A Comparative Analysis of the Various Aspects of the Public and Private Sector Players in the Life Insurance Industry

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Abstract: India has not been a late starter in the insurance space but there were hiccups along the way. With many of the insurers turning fly-by-night operators, the government had to intervene and nationalize the insurance industry, life and non-life, in that order, in the interest of the welfare of the insured. However, it was not adequate to improve insurance penetration in the country or for that matter, to come out with new insurance products in consonance with the changing dynamics of the country's economy, as subsequent events proved. Hence the country welcomed back the private sector in the insurance space. Some of the private players have really acquitted themselves admirably. Supplemented by a dedicated regulator, the insurance industry is well set to come out with newer and more innovative products, competitively priced. This is welcome since the people of India are yet to take insurance with the seriousness it deserves. However, the pace of insurance penetration has been improving steadily and that in itself proves that opening up the insurance sector to private players has led to a win-win situation for all stakeholders

Keywords: IRDA, Underwriting, ULIP, Premium, insurance penetration

Introduction

Almost 4,500 years ago, in the ancient land of Babylonia, traders used to bear the risk of caravan trade by extending loans that had to be later repaid with interest when the goods arrived safely. In 2100 BC, the Code of Hammurabi granted legal status to the practice. That, perhaps, was how insurance made its beginning[1]. In Rome, citizens formed burial clubs to meet the funeral expenses of its members as well as help survivors by making some payments. As European civilization progressed, its social institutions and welfare practices also got more and more refined. With the discovery of new lands, sea routes and the consequent growth in trade, medieval guilds took it upon themselves to protect their member traders from loss on account of fire, shipwrecks and the like. Since most of the trade took place by sea, there was also the fear of pirates. So these guilds even settled ransom on behalf of members held captive by pirates. Burial expenses and support in times of sickness and poverty were other services offered. Essentially, all these revolved around the concept of insurance or risk coverage. In 1347, in Genoa, European maritime nations hammered out the earliest known insurance contract and decided to accept marine insurance as a practice.

Insurance has evolved so rapidly and so radically since its advent that the amusing quotes of yesteryear on insurance should be taken in all seriousness today. What was previously thought of as uninsurable or what was earlier brushed aside for want of insurable interest is eminently insurable today. To recall only a few quotes:

- *People who live in glass houses should take out insurance* (Unknown Source)
- *Insurance: An ingenious modern game of chance in which the player is permitted to enjoy the comfortable conviction that he is beating the man who keeps the table* (Ambrose Bierce, American Writer, 1842-1914)

You don't need to pray to God any more when there are storms in the sky, but you do have to be insured.(Bertolt Brecht, German Writer, 1898-1956)

[1] Source: (http://www.kotaklifeinsurance.com/omkm3/insuranceguide/originoflife.htm)

Insurance

Life insurance had its origin in Rome although insurance as we know it today owes its existence to 17th century England. In fact, it began taking shape in 1688 at a rather interesting place called Lloyd's Coffee House in London, where merchants, ship-owners and underwriters met to discuss and transact business. By the end of the 18th century, Lloyd's had become one of the first modern insurance companies. In 1693, astronomer Edmond Halley constructed the first mortality table to provide a link between life insurance premium and the average life spans based on statistical laws of mortality and compound interest. In 1756, Joseph Dodson reworked the table, linking premium rate to age.

Advent of Insurance Companies

The first stock companies to get into the business of insurance were chartered in England in 1720. The year 1735 saw the birth of the first insurance company in the American colonies in Charleston, SC. In 1759, the Presbyterian Synod of Philadelphia sponsored the first life insurance corporation in America for the benefit of ministers and their dependents. However, it was after 1840 that life insurance really took off in a big way. Reducing opposition from religious groups triggered their take-off.

The Growing Years

The 19th century saw huge developments in the field of insurance, with newer products being devised to meet the growing needs of urbanization and industrialization. In 1835, the infamous New York fire drew people's attention to the need to provide for sudden and large losses. Two years later, Massachusetts became the first state to require companies by law to maintain such reserves. The great Chicago fire of 1871 further emphasized how fires can cause huge losses in densely populated modern cities. The practice of reinsurance, wherein the risks are spread among several companies, was devised specifically for such situations.

Statement of the Problem and the Need for the Study

Insurance today has an established and indelible presence in the social sphere and economic sphere. The financial security of an individual and by extension the financial security of the individuals who depend on him, namely, the spouse, the growing children and the aged parents of the individual are inter-linked. If the financial security of the former is affected owing to reasons beyond the former’s control, by extension, the security of the latter, namely the dependents of the former, is affected too. In view of this fact, in advanced economies, social security is necessarily provided to its citizens by the government of the country as a birthright. This is another form of insurance although not in form but definitely in substance and content.

In emerging market economies (perhaps barring a few exceptions) like India, social security is not available to the citizens from the government by way of right. The affluent buy social security and the have-nots go without it. The rest or the ones sandwiched between these two segments of society, buy social security in the form of life insurance products. In particular, the life insurance products they buy are endowment products. These products stand out because they have an element of savings built into them. Right from the beginning, endowment products have been the only products most patronised by the people. The endowment products have been so popular that a life insurance product, by default, has come to mean an endowment product - nothing more, nothing else. The product, popularised right from the beginning by the public sector insurance giant, namely the Life Insurance Corporation of India, was pushed by the latter with the government’s implicit and explicit support in various forms. The government supported it because it forced the citizens to save for a rainy day. Such enforced savings, the government felt, would lessen its burden of providing social security to its citizens which it could not otherwise provide or does not provide till date. Also, the investment avenues available at the time were fewer in number which made it even more difficult for the policy holders to plan their investment.

But the situation changed for the better from the point of view of the insured when more than a decade ago, the government opened up the insurance sector. With foreign direct investment (FDI) flowing into the sector, insurance companies jointly promoted by Indian investors and foreign investors have come into being, apart from the insurance companies promoted by local investors. Alongside, the new players started introducing new products, including the popular ULIPs or unit-linked insurance plans. For the first time, the people of India realised that there were insurers other than the Life Insurance Corporation of India who could insure their lives. In the circumstances, the researcher thought it fit to undertake a study to examine the various aspects of the functioning of public and private sector players in the life insurance industry.

Hence this research work **"A Study on Comparative Analysis of the Various Aspects of the Public and Private Sector Players in the Life Insurance Industry"** has been attempted.

Review of Literature

Rajagopalan, R[2] in his paper, "Comparing Traditional Life Insurance Products in the Indian Market: A Consumer Perspective" maintains that in the Indian market, choosing the insurance product is difficult on three counts:

- Inherent complexity arising from uncertainty and long-time horizons.
- The need to compare a plethora of different types of products from competing insurance companies.
- Most insurance policies bundle pure insurance with savings to offer composite products.

He identifies two broad types of life insurance policies in the Indian market:

- 'traditional' products consisting of term insurance, endowment and whole life policies
- 'modern' products, which are unit-linked life insurance policies where the investment risk is borne by the policyholder.

His paper attempts a comparative evaluation of the traditional insurance policies available in the Indian market from a consumer's perspective. He uses an expected present value approach data on mortality rates, currently prevailing premiums on insurance policies and interest rates, for comparison within and across policy types and concludes that:

- Shopping around will save a lot of money for an insurance buyer
- Term insurance should be the primary choice for insurance protection
- PPF is likely to be a better savings option than buying endowment or whole life policies

The researcher rightly points out that the choice of a life insurance product for an Indian consumer is now a problem of plenty, even when confined to only traditional life insurance products–term insurance and cash value policies (i.e., whole life and endowment insurance). For any given product, Indians can choose from amongst several competing insurance companies. Depending only on a policy illustration provided by an insurance company can be a big mistake. While comparing life insurance decisions, the concern of many financial planners is the quantitative assessment of the cost of protection against untimely death and the return on the savings component of the premium paid. Such an analysis can give a rational basis for comparing different insurance policies. In this paper, the researcher performs such a comparison of traditional life insurance products. According to him, the buyer has to find a policy which best suits his needs. Some of the important questions he needs to ask himself are:

- Do I need protection for my entire life or for a specified period only?
- Is my current insurance protection adequate? If I were not around, what would my dependents need to maintain their quality of life?
- Should I create specific sums of money for meeting planned expenses? How much and by when?
- How much premium can I afford to pay?

It is difficult to apply any rule-of-thumb, because the amount of life insurance an individual needs depends on factors such as his / her wealth, sources of income, number of dependents, debts lifestyle and risk aversion. The researcher compares insurance policies for a given amount of death protection, term of protection, and / or savings accumulation. To value the cash flows associated with the life insurance product, the researcher has considered the benefits receivable under the policy and the premiums paid under the policy. The EPV depends upon the amount, timing, and the probability of uncertain events (mortality). For discount rates, the researcher has used a deterministic approach wherein the future interest rates are assumed to change in a pre-determined way. For mortality assumptions, he has used a life table function such as the one published by the Life Insurance Corporation of India (LIC).

On the whole, according to the researcher, it is seemingly much better for an individual to buy the cheapest term insurance for the required amount of death protection (sum assured) and term. Instead of buying the only non-participating endowment policy available in the Indian market, it is seemingly better to invest the extra premium in a PPF account. The situation is not that clear cut between buying participating endowment policies versus buying the cheapest term policy and investing the difference in a PPF account. Inter-se comparisons between participating policies are difficult as they depend on the uncertain future investment performance and bonus policies of insurers. Instead, the researcher has worked out the minimum compound reversionary bonus required under each policy for it

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[2] Dean (Academic Affairs), T A Pai Management Institute, Manipal, Karnataka State, India (http://www.corecentre.co.in/Database/Docs/DocFiles/Traditionalinsurance.pdf)

to be equivalent to investing the extra premium in a PPF account. Considering the bonus rates in recent years, in the researcher's assessment, PPF seems to be a much safer and flexible alternative investment for the extra premium. In general, whole life policies are charging heavy loadings. A participating whole-life policy looks better only in comparison to buying a non-participating whole life policy and investing the extra premium in a PPF account.

The researcher's findings are valuable from the perspective of the Indian insurance buyer in the now-liberalised insurance sector. The researcher himself admits that there are a good number of insurance products available in the market now and they are being marketed by a good number of insurers. The buyer is spoilt for choice. Even today what the researcher implies is true – PPF is a better alternative given the tax carrots and the assured return that invariably accompany it. But in a country where the retail investors are not adequately familiar with the pros and cons of various investment products, the inclination on the part of the investors to play safe is only to be expected. The inclination is all the more pronounced when it is backed by risk coverage in respect of life which is what the endowment products are all about. The inclination towards endowment products continues unabated in spite of the fact that it is a costlier product only because of this reason. Additionally, the mis-selling of ULIPs by insurers, in particular the private sector players has to some extent stabilised the demand for endowment products and vitiated the atmosphere for the introduction of new endowment products. The researcher's work would have been complete had this aspect of the endowment products been dealt with.

Majumdar, P I and Diwan M G[3] argue that insurance business evolved over centuries as insurance developed, depending upon the nature and type of business. The various types of cover have been grouped into several classes. These classifications emerged from the practices of insurance companies and from the influence of legislation concerning insurance business. Two broad divisions of insurance thus emerged, namely, long-term and general or non-life insurance business. The latter is mainly short term (mostly for a year) in nature.

As the authors rightly point out, life insurance products are characterised by longer tenures while non-life insurance or general insurance products are characterised by tenures of a year or less. Under each class, several sub-classes emerged essentially reflective of the additional features that the present-day consumers demand, factoring in their requirements in terms of risk coverage and premium contributing capabilities. What is equally true is that the increasing popularity of new products notwithstanding, endowment products have managed to survive and will continue to survive in the days to come. The erosion in demand for this product may have already set in but the pace of erosion is mulish enough to ensure that it will remain on the scene for some time to come.

Norberg, Ragnar[4] while delving into the issue of bonus associated with insurance products explains that the issue of bonus presents itself in connection with every *standard* life insurance contract. The characteristic of the said contract is its stipulation of nominal contingent payments that are binding on both parties. Life insurance policies are typically long term contracts, with time horizons wide enough to capture significant variations in interest, mortality, and other relevant economic-demographic conditions. The uncertain development of such conditions subjects every supplier of standard insurance products to a risk that is non-diversifiable and independent of the size of the portfolio; an adverse development cannot be countered by raising premiums or reducing benefits. The only way the insurer can safeguard against this kind of risk is to build into the premium a safety loading that facilitates an average coverage implying that the insurer is in a position to provide the promised coverage under any economic-demographic situation. Such a safety loading will typically create a systematic surplus, which by statute is the property of the insured and has to be repaid in the form of the so-called *bonus* ('good' in Latin).

The author has succinctly and lucidly explained the concept of bonus as applied to the insurance products in general and life insurance products in particular. The essence of the author's argument is this: the insurer should err on the side of caution. This ensures that the insurer keeps his word (or honours the claims or pays the terminal value, as the case may be). By definition, this will give rise to a surplus and since this surplus is born out of the premium contributed by the insured, it is only natural that it is shared with those who contributed to it in the first place. That is what the insurers do to date but unfortunately the modus operandi of computation of this surplus raises one's hackles. Many unfair deductions are made from the surplus leaving behind a smaller surplus in net terms which the insurer shares with the insured obviously happily. It is time the regulator looked into this aspect.

Scope of the Study

The study, as the title indicates, restricts itself to the life insurance segment of the insurance sector.

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[3] Majumdar, P. I., Diwan, M. G. (2003) Principles of Insurance, Mumbai, Insurance Institute of India.

[4] Norberg, Ragnar (1999) "A theory of bonus in Life Insurance", Finance and Stochastics, 3: 373-390.

Objectives of the Study

The objectives of the study are to:

1. Compare the capital structure of the respondent players in the Indian life insurance industry
2. Examine whether a level playing-field obtains in the Indian life insurance industry
3. Critically examine the regulatory aspects of the life insurance industry
4. Ascertain the composition of the product / service basket offered by the various life insurance players
5. Ascertain how the beneficiaries perceive the private and public sector players in the industry

Hypotheses

1. First Hypothesis

"Conclusions are inferences / generalisations drawn from the findings and relate to hypotheses. They are answers to the research questions or the statements of acceptance or rejection of hypotheses"

2. Second Hypothesis

"Non-applicability / partial applicability of some regulations to LIC leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' age"

3. Third Hypothesis

"Non-applicability / partial applicability of some regulations to LIC leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' educational qualification"

4. Fourth Hypothesis

"Non-applicability / partial applicability of some regulations to LIC leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' experience"

5. Fifth Hypothesis

"LIC's ability to underwrite new business without bothering about CAR leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' sex"

6. Sixth Hypothesis

"LIC's ability to underwrite new business without bothering about CAR leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of the officers' age"

7. Seventh Hypothesis

"LIC's ability to underwrite new business without bothering about CAR leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' educational qualification"

8. Eighth Hypothesis

"LIC's ability to underwrite new business without bothering about CAR leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' experience"

9. Ninth Hypothesis

"The suggestion that provision of automatic window for the enhanced FDI cap would have made it easier for capital-starved insurers to raise capital is NOT INDEPENDENT of the officers' sex".

10. Tenth Hypothesis

"The view that provision of automatic window for the enhanced FDI cap would have made it easier for capital-starved insurers to raise capital is NOT INDEPENDENT of officers' age"

11. Eleventh Hypothesis

"The view that provision of automatic window for the enhanced FDI cap would have made it easier for capital-starved insurers to raise capital is NOT INDEPENDENT of officers' work experience"

12. Twelfth Hypothesis

"The view that all regulations have to be framed from the perspective of private players in view of the statutory advantage enjoyed by the state player is NOT INDEPENDENT of officers' sex"

13. Thirteenth Hypothesis

"The view that all regulations have to be framed from the perspective of private players in view of the statutory advantage enjoyed by the state player is NOT INDEPENDENT of officers' age"

14. Fourteenth Hypothesis

"The view that all regulations have to be framed from the perspective of private players in view of the statutory advantage enjoyed by the state player is NOT INDEPENDENT of the educational qualification of the respondents"

15. Fifteenth Hypothesis "The view that all regulations have to be framed from the perspective of private players in view of the statutory advantage enjoyed by the state player is NOT INDEPENDENT of the officers' work experience"

16. Sixteenth Hypothesis "The view on the need for a revamp of the regulatory regime is NOT INDEPENDENT of the officers' sex"

17. Seventeenth Hypothesis

"The view on the need for a revamp of the regulatory regime is NOT INDEPENDENT of the officers' age"

18. Eighteenth Hypothesis

"The view on the need for a revamp of the regulatory regime is NOT INDEPENDENT of the officers' educational qualification"

19. Nineteenth Hypothesis

"The view on the need for a revamp of the regulatory regime is NOT INDEPENDENT of the officers' work experience"

Research Methodology

Methodology

The study is descriptive in nature and has used the 'fact-finding' survey method.

Methods of data collection

Interview schedules specially designed for the purpose were administered to the respondents to collect primary data. The study involves collection of opinions / preferences from respondents; hence, interviewing was deemed appropriate. The interview was a structured / directive interview. Hence the interview was conducted with a detailed standardised schedule.

In addition, the Researcher interacted extensively with other stakeholders associated with the life insurance industry like the III (Insurance Institute of India), IRDA, Life Insurance Council, Officers' Associations of life insurance companies from the public as well as private sectors, CII, FICCI and ASSOCHAM and consultants like EY, PwC, Deloitte and KPMG, to elicit their views and comments on the topic under study.

Secondary data has been collected / downloaded in hard version / digital form, from IRDA, LIC of India, III, Life Insurance Council, CII, FICCI and ASSOCHAM and consultants like EY, PwC, Deloitte and KPMG.

Sources of data

Primary data has been collected from the respondents, viz, life insurance officers and life insurance consultants.

Secondary data has been collected from reputed journals, magazines, financial press, annual reports and house journals of IRDA, CII, FICCI and ASSOCHAM and consultants like EY, PwC, Deloitte and KPMG and their web sites, in hard version and digital version.

Sampling plan

Life Insurance Officers: Simple random sampling under the probability sampling method has been employed to select life insurance officers. 40 officers from each of the following five leading life insurance companies from the public and private sectors with a minimum experience of five years at the executive level and aggregating 200 were considered for the study:

- Life Insurance Corporation of India
- ICICI Prudential Life Insurance Co Ltd
- SBI Life Insurance Co Ltd
- Bajaj Allianz Life Insurance Company Ltd
- Birla Sun Life Insurance Co Ltd

It gave each element an equal and independent chance of being selected. Accordingly, Interview Schedules were administered to the 200 life insurance officers. The first 16 Interview Schedules received, from 16 officers from each company, duly completed and aggregating 80 (16*5), were selected for the study.

Life Insurance Consultants: Given the rather limited number of life insurance consultants operating in the area covered by the study, purposive or judgement sampling under the non-probability method has been deployed. Applying the number of years into practice as the criterion, the researcher selected 30 consultants with an experience of at least five years each. This criterion, according to the researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not the overall representativeness to the population. Thus it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

Data collection instruments

Interview schedules, specially designed for the purpose, were drafted and pre-tested in order to identify the possible weaknesses in the instrument. Upon receipt of feedback, they were appropriately revised and finalised for administration to the respondents for collection of primary data.

The Interview Schedules featured open questions and closed questions. Open questions were included since the objective was to identify opinions, ascertain degrees of knowledge and seek suggestions and more information. In some cases, the subject matter of the question was outside the range of the respondent's experience and hence open questions were a better alternative. Further, open questions were of help in determining the depth of the feelings and expressions of intensity of the respondent. Open questions may give the respondent a chance to think through the topic. Since it was practically impossible for the Researcher to assess the level of information possessed by the respondent, open questions came in handy. The response freedom inherent in open questions elicited a variety of frames of references from the respondent, which may provide unanticipated insights. Given the qualitative nature of the values the variables elicit from the respondents, they lend themselves ideally to statistical tools like Likert scale and chi-squared test.

Field work

Field work was undertaken by utilising the services of manpower suitably briefed for the purpose. The respondents were contacted individually and personally and their responses were recorded. Some life insurance officer respondents were clearly uncomfortable with some of the questions raised by the researcher in the interview schedule and remarked that the questions were rather presumptive in nature. On the other hand, some consultant respondents remarked that to a certain extent the views of the officers of LIC would necessarily be biased in view of the monopoly the LIC enjoys. But when confronted with facts and figures from authoritative sources, they would have to call a spade a spade, albeit reluctantly.

Data processing and analysis plan

Non-parametric statistical units were used to test the association between some qualitative characters and conclusions were drawn on the basis of formation of H_o and H_1. To be specific, Likert scale and chi-square test were applied to test the hypotheses.

Suggestions

The following are the researcher's suggestions based on the above findings of the study:

- The sovereign guarantee furnished by the government of India does come in the way of establishing a level playing field in the life insurance sector. It is time the government of India discontinued this unfair and discriminatory practice. The practice leads the prospects to automatically assume that whatever the financial health of LIC, they can safely insure with them. This could in turn lead the LIC to take things for granted vis-a-vis its financial health. After all, the prospects tend to overlook or even ignore its financial health in view of the sovereign backing.
- Clearly, withdrawal of the sovereign guarantee is also one way of cautioning LIC of India against becoming complacent. The researcher strongly recommends that the government of India immediately get down to the task of withdrawing the sovereign guarantee in furnishes in respect of the LIC policies.
- Equally unfair and discriminatory is the fact that some of the regulations issued by IRDA are either partly applicable or not at all applicable to the LIC of India. This is attributable to certain provisions of the Insurance Act, 1938 and the LIC of India Act, 1956. These legislations were framed and / or updated at a

time when the government nationalised the insurance sector. Throwing open the sector to private participation was definitely not on the horizon at that point of time.

- Things have changed a lot since then. It is almost 15 years since the country opened up the insurance sector for private participation. It has recently raised the FDI cap too, to 49 percent. In the circumstances, in the interest of all stakeholders, namely the insurance companies themselves (whether they are private players or public players), the insuring public and the country's insurance sector, among others, the government should smooth out the jagged provisions of all the insurance-related legislations.
- For starters, Section 43 of the LIC Act 1956 that empowers the government to exempt LIC from some provisions o the Insurance Act, 1938 should be necessarily repealed. The IRDA (Protection of Policyholders' Interests) Regulations, 2002 should be made applicable equally forcefully to the LIC too.
- The regulator should not allow the LIC to breach its norms for investing in a single company. According to IRDA directives, all equity investments by LIC (from all its funds) in a single investee company should not exceed 10 percent of outstanding shares (face value) of the investee company. However, LIC's investment committee has laid down debt exposure at 10 percent plus in PSU banks (30 percent or 10 percent of the fund, whichever is lower), infrastructure and housing (35 percent of the capital employed or 10 percent of the respective fund size, whichever is lower) and in any other company (20 percent of the capital employed or 10 percent of the respective fund size, whichever is lower). Incidentally, for violating its investment norms and its own directive to it, IRDA imposed a penalty of INR 500,000 on LIC!
- LIC should not be allowed to operate its prohibitively high commission structure. The commission structure should be revised to ensure that it is not skewed towards the first year premium. These steps will ensure that the regulations apply equally forcefully to all the life insurance players, whether public or private.
- The provision that allows LIC to underwrite new business without bothering about CAR is blatantly and unabashedly partisan, to say the least. When other players are unable to underwrite new business owing to capital inadequacy, LIC can underwrite new business with apparent impunity, unmindful of the CAR obligation. This does not augur well for LIC's financial health. Nor does it augur well for the country's life insurance industry.
- As implied in a previous paragraph, it is the jagged provisions of the various insurance-related legislations that give rise to anomalies of this kind. The regulations should be revamped in such a manner that a level playing-ground ensues for all the players, public or private, as recommended in a previous paragraph. This is not possible unless and until the LIC of India is made fully autonomous in letter and spirit. The researcher strongly recommends that the government of India immediately convert the LIC of India into a fully autonomous life insurer.
- Although the FDI cap has been raised to 49 percent from 26 percent, the enhanced limit can be accessed only through the FIPB route and not through the automatic window. This is going to make this difficult for small and mid-size life insurers whose bottom lines are still in the red owing inadequacy of capital, amongst other things. Hence the Indian promoters behind these small and mid-size life insurers may not be inclined to commit further equity capital.
- Only the top seven private life insurers have been in the black and declaring dividend. They do not have to exploit the raised FDI limit to further capitalise their operations. All they have to do is to go public or transfer some of their shares to foreign investors at a premium and raise additional capital. They do not have to go through the rigmarole of raising the additional capital through the FIPB route. It is the small and mid-size players that badly need capital infusion and unfortunately, it is these players that would be affected most by this stipulation. Hence, the government should ensure that the small and mid-size players are able to exploit the enhanced FDI cap through the automatic window. Towards this end, the regulations attaching to the raised FDI cap should be amended.
- Section 21 of the LIC Act, 1956 that empowers the government to issue policy directions to the LIC should be necessarily repealed. This is because the provision is being misused by the government of India. The government uses the LIC to bail out its companies. For example, in late 2012, the government used the LIC to subscribe for the under-subscribed ONGC follow-on offering at the last minute. The LIC subscribed for almost 95 percent of the shares on offer!
- The government has been using LIC to bail out the public sector banks too particularly at a time when the latter's bottom lines are nothing to write home about! It is unfair for the government to force LIC to park its money in dud assets. Such intervention by the government through its political executive brought down UTI not long ago.

- The demand that all life insurance industry – related regulations be framed from the perspective of private players in view of the statutory advantage enjoyed by the state player, namely the LIC of India, is understandable. However, the researcher would beg to differ on this score for the simple reason that two wrongs don't make a right. The researcher would rather recommend that the LIC of India be made a fully autonomous life insurer, bound by the same rules and regulations as the other private sector life insurers. This will ensure a level playing-field too.

Conclusions

- Non-applicability / partial applicability of some regulations to LIC leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' gender.
- Non-applicability / partial applicability of some regulations to LIC leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' age.
- Non-applicability / partial applicability of some regulations to LIC leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' educational qualification.
- Non-applicability / partial applicability of some regulations to LIC leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' experience.
- LIC's ability to underwrite new business without bothering about CAR leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' sex.
- LIC's ability to underwrite new business without bothering about CAR leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of the officers' age
- LIC's ability to underwrite new business without bothering about CAR leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' educational qualification.
- LIC's ability to underwrite new business without bothering about CAR leading to the absence of a level playing-field in the industry is NOT INDEPENDENT of officers' experience.
- Provision of automatic window for the enhanced FDI cap would have made it easier for capital-starved insurers to raise capital is INDEPENDENT of the officers' sex.
- The view that provision of automatic window for the enhanced FDI cap would have made it easier for capital-starved insurers to raise capital is NOT INDEPENDENT of officers' age.
- The view that provision of automatic window for the enhanced FDI cap would have made it easier for capital-starved insurers to raise capital is NOT INDEPENDENT of officers' work experience.
- The view that all regulations have to be framed from the perspective of private players in view of the statutory advantage enjoyed by the state player is NOT INDEPENDENT of the officers' sex.
- The view that all regulations have to be framed from the perspective of private players in view of the statutory advantage enjoyed by the state player is NOT INDEPENDENT of officers' age.
- The view that all regulations have to be framed from the perspective of private players in view of the statutory advantage enjoyed by the state player is NOT INDEPENDENT of the educational qualification of the respondents.
- The view that all regulations have to be framed from the perspective of private players in view of the statutory advantage enjoyed by the state player is NOT INDEPENDENT of the officers' work experience.
- The view on the need for a revamp of the regulatory regime is INDEPENDENT of the officers' sex.
- The view on the need for a revamp of the regulatory regime is INDEPENDENT of the officers' age.
- The view on the need for a revamp of the regulatory regime is INDEPENDENT of the officers' educational qualification.
- The view on the need for a revamp of the regulatory regime is NOT INDEPENDENT of the officers' work experience

Directions for future research

It is no secret that insurance penetration is abysmally low in India. In the metros, the penetration is high. It is low in non-metro cities like state capitals. In towns, it is lower. The reasons are not far to seek: distributors of insurance products, namely, agents and brokers tend to focus on prospects from the metros. So do the insurers. The poor state of the distribution network beyond the metros is the soft underbelly of the Indian insurance sector. It is here that the regulator has its task cut out. Often the prospect is not sure whether the sales person represents the insurer or the prospect. The prospect is not convinced that the sales person has understood the product well. Remunerative commission should not lead the salesperson to mis-sell the product. After buying the product, the grievances, if any, of the prospects should be addressed promptly. Since seeking IRDAI's intervention every now and then to address

such issues may not be practical, the distributors, be they agents or brokers, should opt for self-regulation. The dividing line between agents and brokers should be sharp and clear since agents should be allowed to represent only one insurer while the brokers should be permitted to represent multiple insurers. Towards this end, the distribution mechanism concerning life insurance products should be recast. The researcher therefore suggests that a research be undertaken towards this end.

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