Life insurance in its modern form came to India from England in 1818 with the formation of Oriental Life Insurance Company. The Government of India nationalized the life insurance industry in January 1956 by merging about 245 life insurance companies and forming Life Insurance Corporation of India (LIC), which started functioning from 01.09.1956. For years thereafter, insurance remained a monopoly of the public sector. It was only after seven years of deliberation and debate that R. N. Malhotra Committee report of 1994 became the first serious document calling for the re-opening up of the insurance sector to private players. The sector was finally opened up to private players in 2001. The Insurance Regulatory and Development Authority, an autonomous insurance regulator set up in 2000, has extensive powers to oversee the insurance business and regulate in a manner that will safeguard the interests of the insured. Insurance is a federal subject in India. There are two legislations that govern the sector- The Insurance Act-1938 and the IRDA Act-1999. The insurance sector in India has come a full circle from being an open competitive market to nationalization and back to a liberalized market again.

The objectives of the study are to compare cost efficiency and financial performance of Life Insurance Corporation of India and private sector life insurance companies in India, to understand the concept and mechanism of insurance and to predict the volume of new business and total premium of life insurance sector in India.

The study is divided into six chapters. The first chapter is introductory in nature and deals with history of insurance, meaning and concept of insurance principles of insurance, functions of insurance, importance of insurance, types of life insurance policies, features of life insurance contract and duties, power and functions of IRDA. The second chapter deals with literature review. Research Methodology is dealt with in the third chapter which includes research statement, hypothesis, objectives of the study, tools and methods of
data analysis, scope and limitations of the study. The fourth chapter describes profile of twenty two private life insurance Companies and Life insurance corporation of India. The fifth chapter deals with data analysis. Linear trend, percentage, ANOVA (one-way) and DEA method were used. The sixth chapter gives the conclusion of the study and gives suggestions based on findings.

Both Life insurance density and penetration have increased from 2000-01 to 2009-10. The prediction of new business and total premium for both private and public sector life insurance companies in India for the year 2015 shows an upward trend. This signifies that there is a lot of scope for life insurance sector to develop in India. The financial performance of Life Insurance Corporation of India is better than private life insurance companies in India. The private life insurance sector has nearly grabbed 30% of the market share in terms of total premium income. LIC’s new business premium has fallen from 99.23% in 2000-01 to 65.08% in 2009-10. Unless Life Insurance Corporation of India is alive to the emerging trends, its performance may decline further. Hence, Life Insurance Corporation of India has to work with renewed vigor and enthusiasm so as to retain its market share. The findings show a significant heterogeneity in the cost efficiency scores from 2000-01 to 2009-10. It can be seen that Life Insurance Corporation of India has consistently secured a cost efficiency score of 1 in all the years from 2000-01 to 2009-10 and scored the highest rank for all the years under study. Thus Life Insurance Corporation of India has consistently been a cost efficient organization. While in the case of the private life insurance companies, the cost efficiency score has been inconsistent except for SBI Life insurance company which has secured a cost efficiency score of 1 in seven years out of ten years.