



A Comparative Study On Renewal Premium Of Public And Private Life Insurance Companies In India After The Liberalization Era

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ABSTRACT

This paper presents a comparative analysis of renewal premium performance between public and private life insurance companies in India after the liberalization era. Using IRDAI-based data from FY2000–01 to FY2020–21, the study highlights the changing percentage share of renewal premiums between Life Insurance Corporation of India (LIC) and private life insurers. Descriptive statistics (mean, standard deviation, coefficient of variation, compound growth rate) are applied to measure the relative performance and volatility of renewal premiums. Findings indicate that although LIC has retained dominance in renewal premiums, its share has consistently declined over time, while private insurers have gained significant ground, with a compound growth rate of over 45%. The analysis underscores the importance of customer retention, persistency, and product design in determining renewal outcomes.

Keywords: Renewal premium, Life insurance, Public vs Private, Liberalization, Persistency, India, IRDAI.

1. Introduction

The liberalization of the Indian insurance sector in 2000, following the enactment of the IRDA Act (1999), allowed private and foreign players to enter the life insurance industry. Before liberalization, the Life Insurance Corporation of India (LIC) held a near-monopoly. Renewal premiums—defined as subsequent premiums paid by policyholders after the first year—are critical to insurer stability, customer retention, and long-term growth.

This paper focuses exclusively on renewal premium dynamics in the life insurance segment, comparing LIC (public) with private insurers during the two decades after liberalization.

1.1. Scope of the Study

The scope of this comparative study would focus on the Renewal Premium segment, providing a detailed analysis of the long-term (2001-2021), post-sale performance of insurers.

Geographical Scope: India, covering the entire life insurance market regulated by the Insurance Regulatory and Development Authority of India (IRDAI).

Time Period: The Post-Liberalization Era (starting around 2000-01 to 2020-2021) up to the most recent available data, allowing for the observation of market trends after the entry of private players.

Segment of Premium: Renewal Premium (RP) only. This is the premium collected for policies sold in previous years, which is a crucial indicator of customer retention, policy persistency, and long-term financial stability.

Comparative Entities: The sole Public Sector Undertaking (PSU) life insurer (Life Insurance Corporation of India - LIC) versus the group of Private Sector life insurance companies.

Key Variables for Comparison: Market Share based on Renewal Premium, Growth Rate of Renewal Premium over the study period.

1.2 Need of the Study

The comparative study on renewal premium is necessary for several reasons, as it addresses critical aspects of the liberalized life insurance market that are often overlooked in studies focusing only on new business.

Measures True Market Stability: Renewal premium is the backbone of an insurance company's long-term financial health. Studying its trend and share reveals which sector (public or private) has a more stable and enduring customer base, indicating trust and effective post-sale service.

Assesses Customer Retention and Trust: A higher renewal premium share and good persistency ratio directly reflect customer satisfaction and trust. In the competitive post-liberalization environment, this comparison helps determine who is better at retaining policyholders, a key objective of market reforms.

Evaluates Long-Term Competition: While private players have aggressively captured a share of the New Business Premium (NBP), the continued dominance of the public sector in Renewal Premium needs to be systematically analysed to understand the actual impact of competition on long-term policy retention.

Informs Regulatory Policy: Findings can assist IRDAI in framing policies related to customer service standards, anti-lapse measures, and product design, particularly for improving persistency across the industry.

1.3. Rationale

- Renewal premiums ensure stable revenue streams and customer loyalty.
- Persistency of renewal premiums reflects trust, service quality, and sustainability of product design.
- A comparative study captures the structural transition in market share post-liberalization.

1.4. Objectives

1. To analyse the trend of renewal premiums between LIC and private life insurers from 2000–01 to 2020–21.
2. To measure statistical indicators—mean, standard deviation (SD), coefficient of variation (CV), and compound growth rate (CGR)—for both groups.
3. To assess the implications of changing market shares for competition and consumer welfare.

2. Literature Review

Research on the Indian life insurance sector highlights post-liberalization competition, distribution innovations, and regulatory changes. Scholars have shown that while LIC initially retained near-total control, private insurers gradually expanded their share by leveraging bancassurance, product diversification (e.g., ULIPs, term insurance), and service enhancements. Persistency and renewal premiums have emerged as indicators of insurer credibility and long-term value. However, comparative studies using actual renewal premium shares remain limited.

3. Data and Methodology

3.1. Data Source

The study uses secondary data from the Insurance Regulatory and Development Authority of India (IRDAI) annual reports, supplemented by compiled figures of renewal premium shares (2000–01 to 2020–21).

3.2. Analytical Tools

- **Descriptive Statistics:** Mean, SD, CV to capture central tendency and variability.
- **Compound Growth Rate (CGR):** To measure the growth of renewal premium share.
- **Trend Analysis:** Year-wise shifts in percentage share of renewal premium.

4. Results and Analysis of Renewal Premium

Renewal premiums are the subsequent premiums that are paid by the insured to the insurer in order to keep the policy in operation. If a policy holder fails to pay the premiums, then his policy lapses after a grace period. The renewal premiums are paid after the initial premium and are indispensable for the continuation of the policy. As the cost of expansion by writing new policies erodes profitability, private life insurance companies are tweaking their business model to focus on renewal premiums rather than market share.

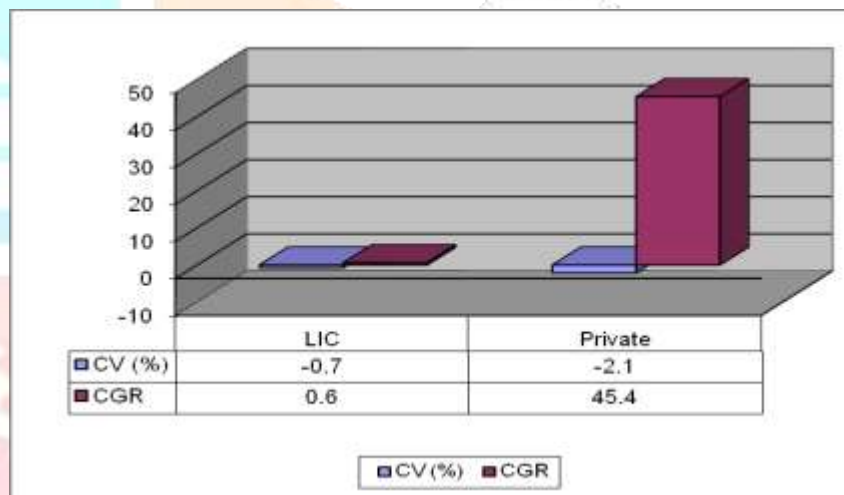
Table 1. Percentage Share of Public and Private Insurers in Renewal Premium

(2000–01 to 2020–21)

Year	LIC	Private	Industry
2000-01	100	0	100
2001-02	99.99	0.01	100
2002-03	99.61	0.39	100
2003-04	98.55	1.45	100
2004-05	96.18	3.82	100
2005-06	92.42	7.58	100
2006-07	89.02	10.98	100
2007-08	83.42	16.58	100
2008-09	77.43	22.57	100
2009-10	73.64	26.36	100
2010-11	70.50	29.50	100
2011-12	69.91	30.09	100
2012-13	73.50	26.50	100

2013-14	75.34	24.66	100
2014-15	75.04	24.96	100
2015-16	73.87	26.13	100
2016-17	72.31	27.69	100
2017-18	69.35	30.65	100
2018-19	66.58	33.42	100
2019-20	64.12	35.88	100
2020-21	62.53	37.47	100
Mean	79.2	20.8	
SD	12.4	12.4	
CV (%)	-0.7	0.6	
CGR	-2.1	45.4	

Figure-: CV&CGR of Percentage share of public and private insurers in Renewal Premium



4.1. Trend Analysis

- LIC's share declined steadily from 100% in 2000–01 to 62.53% in 2020–21.
- Private insurers expanded from negligible presence (0.01%) to 37.47% over the same period.
- Industry data confirms a structural redistribution of renewal premiums post-liberalization.

4.2. Descriptive Statistics

- **Mean:** LIC averaged 79.2% renewal premium share, private insurers 20.8%.
- **Standard Deviation:** Both groups recorded 12.4, reflecting high variability due to market adjustments.
- **Coefficient of Variation (CV):** Near zero for LIC (stable decline) and positive for private insurers (consistent growth).

- **CGR:** LIC registered a negative CAGR (-2.1%), while private insurers grew exponentially (45.4%).

4.3. Interpretation

- The results reflect the maturing of private insurers' portfolios, driven by competitive strategies and regulatory reforms.
- LIC, while still dominant, has lost ground as private insurers gained consumer trust and distribution reach.

5. Discussion

The liberalization era reshaped India's life insurance market. LIC's declining renewal premium share highlights the erosion of monopoly power. Private insurers capitalized on bancassurance, digital platforms, and innovative products (e.g., ULIPs, term plans) to grow rapidly. Persistency improvements and service quality further enhanced private renewal performance. Regulatory oversight on mis-selling and mandatory disclosures also contributed.

6. Findings

1. LIC remains the leader in renewal premiums but its share declined by nearly 38 percentage points over 20 years.
2. Private insurers' renewal share surged, showing strong CAGR and increasing competitiveness.
3. The industry shifted from monopoly to competitive dual structure.
4. Consumer choice, product diversity, and distribution innovation played key roles.

7. Conclusion

The comparative study demonstrates that liberalization significantly altered the renewal premium landscape in India's life insurance sector. While LIC continues to dominate, private insurers' steady gains reflect a more balanced and competitive industry. Renewal premiums, as indicators of customer retention and satisfaction, suggest that the market is moving toward greater consumer empowerment and efficiency.

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