

# **CHAPTER – VI**

## **SUMMARY OF FINDINGS SUGGESTIONS AND CONCLUSION**

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## CHAPTER 6

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After liberalization, the private insurance companies have been doing commendable business and been penetrating their business more and increasing their market share. Hence, it was believed that LIC would find it difficult to adapt to liberalization. But to its contrary LIC continues to hold over more than 70 per cent in policies of the market share even after ten years of fierce competition. There could be several explanations for the continuing success of LIC; one such explanation could be that the life insurance industry is different from other businesses including financial services where trust, relationships and connectivity count for much more than anything else. In this context, the researcher has undertaken the present study with the specific aim of evaluating the overall Performance of LIC of India during the Post liberalization period. Thus, the following findings have been drawn based on the analysis:

#### **I. Major findings of the Secondary data**

##### **6.1 Business performance of LIC**

###### **6.1.1 Size of Life Insurance Corporation's business and private insurers**

- The paid up capital of LIC had registered a growth rate of 28.01 per cent between the thirteen years study period and private insurers had registered a growth rate of 28.37 per cent between the years 2001-02 to 2013-14.
- The number of individual LIC agents had recorded 3.04 per cent growth rate between the years 2001-02 to 2013-14. The number of individual private insurance agents had registered 31.17 per cent compound growth rate per annum.
- The number of corporate LIC agents had recorded 9.42 per cent growth rate between the years 2001-02 to 2013-14. The number of corporate private insurance agents had registered 5.66 per cent growth rate per annum.

- The first year premium of LIC had registered 9.35 per cent growth rate and private insurers had registered 42.83 per cent growth rate by the end of the financial year 2013-14.
- The total premium underwritten by LIC had registered 15.15 per cent growth rate and the private insurers had registered a significant growth of 55 per cent per annum by the end of the financial year 2013-14.
- The growth rate of total premium underwritten by private insurers seems to be high recording 54.77 when compared to LIC of India registering 15.16 per cent by the end of the financial year 2013-14.
- The total market share of LIC had registered negative growth of -3.05 per cent per annum whereas the private insurers had registered 28.03 per cent growth rate per annum
- The number of new policies issued by LIC had registered a growth rate of 3.99 per cent and private insurers had recorded 29.17 per cent growth rate per annum between the thirteen years study period.
- The commission expenses of LIC had registered 11.46 per cent growth rate and private insurance companies had registered 40.04 per cent growth rate between the years 2001-02 to 2013-14. The commission expenses ratio to total income of LIC was 7.04 per cent by the end of the year 2013-14 whereas for the private insurers it was 3.38 per cent by the end of the year 2013-14
- The operating expenses of LIC had registered 14.55 per cent growth rate per annum. The private insurers had recorded 35.49 per cent growth rate per annum
- The benefits paid by LIC had registered growth of 21.04 per cent per annum during the study period. But the private insurers had recorded massive growth of 122.28 per cent between the years 2001-02 to 2013-14.
- Measures of Dispersion for the competitive status of LIC and private insurance companies operating in India revealed that LIC holds upper hand i.e., prove to be more competitive than the private players in terms of: market

share (though LIC had negative growth rate), enrollment of individual agents, total premium revenue, total number of individual new policies, benefits paid and in incurring of commission expenses and operating expenses.

- Paired t test for the competitive status of LIC and private insurance companies operating in India reveals that LIC is highly competitive than the private insurance companies operating in India in the case of Enrollment of Individual agents, Total premium, Total number of individual new policies issued, Commission expenses and Benefits Paid
- Correlation Matrix for Size of Life Insurance Corporation's business and private insurers revealed that Paid up Capital, Enrollment of Individual Agents, Enrollment of Corporate Agents, First year (Including Single Premium), Total Premium, Growth Rate of Total Premium, Market Share in Terms of Total Premium, Issuance of Total number of Individual New Policies, Commission expenses, Ratio of Commission Expenses to Total Income, Operating Expenses and Benefit Payment has shown a positive relationship between each other.

### **6.1.2 Business Operations of LIC**

- The analysis represents that the number of new LIC policies in India had recorded a growth rate of 3.99 per cent between the years 2001-02 to 2013-14. Followed by, it has been clearly observed that, the number of new LIC policies out of India had recorded growth rate of 0.28 per cent during the thirteen years study period.
- The total sum assured through new Insurance policies in and out of India had registered 11.13 per cent growth rate per annum between the years 2001-02 to 2013-14.
- The annual premium receivable through new insurance policies in and out of India had recorded 36.48 per cent growth rate per annum.
- The business in force of insurance corporations in and out of India had recorded growth of 6.75 per cent between the years 2001-02 to 2013-14.

- The total sum assured by the business in force in and out of India had registered 12.88 per cent growth rate per annum.
- The annual premium receivable through existing business operations in India and out of India had recorded 11.57 per cent growth rate per annum.
- The analysis revealed that the number of insurance policies claimed after maturity had registered 8.57 per cent growth rate per annum, and the number of death claims had recorded growth of 8.84 per cent
- The analysis revealed that, the total amount claimed through policy maturity had registered 16.51 per cent growth rate per annum and the amount claimed by the policy holders on death had recorded 14.11 per cent during the thirteen years study period.
- The correlation matrix of business operations of LIC of India revealed that all the variables tested viz., New business in terms of number of policies, New business in terms of sum assured, New business in terms of annual premium receivable, Business in force of India in terms of number of policies, Business in force of India in terms of sum assured, Business in force of India in terms of annual premium receivable and claims settlement in terms of number of claims and claims settlement in terms of amount claimed showed a positive relationship between each other.

### **6.1.3 Productivity**

- The analysis revealed the sum assured per LIC branch which had registered a growth rate of 11.13 per cent per annum.
- The number of policies per branch registered a growth of 3.99 per cent per annum.
- The annual premium income per branch of LIC has registered a growth rate of 7.56 per cent between the years 2001-02 to 2013-14.
- The sum assured per active agent (LIC) has registered 7.53 per cent growth rate per annum at the end of the financial year 2013-14

- The number of policies per active agent had registered negative growth of - 0.44 per cent between the years 2001-02 to 2013-14.
- The annual premium per active agent has registered a growth rate of 6.08 per cent between the years 2001-02 to 2013-14.
- The analysis represents the correlation matrix for the Productivity of LIC of India. The variables New Business per Branch in terms of sum assured, New Business per Branch in terms of number of policies, New business per Branch in terms of annual premium, New business per active agent in terms of sum assured, New business per active agent in terms of number of policies and New business per active agent in terms of annual premium showed a positive relationship between each other. Further, it has been observed that New business per branch in terms of number of policies of LIC is negatively correlated with, sum assured, number of policies, annual premium and sum assured

## **6.2 Financial Performance of LIC**

### **6.2.1 Investment and its Diversification**

- The analysis revealed that the total investment of LIC in and out of India had accounted a growth rate of 18.04 per cent between the years 2001-02 to 2013-14.
- The public sector investments of LIC had registered a growth rate of 16.61 per cent between the years 2001-02 to 2013-14. The private sector registered 25.37 per cent per annum followed by Joint sector investments recording negative growth of -23.06 per cent per annum, which is the least negative score in comparison to the others and the co-operative sector with negative growth of -2.09 per cent between the years 2001-02 to 2013-14.
- The stock exchange securities of LIC had registered a significant growth of 19.12 per cent per annum.
- It has been inferred that the LIC investments in the form of loans had recorded 2.95 per cent per annum.

- The total life fund of LIC of India had recorded a steady growth of 15.34 per cent annum.
- The Pearson's correlation matrix for Total Investment of LIC, Sector wise investment of LIC, Instrument wise investment of LIC and Total life fund of LIC has showed a positive relationship between each other.

### **6.2.2 Financial Efficiency**

- The solvency ratio of LIC had registered growth rate of 4.88 per cent between the thirteen years study period.
- The share of life fund to total assets had recorded -3.93 per cent growth rate between the years 2001-02 to 2013-14.
- The total assets of LIC had registered 18.39 per cent growth rate and the percent of growth in total assets of LIC was 13.37 per cent by the end of the year 2013-14.
- The Multiple regression model revealed the financial efficiency of LIC where out of two variables tested, one were found to significantly influencing factors, they are: Total Assets of LIC which established 88.50 per cent relationship between the two variables tested
- The correlation matrix for Solvency Ratio of LIC, Share of Life Fund in Total Assets under Management of LIC and Total Assets of LIC has showed a negative relationship between each other.

### **6.2.3 Operational Efficiency**

- The total income of LIC has registered a growth rate of 15.51 per cent per annum by the end of the financial year 2013-14
- The main component for composition of Income includes First Year Premium, Renewal Premium, Single Premium & Consideration for Annuities, Income from Investment & Other Receipts (Miscellaneous). The highest growth rate of income comes from other receipts which had recorded significant growth of 26.36 per cent per annum. The second position to record highest growth rate is

Income from Investments which recorded 15.10 per cent, then Renewal premium(11.99 per cent) followed by first year premium (9.81 per cent) and the least contribution of Income comes from Single Premium & Consideration for Annuities with 9.66 per cent growth rate

- The Income from different sources are to be utilized in the form of various payments such as payments of claims both maturity as well as death payments, annuities, surrenders, commission to agents, salary to employees, other management expenses, other outgo, government share on outgo, excess of income over outgo. The amount claimed on maturity of policies had recorded 16.51 per cent growth rate per annum, claims by death 14.11 per cent, annuities 18.48 per cent, surrenders 36.09 per cent, commission to agents 11.46 per cent, salary & other benefits to employees 14.84 per cent, other management expenses 14.34 per cent, other outgo 6.29 per cent, government share on outgo 8.78 per cent, excess of income over outgo 14.77 per cent. After making all the payments, rest of the income or excess of income over outgo is added to the Life Insurance Fund which recorded a steady growth of 15.34 per cent annum to the total income for the period of the study
- The total outgo of LIC had registered 17.32 per cent growth rate between the years 2001-02 to 2013-14.
- The profit before tax registered 9.17 per cent growth rate between the years 2001-02 to 2013-14. Followed by, it has been observed that the profit after tax ratio had recorded 9.04 growth rate between the years 2001-02 to 2013-14.
- The profit earning efficiency of LIC through Multiple Regression model indicated that out of four variables tested, two were found to significantly influencing factors, they are: utilization of Income by LIC and Total outgo of LIC and other Expenses
- The operational efficiency of LIC through Multiple Regression model indicated that out of six variables tested, two were found to significantly influencing factors, they are: Total Income and Single Premium & Consideration for Annuities which established 98.80 per cent relationship between the variables tested



- Pearson's correlation matrix for the operational efficiency revealed that all the five variable tested is positively correlated with each other. Total Income, Composition of Income, Utilization of Income by LIC, Total Outgo and other expenses and Profit before and after tax in respect of total business of LIC of India has showed a positive relationship between each other.

#### **6.2.4 Grievances and Redressal**

- **Status of Grievances of LIC**

The complaints filed at the start of the year 2013-14 was observed to be 544, complaints reported accounted at 85284 and the problems resolved accounted at 85828 respectively.

## **II. Major findings of the primary data**

### **6.3 Policy holder's satisfaction towards Life Insurance Corporation of India**

#### **6.3.1 Demographic Profile of the Respondents**

- Majority of the respondents are male and are married.
- As far as occupation status is concerned, majority of the respondents belongs to working group in private sectors.
- The income range of majority of the respondents fall between rupees 15001 to 30000 and rupees 30000 to 40000
- It is inferred that most of the respondents are Post graduates

#### **6.3.2 Preferred Choice of Investments of the Respondents**

- Majority of the respondents get selective information from the LIC agents
- The first choice of investment preferred by the respondents is bank deposits

#### **6.3.3 Selection of Policies of Respondents**

The first reason for investing in LIC by the respondents is the desire and needs to save tax, half of the respondents preferred to invest in LIC due to influence of agents, more than three-fourth of the respondents prefer LIC insurance policy because of more security, but at the same time respondents are not satisfied with mode of premium and payment of premium.

### **6.3.4 Satisfaction level of Respondents**

The male and female respondents have difference of opinion over the level of satisfaction. There is significant difference based on the marital status of the respondents. There is significant difference based on the occupation, income groups of the respondents regarding the level of satisfaction. There is significant difference based on the sources of information on the level of satisfaction. The respondents have difference of opinion in the level of satisfaction on different information provided by LIC agents. Towards the level of satisfaction regarding influencing factors in choosing LIC, the nature of returns and agents suggestions shows significant difference. The respondents have difference of opinion on the level of satisfaction on different reasons to switch over other insurance companies.

### **6.4 Suggestions**

- ❖ To improve the premium growth, LIC has to work effectively with the help of agents in earning more number of new customers, by offering them various benefits such as wide range of products, attractive schemes, easy mode of payments, extensive marketing strategies and better customer relationship.
- ❖ LIC should strengthen its market share by direct marketing practices and identifying different market segments and different indicators like age, sex, income, rural and urban population etc
- ❖ To improve the business in terms of number of policies, LIC should have to emphasis on the international market also.
- ❖ To increase the productivity of branches with regard to number of policies, LIC should focus on ease of operations, authenticity, accountability, transparency to build brand image.
- ❖ To improve the productivity of active agents, informative, useful trainings and motivation should be given to the agents in order to handle the problems under various circumstances in the competitive market scenario.
- ❖ To increase the life insurance fund LIC should go for cost cutting management strategies and follow low premium policies to attract the potential customers

## **6.5 Conclusion**

The success of the economy lies in the growth and development of industries which in turn depends on the performance of individual companies. As far as LIC of India is concerned, it continues to be the leading life insurer through its performance and proved its status. Till now LIC has achieved many landmarks and has set unique performance records in various phases of life insurance business. It is concluded that the unprecedented performance of LIC of India will erase the fears of Public sector enterprises that have phobia to private sector participation and competition in various sectors still reserved as state monopoly.

## **6.6 Scope for future research**

This study is leaving scope for further research on insurance in doing comparative performance analysis with selected private players of the life insurance industry.