depicts the complete picture and the growth of the insurance offices from year 2001-02 to 2007-08.

The above table 4.67 shows that the number of offices in public sector ranges between 2190 to 2522 with a mean of 2260 and a coefficient of variation of 5.41 percent and has shown a compound growth at 0.12 percent.

The number of offices in private sector ranges between 116 to 6391 with a mean of 1814 and a coefficient of variation of 125 percent with a growth at 87.79 percent.

Chart No: 4.31

Chart showing the market share of number of licensed offices



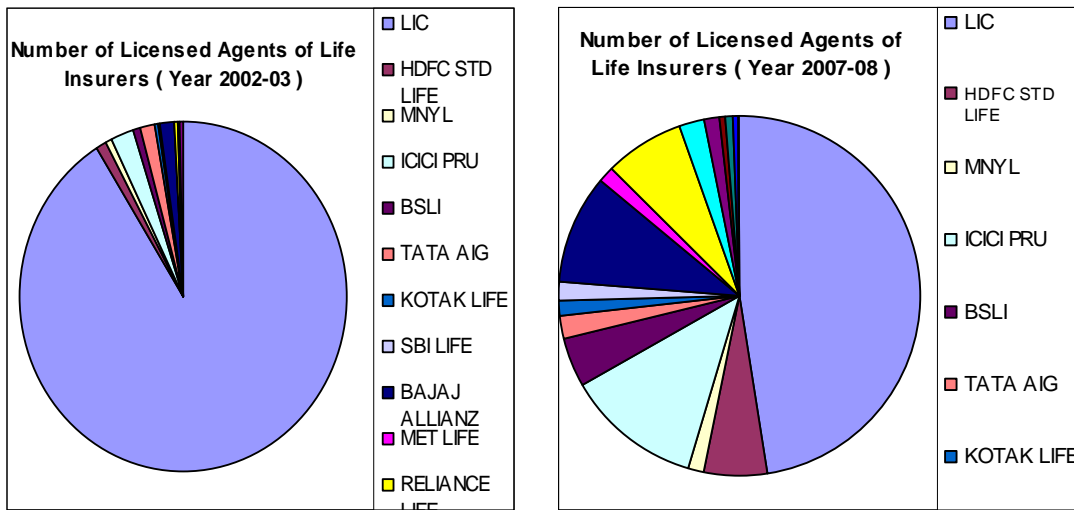
The private players spread on a larger scale year after year that from 116 offices in 2001-02 has grown up to 6391 offices in the year 2007-08. Hence compared to LIC the growth rate was drastic and thus private players were in an urge to increase the offices and to spread their coverage.

4.2.1(h) Number of Licensed agents of Insurers (New and Renewed)

Life insurance business largely depends upon the skill and capabilities of the agents working for an insurance company. There are individual agents as well as corporate agents. At times when an agent is not able to fulfill the condition required to continue his agency, the agency is revoked. In that case there is a provision of renewal of agency within the stipulated time. Table 4.68 shows the total number of agents both new and renewed from year 2002-03 to 2007-08.

Chart No: 4.32

Chart Showing number of licensed agents of insurers



The table 4.68 shows the number of new and renewed agents of insurers year after year and depicts that the number kept on increasing for LIC steadily from 2002-03 to 2007-08, as they attained 1193744 number of agents in the year 2007-08 from 947565 number in the year 2002-03. The number of agents in case of private insurers also increases from 91994 in 2002-03 to 1326748 in the year 2007- 08.

Taking the growth rate into consideration, table 4.69 depicts the year 2003-04 was better when compared to the previous year for LIC and private insurers as both were able to attain 41.65 and 135.94 percent of growth respectively. But the next year 2004-05 was not up to the mark as both LIC and private insurer's growth rate went negative showing 73.64 and 40.89 percent respectively. Similarly the years 2005-06, 2006-07 and 2007-08 have shown increasing and declining trend in both the cases.

Comparably the performance of private players was equally good to that of LIC as they have also shown a high growth rate.

Table No: 4.68

Table showing Number of Licensed agents of Insurers (New & Renewed)

Name of Insurer	2002-03			2003-04			2004-05		
	New	Renewed	Total	New	Renewed	Total	New	Renewed	Total
Public sector									
LIC (A)	479186	468379	947565	733736	608463	1342199 (41.65)	129394	224379	353773 (-73.64)
Private Sector									
HDFC STD LIFE	11312	-	11312	19099	110	19209	9310	1046	10356
MNYL	5770	7	5777	10161	147	10308	6475	523	6998
ICICI PRU	23953	8	23961	46231	587	46818	28019	1911	29930
BSLI	6314	4	6318	13090	117	13207	5025	450	5475
TATA AIG	15559	-	15559	33006	70	33076	16770	1009	17779
KOTAK LIFE	3785	-	3785	6722	14	6736	2657	319	2976
SBI LIFE	2224	-	2224	10514	14348	24862	2006	169	2175
BAJAJ ALLIANZ	14202	-	14202	36341	1	36342	32112	568	32680
MET LIFE	1463	1	1464	3194	2	3196	3324	50	3374
RELIANCE LIFE	1608	-	1608	6423	1	6424	4874	139	5013
ING VYSYA	3914	-	3914	11831	1	11832	7588	132	7720
AVIVA	1870	-	1870	5043	1	5044	3818	1	3819
Private Total (B)	91974	20	91994	201655	15399	217054 (153.94)	121979	6317	128296 (-40.89)
Industry Total (A+B)	571160	468399	1039559	935391	623862	1559253	251373	230696	482069

Table No: 4.68**Table showing Number of Licensed agents of Insurers (New & Renewed) (Contd.,)**

Name of Insurer	2005-06			2006-07			2007-08		
	New	Renewed	Total	New	Renewed	Total	New	Renewed	Total
Public sector									
LIC (A)	155265	316811	472076 (33.44)	197963	905084	1103047 (133.66)	234852	958892	1193744 (8.22)
Private Sector									
HDFC STD LIFE	14768	1949	16717	53470	25639	79109	74465	70249	144714
MNYL	11951	598	12549	18803	6241	25044	26130	10771	36901
ICICI PRU	41553	2936	44489	199453	35007	234460	233895	72459	306354
BSLI	11110	797	11913	41422	15068	56490	55154	53880	109034
TATA AIG	18061	1287	19348	17134	10971	28105	44843	7701	52544
KOTAK LIFE	6925	449	7374	17259	7225	24484	24271	10452	34723
SBI LIFE	4797	315	5112	18343	7013	25356	22251	18392	40643
BAJAJ ALLIANZ	78844	1373	80217	141303	74888	216191	106798	143441	250239
MET LIFE	8218	125	8343	14562	6286	20848	20373	16425	36789
RELIANCE LIFE	14038	255	14293	82531	13091	95622	97798	86396	184194
ING VYSYA	13689	354	14043	25936	8008	33944	30926	21834	52760
AVIVA	9180	24	9204	20708	8344	29052	13662	21645	35307
Private Total (B)	239155	10462	249620 (94.57)	666622	223530	890152 (256.6)	772910	553838	1326748 (49.05)
Industry Total (A+B)	394420	327276	721696	864585	1128614	1993199	1007762	1512730	2520492

Figures in bracket show the growth rate

Table No: 4.69**Table showing Growth rate of Number of agents of life Insurers in India**

Name of Insurer	2003-04 Over 2002-03	2004-05 over 2003-04	2005-06 Over 2004-05	2006-07 Over 2005-06	2007-08 Over 2006-07
Public sector					
LIC (A)	41.65	-73.64	33.44	133.66	8.22
Private Sector					
HDFC STD LIFE	69.81	-46.09	61.42	373.22	82.93
MNYL	78.43	- 32.11	79.32	99.57	47.34
ICICI PRU	95.39	- 36.07	48.64	427.01	30.66
BSLI	109.04	-58.54	117.59	374.19	93.01
TATA AIG	112.58	- 46.25	8.83	45.26	86.96
KOTAK LIFE	77.97	- 55.82	147.78	232.03	41.82
SBI LIFE	1017.90	- 91.25	135.03	396.00	60.29
BAJAJ ALLIANZ	155.89	- 10.08	145.46	169.51	15.75
MET LIFE	118.31	5.57	147.27	149.89	76.51
RELIANCE LIFE	299.50	-21.96	185.12	569.01	92.63
ING VYSYA	202.30	-34.75	81.90	141.71	55.43
AVIVA	169.73	-24.29	141.01	215.65	21.53
Private Total(B)	135.94	-40.89	94.57	256.60	49.05
Industry Total (A+B)	49.99	- 69.08	49.71	176.18	26.45

4.2.1(i) Lapsation of policies

The lapsation rate of all the insurers was considered to analyze the rate of lapsation ratio. It is the total policies that lapses during the year divided by the arithmetic mean of the business in force at the beginning and end of the year. The increase in the lapsation ratio shows the poor performance of the insurers and vice versa. Hence the comparative analysis was made among private and the public life insurance companies. Table 4.70 shows the lapsation status of the insurance companies in terms of number of policies and sum assured of all the insurance companies from 2004-05 to 2007-08.

Table No: 4.70

Table showing Lapsation in terms of Number of policies and Sum Assured

Name of Insurer	2004-05		2005-06		2006-07		2007-08	
	Sum Assured (Rs. in Crores)	No. of policies ('000s)	Sum Assured (Rs. in Crores)	No. of Policies ('000s)	Sum Assured (Rs. in Crores)	No. of policies ('000s)	Sum Assured (Rs. in Crores)	No. of policies ('000s)
Public sector								
LIC (A)	65006.57	10211.09	61640	9568.88	63206.46	7773	73686	11009
Private sector								
HDFC STD LIFE	620.29	37.72	793.56	40.55	787.29	29.32	909	36
MNYL	1581.15	78.22	2657.78	104.02	2666.28	163.09	3394	142
ICICI PRU	1013.64	52.47	1377.46	136.54	2460.90	179.97	6854	439
BSLI	320.49	5.35	359.97	5.26	596.62	7.82	1017	16
TATA AIG	1141.16	68.84	1615.67	92.49	3041.64	150.93	5044	238
KOTAK LIFE	358.79	18.23	520.55	27.07	546.37	21.31	1104	25
SBI LIFE	180.74	14.88	459.43	31.52	772.89	85.29	1108	79
BAJAJALLIANZ	750.72	65.95	2417.74	66.47	2364.27	77.42	2392	106
MET LIFE	286.37	13.07	1008.37	31.12	1157.45	36.87	880	28
RELIANCE LIFE	522.94	28.62	259.8	17.58	691.9	47.13	663	43
ING VYSYA	523.59	38.66	855.4	40.73	788.14	45.04	762	54
AVIVA	27.77	7.48	48.99	18.6	3.23	24.19	125	40
PrivateTotal (B)	7327.65	429.48	12436.55	550.72	16093.97	884.1	25104	1288
Industry Total (A+B)	12334.22	10640.57	74076.55	10119.6	79300.43	8657.10	98790	12297
LAPSATION (Number of policies in 000's)	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)		
Public sector	7773	11009	9390	1841.74	19.61	-1.19		
Private sector	429.48	1288	788	384.74	48.82	45.76		
LAPSATION (Sum Assured Rs. in Crores)	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)		
Public sector	61640	73686	65884.74	5379.66	8.17	4.09		
Private sector	7327	25104	15240.08	7494.50	49.18	48.47		

From the table 4.70 it is clear that the lapsation in terms of sum assured in public sector ranges between Rs.61640 crores to Rs.73686 crores with a mean of Rs.65884.74 crores and a coefficient of variation of 8.17 percent and has shown a compound growth at 4.09 percent. In the case of private sector the lapsation ranges between Rs.7327 crores to Rs.25104 crores with a mean of Rs.15240.08 crores and a coefficient of variation of 49.18 percent and has shown a growth rate of 48.47 percent. Hence comparably LIC performs better to that of private players.

The lapsation in terms of number of policies in public sector ranges between 77,73,000 to 1,10,09,000 with a mean of 93,90,000 and a coefficient of variation of 19.61 percent and has shown a negative growth at 1.19 percent. In case of Private Sector, it ranges between 4,29,480 to 12,88,000 with a mean of 7,88,075 and a coefficient of variation 48.82 percent and has shown a growth rate of 45.76 percent. Hence comparably LIC performs better to that of private players and private players have to work on reducing their lapsation rates.

This factor being crucial was further analyzed to find out the variance among the private life insurance companies and to find out whether there exist any significant differences among them. For this factor analysis was used to judge the significant differences among sample means and for this the first twelve companies were taken as the samples, since they top the list. The following table 4.70(a) shows the analysis of variance in terms of sum assured.

Table No: 4.70(a)

Analysis of variance for Lapsation Rate (Sum Assured)

Source	S S	D F	M S	F
Regression	49322680	12	4110223.328	4.40**
Residual	36397210	39	933261.797	

***- Significant at 1 % level

From the table it is clear that the F factor at 1% level of significance indicates that there is significant difference in the mean lapsation among the private insurance companies. And for comparison their mean values are furnished below and were ranked accordingly.

Table No: 4.70 (b) MEAN LAPSATION
(SUM ASSURED Rs. in Crores)

Insurance companies	No. of years	Mean lapsation (Rs. in Crores)	Rank
HDFC STD LIFE	4	777.53	6
MNYL	4	2574.80	3
ICICI PRU	4	2926.50	1
BSLI	4	573.52	10
TATA AIG	4	2710.62	2
KOTAK LIFE	4	632.43	8
SBI LIFE	4	630.02	9
BAJAJ ALLIANZ	4	1981.18	4
MET LIFE	4	833.05	5
RELIANCE LIFE	4	534.41	11
ING VYSYA	4	732.28	7
AVIVA	4	51.25	13

The table 4.70(b) depicts that ICICI Prudential tops the list with highest mean lapsation rate among the twelve insurance companies followed by Tata AIG, Max New York life, Bajaj Allianz, Met life insurance, HDFC STD Life, ING Vysya, Kotak Life, SBI Life, Birla Sunlife and Reliance life. Aviva was comparably better among the twelve life insurance companies with regard to the lapsation rate.

To give a clear picture, the lapsation ratio was calculated taking the average business in force at the beginning and the end of the year. The number of policies lapsed during the year was divided by the average business inforce and hence the lapsation ratio was calculated. The table 4.71 depicts the lapsation ratio in percentage.

Table No: 4.71

Table showing Lapsation ratio (In percentage)

Name of Insurer	2004-05	2005-06	2006-07	2007-08
Public sector				
LIC (A)	6 %	5 %	4 %	6 %
Private Sector				
HDFC STD LIFE	8 %	7 %	4 %	4 %
MNYL	11 %	14 %	25 %	17 %
ICICI PRU	9 %	10 %	26 %	40 %
BSLI	11 %	9 %	4 %	6 %
TATA AIG	16 %	17 %	26 %	35 %
KOTAK LIFE	7 %	9 %	17 %	17 %
SBI LIFE	5 %	6 %	19 %	16 %
BAJAJ ALLIANZ	9 %	23 %	17 %	19 %
MET LIFE	11 %	22 %	34 %	24 %
RELIANCE LIFE	53 %	6 %	35 %	21 %
ING VYSYA	15 %	19 %	17 %	17 %
AVIVA	25 %	24 %	57 %	80 %

The table shows that the lapsation rate of LIC was in a declining trend that from 6 percent in 2004-05 it started to decline to 4 percent in the year 2006-07. In case of private players HDFC shows a declining trend from 8 to 4 percent and Reliance life from 53 to 21 percent.

Max New York Life and Birla Sunlife shows a reduction rate and at times they rose up. But ICICI prudential, TATA AIG, Kotak Life, Bajaj Allianz, Met Life, Aviva were some of the life insurance companies that have increasing lapsation rate and these companies have to strive to reduce it.

Compared to LIC, private life insurers face setback in their lapsation rate and hence have to be improved.

4.2.1(j) Solvency ratio

Solvency ratio is defined as the ratio of available solvency margin to the required solvency margin. Solvency margin is the firm's position to meet out the current liabilities as against current assets. As per section 64VA of the Insurance Act 1938, every life

insurer is required to maintain an excess of value of assets over the amount of liabilities of not less than Rs.50 crores or a sum equivalent based on a prescribed formula, as determined by regulations not exceeding 5 percent of the mathematical reserves and a percentage not exceeding 1 percent of the sum at risk for the policies on which the sum at risk is not negative, whichever is highest. This excess prescribed by the IRDA, is referred to as Required Solvency Margin. In addition IRDA has set a working solvency margin ratio of 1.5 for all the insurers. Table 4.72 depicts the solvency position of all the life insurers in India from 2003-04 to 2007-08 as the number of private insurers started their business in the year 2002-03.

The table depicts that out of the twelve private insurers who underwrote premium in the years 2003-04 and 2004-05, eleven insurers complied with the stipulated solvency requirements. In the next consecutive years too all the private insurers kept up their margin as per the requirements. Even they gradually increased their percentage and were able to keep a higher excess. In case of LIC too depending on the premium income it gradually increased the ratio from 1.11 percent in the year 2003 – 04 to 1.52 percent in the year 2007-08. Hence all the insurers kept up their solvency margin and notably the private insurers kept up a higher percentage.

Table No: 4.72

Table showing the Solvency ratio of life insurers

Name of Insurer	2003-04	2004-05	2005-06	2006-07	2007-08
Public sector					
LIC	1.11	1.27	1.3	1.5	1.52
Private Sector					
HDFC STD LIFE	1.5	1.5	2.9	2.05	2.38
MNYL	1.47	1.47	2.0	2.08	2.25
ICICI PRU	1.5	1.5	1.6	1.53	1.74
BSLI	1.5	1.5	2.0	1.80	4.29
TATA AIG	1.5	1.5	2.7	2.59	2.50
KOTAK LIFE	1.5	1.5	1.8	1.64	2.41
SBI LIFE	1.5	1.5	2.9	1.78	3.30
BAJAJ ALLIANZ	1.5	1.5	2.8	2.45	2.34
MET LIFE	1.5	1.5	1.7	1.73	1.70
RELIANCE LIFE	1.5	1.5	2.0	1.62	1.65
ING VYSYA	1.5	1.5	2.3	2.87	2.36
AVIVA	1.5	1.5	2.8	6.31	2.37

* Source : Annual reports of IRDA from 2003 to 2008.

To sum up in almost all the performance parameters namely the market share of total life insurance premium, first year premium, single premium, renewal premium, business in force in terms of sum assured, new policies issued and growth rate, number of life insurance offices, number of licensed agents and solvency ratio, private players have shown better performance to that of LIC. LIC sounds better in the case of lapsation rate and business in force in terms of number of policies. This indicates that the entry of private players has given tough competition to LIC.

4.2.2. Productivity of private life insurers in India and the comparative study

The analysis has been made by using the following productivity measures:

- 4.2.2(a) Premium income per Branch
- 4.2.2(b) Premium income per Agent
- 4.2.2(c) Business In force per Agent
- 4.2.2(d) Business In force per Branch
- 4.2.2(e) Number of policies per Agent
- 4.2.2(f) Number of policies per Branch
- 4.2.2(g) Operating Expenses Ratio & Growth rate
- 4.2.2(h) Profit status of life insurers
- 4.2.2(i) Dividend paid & Growth rate
- 4.2.2(j) Status of Grievances against life insurers

4.2.2(a) Premium Income per Branch

The Productivity of the insurers was measured taking the total premium income received by all the branches during the particular year. It was calculated by dividing the total annual premium income in a particular year by the total number of branches in that year. Table 4.73 depicts the premium income per branch of all the insurers for the period of the study.

The table 4.73 shows that the premium income of the private players was increasing from the year 2001-02 to 2006-07. It started from Rs.2.35 crores of premium income in the year 2001-02 and reached Rs.9.19 crores in the year 2006-07. But the

subsequent year 2007-08 showed a slight decline with Rs.8.07 crores of premium income per branch.

Comparatively LIC started its business productivity with a high volume of Rs.7.81 crores in the year 2001-02 but from 2002-03 onwards there has been a decline in the percentage. The year 2005-06 has shown an increase with Rs.7.40 crores of business productivity but that declined in the next two consecutive years 2006-07 and 2007-08 with Rs.5.70 crores and Rs.4.82 crores of premium income per branch. This shows that LIC has to improve its productivity of premium income per branch when compared to the private players.

Among the private players SBI Life shows a very high mean of Rs.16.38 crores of premium income per branch with high productivity and hence ranked first among all the other private players. This was followed by ICICI Prudential, Birla Sunlife, Tata AIG, HDFC STD Life, Max New York Life, Kotak Life, Bajaj Allianz, Met Life, ING Vysya and Reliance Life and were ranked accordingly.

Chart No: 4.33

Chart Showing the Premium Income Per Branch

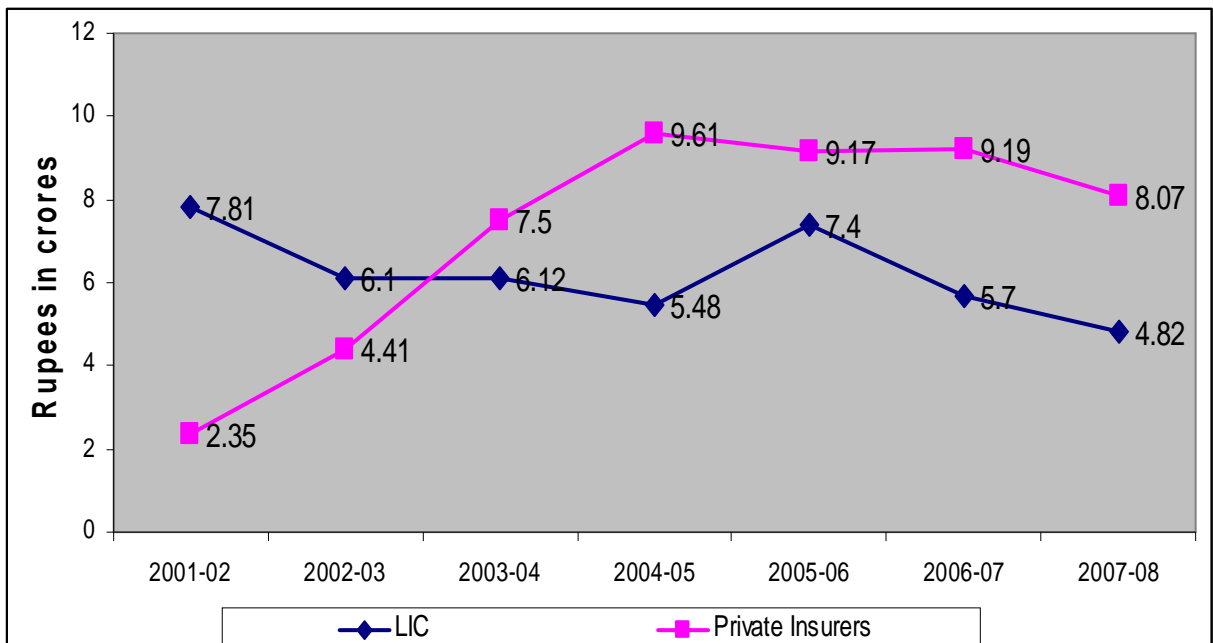


Table No: 4.73**Table showing Premium Income per Branch (Rs. in Crores)**

Name of Insurer	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
HDFC STD LIFE	8.4	8.27	11.45	7.63	10.47	6.37	8.54
MNYL	2.6	4.20	6.52	7.46	9.38	12.71	13.99
ICICI PRU	8.31	14.40	14.34	21.69	24.35	13.57	6.93
BSLI	1.49	4.96	13.11	17.27	12.99	12.00	6.08
TATA AIG	3.52	6.25	9.75	12.43	12.22	15.36	7.23
KOTAK LIFE	0.84	1.44	3.86	10.84	13.52	12.95	11.20
SBI LIFE	2.94	7.23	11.88	19.39	23.38	21.22	28.11
BAJAJ ALLIANZ	1.04	2.12	4.51	6.55	5.53	6.05	9.66
MET LIFE	0.16	0.99	1.80	2.33	4.79	9.30	12.34
RELIANCE LIFE	0.016	0.18	0.65	1.33	1.43	5.49	4.33
ING VYSYA	1.05	1.18	3.40	8.92	6.26	5.05	4.37
AVIVA	-	1.12	3.70	5.07	5.46	8.19	8.88
Private Average	2.35	4.41	7.50	9.61	9.17	9.19	8.07
LIC	7.81	6.10	6.12	5.48	7.40	5.70	4.82
Insurance Companies	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)	Rank
HDFC STD LIFE	6.37	11.45	8.73	1.711	19.59	-1.99	5
MNYL	2.6	13.99	7.98	4.245	53.20	31.31	6
ICICI PRU	6.93	24.35	14.80	6.385	43.15	-.48	2
BSLI	1.49	17.27	9.70	5.598	57.71	23.79	3
TATA AIG	3.52	15.36	9.54	4.120	43.20	16.12	4
KOTAK LIFE	0.84	13.52	7.81	5.545	71.02	61.48	7
SBI LIFE	2.94	28.11	16.38	9.228	56.34	41.02	1
BAJAJ ALLIANZ	1.04	9.66	5.07	2.878	56.81	37.85	8
MET LIFE	0.16	12.34	4.53	4.614	101.86	93.58	9
RELIANCE LIFE	0.02	5.49	1.92	2.137	111.43	139.26	11
ING VYSYA	1.05	8.92	4.32	2.795	64.71	32.11	10

Source: Annual Reports,, 1993-94 To 2007-08.

4.2.2 (b) Premium Income per Agent

The productivity of the agent was calculated by dividing premium income in a particular year by the number of agents in that year. The premium income per agent for the study period was shown in the table 4.74.

The table 4.74 shows that the productivity of agents of LIC was initially declining with Rs.5.8 lakhs of premium income in the year 2002-03 to Rs.4.7 lakhs in the year 2003-04. The year 2004-05 has shown a drastic increase in productivity with Rs.21.2 lakhs of premium income per agent, but then again it tends to decline in the subsequent years.

The productivity of agents of private players was very less with Rs.1.22 lakhs of premium income per agent in the year 2002-03. It gradually increased to Rs.1.44 lakhs in the year 2003-04 and Rs.6 lakhs in the year 2005-06, but declined in the subsequent years. Comparatively the productivity of agents of LIC in terms of premium income per agent was healthy to that of private insurers.

Among the private players themselves, SBI life with Rs.13.00 lakhs mean volume of business per agent stands first, followed by Birla Sunlife, Kotak Life, ICICI Prudential, Max New York life, HDFC Std Life, Aviva, TATA AIG, Bajaj Allianz, Metlife and Reliance life.

Chart No: 4.34

Chart Showing the Premium Income per Agent of Indian Life Insurers

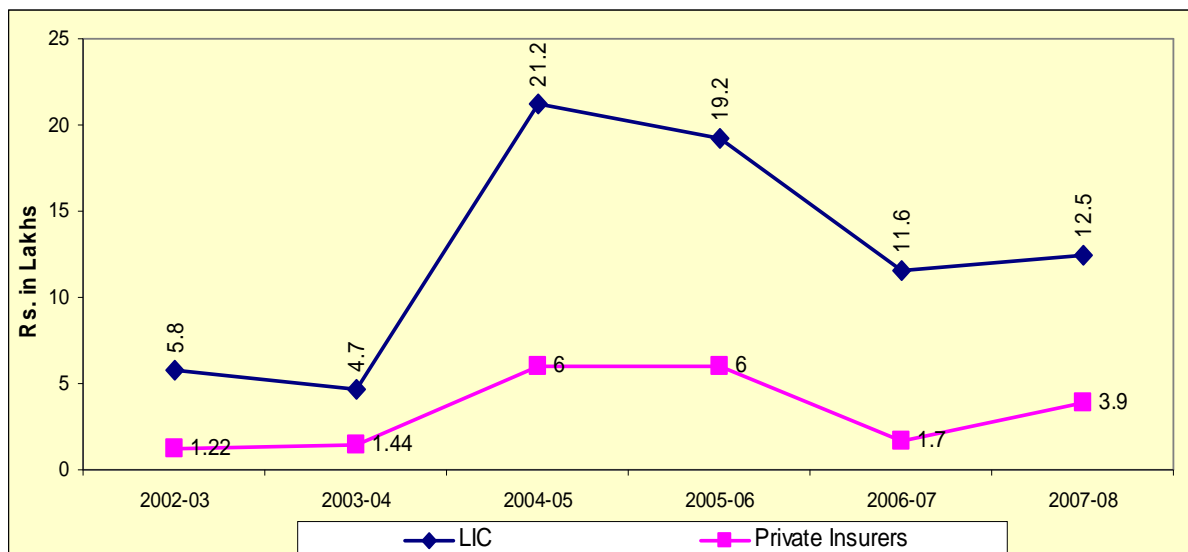


Table No: 4.74

Table showing Premium Income per Agent (Rs. in Lakhs)

Name of Insurer	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
Public sector							
LIC (A)	5.8	4.7	21.2	19.2	11.6	12.5	
Private Sector							
HDFC STD LIFE	1.3	1.6	6.6	9.4	3.6	3.4	
MNYL	1.7	2.1	5.9	6.3	6	7.4	
ICICI PRU	1.7	2.1	7.9	9.6	3.4	4.4	
BSLI	2.3	4.1	16.7	10.6	3.1	3.0	
TATA AIG	0.52	0.7	2.8	4.5	4.7	3.9	
KOTAK LIFE	1.1	2.2	15.7	8.43	3.9	4.9	
SBI LIFE	3.3	0.91	27.6	21	11.5	13.8	
BAJAJ ALLIANZ	0.49	0.61	3.1	3.9	2.5	3.9	
MET LIFE	0.54	0.90	2.4	2.5	2.4	3.2	
RELIANCE LIFE	0.40	0.48	2.1	1.6	1.2	1.8	
ING VYSYA	0.54	0.75	4.4	3	2.1	2.2	
AVIVA	0.72	1.6	6.6	6.5	3.9	5.4	
Private Average (B)	1.22	1.44	6	6	1.7	3.9	
Insurance Companies	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)	Rank
HDFC STD LIFE	1.3	9.4	4	0.031	72.44	24.23	6
MNYL	1.7	7.4	5	0.024	48.72	35.25	4
ICICI PRU	1.7	9.6	5	0.032	66.27	20.05	4
BSLI	2.3	16.7	7	0.058	87.37	.10	2
TATA AIG	0.05	4.7	3	0.019	65.19	59.14	8
KOTAK LIFE	1.1	15.7	6	0.054	88.89	27.73	3
SBI LIFE	0.91	27.6	13	0.102	78.36	51.29	1
BAJAJ ALLIANZ	0.49	3.9	2	0.015	63.70	52.78	9
MET LIFE	0.54	3.2	2	0.010	51.99	40.41	11
RELIANCE LIFE	0.40	2.1	1	0.007	55.57	33.06	12
ING VYSYA	0.54	4.4	2	0.014	66.43	32.05	10
AVIVA	0.72	6.6	4	0.025	60.84	43.55	7

4.2.2 (c) Business In force per Agent

The quantum of business in force indicates the sum assured by the insurers in India and was taken for evaluation by dividing by the number of agents to assess their productivity. This is shown in the following table 4.75

Accordingly the productivity of agent of LIC has shown a declining trend from Rs.3.01 crores of business per agent in the year 2004-05 to Rs.1.24 crores in the year 2007-08. The performance of private players also has shown a downward trend with Rs.0.53 crores of business per agent in the year 2004-05 to Rs.0.102 crores in the year 2007-08.

Comparatively LIC stands better to private players. Among the private players Max New York Life stands first with Rs.1.34 crores of business inforce per agent, followed by SBI Life, TATA AIG, HDFC Std life, Met life, Kotak Life, ING Vysya, Birla Sunlife, ICICI Prudential, Bajaj Allainz, Reliance life and Aviva. The compound growth rate of all the private players has shown a negative trend and hence the private players have to work to improve their productivity.

Chart No: 4.35

Chart Showing the Business In force per Agent

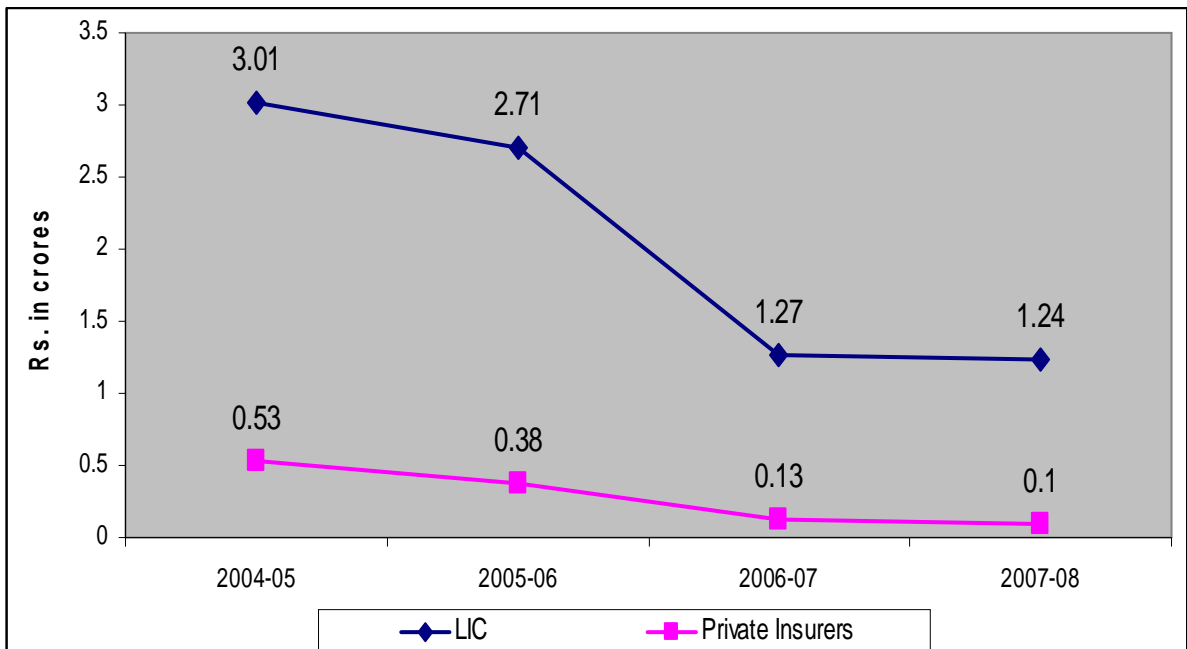


Table No: 4.75

**Table showing Business in force per Agent
(In terms of Sum Assured Rs. in Crores)**

Name of Insurer	2004-05	2005-06	2006-07	2007-08			
Public sector							
LIC (A)	3.01	2.71	1.27	1.24			
Private Sector							
HDFC STD LIFE	0.72	0.71	0.18	0.12			
MNYL	2.02	1.53	0.98	0.81			
ICICI PRU	0.37	0.30	0.07	0.07			
BSLI	0.54	0.33	0.09	0.04			
TATA AIG	1.32	0.53	0.44	0.24			
KOTAK LIFE	0.41	0.83	0.29	0.14			
SBI LIFE	1.81	1.42	0.36	0.27			
BAJAJ ALLIANZ	0.25	0.13	0.06	0.05			
MET LIFE	0.78	0.54	0.24	0.15			
RELIANCE LIFE	0.20	0.12	0.04	0.02			
ING VYSYA	0.46	0.31	0.15	0.11			
AVIVA	0.03	0.02	0.01	0.03			
Private Average	0.53	0.38	0.13	0.10			
Insurance Companies	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)	Rank
HDFC STD LIFE	0.12	0.72	0.43	0.327	75.64	-49.07	4
MNYL	0.81	2.02	1.34	0.550	41.23	-27.29	1
ICICI PRU	0.07	0.37	0.20	0.157	77.58	-47.62	9
BSLI	0.04	0.54	0.25	0.230	91.61	-58.85	8
TATA AIG	0.24	1.32	0.63	0.474	74.95	-41.14	3
KOTAK LIFE	0.14	0.83	0.42	0.296	70.98	-34.79	6
SBI LIFE	0.27	1.81	0.97	0.768	79.60	-50.74	2
BAJAJ ALLIANZ	0.05	0.25	0.12	0.092	75.18	-42.41	10
MET LIFE	0.15	0.78	0.43	0.288	67.40	-43.77	5
RELIANCE LIFE	0.02	0.2	0.09	0.083	87.87	-54.41	11
ING VYSYA	0.11	0.46	0.26	0.160	62.25	-39.46	7
AVIVA	0.01	0.03	0.02	0.008	32.71	-3.47	12

Source: Annual Reports of LIC and IRDA, 1993-94 To 2007-08.

4.2.2 (d) Business In force per Branch

This indicates the quantum of business in force in terms of sum assured divided by the number of branches in that year. Table 4.76 presents the figures for all the life insurers in India. For LIC the determinant tends to be healthy with increasing rate starting from Rs.484.79 crores of business per branch in the year 2004-05 to Rs.607.33 crores in the year 2006-07. Only in the year 2007-08 there was a slight decline with Rs.588.96 crores of productivity.

But the private players' productivity was unsatisfactory as they show declining rate. The year 2004-05 has Rs.84.67 crores of volume of business but thereafter in the consecutive years 2005-06, 2006-07, 2007-08 the graph tends to declining trend with Rs.70.76 crores, Rs.37.89 crores and Rs.21.20 crores of sum assured per branch respectively. Thus comparatively LIC's productivity was better to the private insurers.

Among the private insurers, Max New York Life ranks first with a mean sum of Rs.202.79 followed by TATA AIG, Kotak Life, Met Life, SBI Life, HDFC Std Life, ICICI Prudential, ING Vysya, Birla Sun Life, Bajaj Allainz, and Reliance Life.

Chart No: 4.36

Chart Showing the Business in force per Branch

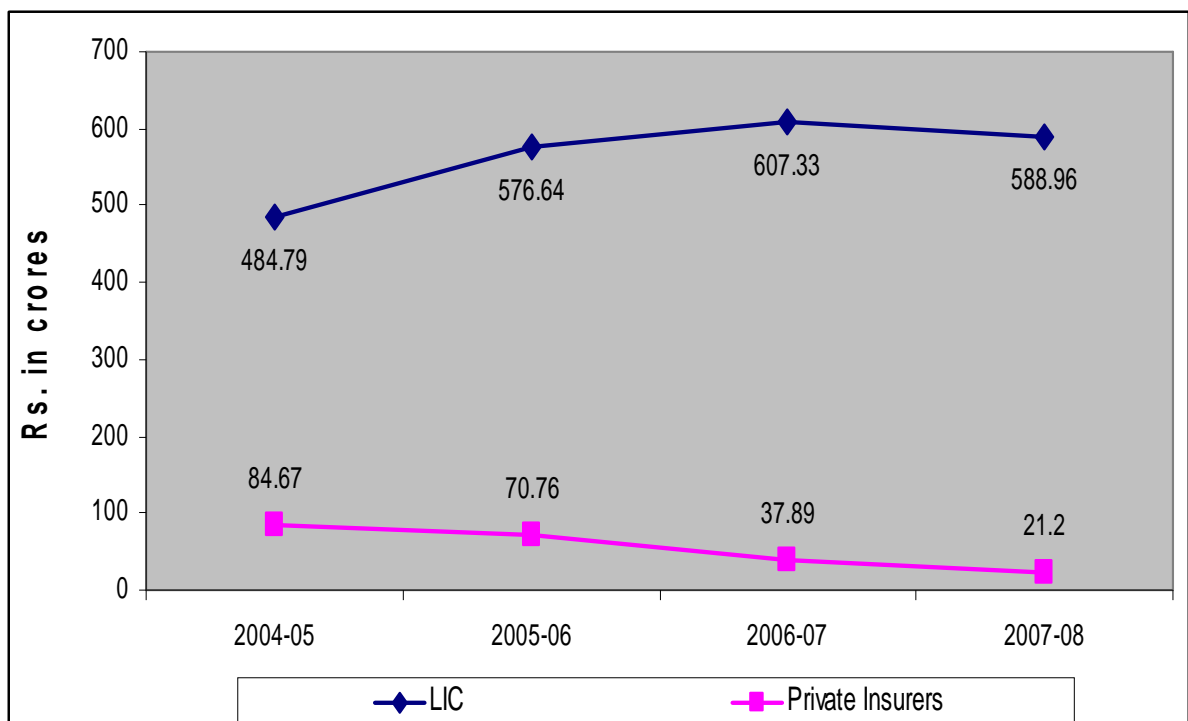


Table No: 4.76
Table showing Business In force per Branch
(In terms of Sum Assured Rs. in Crores)

Name of Insurer	2004-05	2005-06	2006-07	2007-08			
Public sector							
LIC (A)	484.79	576.64	607.33	588.96			
Private Sector							
HDFC STD LIFE	90.58	78.67	31.81	29.82			
MNYL	220.81	228.46	207.83	154.05			
ICICI PRU	101.19	76.78	26.42	11.05			
BSLI	55.67	40.54	34.54	8.65			
TATA AIG	180.4	143.09	139.64	44.34			
KOTAK LIFE	125.37	132.23	80.43	50.07			
SBI LIFE	119.77	38.13	66.34	54.98			
BAJAJ ALLIANZ	52.55	18.72	14.31	12.90			
MET LIFE	75.22	104.44	94.67	58.74			
RELIANCE LIFE	12.4	11.25	21	5.50			
ING VYSYA	94.21	64.60	27.51	21.13			
AVIVA	2.26	1.82	2.96	1.38			
Private Average	84.67	70.76	37.89	21.20			
Private Insurers	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)	Rank
HDFC STD LIFE	29.82	90.58	57.72	31.456	54.50	-34.55	6
MNYL	154.05	228.46	202.79	33.589	16.56	-11.02	1
ICICI PRU	11.05	101.19	53.86	42.234	78.41	-53.75	7
BSLI	8.65	64.54	42.35	24.555	57.98	-40.07	9
TATA AIG	44.34	180.4	126.87	58.031	45.74	-34.52	2
KOTAK LIFE	50.07	132.23	97.03	38.829	40.02	-27.75	4
SBI LIFE	38.13	119.77	69.81	35.268	50.52	-16.32	5
BAJAJ ALLIANZ	12.9	52.55	24.62	18.784	76.30	-36.32	10
MET LIFE	58.74	104.44	83.27	20.369	24.46	-8.06	3
RELIANCE LIFE	5.5	21	12.54	6.398	51.03	-16.60	11
ING VYSYA	21.13	94.21	51.87	34.123	65.79	-41.36	8
AVIVA	1.38	2.96	2.11	0.674	32.01	-9.45	12

Source: Annual Reports of LIC and IRDA from 1993-94 To 2007-08.

4.2.2 (e) Number of policies per Agent

The quantum of business in terms of number of policies was considered and divided by the number of agents in that year to assess the level of productivity of the life insurers in India. Table 4.77 shows the number of policies per agent for all the insurers from 2004–05 to 2007-08 as almost all the top players entered the industry in these years.

Considering LIC, the productivity of agents goes in a declining trend from 460 number of policies in the year 2004-05 to 160 policies in the year 2007-08. In case of private insurers, the productivity was not proven to be healthy as they too decline from 18 number of policies in the year 2004-05 to four policies in the year 2007-08. Among the private players SBI Life tops the list followed by Max New York Life, HDFC Std Life, TATA AIG, Kotak Life, ING Vysya, ICICI Prudential, Birla Sunlife, Met life and Reliance life.

In addition all the private players have shown a negative compounded growth rate and hence comparatively LIC tends to be better in its productivity.

Chart No: 4.37
Chart Showing the Number of policies per Agent

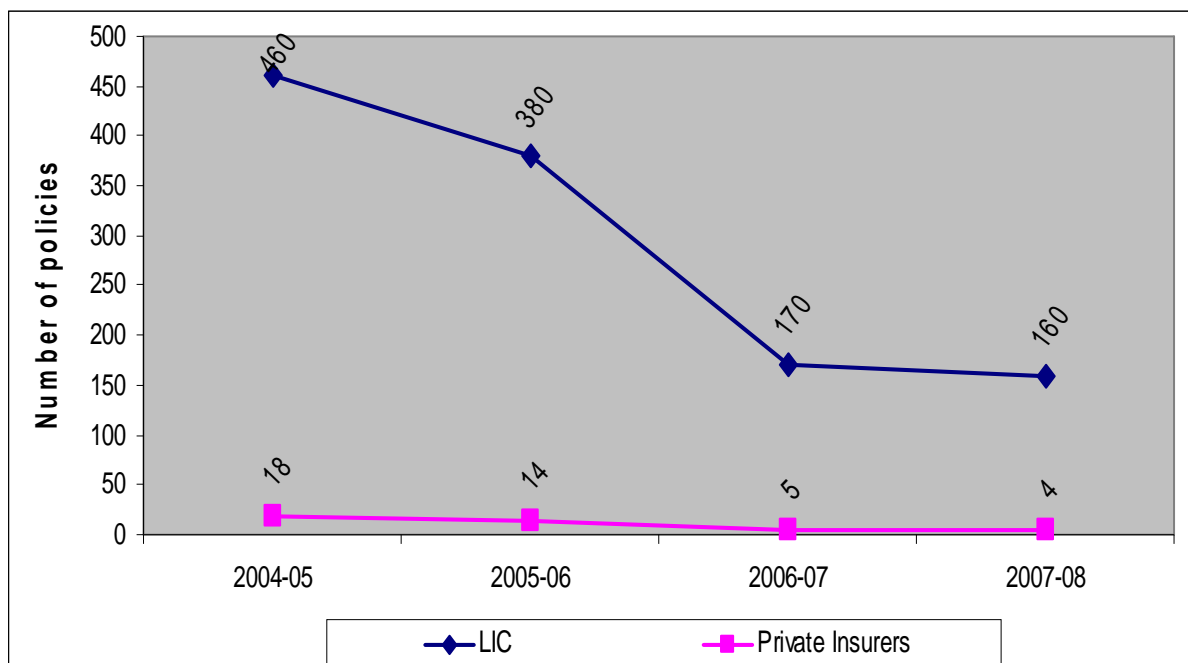


Table No: 4.77**Table showing the Number of policies per Agent**

Name of Insurer	2004-05	2005-06	2006-07	2007-08		
Public sector						
LIC (A)	460	380	170	160		
Private Sector						
HDFC STD LIFE	30	30	9	6		
MNYL	50	40	20	24		
ICICI PRU	10	10	3	3		
BSLI	10	10	4	2		
TATA AIG	10	20	20	10		
KOTAK LIFE	30	10	5	4		
SBI LIFE	90	60	10	10		
BAJAJ ALLIANZ	7	4	2	2		
MET LIFE	10	10	5	3		
RELIANCE LIFE	9	5	1	1		
ING VYSYA	10	10	7	5		
AVIVA	6	3	1	1		
Private Average	18	14	5	4		
Insurance Companies	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)
HDFC STD LIFE	6	30	19	0.013	69.59	-45.3
MNYL	20	50	34	0.014	41.76	-25.14
ICICI PRU	3	10	7	0.004	62.18	-38.22
BSLI	2	10	7	0.004	63.43	-43.7
TATA AIG	10	20	15	0.006	38.49	0
KOTAK LIFE	4	30	12	0.012	98.95	-49.02
SBI LIFE	10	90	43	0.039	92.88	-56.76
BAJAJ ALLIANZ	2	7	4	0.002	63.01	-35.93
MET LIFE	3	10	7	0.004	50.84	-34.98
RELIANCE LIFE	1	9	4	0.004	95.74	-55.96
ING VYSYA	5	10	8	0.002	30.62	-21.52
AVIVA	1	6	3	0.002	85.92	-47.66

4.2.2 (f) Number of policies per Branch

The quantum of business in terms of number of policies was divided by the number of branches in the particular year to assess the productivity of the life insurers. Table 4.78 depicts the figures.

From the table it was clear that the productivity of branches of LIC increases from 74,169 number of policies in the year 2004-05 to 82,320 number of policies in the year 2006-07. Only the year 2007-08 has shown a declining trend with 76,300 number of policies. In case of private players, the productivity of branches tends to be declining from 2990 number of policies in the year 2004-05 to 898 number of policies in the year 2007-08.

Among the private insurers TATA AIG tends to be leading in productivity with a mean of 5735 policies followed by Max New York life, SBI Life, HDFC Std life, ING Vysya, ICICI Prudential, Met Life, Kotak Life, Birla sunlife, Bajaj Allianz and Reliance life. The compounded growth rate of all the private players tends to be negative. Hence comparatively LIC tends to be better with this determinant.

Chart No: 4.38

Chart Showing the Number of policies per Branch

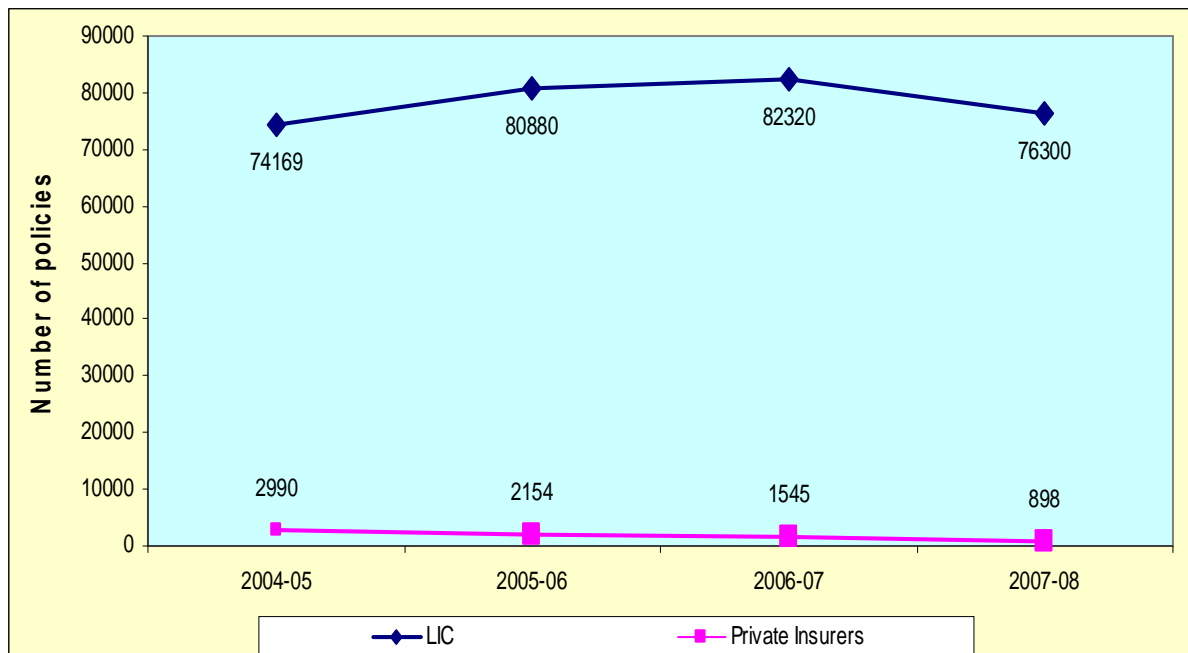


Table No: 4.78**Table showing the Number of policies per Branch**

Name of Insurer	2004-05	2005-06	2006-07	2007-08			
Public sector							
LIC (A)	74169	80880	82320	76300			
Private Sector							
HDFC STD LIFE	4550	3930	1680	1750			
MNYL	5520	6690	6040	4620			
ICICI PRU	3430	2700	1260	530			
BSLI	1920	1640	1580	600			
TATA AIG	8230	6290	6370	2050			
KOTAK LIFE	2260	2350	1640	970			
SBI LIFE	6450	7630	2980	2100			
BAJAJ ALLIANZ	1620	700	580	540			
MET LIFE	1770	2470	2110	1220			
RELIANCE LIFE	600	490	1190	300			
ING VYSYA	4000	2840	1380	1090			
AVIVA	460	310	360	230			
Private Average	2990	2154	1545	898			
Insurance Companies	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)	Rank
HDFC STD LIFE	1680	4550	2978	1.480	49.70	-31.04	4
MNYL	4620	6690	5718	0.874	15.29	-6.06	2
ICICI PRU	530	3430	1980	1.322	66.76	-47.08	6
BSLI	600	1920	1435	0.576	40.14	-29.72	9
TATA AIG	2050	8230	5735	2.615	45.60	-34.01	1
KOTAK LIFE	970	2350	1805	0.640	35.45	-25.15	8
SBI LIFE	2100	7630	4790	2.667	55.67	-34.99	3
BAJAJ ALLIANZ	540	1620	860	0.511	59.44	-29.42	11
MET LIFE	1220	2470	1893	0.532	28.09	-11.96	7
RELIANCE LIFE	300	1190	645	0.384	59.52	-11.24	12
ING VYSYA	1090	4000	2328	1.353	58.12	-37.01	5
AVIVA	230	460	340	0.096	28.31	-17.55	13

Source: Annual Reports, 1993-94 To 2007-08.

4.2.2(g) Operating Expenses and Growth rate

Operating expenses in general includes all selling, management and administrative expenses. In case of insurance industry it includes all expenses of management namely commission payments, capitalized and marketing expenses, employee and training expenses, advertisement, publicity and depreciation expenses. As per section 40B of the Insurance act, provides that no insurer shall in respect of life insurance business transacted in India, spend as expenses of management in excess of the prescribed limits. Hence the operating expenses and its growth rate are taken on account to assess the performance of life insurers in India. Table 4.79 shows the operating expenses and its growth rate from 2001-02 to 2007-08.

Table No: 4.79

Table showing Operating Expenses (Rs. in Lakhs) & Growth rate

YEAR	INSURER		
	PRIVATE SECTOR	LIC	TOTAL
2001-02	41936.62	426039.76	467976.38
2002-03	83827.77 (99.89)	457175.97 (7.31)	541003.74 (15.60)
2003-04	140244.38 (67.30)	518649.79 (13.45)	658894.17 (21.79)
2004-05	222946.80 (58.97)	624126.11 (20.34)	847072.91 (28.56)
2005-06	356813.97 (60.04)	604155.42 (3.19)	960969.39 (13.45)
2006-07	652004 (82.73)	708086 (17.20)	1360091 (41.53)
2007-08	1203246 (84.55)	830932 (17.35)	2034178 (49.56)

Figures in the brackets indicate growth ratio (in percent)

The table 4.79 depicts that in case of LIC, the growth rate of expenses increases in the year 2002-03, 2003-04 and 2004-05 with 7.31, 13.45 and 20.34 percent respectively. The year 2005-06 shows a declining rate with 3.19 percent but this again shoot up to 17.20 percent in the next year.

In case of private players, the rate was very high with 99.89 percent in the year 2002-03. The next two years showed a declining trend with 67.30 percent in 2003-04 and

58.97 percent in 2004-05. But from the year 2004-05 it rose up to very high rates of 84.55 percent in the year 2007-08.

Thus the private players have to work in the process of reducing the operating expenses. The following table 4.80 shows the Operating Expenses Ratio which is the ratio between the operating expenses and the premium underwritten by the life insurers.

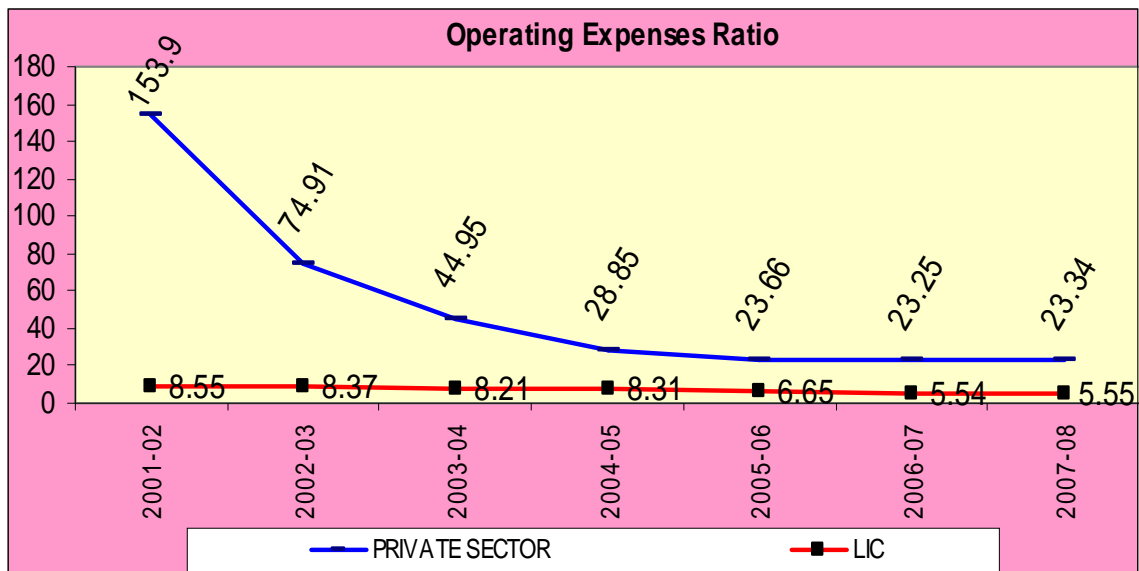
Table No: 4.80

TABLE SHOWING OPERATING EXPENSES RATIO

YEAR	INSURER		
	PRIVATE SECTOR	LIC	TOTAL
2001-02	153.87	8.55	9.34
2002-03	74.91	8.37	9.70
2003-04	44.95	8.21	9.94
2004-05	28.85	8.31	10.22
2005-06	23.66	6.65	9.08
2006-07	23.25	5.54	8.72
2007-08	23.34	5.55	10.10

Chart No: 4.39

Chart showing the Operating Expenses Ratio



In case of operating expenses ratio the private players started with very high percentage of 153.87 in 2001-02 but strove to reduce gradually year by year and were able to achieve 23.34 percent in the year 2007-08. LIC was able to maintain a minimum of 8 percent from 2001-02 to 2004-05 and got it reduced to 5 percent in the last two years 2006-07 and 2007-08. Hence comparably LIC stands ahead to private insurers.

4.2.2 (h) Profit status of life insurers

Life insurance industry is capital intensive and insurers are required to inject capital at frequent intervals to achieve growth in premium income. Given the high rate of commission payable in the first year, expenses towards setting up operations, training costs incurred towards developing the agency for creating niche for its products, providing for policy liabilities and maintaining solvency margin, make it difficult for the insurers to earn profits in the initial five to seven years of their operation. But it is this profit that facilitates the promoters of new insurance companies to run smoothly and establish their foot-hold in the industry. Hence the profitability position of Indian life insurers was evaluated to assess and compare which company is in a better and comfortable position to face stiff competition in the life insurance market. Table 4.81 shows the amount of profit earned or deficit suffered by the life insurance companies in India.

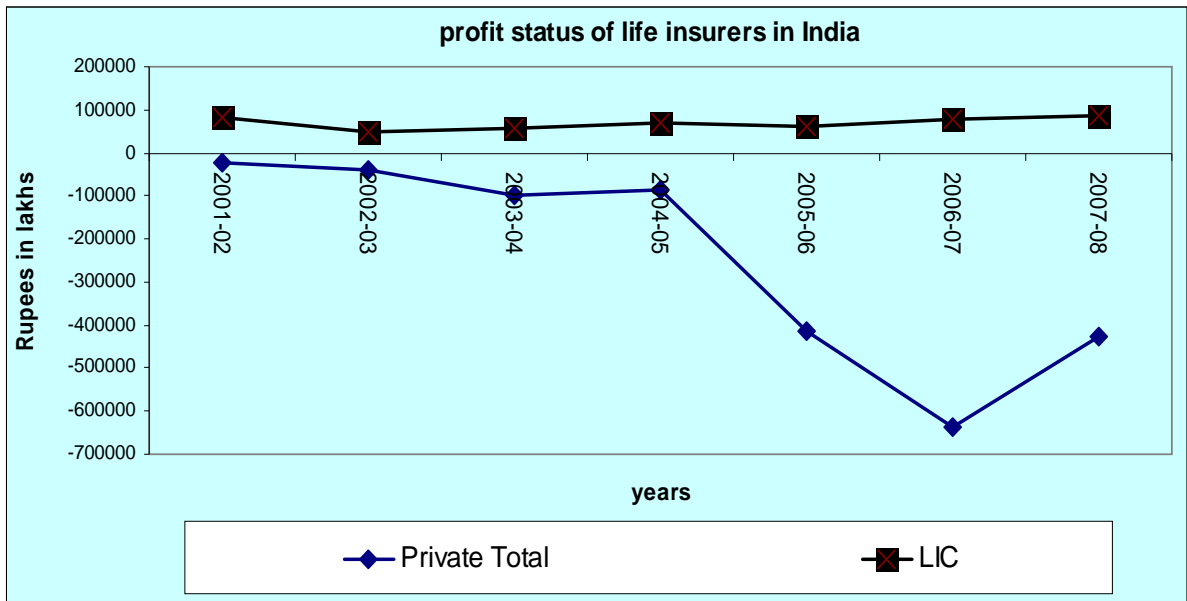
The table 4.81 shows that SBI Life insurance company was the first private company to report net profit of Rs.203 lakhs in 2005-06. It reported higher net profit of Rs.384 lakhs in the year 2006-07 and Rs.3438 lakhs in the year 2007-08. The company has succeeded in achieving an early breakeven on account of its lower cost of operations, as it has been able to leverage the network of its Indian partner, The State Bank of India. Met life earned a profit of Rs.2125 lakhs in the year 2007-08 and was in a comfortable position.

Table No : 4.81

Table showing the Profit status of life insurers (Rs. in Lakhs)

Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Profit from inception
BSLI	-3610	-6096	-7774	-6061	-6113	-13974	-44528	-88987
ICICI-PRU	-10509	-14718	-22158	-21162	-18788	-64891	-139506	-2999676
ING-V	-3094	-3786	-6299	-9376	-12400	-17757	-19053	-71765
HDFC STD LIFE	-2511	-4820	-2344	-8973	-12876	-12556	-24351	-68835
MNYL	1138	482	-23276	-9966	-6006	-6047	-25693	-60974
(AMP-S) RELIANCE LIFE	206	616	-7780	-5401	-9840	-31511	-76807	-130517
A-BAJAJ	-1565	-2655	-2681	-3676	-9854	-7170	-31511	-48990
SBI LIFE	-29	-749	-1641	-1150	203	384	3438	473
OM KOTAK/ KOTAK LIFE	0	0	-9242	-1869	-4442	-11047	-7187	-33868
TATA-AIG	-2524	-4289	-5809	-4959	-5391	-7236	-33930	-64461
METLIFE	-284	804	-1213	-4881	-9774	-1197	2125	-14420
AVIVA	-	-3422	-6420	-9097	-14387	-13175	-20249	-66749
Private Total	-22781	-38633	-96637	-87318	-413018	-637241	-425744	-986465
LIC	82179	49697	55181	70837	63158	77362	84463	77690494

Chart No: 4.40



Except the above mentioned companies all the other private companies reported deficit and needs injection of further capital by the shareholders. The total loss of the private insurers increases initially from Rs.22781 lakhs in the year 2001-02 to Rs.96637 lakhs in the year 2003-04. With slight decrease in the next year it again raised to Rs.637241 lakhs in the year 2006-07. On 31st March 2008 the deficit of all private insurers stood at Rs.425744 lakhs. LIC continued to report surplus but in a fluctuating trend. From Rs.82179 lakhs in the year 2001-02 it got reduced to Rs.49697 lakhs in the year 2002-03. But in the next two years it gained showing an increase in the graph. In the year 2005-06 LIC showed a decline in the surplus at Rs. 63158 lakhs but rose in the next two consecutive years.

4.2.2 (i) Dividend paid and Growth rate

The payment of dividend is a crucial area of the fund management of every company and so as the insurance companies too. It largely depends on the amount of earnings of the firm and the firms dividend policy as to how much to be paid and how much to be retained. But this dividend pay out ratio on the other hand has an impact on the firm's value as it affects the market value of the shares indirectly and the earnings per share directly. Hence the dividend payment was taken for evaluation to assess and compare which of the insurance sector pays better dividends. Table 4.82 shows the amount of dividend paid by the life insurance companies in India.

From the table 4.82 it is clear that the private insurers were not in the position to pay dividends till the year 2007-08 as they did not attain their breakeven position yet*¹. But LIC pays dividend regularly with slight increase or decrease in its volume. Except in the years 2002-03 and 2005-06 the graph tends to move upward with increase in its rates. From Rs.71391 lakhs in the year 2001-02 it got raised to Rs.82959 lakhs in the year 2007-08. Hence comparatively LIC's position was far better in the dividend payment and its growth rate.

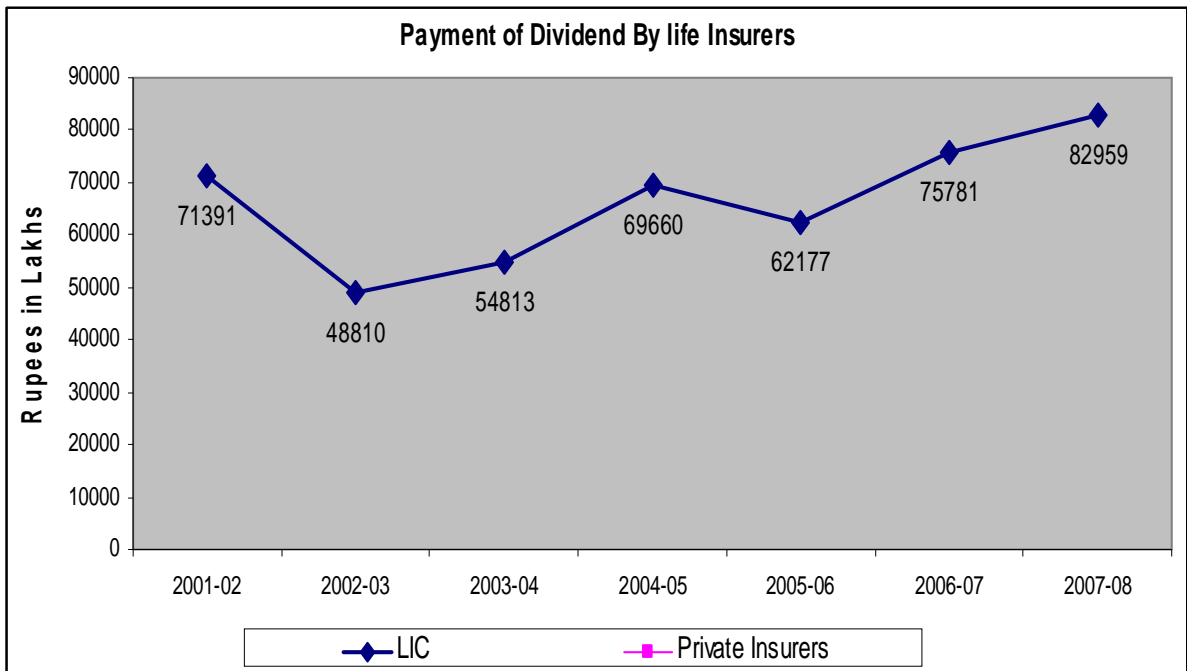
*¹ Sinha Shilpa, "Eight years of private life insurers yet to breakeven", Business Standard, April 16, 2009.

Table No: 4.82

Table showing the Dividend paid (Rs. in Lakhs) and Growth rate

YEAR	INSURER		
	PRIVATE SECTOR	LIC	TOTAL
2001-02	-	71391	71391
2002-03	-	48810 (-31.63)	48810 (-31.63)
2003-04	-	54813 (12.29)	54813 (12.29)
2004-05	-	69660 (27.09)	69660 (27.09)
2005-06	-	62177 (-10.74)	62177 (-10.74)
2006-07	-	75781 (21.88)	75781 (21.88)
2007-08	-	82959 (9.47)	82959 (9.47)

Chart No: 4.41



4.2.2 (j) Status of Grievances against Life Insurers

Complaints and grievances received from policy holders, insurance intermediaries and from various other sources against different life insurance companies are being registered and tracked by the authority as they provide significant inputs to the marketing practices and settlement procedures adopted by insurers. These complaints pertain to various issues like adjustment of premium, policy servicing, payment of claims, mis-selling and complaints received from agents for non payment of commission, non-issuance of NOC certificate, termination condition etc. The total number of complaints reported, resolved and pending from year 2002 to 2007 was given in the following table 4.83.

In case of LIC the status of receiving complaints was not stable but the percentage of resolved to total complaints kept on increasing year after year from 2003-04 to 2006-07 with 8.23, 17.47, 25.34 and 44.35 percent respectively. Only the year 2007-08 has shown a decline with 12.29 percent of resolved complaints.

In case of private players the number of reported complaints kept increasing year by year and the ratio of resolved complaints has shown an increase in the rate in 2003-04 from 79.49 to 88.76 percent. But the next two years has shown a decline with 42.43 and 40.12 percent of resolved complaints. The year 2006-07 and 2007-08 was quite good with 79.98 and 78.24 percent of resolved complaints to total complaints. Hence comparatively LIC scores better productivity to that of private insurers.

Table No: 4.83

Table showing the Status of Grievances against Life Insurers

	2002-03			2003-04			2004-05		
	Reported during the year	Resolved	Pending	Reported during the year	Resolved	Pending	Reported during the year	Resolved	Pending
Public Sector									
LIC (A)	571	221 (38.70)	350 (61.30)	474	39 (8.23)	435 (91.67)	1202	210 (17.47)	992 (82.53)
Private Sector									
HDFC STD LIFE	2	2	0	11	5	6	30	17	13
MNYL	9	7	2	1	1	0	18	8	10
ICICI PRU	10	9	1	8	6	2	39	22	17
BSLI	1	1	0	1	0	1	23	9	14
TATA AIG	5	3	2	7	5	2	31	19	12
KOTAK LIFE	2	1	1	2	1	1	9	2	7
SBI LIFE	2	2	0	3	1	2	24	7	17
BAJAJ ALLIANZ	4	3	1	4	2	2	30	4	26
MET LIFE	1	0	1	0	0	0	2	11	1
RELIANCE LIFE	-	-	-	0	0	0	1	3	0
ING VYSYA	3	3	0	5	3	2	8	5	5
AVIVA	-	-	-	3	2	1	16	0	11
Total (B)	39	31 (79.49)	8 (20.51)	169	26 (88.76)	19 (11.24)	231	98 (42.43)	133 (57.57)
Total (A+B)	610	252 (41.31)	358 (58.69)	519	65 (12.52)	454 (87.48)	1433	308 (21.49)	1125 (78.51)

	2005-06			2006-07			2007-08		
	Reported during the year	Resolved	Pending	Reported during the year	Resolved	Pending	Reported during the year	Resolved	Pending
Public Sector									
LIC (A)	1843	467 (25.34)	1376 (74.66)	354	157 (44.35)	197 (55.65)	651	80 (12.29)	571 (87.71)
Private Sector									
HDFC STD LIFE	96	48	48	31	30	1	106	50	56
MNYL	38	10	28	22	15	7	84	57	27
ICICI PRU	122	58	64	84	71	13	233	212	21
BSLI	48	12	36	29	27	2	67	55	12
TATA AIG	82	41	41	32	24	8	66	48	18
KOTAK LIFE	26	5	21	23	17	6	51	37	14
SBI LIFE	77	23	54	68	45	23	101	86	15
BAJAJ ALLIANZ	114	50	64	145	125	20	403	328	75
MET LIFE	9	4	5	6	3	3	49	22	27
RELIANCE LIFE	8	4	4	10	4	6	89	77	15
ING VYSYA	15	4	11	12	9	3	26	20	6
AVIVA	38	11	27	43	33	10	127	110	17
Total (B)	673	270 (40.12)	403 (59.88)	507	405 (79.89)	102 (20.11)	1406	1100 (78.24)	306 (21.76)
Total (A+B)	2516	737 (29.3)	1779 (70.70)	861	562 (65.27)	299 (34.73)	2057	1180 (57.37)	877 (42.63)

To sum up in most of the productivity determinants namely premium income per branch and agent, business in force per agent and branch, number of policies per branch and agent, operating expenses ratio, dividend payment, profit status and grievance handling mechanism LIC's performance was comparatively better than that of private players.

4.2.3 Investment Portfolio analysis of private life insurers in India and the comparative study :

Investment income is a key determinant in the calculation of premium rates for any insurance company under the various policies/schemes and for declaration of bonuses by life insurers. It is a core function of an insurance company, which cannot be outsourced by an insurer. Therefore insurance companies essentially invest these funds judiciously with the combined objectives of liquidity, maximization of yield and safety. An investment policy has to be submitted to the Authority by an insurer before the start of an accounting year. Since the insurance companies keep the policyholders money in their fiduciary capacity they are also required to maintain a minimum level of solvency to meet the reasonable expectations of the policyholders. The quality and the quantity of the investments are a reflection of the performance of the insurance company. Hence the investment portfolio of the insurance companies has to be assessed and in assessing, the following parameters are taken for consideration:

- 4.2.3(a) Equity share capital of insurance companies
- 4.2.3(b) Investments of Insurers and Percentage Growth
- 4.2.3(c) Life Fund
- 4.2.3(d) Pattern of Investments of Life Insurers as per IRDA Guidelines

4.2.3 (a) Equity share capital of insurance companies

The equity share capital being the owner's capital was taken into account to assess the infusion of capital by the life insurers along with their foreign partners year by year. After privatization according to IRDA regulations 26 percent of infusion of Foreign Direct Investment is permitted in India. This gives place for the private players with foreign promoters to bring in foreign capital to India. Hence the share capital being one of the important sources of insurance fund was also taken for consideration for assessing the investment portfolio of Indian life insurers. Table 4.84 depicts the complete picture of equity capital by all the life insurers in India from year 2001-02 to 2007-08 along with their foreign promoters share and the percentage of FDI .

Table No: 4.84

EQUITY SHARE CAPITAL OF INSURANCE COMPANIES(Rs. IN CRORES)

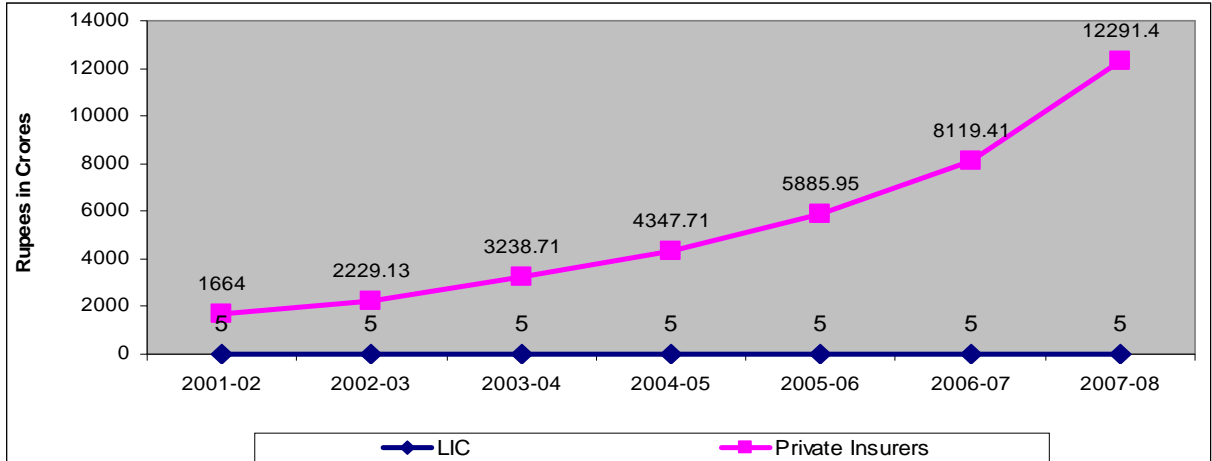
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	FOREIGN PROMOTER (2007-08)	INDIAN PROMOTER (2007-08)	FDI % (2007-08)
PUBLIC SECTOR										
LIC(A)	5	5	5	5	5	5	5	-	5	-
PRIVATE SECTOR										
HDFC STD LIFE	168	218	255.5	320	620	801.26	1271	330.46	940.54	26.00
MNYL	250	255	346.08	466.08	557.43	732.43	1032.43	268.43	764	26.00
ICICI PRU	190	425	675	925	1185	1312.3	1401.11	363.63	1037.48	25.95
BSLI	150	180	290	350	460	671.5	1274.5	331.37	943.13	26.00
TATA AIG	185	185	231	321	447	547	870	226.2	643.8	26.00
KOTAK LIFE	101	131.3	151.26	211.76	244.58	330.35	480.27	124.87	355.4	26.00
SBI LIFE	125	125	175	350	425	500	1000	260	740	26.00
BAJAJ ALLIANZ	150	150.03	150.07	150.07	150.23	150.37	150.71	39.18	111.52	26.00
MET LIFE	110	110	160	235	235	530	761.08	197.88	563.2	26.00
RELIANCE LIFE	125	125	160	217.1	331	664	1147.7		1147.7	0.00
ING VYSYA	110	170	245	325	490	690	790	205.4	584.6	26.00
AVIVA	-	154.8	242.8	319.8	458.7	758.2	1004.5	261.17	743.33	26.00
TOTAL(B)	1664	2229.13	3238.71	4347.81	5885.95	8119.41	12291.42	2821.63	9469.78	22.96
TOTA(A+B)	1669	2234.13	3243.71	4352.81	5891.95	8124.41	12296.42	2821.63	9474.78	22.95
Insurance Companies	Min.Val.	Max.Val.	Mean	SD	C.V (%)	C.G.R (%)	Rank			
HDFC STD LIFE	168	1271	521.966	403.763	77.354	40.70	2			
MNYL	250	1032.43	519.921	284.427	54.706	27.68	3			
ICICI PRU	190	1401.11	873.344	461.579	52.852	36.99	1			
BSLI	150	1274.5	482.286	391.613	81.199	40.46	4			
TATA AIG	185	870	398.000	248.979	62.557	30.59	6			
KOTAK LIFE	101	480.27	235.789	132.664	56.264	28.42	10			
SBI LIFE	125	1000	385.714	309.185	80.159	42.41	8			
BAJAJ ALLIANZ	150	150.71	150.211	0.256	0.170	0.07	11			
MET LIFE	110	761.08	305.869	246.814	80.693	39.55	9			
RELIANCE LIFE	125	1147.7	395.686	382.031	96.549	46.64	7			
ING VYSYA	110	790	402.857	261.691	64.959	39.94	5			

Source: Annual Reports of LIC and IRDA from 1993-94 To 2007-08.

The table 4.84 shows LIC made all its achievements with Rs.5 crores of rupees of equity share capital all through the years. But the private players infuse numerous crores of rupees of share capital every year. Almost all the players were increasing growth rate of the share capital except Bajaj Allianz which tried to maintain its level at Rs.150 crores through out the years.

Chart No: 4. 42

Chart showing the Equity share capital of life insurance companies



According to the regulation almost all the private players including HDFC Std life, Max New York life, ICICI Prudential, Birla Sunlife, TATA AIG, Kotak Life, SBI Life, Bajaj Allianz, Met Life ING Vysya and Aviva met their 26 percent of FDI limit. The top eleven companies were taken to assess their maximum and minimum value of share capital their corresponding mean, standard deviation and coefficient of variation. Their compounded growth rate was calculated and the companies were ranked according to their mean values from highest to lowest order. ICICI Prudentail ranks top followed by HDFC Std life, Max New york life, Birla Sun life, ING Vysya, TATA AIG, Reliance life, SBI Life, Met life, Kotak life and BAJAJ Allianz.

4.2.3 (b) Investments of Insurers and Percentage Growth

To bring out a comparative assessment of investments among public and private sector insurance companies, the total investments made by them along with their growth rate is depicted in the table 4.85. The table depicts that year after year LIC’s investment kept on increasing from Rs. 258200.64 crores in 2002-03 to Rs. 674475 crores in 2007-08. Thus the investments of insurers in Public sector range between Rs.258200.6 crores to Rs.674475 crores with a mean of Rs.503702.9 crores and a coefficient of variation

of 31.02 percent and a compounded growth rate of 14.06 percent. The investments in private sector ranges between Rs.2351.84 crores to Rs.87566 crores with a mean of Rs.34350.83 crores and a coefficient of variation of 111.58 percent and has shown a growth rate of 115.30 percent. Comparatively LIC's performance towards investment was better to private insurers.

Table 4.85

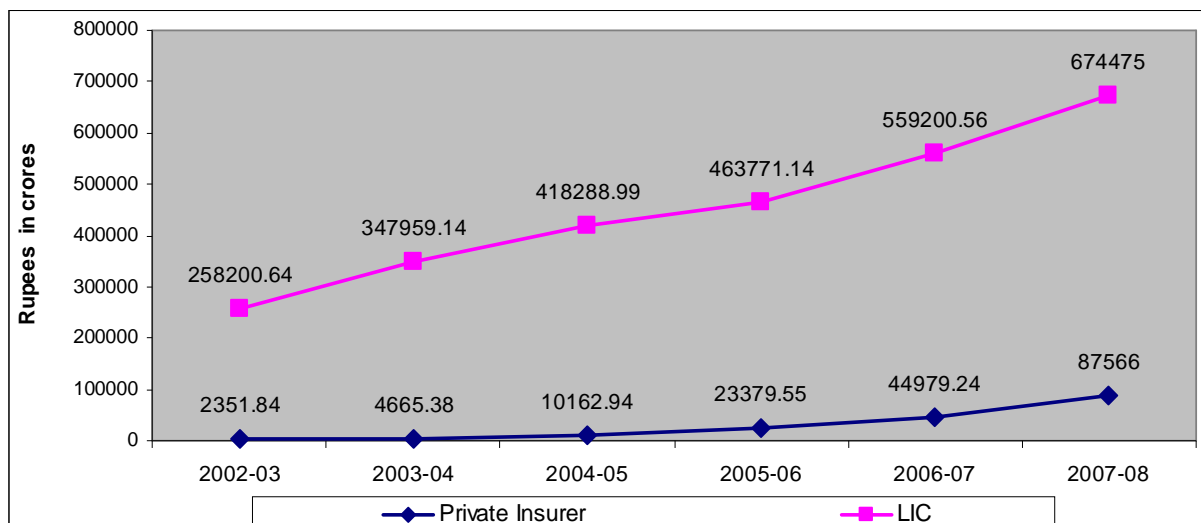
Table showing the Investments of Insurers (Rs. in Crores) & Percentage Growth

YEAR	INSURER					
	PRIVATE SECTOR		LIC		TOTAL	
2001-02	-		-		-	
2002-03	2351.84		258200.64		260552.48	
2003-04	4665.38 (98.37)		347959.14 (34.76)		352624.52 (35.34)	
2004-05	10162.94 (117.84)		418288.99 (20.21)		428451.93 (21.5)	
2005-06	23379.55 (130.05)		463771.14 (10.87)		487150.69 (13.7)	
2006-07	44979.24 (92.39)		559200.56 (20.58)		604179.8 (24.2)	
2007-08	87566 (94.68)		674475 (20.61)		762041 (26.13)	
Investments (Rs. in crores)	Min.Val	Max.Val	Mean	SD	C.V (%)	C.G.R (%)
Private sector	2351.84	87566	34350.83	38329.82	111.58	115.30
LIC	258200.64	674475	503702.9	156241.1	31.02	14.06

Source: Annual Reports, , 1993-94 To 2007-08.

Chart No: 4.43

Chart showing the Investments of Insurers in India



Tests of Significance Based on ‘t’ Distribution

In order to test whether there was significant difference in the mean investments of insurers between public and private sector insurance companies, paired ‘t’ tests were performed and the results were furnished in the tables given below.

	Mean	SD	
Private Sector :	34,350.83	38329.82	
Public Sector :	5,03,702.90	156241.10	
Mean Difference :	- 469352.10		
Standard Error :	.65676.551		
t – value :	-7.146**	DF: 10	** - Significant at 1 % level

The above test showed that there was significant difference in the mean investments of insurers between public and private sector insurance companies and it was higher in public sector than in private sector.

4.2.3 (c) Life Fund

It is a fund created by the companies out of the Life Insurance business. The amount of this fund is used by the LIC for making investments and for providing loans. As per method of accounting of LIC this fund is maintained after meeting all kinds of expenses and after making each and every payment related to life insurance business such as payment of claims, salaries, commission, taxes, government’s share of surplus, surrenders etc. Hence this fund was assessed along with its proportion to total investment funds and its growth rate year by year. Table 4.87 depicts the proportion of life fund to total investment funds of the private and public insurance companies.

Table No: 4.87

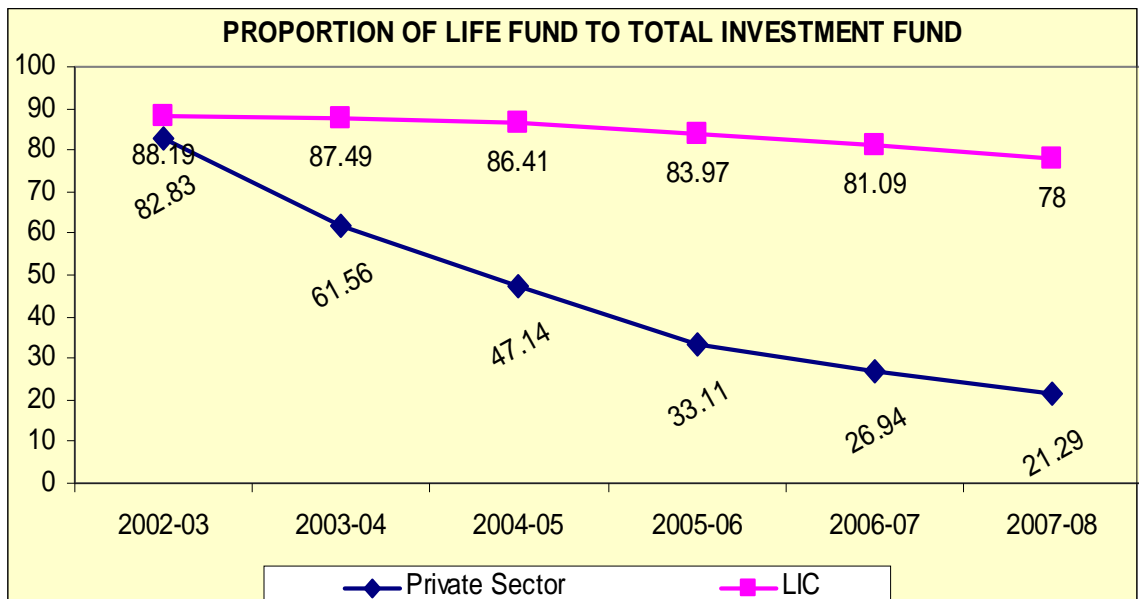
**Table Showing the Proportion of Life Fund to Total Investment Fund
(Rs. in Crores)**

Years	PRIVATE SECTOR			LIC		
	Life Fund	Total Investment Fund	Proportion	Life Fund	Total Investment Fund	Proportion
2001-02	-	-	-	-	--	-
2002-03	1947.92	2351.84	82.83	227700.6	258200.64	88.19
2003-04	2872.03	4665.38	61.56	304436.88	347959.14	87.49
2004-05	4790.98	10162.94	47.14	361428.87	418288.99	86.41
2005-06	7741.13	23379.55	33.11	389447.52	463771.14	83.97
2006-07	12115.24	44979.24	26.94	453440.06	559200.56	81.09
2007-08	18645	87567	21.29	526105	674475	78.00

The table 4.87 shows that the percentage of life fund to total investment fund in case of private life insurance companies was decreasing at an increasing rate from 82.83 percent in the year 2002-03 to 21.29 percent in the year 2007-08. Hence the decline was drastic.

In case of LIC the proportion again declines but the decline was less from 88.19 percent in the year 2002-03 to 78 percent in the year 2007-08. Thus comparatively private players have to strive to increase their life fund.

Chart No: 4.44



4.2.3(d) Pattern of Investments of Life Insurers as per IRDA Guidelines

The IRDA has mandated the pattern of investments to be followed by the insurance companies. Investments in government securities, approved securities, approved investments and infrastructure and social sectors have been prescribed in the Insurance Act, 1938. The authority has also specified that every insurer carrying on the business of life insurance shall invest and at all times keep invested his controlled fund in the following manner.

Pattern of Investments of Life Insurers as per IRDA Guidelines

S.No	Type of Investment	Percentage
i)	Government Securities	25 %
ii)	Government securities or Other approved securities (including (i) above)	Not less than 50 %
iii)	Approved investments as Specified in schedule -I	
a)	Infrastructure and social sector	Not less than 15%
b)	Others to be governed by Exposure Norms (Investments in 'Other than In Approved Investments' in no case Exceed 15 % of the fund)	Not less than 35 %

The Authority has laid down extensive reporting forms that keep track of the performance of the investment portfolio, total investment income, return on various investments, downgraded investments and compliance of the exposure /prudential norms. One of the concerns is to ensure that adequate funds are made available for the infrastructure and social sector and at the same time enough funds are invested in Government securities in order to ensure that an insurance company makes investment in sound instruments /securities. Table 4.88 depicts the complete picture of the investment segregations made by all the Life insurers in India.

Table No: 4.88
Table showing Pattern of Investments of Life Insurers in India (In percentage)

Insurer	2002				2003				2004				2005			
	CG & SG	IF &S	CS	OT	CG& SG	IF &S	CS	OT	CG& SG	IF &S	CS	OT	CG& SG	IF &S	CS	OT
Public Sector																
LIC (A)	54.32	11.79	19.77	12.12	57.87	12.5	16.90	13.18	50.60	12.45	30.49	5.45	50.91	12.14	29.86	7.09
Private Sector																
HDFC STD LIFE	60.78	25.86	16.64	6.45	66.61	15.37	18.2	3.51	58.12	18.09	18.12	5.65	57.21	17.14	21.72	3.93
MNYL	44.18	16.10	16.40	4.15	46.73	17.83	13.69	3.28	50.12	24.23	18.47	7.18	61.00	25.59	9.08	4.33
ICICI PRU	58.88	16.25	17.83	7.40	42.88	9.50	47.61	6.18	53.58	14.66	24.06	7.70	52.83	15.19	24.73	7.25
BSLI	45.35	13.23	28.52	4.59	34.60	8.63	15.32	1.70	52.96	20.42	25.06	1.56	58.66	19.05	16.55	5.74
TATA AIG	53.63	21.48	24.90	-	66.72	16.07	17.08	2.83	81.03	15.77	3.20	-	73.75	16.41	4.11	5.74
KOTAK LIFE	46.66	16.47	32.02	8.83	55.46	18.42	26.11	12.68	50.05	20.76	29.19	-	55.62	23.58	20.43	0.37
SBI LIFE	58.11	20.51	9.43	11.95	61	15.52	23.47	8.9	53.05	15.58	23.70		56.39	14.83	20.33	8.45
BAJAJ ALLIANZ	53.75	17.88	28.18	0	53.67	19.70	25.31	-0.19	63.71	20.85	15.44	7.65	58.45	18.36	18.00	5.18
MET LIFE	55.39	14.65	15.06	14.19	63.23	16.79	19.97	8.33	52.34	19.56	19.17	-	59.53	17.62	15.30	7.82
RELIANCE LIFE	-	-	100	-	69.50	19.89	10.60	0	53.53	14.51	21.68	8.9	55.34	19.71	19.30	5.65
ING VYSYA	56.56	18.64	21.69	0	54.86	15.55	24.47	0	46.11	19.18	26.83	10.97	52.01	18.25	24.14	5.60
AVIVA	-	-	-	-	52.79	18.30	28.89	2.78	54.54	20.47	24.86	7.88	54.98	20.84	24.18	-
Private average	50.33	16.80	28.3	5.52	47.36	17.01	28.39	5.59	57.04	17.06	20.66	5.23	50.85	20.58	22.22	6.35
Total (A+B)				100				100				100				100

Table 4.88 (Contd.,)

Insurer	2006				2007				2008			
	CG & SG	IF & S	CS	OT	CG & SG	IF & S	CS	OT	CG & SG	IF & S	CS	OT
Public Sector												
LIC (A)	55.66	12.23	25.42	6.67	54.32	14.69	24.59	6.39	59.21	7.02	27.92	5.85
Private Sector												
HDFC STD LIFE	50.12	23.05	25.23	1.60	46.54	19.63	31.87	1.96	51.03	16.38	30.34	2.24
MNYL	69.91	18.09	7.88	4.12	57.68	19.62	17.61	5.09	50.54	22.69	18.30	8.46
ICICI PRU	49.49	16.37	29.27	4.88	50.18	15.89	28.37	5.57	45.45	14.81	28.21	11.53
BSLI	54.62	16.15	26.44	3.68	49.04	18.86	26.81	5.29	43.25	22.44	25.04	9.27
TATA AIG	70.15	16.67	12.53	0.18	74.59	17.51	7.60	0.29	66.06	18.75	13.73	1.45
KOTAK LIFE	49.17	19.06	31.14	0.63	53.24	18.21	26.45	2.10	52.81	18.81	25.28	3.08
SBI LIFE	45.18	15.56	29.41	9.85	46.60	18.29	27.43	7.69	49.73	19.24	25.24	5.79
BAJAJ ALLIANZ	53.45	18.82	23.63	4.10	45.40	16.24	33.57	4.79	43.75	17.80	34.89	3.56
MET LIFE	56.19	19.38	16.61	7.81	52.95	21.59	18.68	6.79	52.29	29.52	13.18	5.00
RELIANCE LIFE	56.36	20.20	19.91	3.53	45.26	16.09	30.35	8.29	52.02	16.41	28.25	3.32
ING VYSYA	46.63	18.05	23.68	11.64	46.09	15.52	30.06	8.32	45.55	22.13	25.57	6.75
AVIVA	57.75	17.09	22.95	2.21	56.75	20.41	22.84	-	54.78	22.73	22.49	-
Private average	53.32	17.98	23.60	5.10	51.49	17.98	25.62	4.90	50.62	19.02	25.51	5.71
Total (A+B)				100				100				100

* CG & SG – Central Government & State Government securities; IF & SS – Infrastructure and social investments;
CS – Investments governed by prudential norms/Corporate Sector investments; OT- Other than in approved investments.

The above table 4.88 depicts the investment pattern of controlled funds of the life insurers in India. In case of LIC in the first case of Government securities where there must be a minimum 50 percent investment in government securities or other approved investments, it was able to keep up the required percentage and even more in all these years. Comparatively the private players also kept up their level except in the year 2003 when the investment level declined to 47.36 percent. This was due to the less contribution by the companies like Max New York life, ICICI Prudential and Birla Sun Life in this sector of investments.

As per guidelines the investments in infrastructure and social sector should not be less than 15 percent of total investments. LIC failed to keep up its level as it showed fewer percentages of 11.79, 12.5, 12.45, 12.14, 12.23 and 7.02 in the years 2002, 2003, 2004, 2005, 2006 and 2008 respectively. While the private players met with the statutory requirements in all these years as their percentage exceeds the required limit.

In the third case there is a requirement of up to 20 percent investments to be governed by the exposure prudential norms. LIC kept up the required percentage and even more in the years 2004, 2005, 2006, 2007 and 2008 with 30.49, 29.86, 25.42, 24.59 and 27.92 percent respectively. The private players also kept up more than 20 percent of investments in this cadre ranging between 20 to 28 percent in all these years.

IRDA has put a ceiling on the other than approved investments. Not more than 15 percent of the controlled funds is to be invested in other than approved investments. LIC has kept up their requirements in this sector as their investments are below 15 percent in all the year of the study period. Even private players have kept up their investments within the prescribed norms as it mainly ranges from 5.23 to 5.71 percent in all the years of the study period.

Thus on the whole the performance of all the insurance companies were satisfactory except a need to invest more controlled funds in infrastructure and social sector as it leads to the growth of economy and generation of employment opportunities .