ABSTRACT

Post Independence period in the Insurance sector is marked with an intention to safeguard the economic interest of the policy holder by nationalizing 245 Indian and Foreign companies in the year 1956 in view of non-settlement of claims by private Insurance companies. Since then LIC have been among the most trusted brands in India providing Insurance solutions to the accessible urban, rural and even the remotest corners of India. It was only in 2001 that the private sector was allowed into the Insurance sector in India due to Liberalization, Privatization and Globalization Policies. Liberalization of the Indian Insurance Industry has attracted a number of private players with their innovative products to tap the market potential of a country with more than 125 crores populations. In the Indian Insurance industry, many insurance companies are operating since the industry was opened to foreign players. In spite of competition from private players LIC has remained the market leader and hence, this topic has been chosen study purpose. Secondary data has been used for the study and analysis was done through statistical tools viz. Percentage and growth rate.

Keywords: Policy holder, Life Insurance, LIC, Risk, Growth Rate

INTRODUCTION

Post Independence period of India in the Insurance sector is marked with an intention to safeguard the economic interest of the policy holder by nationalizing 245 Indian and Foreign companies in the year 1956 in view of non-settlement of claims by private Insurance companies. After 58 years of continuous trustworthy service LIC is a gigantic and the richest financial institution where a fine balance is sustained while deploying to safeguard the interest of the policy holder as well as considering the national priorities.

MEANING OF INSURANCE

Risk is part and parcel of one’s life. Risk cannot be completely eliminated but it can be mitigated. This is the basic principle of Insurance. Life Insurance is a contract for payment of a sum of money to the person assured on the happening of the event insured against. It is a source of Aid in Thrift. It allows for long term savings and also financial support to family members in the event of death of the insured who may be the sole earner for the family.

Financial losses can be covered by taking adequate insurance cover. Insurer and the insured are the two main parties involved in execution of an insurance contract. The insurer provides the financial cover to the insured, in exchange of which the insurer charges a small sum known as premium.

HISTORY OF LIFE INSURANCE

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first Life Insurance Company on Indian soil. All
the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and Indian natives were not being insured by these companies. However, later with the efforts of eminent people like Babu Muttylal Seal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub standard lives and heavy extra premiums were being charged on them. Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance companies in the year 1870, and covered Indian lives at normal rates. Starting as Indian Enterprise with highly patriotic motives, insurance companies came into existence to carry the message of insurance and social security through insurance to various sectors of society.

Bharat Insurance Capital Company (1896) was also one of such companies inspired by nationalism. The Swadeshi Movement of 1905-1907 gave rise to more insurance companies. The United India in Madras, National Indian and National Insurance in Calcutta and the Co-Operative Insurance Company took its birth in one of the rooms of the Jorasanko, house of the great poet Rabindra Nath Tagore, in Calcutta. The Indian Mercantile, General Assurance and Swadeshi Life (later Bombay Life) were some of the companies established during the same period. Prior to 1912; India had no legislation to regulate insurance business. In the year 1912, the Life Insurance Companies Act 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. But the Act discriminated between foreign and Indian companies on many accounts, putting the Indian Companies at a disadvantage.

The first two decades of the 20th Century saw lot of growth in insurance in business. From 44 companies with total business-in-force as Rs.22.44 crores it rose to 176 companies with total business-in-force as Rs. 298 crores in 1938. During the mushrooming of insurance companies many financially unsound corner were also floated which failed miserably. The insurance Act 1938 was the first legislation governing not only life insurance but also nonlife insurance to provide strict state control over insurance business.

The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the legislative assembly. However, it was much later on the 19th of January, 1956, that life insurance in India was nationalized. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident were operating in India at the time of nationalization. Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation of India was created on 1September, 1956, with the object of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

**REVIEW OF LITERATURE**

In the present section an attempt has been made to examine the review of literature related to the study.


Kotgiri, S. (2013), has focused on working of insurance players in Indian scenario and comparison in terms of growth in insurance industry and trend of customers of investing amount in particular plans. Some important aspects like amount of investment habits change in attitude of customer’s investment, importance given to the type of business organization are also analyzed.

Sharma, V. & Chauhan, D.S. (2013), analyzed the performance of public and private sector life insurance companies in India. Through privatization of the insurance sector is feared to affect the prospects of the LIC, the study shows the LIC continuous to dominate the sector. Private sector insurance companies also tried to increase their market shares.
Nena, S. (2013) has highlighted the growth and performance of LIC by analyzing the major source of income (premium earned) of the sampled unit, as well as the significant heads of the study. The study shows consistent increase in LIC business. As private players are coming up now a day, competition is increasing and LIC has made efforts to continue its business.

Shashi, P. (2013), has made an effort to know whether the implemented strategies have truly helped LIC of India in the changing trends of the society and has also suggested how these recent trends have helped LIC of India as a whole to manage the existing leading position in the Life Insurance market.

Bedi, H. S. and Singh, P. (2011), revealed that there is a tremendous growth in the performance of Indian Life Insurance Industry and LIC due to the policy of LPG and due to the emergence of private sector and opening up for foreign players. There is an increasing trend toward the investment in stock-market by LIC due to the effective regulation of SEBI and increasing transparency of stock market.

OBJECTIVES OF THE STUDY

1. To analyze the growth pattern of Life Insurance Corporation in the Indian Life Insurance Industry.
2. To study Life Insurance Corporation’s role in Indian Insurance Industry.

BENEFITS OF THE STUDY

The study aims at understanding the trend of Indian insurance sector by undertaking the study of the biggest company in Indian life insurance industry. Also the study aims to find out the shortcomings of LIC and the remedial measures for developing it market position with respect to changing consumer preferences, offices, products & policies, market coverage, marketing strategies etc.

LIMITATIONS OF THE STUDY

The study is limited to LIC of India.
1. The study does not compare LIC of India and other insurance companies.
2. The area is restricted due to time and funds constraint.
3. Study is based only on secondary data, and simple statistical techniques.

RESEARCH METHODOLOGY

1. Selecting LIC for study: LIC by and large is the biggest player in Indian insurance industry hence the study focuses on the role of LIC in life insurance industry.
2. Collection of data: Data is mainly collected from secondary sources such as annual reports, journals, magazines other research papers etc.
3. Period of Analysis: Data has been collected from 2005 to 2013 for the current study.
4. Analysis of data: For effective study, the data was arranged in tabular format and statistical tools of percentile and growth rates were used for analysis purpose.

FINDINGS

Number of Offices of LIC: Though offices of LIC are increasing during the study period, but the growth rate shows a decreasing trend.
Registered Insurers in India: - In 2013, there are 24 insurance companies in the life insurance sector in which only LIC is a public company and remaining 23 are private players. A decreasing trend is seen in the number of policy holders in LIC till 2010-11, thereafter it has remained constant.


Market Share: - IN respect of total premium income, market share has decreased marginally from 85.75% in 2005 to 69.78% in 2011. and thereafter has increased in 2012 and 2013.
New Policies Issued: During 2012-13, LIC issued 83.24% of total policies. There has been a decrease in growth rate from 2005-06 to 2010-11 in new policies issued.

![Growth Rate of New Policies issued by LIC](image)

**SUGGESTIONS**

Following are the suggestions that should be implemented by LIC to further improve its hold on the insurance sector:

1. More number of new policies to be issued in order to improve its market share.
2. Aggressive marketing and advertisement strategies should be adopted to increase the customer awareness about the various plans.
3. Programmes for development of soft skills of agents and employees should be undertaken extensively by LIC.
4. Increase in the number of offices and premium collection centers not only in urban area but also in rural area where by it will aid in financial inclusion or rural masses also.

**CONCLUSION**

LIC has by and large able to maintain its position as the market leader but findings reveal that LIC has to take continuous efforts for increasing its business on premium count as well as number of policy count by adopting aggressive marketing strategies and create awareness about its various policies among the target customers

**FUTURE STUDY**

There is scope for future study by conducting similar study for other companies in life insurance sector and using complex statistical test for analysis.

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