

Evaluating First-Year Life Insurance Premium Trends in India - LIC Compared To Private Insurance Players

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ABSTRACT: The Indian life insurance market has witnessed remarkable growth since its liberalization, marked by the coexistence of the public sector giant Life Insurance Corporation (LIC) and a growing number of private life insurers. The Indian life insurance market has seen significant evolution since the liberalization of the insurance sector in 2000, leading to increased competition between the public sector Life Insurance Corporation of India (LIC) and private life insurance companies. This paper offers a comparative analysis of the first-year life insurance premiums of LIC and private life insurers over the period 2000-01 to 2020-21. Using data from IRDA Annual Reports, the study examines growth trends, market dynamics, and the performance of the two segments based on key metrics such as Compound Growth Rate (CGR), standard deviation (SD), and Coefficient of Variation (CV). The findings reveal critical insights into the relative strengths of LIC and private insurers and their impact on the overall insurance sector in India.

KEYWORDS: Life Insurance, First-Year Premium, LIC, Private Insurers, Growth, Indian Insurance Market

1. INTRODUCTION

The life insurance industry in India is one of the largest segments within the financial services sector. Following the liberalization of the insurance market in 2000, private companies were allowed to enter the industry, providing competition to the state-owned Life Insurance Corporation of India (LIC). The first-year premium, which refers to the initial payment made by policyholders when purchasing a new life insurance policy, is an important indicator of a company's performance and its ability to attract new business.

The competition between LIC and private life insurers over the last two decades has transformed the landscape of the life insurance market in India. This paper seeks to compare the first-year premium collections of LIC and private insurers from 2000-01 to 2020-21, with an emphasis on understanding the

growth patterns, stability, and market share of each segment

2. LITERATURE REVIEW

- Discuss studies on life insurance industry growth and market share shifts post-liberalization.
- Examine the regulatory environment and its influence on market share and premium collection trends.
- Summarize findings on the performance of public vs. private insurance providers in India.

3. OBJECTIVES OF THE STUDY

The primary objectives of this research are:

1. To analyse the trends in first-year life insurance premiums of LIC and private insurers from 2000-01 to 2020-21.
2. To compare the performance of LIC and private insurers using growth metrics such as Compound Growth Rate (CGR), standard deviation (SD), and Coefficient of Variation (CV).
3. To assess the market share of LIC and private insurers over the period and identify the factors influencing their respective growth patterns.

4. RESEARCH METHODOLOGY

This study relies on secondary data sourced from IRDA Annual Reports for the period 2000-01 to 2020-21. The data collected include first-year premium amounts for LIC, private life insurers, and the total industry. The statistical analysis involves calculating the Compound Growth Rate (CGR) to evaluate the long-term growth trends, as well as standard deviation (SD) and Coefficient of Variation (CV) to assess the volatility and relative stability of premium collections for both LIC and private insurers.

5. DATA ANALYSIS AND INTERPRETATION

The table below shows the first-year life insurance premiums (in Rs. Crores) for LIC, private insurers, and the overall industry from 2000-01 to 2020-21.

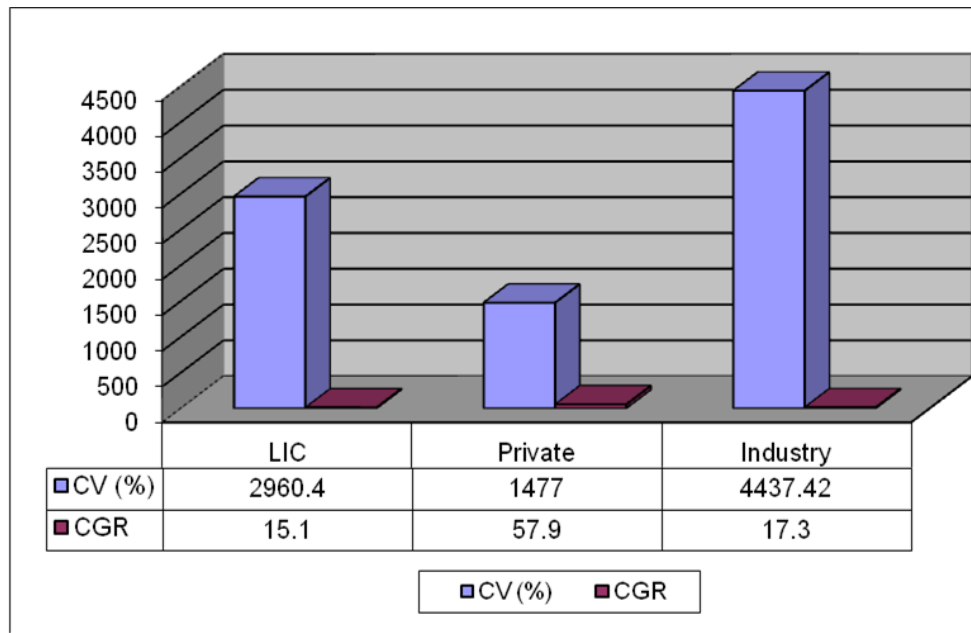
5.1 GROWTH TRENDS IN FIRST-YEAR PREMIUM

Table-1: Growth in First Year Life Insurance Premium (Rs. In Crores)

| Year | LIC | index | Private | index | Industry | index |
|---------|-----------|-------|----------|---------|-----------|-------|
| 2000-01 | 9700.98 | 100 | 6.45 | 100 | 9707.43 | 100 |
| 2001-02 | 19588.77 | 202 | 268.51 | 4163 | 19857.28 | 205 |
| 2002-03 | 15976.76 | 165 | 965.69 | 14972 | 16942.45 | 175 |
| 2003-04 | 17347.62 | 179 | 2440.71 | 37840 | 19788.33 | 204 |
| 2004-05 | 20653.06 | 213 | 5564.57 | 86272 | 26217.63 | 270 |
| 2005-06 | 28515.87 | 294 | 10269.67 | 159220 | 38785.54 | 400 |
| 2006-07 | 56223.56 | 580 | 19425.65 | 301173 | 75649.21 | 779 |
| 2007-08 | 59996.57 | 618 | 33715.95 | 522728 | 93712.52 | 965 |
| 2008-09 | 53179.08 | 548 | 34152.00 | 529488 | 87331.08 | 900 |
| 2009-10 | 71521.90 | 737 | 38372.01 | 594915 | 109893.91 | 1132 |
| 2010-11 | 87012.35 | 897 | 39385.84 | 610633 | 126398.19 | 1302 |
| 2011-12 | 81862.25 | 844 | 32103.78 | 497733 | 113966.03 | 1174 |
| 2012-13 | 76611.50 | 790 | 30749.58 | 476738 | 107361.08 | 1106 |
| 2013-14 | 90808.79 | 936 | 29510.87 | 457533 | 120319.66 | 1239 |
| 2014-15 | 78507.72 | 809 | 34821.81 | 539873 | 113329.52 | 1167 |
| 2015-16 | 97891.72 | 1009 | 40970.80 | 635206 | 138862.31 | 1430 |
| 2016-17 | 124583.30 | 1284 | 50619.37 | 784796 | 175202.68 | 1805 |
| 2017-18 | 134671.70 | 1388 | 59482.21 | 922205 | 194153.9 | 2000 |
| 2018-19 | 142336.00 | 1467 | 72667.08 | 1126621 | 215003.04 | 2215 |
| 2019-20 | 178276.20 | 1838 | 80986.14 | 1255599 | 259262.4 | 2570 |
| 2020-21 | 184429.60 | 1901 | 94270.37 | 1461556 | 278699.9 | 2871 |
| Mean | 77604.5 | | 33845.2 | | 111450 | |
| SD | 52131.6 | | 26792.7 | | 78526.5 | |
| CV (%) | 2960.4 | | 1477.0 | | 4437.42 | |
| CGR | 15.1 | | 57.9 | | 17.3 | |

Source: IRDA and LIC Annual Reports

Figure-1: CV & CGR of First Year Premium of LIC, Private and Industry



The data reveals that LIC continues to be the dominant player in the Indian life insurance market, but private insurers have shown substantial growth. In 2000-01, private insurers collected just Rs. 6.45 crore in first-year premiums, compared to LIC’s Rs. 9700.98 crore. By 2020-21, private insurers' premium collections had grown to Rs. 94,270.37 crore, significantly narrowing the gap with LIC, which collected Rs. 1,84,429.60 crore.

5.2 COMPOUND GROWTH RATE (CGR)

The Compound Growth Rate (CGR) is an important metric to evaluate the long-term growth of LIC and private life insurers. The CGR is calculated as:

- LIC: 15.1%
- Private Insurers: 57.9%
- Industry Total: 17.3%

The growth rate of private insurers is considerably higher, which reflects the aggressive expansion and innovation in product offerings by these companies. However, LIC’s consistent growth also indicates its ability to maintain a dominant market position despite increasing competition.

5.3 COEFFICIENT OF VARIATION (CV)

The Coefficient of Variation (CV) measures the relative variability of the first-year premiums:

- LIC: CV = 2960.4%
- Private Insurers: CV = 1477.0%
- Industry Total: CV = 4437.42%

The higher CV for LIC suggests a greater fluctuation in premium collections over the years compared to private insurers. This is reflective of LIC’s larger

customer base and the challenges it faces in adapting to market changes as swiftly as private companies.

Table-2: Market Share of public and private insurers in First Year Life Insurance Premium during the period 2000-01 to 2020-21

| Year | LIC | Private | Industry |
|---------|-------|---------|----------|
| 2000-01 | 99.94 | 0.06 | 100 |
| 2001-02 | 98.65 | 1.35 | 100 |
| 2002-03 | 94.30 | 5.70 | 100 |
| 2003-04 | 87.67 | 12.33 | 100 |
| 2004-05 | 78.78 | 21.22 | 100 |
| 2005-06 | 73.52 | 26.48 | 100 |
| 2006-07 | 74.32 | 25.68 | 100 |
| 2007-08 | 64.02 | 35.98 | 100 |
| 2008-09 | 60.89 | 39.11 | 100 |
| 2009-10 | 65.08 | 34.92 | 100 |
| 2010-11 | 68.84 | 31.16 | 100 |
| 2011-12 | 71.83 | 28.17 | 100 |
| 2012-13 | 71.36 | 28.64 | 100 |
| 2013-14 | 75.47 | 24.53 | 100 |
| 2014-15 | 69.27 | 30.73 | 100 |
| 2015-16 | 70.50 | 29.5 | 100 |
| 2016-17 | 71.10 | 28.9 | 100 |
| 2017-18 | 69.36 | 30.64 | 100 |
| 2018-19 | 66.20 | 33.8 | 100 |
| 2019-20 | 68.76 | 31.24 | 100 |
| 2020-21 | 66.17 | 33.83 | 100 |
| Mean | 73.3 | 26.7 | |
| SD | 9.8 | 9.8 | |
| CV | -0.5 | 0.5 | |
| CGR | -1.8 | 15.8 | |

Source: IRDA Annual Reports

6. MARKET SHARE - DATA ANALYSIS AND INTERPRETATION

The table highlights the percentage share of first-year life insurance premiums for LIC and private insurers from 2000-01 to 2020-21, providing insights into how the market evolved post-liberalization.

6.1 INITIAL MARKET DOMINANCE OF LIC (2000-01 TO 2005-06):

1. 2000-01: LIC held a near-monopoly in the life insurance sector, accounting for 99.94% of the first-year premium, while private insurers held a negligible 0.06% share. This was the first year after the sector was opened up to private players.

2. 2001-02 to 2005-06: Over the next five years, private insurers gradually increased their market share, climbing from 1.35% in 2001-02 to 26.48% in 2005-06. LIC, while still the dominant player, saw its market share decrease significantly, from 98.65% to 73.52% over the same period.

This period reflects the initial phases of competition, where private insurers started gaining traction by offering new and innovative products, aggressive marketing strategies, and leveraging technology for better customer service.

6.2 STABILIZATION AND GROWING COMPETITION (2006-07 TO 2015-16):

1. 2006-07 to 2015-16: The market saw a steady redistribution of the share between LIC and private insurers. During this period, LIC's share fluctuated, ranging between 64.02% (2007-08) and 75.47% (2013-14). On the other hand, private insurers reached a peak of 39.11% in 2008-09, following which their share stabilized around the 25%-30% range.

This phase was characterized by increasing competition, with private insurers improving their reach and customer base. Bancassurance (insurance sold through banks) and digital channels became key drivers of growth for private players, allowing them to compete more effectively with LIC's extensive agent network.

6.3 RECENT TRENDS (2016-17 TO 2020-21):

1. 2016-17 to 2020-21: In the most recent five-year period, private insurers maintained a steady market share, fluctuating between 28.9% and 33.83%. LIC's share remained between 66.17% and 71.1%. Despite private insurers' continued growth,

LIC has managed to retain around two-thirds of the market share.

The market share of LIC in terms of first-year premiums has steadily declined over the years, from close to 100% in 2000-01 to around 66% by 2020-21. Conversely, private insurers have increased their market share from negligible in 2000-01 to approximately 34% in 2020-21. This shift can be attributed to factors such as:

Private insurers' competitive strategies have been centred around offering customized products, better customer service, and leveraging digital platforms to reach younger and urban populations. LIC, on the other hand, has continued to rely on its legacy, extensive distribution network, and trust built over decades.

7. COMPARATIVE PERFORMANCE ANALYSIS

7.1 LIC: STABILITY AMIDST COMPETITION

LIC's performance in the life insurance market, though slower in terms of growth compared to private players, remains solid. The public sector giant has a massive distribution network, extensive reach in rural areas, and strong brand loyalty, which continue to give it an edge. Moreover, LIC benefits from its longstanding relationships with policyholders, built on decades of trust and reliable service.

However, LIC faces challenges in maintaining its market share due to the increasing dynamism of private players. Despite this, its stability is evidenced by its ability to continue growing its first-year premiums over the 20-year period, even during times of economic slowdown.

7.2 PRIVATE INSURERS: FAST-GROWING PLAYERS

The rapid expansion of private life insurers is the most significant development in the Indian life insurance sector since its liberalization. Private companies have capitalized on emerging market opportunities, especially among younger customers and in urban areas. Their growth strategies have included:

- Offering more flexible and innovative products.
- Leveraging digital technology for customer engagement.
- Creating multi-channel distribution models, including online sales and bancassurance partnerships.

Private insurers like HDFC Life, ICICI Prudential, and SBI Life have led the charge in transforming the life insurance market by focusing on customer-centric product development and superior customer service.

7.3 INDUSTRY-WIDE TRENDS

The overall life insurance industry in India has grown considerably, with the first-year premium collections rising from Rs. 9707.43 crore in 2000-01 to Rs. 278699.90 crore in 2020-21. This reflects a growing awareness among the Indian populace about the importance of life insurance as a tool for financial security.

8. CONCLUSION

The comparative analysis of first-year life insurance premiums for LIC and private insurers from 2000-01 to 2020-21 shows a clear trend of growing competition in the Indian life insurance market. While LIC remains the dominant player, the rapid growth of private insurers is reshaping the market dynamics. The Compound Growth Rate for private insurers is significantly higher than LIC, signaling a shift towards a more competitive landscape.

As the life insurance industry in India continues to grow, both LIC and private insurers will need to focus on innovation, customer service, and digital transformation to meet the evolving needs of their policyholders. The future trajectory of the life insurance sector will depend on how effectively both sectors can adapt to new market trends and regulatory changes.

9. IMPLICATIONS FOR STAKEHOLDERS:

The findings underscore the need for LIC to innovate and for private insurers to focus on long-term stability.

10. FUTURE RESEARCH SUGGESTIONS:

Propose examining post-pandemic impacts on premium collections or the role of technology and digitalization in the insurance industry.

11. REFERENCES

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