



COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE SECTOR GENERAL INSURANCE COMPANIES IN INDIA

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Introduction

Insurance plays a significant role in the development of a country. It is one of the service sectors which focus on all segments of the society. With the increased population, industrialization and the changing environment, insurance related issues and problems are being emphasized and have become a great concern for the contemporary world. The rapid industrial development and post privatization period has given more opportunities for insurance sector. The Insurance sector is a large global industry by covering wide range of risks by protecting life and disability of human being and their families. It also covers the property and other assets of industrial as well as an individual by protecting and safeguarding from uncertainty which arises. It assures the insured to transfer the risk for the particular period and bear the losses during the risk period. India has given wide range products for the customers. Insurance sector not only concentrates on individual but also on industry and society. It protects and safeguards the risk which covers for the particular period.

Insurance is defined as the equitable transfer of risk of loss, from one entity to another, in exchange for payment. An **Insurer** is a company selling the insurance; an **Insured**, or **Policyholder**, is the person or entity buying the insurance policy. The insurance rate is a factor used to determine the amount to be charged for a certain amount of insurance coverage, called the **Premium**. In law and economics, insurance is a form of risk management primarily used to hedge against the risk of contingent, uncertain loss. Risk management, the practice of appraising and controlling risk has evolved as a discrete field of study and practice.

Liberalization, Privatization and Globalization (LPG) policy has changed the insurance sector and taken new diversion of economic growth. This policy has brought new business opportunities and increase in economic and financial activities which have made the Indian insurance sector more competitive. And also this policy brings the existence of Insurance Regulatory Authority of India, (IRDA) a statutory autonomous and apex body which controls, regulates and supervises both Life insurance and General insurance sectors in India. The main objectives of IRDA are to protect the interest of the policy holders, promote the efficiency of insurance sector and supervise the premium rates and terms of insurance. It also ensures to maintain solvency margin by the insurance companies in order to maintain the pay-out claim ratio.

The Indian insurance sector earlier was dominated by public sector insurance companies. Even after the new economic policy, insurance sector share was in the hands of public sector. After the introduction of IRDA, Government offered private sector insurance companies to enter into the insurance business in India. This privatization policy brings new era of change for the insurance sector, which has made insurance sector more competitive

Earlier, life insurance had become more significant part of the society. But changing conditions of property and assets also becomes a part of insurance. Due to industrial growth and private sector entry into the insurance sector focus is rapidly changing towards general insurance.

Insurance Industry in India-An Overview

There are mainly two types of insurance business in India. They are

1. Life Insurance
2. General Insurance

Life Insurance

Life Insurance is the insurance for an individual and his family. Life insurance is a policy that people buy from a life insurance company, which can be the basis of protection and financial stability after one's death. Its function is to help beneficiaries financially after the death of owner of the policy. It can also be a form of savings in the long run if a plan is purchased, which offers the option of contributing regularly

General Insurance

Insurance other than Life Insurance falls under the category of General Insurance. General Insurance comprises of insurance of property against fire, burglary etc, personal insurance such as Accident and Health Insurance, and liability insurance which covers legal liabilities.

Review of Literature

The literature in the area of general insurance is enormous. A number of research works have been carried about insurance in India and abroad. It is very difficult and not relevant to review all the works carried out in the area of general insurance and the review work of present research is limited to only those studies which are relevant to the objectives of the present study.

Altah Ahmed Dar, et.al, (2005) in their research paper "*A Comparative Study of Promotional Strategies adopted by Public and Private Sector Insurance Companies in India*" identified that the marketing strategies become more crucial when they are executed to design, distribute and promote insurance services. The present study is descriptive in nature and takes out significant differences in the promotional strategies adopted by private and public sector insurance companies in India. The study shows noteworthy results and opinion of customers which can be very useful for designing effective promotional strategies for insurance companies.

Mathew Jacob (2011) in his thesis "*A Study on the Impact of Reforms on the Insurance Industry*" examines various issues that have come into being as a result of liberalization in the Indian insurance sector. The pertinent issues examined in the study are how and in what way the reforms and privatization in the insurance sector affect the functioning of Indian Insurance Sector, the origin and growth of insurance sector in India in the pre and post liberalization period. The study identified the major factors influencing the policy holders in the purchase of insurance policies as return, risk coverage, tax saving, liquidity, flexibility and level of awareness.

Bhaskar Rau G.N. (2013) in his research paper, "*Theoretical Insurance*", explores the theory of risk and theory based selling in the place of need-based selling as a supportive method if not as an alternative method. It also examines what would at least help the practical insurance approach as a marketing tool: "theory support to practice". The study tries to explore that the risk factor which may occur in future and the level of quantum of risk severity may be low, medium or high. Finally, it concludes that every event in human life however small or big it is and at any age and stage of the life span has a definite socio-economic and psycho-relational changes and have an effect on the concerned individual and his surroundings, people, personal life and organization, and this is the essence of the theoretical insurance.

MuthukrishnanNagarajan (2013) in his research paper, “*Commercial Insurance Coming of Age for Automated Underwriting*” focuses on property and casualty insurance and its impact on catastrophic losses and soft market in 2012. It also covers the challenges in automating the commercial underwriting process like type of risks and products which should be considered for automated underwriting, level of complexity involved in determining the premium, level of automation incorporated into underwriting decisions, level of delegated authority comfortable with, implement process to improvement across new business and distribution process. This paper further concentrates on the case for underwriting automation and dynamics of automated underwriting. It gives conclusion about the risk and products of end users.

Dr.AshisBarua(2014) in his research article “*The Indispensable Role of Insurance in Rural Development*”, emphasizes the role of insurance in rural economic development. The author further attempts to focus on the rural insurance, rural economic development and government initiatives. The evidence suggests that there is substantial potential for rural insurance which may lead to rural development, to make a greater contribution to rural economic growth and social welfare in many lower and middle income countries and industry experts argue that insurance lags behind other financial services in the context of globalization, providing substantial growth opportunities.

Objectives of the Study

The broad objective of the study is Comparative Study Public of Private sector General Insurance Companies in India. The other objectives are presented as under.

- To examine the trend in overall Premium and Claim of Public and Private sector General Insurance Companies in India
- To analyse the Profitability and Financial Efficiency of both Public and Private sector general insurance companies In India

Scope of the Study

The scope of the study covers the comparative study of Public and Private sector general insurance companies in India. This study has a special focus on the relation of premium, claim, profitability and financial strength of Public and Private General Insurance Companies. It further concentrates on the premium and claim portfolio analysis by studying the trends during the study period of the year.

Sources of Data and Methodology

The present study majorly has been undertaken on the basis of secondary sources of data. Secondary data have been collected from monthly journals of IRDA, Insurance Times Monthly Magazines, IRDA annual reports from 2016-17 to 2020-21. Relevant books, research articles and other published documents from concerned companies as well as e-sources.

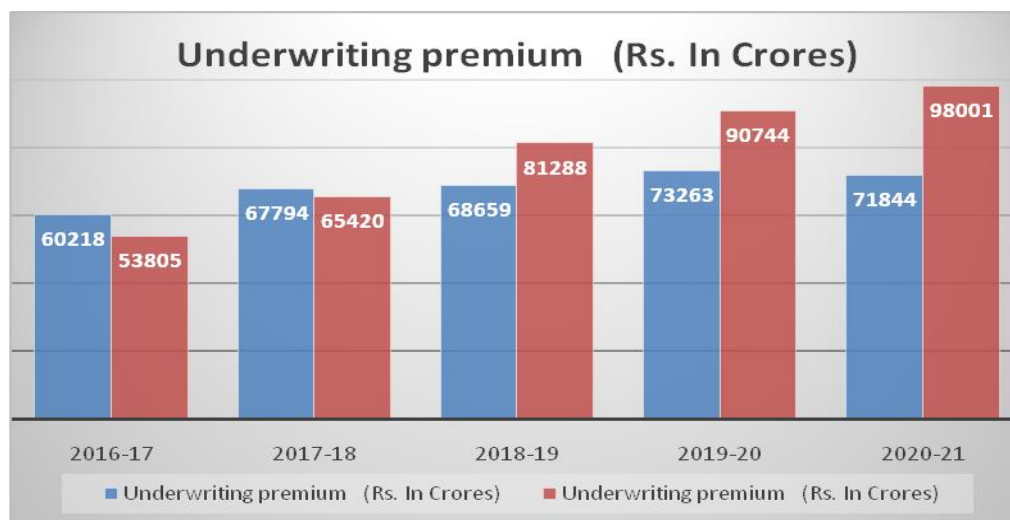
The method of analysis followed for the present study is purely analytical in nature.

Tools and Techniques

For the present study, many statistical tools and techniques are made use of and a brief explanation of the same is presented. Mean, diagrams, tables and graphs are used for effective presentation of the data analysed

Underwriting Premium (Rs. In Crores)

Year	Public sector	Private sector
2016-17	60218	53805
2017-18	67794	65420
2018-19	68659	81288
2019-20	73263	90744
2020-21	71844	98001
Mean	68356	77852



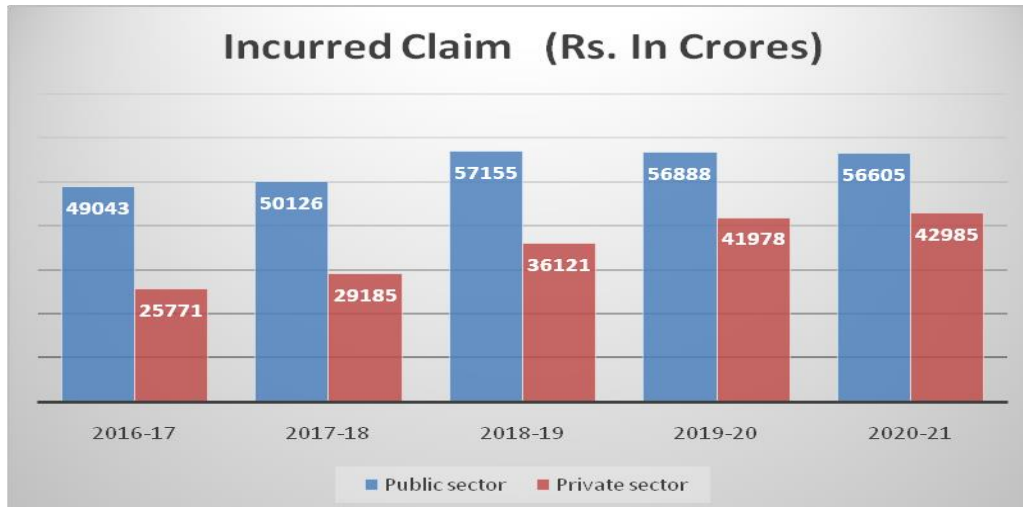
Source: IRDA Annual Reports (2016-17 to 2020-21)

Note: Figures compiled from Companies Annual Reports

From the above table and graphs it is depicted that the mean underwriting premium of public sector has shown increasing trend during the study period. But the rate of increasing is less than 20%. Whereas the private sector insurance companies showed better performance of 45% during the study period. Hence, the private sector increasing trend during the study period.

Incurred Claim (Rs. In Crores)

Year	Public sector	Private sector
2016-17	49043	25771
2017-18	50126	29185
2018-19	57155	36121
2019-20	56888	41978
2020-21	56605	42985
Mean	53981	35208

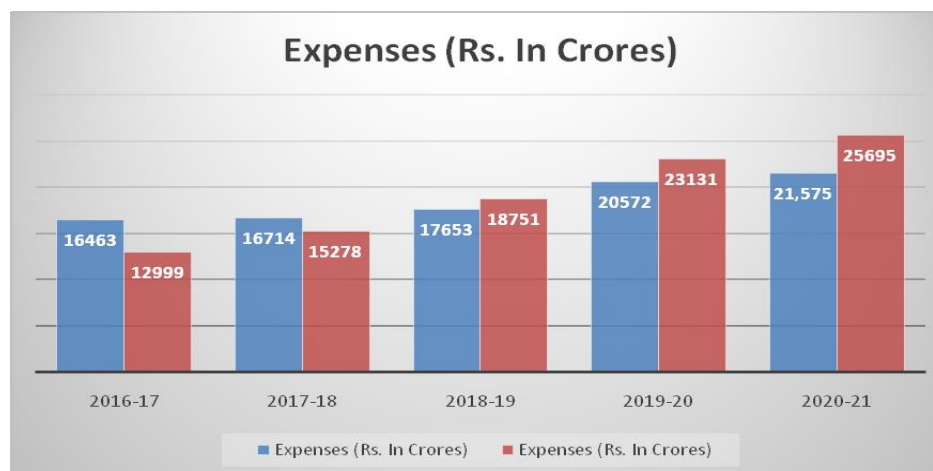


Source: IRDA Annual Reports (2016s-17 to 2020-21)
Note: Figures compiled from Companies Annual Reports

The above table and graph shows the incurred claim of public and private sector during the study period. The Mean incurred claim of Public sector shown significantly increase during the study period. But the private sector has shown less increasing trend compare to premium rate to claim is less than 50%, whereas the public sector driven to 78% in the study period.

Expenses (Rs. In Crores)

Year	Public sector	Private sector
2016-17	16463	12999
2017-18	16714	15278
2018-19	17653	18751
2019-20	20572	23131
2020-21	21,575	25695
Mean	18595	14545

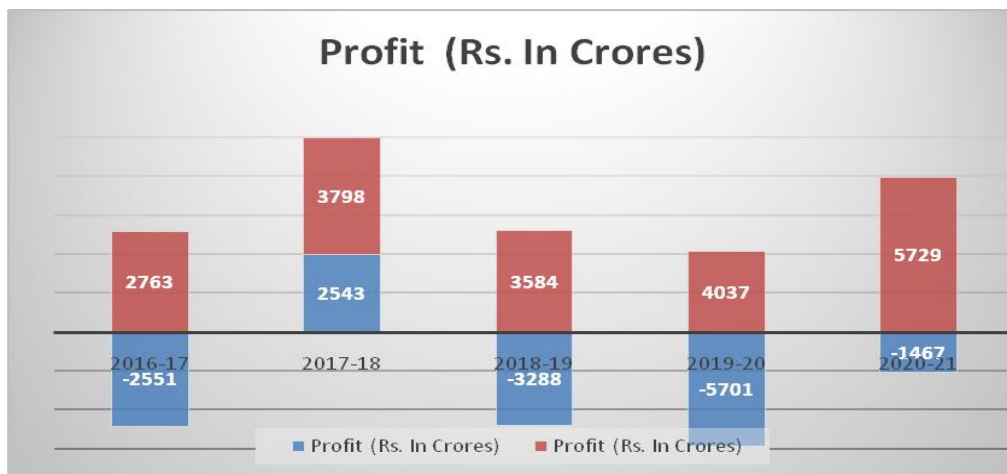


Source: IRDA Annual Reports (2016-17 to 2020-21)
Note: Figures compiled from Companies Annual Reports

It is evident from the table and graph that the expenditure of public and private sector insurance companies. The mean expenditure of public sector is more than 20% high when contemplated to private sector. Private sector expenditure significantly less compare to premium collection.

Profit (Rs. In Crores)

Year	Public sector	Private sector
2016-17	-2551	2763
2017-18	2543	3798
2018-19	-3288	3584
2019-20	-5701	4037
2020-21	-1467	5729
Mean	-2093	3982



Source: IRDA Annual Reports (2016-17 to 2020-21)

Note: Figures compiled from Companies Annual Reports

The above table and graph indicating the profit of public and private sector insurance companies during the study period. It is very clear from the data that the public sector mean loss of 2093 crore. Whereas, private sector shown mean profit of 3982 crore during the study period.

Summary of findings and conclusion

The above study it reveals that the private sector holds better performer in terms of underwriting premium by showing higher increasing trend when contemplated public sector general insurance companies.

The incurred claim ratio shows that the private sector lesser claim ratio compare to public sector insurance companies. This indicates private sector insurance companies' performance is better than public sector insurance companies.

The above results shows that private insurance company shows the less expenses ratio contemplated to public insurance companies. The lesser expenses ratio indicates the positive sign for the business.

The profit of public sector shows the negative during the entire period of the study. Whereas the private insurers shows positive result.

Conclusion

The study and analysis shows significant performance of private insurance companies in terms of Premium incurred claim, Expenses and Profit. The premium stands for the companies' capability of the input. The total output for the insurance companies indicates incurred claim and expenses which are significantly improved by the private insurance companies during the years. The profit always be keen issues for all general insurance which shows the higher the profit ratio by the private insurers. Finally it is evident that private insurance companies have shown better performer among the selected private sector general insurance companies.

Limitations of the Study

The study tries to study the comparative study of general insurance companies in India. In spite of the best efforts of the researcher, following shortcomings could be identified during the study.

- The study focuses on overall public and private sector general insurance companies in India by ignoring the study of individual companies.
- The study covers the premium, claim and profit and not considering the other segment of the analysis.
- The present study is based on only the available secondary data.

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