

A Comparative Study of Public and Private Players in Indian Insurance Sector

**Dr.A.N.Tamragundi
Priyanka.P.Tarikar**

Associate Professor, PG Dept of Commerce, Karnatak University, Dharwad, Karnataka, India
Research Scholar (Ph.D), Department of Commerce, Karnatak University, Dharwad, Karnataka,
India

Abstract:-

The paper probes in to the Indian Economy and observes the characteristics of Insurance Industry in India based on Strength of Insurance Industry in India and Weakness of Insurance Industry in India. Further making literature survey, it is essential to re-look into the Private and Public Players in insurance industry in India as insurance companies are mushrooming after liberalisation. Further, increase in the foreign direct investment from 26% to 49% shows that insurance business will grow in India but facing tough competition from rest of the world and specifically the Asian countries. Hence, there is a chance that there may be some difference observed in between the private and public insurance firms. Thus, in this study, an attempt has been made to make the comparison of Private and Public firms in Insurance industry in India will be done based on Insurance Education, Mergers and Acquisitions, Percentage of Foreign investments in Insurance sector, Premium, Performance Evaluation. The performance will be evaluated using the new policies issued, registered insurers. The period of study will be taken as 2013-14 to 2017-18. An attempt is made to clarify the results and generalize them to insurance industry performance. The study will be carried on making content analysis from the data collected from various secondary sources such as annual reports of insurance companies, Insurance Regulatory Development Authority (IRDA) journal, and insurance journal.

Keywords: Insurance, Private companies, Public companies

INTRODUCTION:-

The financial service industry has made significant changes after liberalisation and globalisation. Among all, insurance sector is also one of the important sectors in India. The Private and Public Players in insurance industry in India as insurance companies are mushrooming after liberalisation. Further, increase in the foreign direct investment from 26% to 49% shows that insurance business will grow in India but facing tough competition from rest of the world and specifically the Asian countries. Hence, there is a chance that there may be some difference observed in between the private and public insurance firms. With the entry of private players, the competition is becoming intense. In order to satisfy the customers, There is competition between the public and private companies to implement new creations and innovative product characteristics to attract customers. Hence it is intended, through this study, to make an comparative analysis between private and public companies to understand the differences that lies in terms of demand conditions, competition, product innovations, delivery and distribution systems, use of technology, wide range of products, innovative bundling of insurance with other financial services, aggressive marketing, and better customer care and regulation.

LITERATURE REVIEW:-

Indian insurance industry has come a long way since the days of private dominance and Government monopoly in more than a century. The establishment of Insurance Regulatory and Development Authority in 1999 and subsequent entry of foreign and private players has changed the entire insurance landscape of the country. Professionalism and the technologies brought in by the foreign players have forced the hitherto sluggish and complacent players to devise their strategies from company-business-oriented to customer satisfaction-oriented (Hole and Misal, 2013) and that are progressive in nature. But unfortunately, most of the strategies are far more of survival than growth oriented. Though, company's say that utmost care is being taken to maximize customer satisfaction yet the ground reality is something very different. Customer centric products and strategies are required because insurance provides social security to both the employees and non employees (Davar and Singh, 2014). This also increases the competition among them and helps develop emotional intelligence. Various studies (Lagrange & Roodt, 2001; Slaski & Cartwright, 2002; Sitarenios, 1998; Rapisarda, 2002 and Donald-Feidler & Bond, 2004) conducted abroad and studies in India (Jain & Sinha, 2005; Sinha & Jain, 2004; Srinivas and Anand, 2012; and Kumar, Mishra & Varshney, 2012) amply suggest that insurance coverage, besides providing social security, brings in job satisfaction and results in improved emotional

intelligence which in turn improves the organizational effectiveness and organizational commitment. Many studies also have found out that employee insurance have a positive impact on the job performance (Jayan, 2006; Bechara, Tranel & Damasio, 2000 and O'Boyle Jr. et al., 2010) of the employees as performance of employee is crucial to the survival and growth of insurance industry in India. Risk is certain in any country and society. But the efforts and initiatives undertaken to mitigate the risk vary. After many failed or below par attempts, it was realized that risk can never be mitigated but its impact can only be minimized by taking various steps. One such step is insurance. Of late, insurance is considered as the backbone of a country's risk management system as it offers a variety of products to individuals, households and businesses to protect them from risk and ensure financial security (Krishnamurthy et al, 2005). Insurance also is now accepted as an important financial intermediary not only within the country but also across the countries and as a source of long-term capital which can be used for building social and physical infrastructure and also executing long-term projects. Rise in the nos. of incomplete projects owing to various reasons has given rise to the demand for insurance. So, is the case with international trade which is beset with risk emanating from sea, air and human-led actions. But, the major challenge is to service the growing domestic demand for risk management and at the same time the unwillingness of people to take insurance as a risk management tool. Realizing the potential of insurance sector in mobilizing the savings for the productive use and its ability to provide job security and social safety, Government has taken various steps to improve its quality, reach and popularity. As a result, the sector was opened to both the private and the foreign players. It is seen that the process of liberalization, privatization and globalization has brought in a sea change in Indian economy in general and the insurance sector in particular. The private players have been penetrating their business more and more into the rural and untapped areas with more number of policies, higher amount of premium and changes in the commission expenses and operating expenses (Chand, 2014). With the growing competition emanating from domestic and international players, there is healthy competition and a different level of job satisfaction among the employees. But, to compete and grow, both the employees of private and public sector companies need to work in proper harmony and co-existence manner. Increased competition has, though brought in satisfaction, it has also necessitated innovative marketing strategies and customer satisfaction practices, which are again dependent upon the increased employees job satisfaction and this will be possible through the social security i.e., insurance (Kaur, 2012). Besides other sectors, the Insurance sector also plays a vital role in the economic development of our nation by providing various useful services like mobilising savings, intermediating in finance, promoting investment, stabilising financial markets and managing both the social and financial risk. Despite its added advantages, India still lags behind other nations and considered as an under-insured country in the world. It has come a long way and made much strides since 2009, when it had the 18th position among Life Insurance markets and 28th in Non-Life Insurance markets. But, considering its ever growing population and demographic dividend, it has huge unexplored potential yet to be explored and harnessed. Even the establishment of IRDA and opening of markets have not helped in the growth of insurance penetration, except for the period during 2001 to 2009 when it rose from 2.71 per cent to 5.20 per cent. Since then, it declined to 3.96 per cent in 2012, which is much below the global average of 6.5 per cent of GDP. Density of insurance which rose from 11.50 in 2001 to 64.40 in 2010 also declined to 53.20 in 2012-13 and continues to decline even today. This is due to the fall in the premium collections and the regulator tightening of the rules and decline in the household financial savings (Ganesh, 2014). Liberalization followed the de-tariffing of the non-life insurance products in 2007 which provided impetus and level playing field to the sector bringing in flexibility, profitability and competitiveness among the players (Sharma and Sikidar, 2014). Even after opening up the market and de-tariffing, the insurance companies in India are facing various problems such as paying of outstanding claims which are primarily based on their strong national franchise, presence, sound financial position, comfortable solvency position, diversified investment portfolios and strength of reinsurance ties. Along with this, changes necessitated among the domestic insurance industry due to the intensified competition and sharp decline in interest rates continues to be the major cause of concern. Besides, emerging dynamic environment has exerted pressure on their profitability, costs of operations, claim management and their service standards. Moreover, systemic inefficiencies and the inadequacy of the tariff structure in certain lines of business have also diluted their strength. Other than the life insurance and its claim, there are also other issues like under insurance, technological advancement, data management, underwriting, fund management, actuarial efficiency, special health insurers and the end-to-end service delivery process, etc. These must be addressed at the earliest to realize the full potential of the insurance. There is growing difference between the developed countries and between the developed and

under developed countries as to insurance is better served when publicly provided or based on private contracts, and also in terms of its total expenditures. Public insurance is more preferred by Scandinavian countries than the Anglo-Saxon countries (Bertola and Koeniger, 2008). Similar condition is seen in India too. Except for the private players showing promise as compared to the Government players in case of non-life insurance, studies in India show that the Life Insurance Corporation (LIC) continues to hold dominant position in rural areas, to an extent, in the middle class and the lower middle class segments as compared to the private players who have dominance in the metros and major urban centres. But, the issues grappling the insurance industry is the selling than purchase of policies. Indian agents are being imparted international standard training with state-of-the art facilities but the problem continues to persist. Even the efforts of the IRDA, to have customer centric services and products, have yielded no desired result due to the lack of change in the priorities and attitude of the insurers and its agents. There are many instances of miss-selling in both the rural and urban areas too. To curb this menace, IRDA and the Government have approached the banks to promote banc-assurance, which are fast emerging as the one-stop-shop providing all kinds of products and services under one roof. Though, this is not new but its extent and reach is subdued and confined to few selected areas. Therefore, there is the need to promote banc-assurance in a big way to realize the true potential of insurance that benefits both the public, insurance companies and the Government. The literature survey is made to get an insight of the relevance and scope of the insurance business. It also probes into how characteristics of private and public sectors influence insurance sector. The review of past studies is also made to find out and summarise the comparison criteris relevant for insurance industry between private and private companies. Relevant performance evaluation parameters are identified in insurance context are discussed

RESEARCH OBJECTIVES:-

- To observe the current status of Insurance Industry in India
- To examine the growth of business of public and private insurers
- To analyse the financial performance of public and private insurers

RESEARCH METHODOLOGY:-

The objective of the paper is to make the comparison of Private and Public firms in the Insurance industry in India. For this, the set of comparison criteria are Competition, Insurance Industry concentration, Number and Type of Insurers, Percentage of Premium, Profitability of insurance firms, the period of study is taken as 2013-14 to -2017-18. An attempt is made to clarify the results and generalize them to insurance industry performance. The study is carried on making content analysis from the data collected from various secondary sources such as annual reports of insurance companies, annual reports of IRDA, IRDA journal, insurance journal. The statistical tools used in the study will be percentage method.

ANALYSIS AND INTERPRETATION;-

INSURANCE INDUSTRY IN INDIA:-

The insurance industry is also an integral part of the financial system. The overview of insurance industry in India is shown below in Table I.

Table 1:- Overview of Insurance Industry in India

Criteria	Insurance Industry
Regulators	Insurance Regulatory and Development Authority (IRDA)
Number	General insurance companies:- 28, Life insurance companies:- 24
FDI limit	49% (26% earlier)
Largest player	Life Insurance Corporation of India
Listing on Indian Stock Exchange	None of the insurance companies are listed on Indian stock exchange as of now
Relevant Acts	Insurance Act, 1938 Insurance Regulatory Development Authority Act, 1999

Source: Author’s Compilation from various online sources

Table 2:- Total Real Premium Growth Rate

Region/ Country	2013-14			2014-15			2015-16			2016-17			2017-18		
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
Advanced Countries	-0.2	1.1	0.3	3.8	1.8	2.9	2.5	2.6	2.5	-0.5	2.3	0.7	-2.7	1.9	-0.6
Emerging Markets	6.4	8.3	7.4	6.9	8	7.4	12	7.8	9.8	16.9	9.6	13.5	14	6.1	10.3
Asia	-6.5	2.2	-4.1	6.1	7.5	6.5	7.8	9.2	8.2	7.4	8.9	7.9	5.6	5.8	5.7
India	-1.1	2.5	-0.4	1	4.8	1.8	7.8	8.1	7.9	8	12.9	9.1	8	16.7	10.1
World	0.7	2.3	1.4	4.3	2.9	3.7	4	3.6	3.8	2.5	3.7	3.1	0.5	2.8	1.5

Source: Compiled from Annual reports of IRDA of different years from 2013-14 to 2017-18 Note: A. Life insurance B. Non-life insurance C. Total. Total Real Premium Growth Rate is given in terms of Percentage

Table 2 shows the growth rate of the total real premium in India and rest of the world. The growth rate in premium in the world slowed down in 2017--18 compared to 2016-17 in life and non- insurance sector. The emerging markets as a whole have improved growth rate compared to previous year.

Table 3:- Registered Insurers in India

Year	Type of business	Life insurers	Non life insurers	Reinsurers	Total
2013-14	Public sector	1	6	1	8
	Private sector	23	22	0	45
	Total	24	28	1	53
2014-15	Public sector	1	6	1	8
	Private sector	23	24	0	47
	Total	24	28	1	53
2015-16	Public sector	1	6	1	8
	Private sector	23	18	0	41
	Total	24	24	1	49
2016-17	Public sector	1	6	1	8
	Private sector	23	17	8	48
	Total	24	23	9	56
2017-18	Public sector	1	6	1	8
	Private sector	23	21	10	54
	Total	24	27	11	62

Source: Compiled from Annual reports of IRDA for different years

Table 3 shows the growth in registered insurers in India over a period of time. In 2017-18, the total number of insurance companies registered is 62, out of which 54 are in private sector and eight are in public sector. 24 life insurance companies and 27 non life insurance companies are operating in India by the end of March, 2018. In public sector there is one life insurance company which is LIC and six in non-life insurance companies. While in private sector there are 23 life insurance companies and 21 non life insurance companies operating in India. There is only one re-insurer in India which is GIC. In public sector, there are ten specialised non-insurance companies. In private sector, out of 21 non-life insurance companies, there are five Standalone Health Insurance Companies - Star Health & Allied Insurance Co., Apollo Munich Health Insurance Co., Max Bupa Health Insurance Co., Religare Health Insurance Co., and Cigna TTK Health Insurance Co.

Table 4:- New Policies Issued: Life Insurers and Non-life Insurers

Years	Life insurers			Non Life insurers		
	Public	Private	Total	Public	Private	Total
2013-14	345.12	63.6	408.72	600.06	424.47	1024.52
	(84%)	(16%)	(100%)	(59%)	(41%)	(100%)
2014-15	201.71	53.37	259.08	677.82	504.97	1182.79
	(-42%)	(-10%)	(-37%)	(13%)	(19%)	(15%)
2015-16	205.47	61.92	267.38	671.32	549.44	1220.76
	(2%)	(8%)	(3%)	(-1%)	(9%)	(3%)
2016-17	201.32	63.24	264.56	852.62	624.45	1477.07
	(-2%)	(2%)	(-1.06%)	(27%)	(14%)	(19%)
2017-18	213.38	68.59	281.97	803.12	787.13	1590.25
	(6%)	(8%)	(7%)	(-6%)	(26%)	(7%)

Source: Compiled from Annual reports of IRDA of different years from 2013-14 to 2017-18 Notes: Values given are in lakhs. Values given in brackets shows the share of each sector out of total number of insurers in India

Table 4 shows number of new policies issued by life insurers and non-life insurers in India from 2013-14 to 2017-18. From 2013-14, the value of new policies issued by public sector life insurance companies decreased from 345.12 lakhs to 213.38 lakhs in 2017-18. Similarly from 2013-14, the value of new policies issued by public sector non-insurance increased from 600.47 lakhs to 803.12 lakhs in 2017-18.

Table 5:- Insurance Penetration and Density in India

Years	Life insurance		Non Life insurance		Total	
	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)
2013	41	3.1	11	0.8	52	3.9
2014	44	2.6	11	0.7	55	3.3
2015	43.2	2.72	11.5	0.72	54.7	3.44
2016	46.5	2.72	13.2	0.77	59.7	3.49
2017	55	2.76	18	0.93	73	3.69

Note: (a) Insurance Density is calculated as the ratio of premium (in USD) to total population (per capita premium). And (b) Insurance Penetration is measured as the percentage of Premium (in USD) to GDP (in USD). Source: Compiled from Annual reports of IRDA of different years from 2013 to 2017

Table 6:- Market share of Life insurers

The market share of life insurers are seen in different section in terms of Regular Premium, Single Premium, First Year Premium, Renewal Premium and Total Premium.

Years	First year Premium		Single Premium		New business Premium		Renewal Premium		Total	
	PSU	PS	PSU	PS	PSU	PS	PSU	PS	LIC	PS
2013-14	6.56	39.44	87.09	12.91	75.47	24.53	75.34	24.66	75.39	24.61
2014.15	49.16	50.84	83.53	60.47	69.27	30.73	75.04	24.96	73.50	26.95
2015-16	46.74	53.26	84.27	15.73	70.50	29.50	73.9	26.10	72.61	27.39
2016-17	10.37	22.17	32.70	27.12	27.27	23.84	4.36	12.99	12.78	17.4
2017-18	7.02	13.71	8.39	24.65	8.10	17.51	4.35	20.38	5.90	19.15

Note: PSU refers to public sector insurance company (LIC) and PS refers to Private sector Source: Compiled from Annual reports of IRDA of different years

Table 6 shows the Market share of Life insurers. In all segment the market share of public sector life insurer is higher. It shows that LIC, the only life insurer in public sector is dominating the insurance market in India.

Conclusion:-

Opening of the market and insurance sector for the private and foreign players has definitely brought in noticeable changes in the insurance industries in India. It has challenged the hegemony of LIC in life insurance and the GIC and its subsidiaries in the non-life insurance sector. Market share of these two Government behemoths have also dropped but not as expected.

The global financial crisis has reverted the trend and the market share of these companies almost remains unchallenged, even today. Private players are doing their bit in terms of bringing in professionalism, technology, range of products and the operational efficiency yet it has not reached anywhere near the global standard. Unlike the developed and other emerging economies, there is dominance of life than non-life insurance in India which needs to be reversed to make it on par with other Asian peers, let alone the Western counterparts. Moreover, the professionalism and customer centric approach of the private players is yet to bring in substantial revenue and break the hegemony of LIC and GIC. People still trust the Government companies over private players in India. This is due to the after sale service and too much of profit oriented approach of the existing private players. Therefore, they must also focus on their role and commitment towards the society to have their own space and make the co-existence a reality. They must win back the confidence of the public and their business has to be for the public welfare and not other way round. They must also bring in attitudinal change and manner in which they operate their business. Overall analysis data and review of past literature shows that though we have progressed yet there is dominance of LIC in life insurance and the private players in the nonlife segment. Though having growth and business potential, we are yet to have the specialists in health insurance. Need of the hour is to have systemic solutions that will strengthen the market and benefit the society than having fire fighting approaches that are half baked and lack spirit. Problem of under and inadequate insurance needs to be addressed in a war footing manner to derive the full potential of the insurance which can provide social safety net to the people in particular and liquidity to the nation in general. The future growth of life insurance depends upon the products that provide pure protection, have variety to choose from, easy to understand and customer centric with focus on the continuous improvement in its services. Since the flow of amount to insurance is linked to the household savings, innovative distribution channels are a must for the increased penetration into rural areas and deeper markets. This paper investigated the performance corresponding to the parameters relevant to insurance industry. This paper developed a comparative framework that can compare between the status of public and private insurance companies currently involved in doing insurance business in India. In life and non-life insurance, public sector firm is doing better than the private sector insurance firm. It may be because of their dominance in market and reliability of customers on the public firms. This study has some practical implications because it helps the policy makers to identify the type of insurance companies doing or not doing well in insurance market. The findings of present study will help policy formulators in bringing needed modifications to the existing policy and provisions which may further accelerate the industry. This work can be extended in three directions. The first extension of this work will be sector specific. Comparative analysis of private and public insurance companies in India can be done for life insurance and non-life insurance products or services. A similar extension can be done in context of Asian countries. Lastly, another extension can be done on new attributes of comparison which may be different from this study.

REFERENCES:

- 2011 IRDA releases norms for merger of general insurance companies, <http://www.dnaindia.com/india/report-irda-releases-norms-for-merger-of-generalinsurance-companies-1506521>
- Barstow, S. R., What Are the Key Performance Indicators for Insurance Companies?, retrieved on 23rd February 2015 from <http://yourbusiness.azcentral.com/keyperformance-indicators-insurance-companies-28382.html>
- Bertola, G., & Koeniger, W. (2008). Public and Private Insurance: Cross country evidence and a model. Working paper, Università di Torino and CEPR, University of London, pp 1-30.
- Bhat, R. (1993). The private/public mix in health care in India. Health policy and planning, 8(1), 43-56. • Bapat, H. B., Soni, V., & Joshi, R. (2014). A Study of Product Quality of Selected Public and Private Sector Life Insurance Companies,IOSR Journal of Business and Management (IOSR-JBM), 16 (4), 32-41
- Bhat, R. (2005). Insurance Industry in India: Structure, Performance, and Future Challenges Vikalpa, 30(3), 94-96.
- Chand, M. (2014),Role of Private Player in Life Insurance Industry in India, International Journal of Marketing, Financial Services & Management Research, 3 (6), 170-183.
- Chaudhary, S., & Kiran, P. (2011). Life Insurance Industry in India-Current Scenario. International Journal of Management & Business Studies, 1(3), 146-150.

- Cross, D., What Are the Key Performance Indicators for Insurance Companies? <http://smallbusiness.chron.com/key-performance-indicators-insurance-companies71236.html>
- Davar, S. C. and Singh, N. (2014), Emotional Intelligence and Job Performance in Banking & Insurance sector in India, *Industrial Journal of Industrial Relations*, 49 (4).
- Dewan, N. (2008). Insurance Industry in India. *Indian Life and Health Insurance Industry: A Marketing Approach*, 1-43.
- Ganesh, S. S. S. D. (March 2014), Growth of Insurance Industry in India After Privatization - Life Insurance Sector is at an Inflection Point, *Journal of Commerce*, 2 (2), 1-14.
- Garg, M. C. Deepti (2008)," Efficiency of General Insurance Industry in India in the Post-Liberalization Era: A Data Envelopment Approach. *The ICFAI Journal of Risk and Insurance*, 5(1), 32-49
- . • Garg, M. C., & Verma, A. (2010). An Empirical Analysis of Marketing Mix in the Life Insurance Industry in India. *The IUP Journal of Management Research*, 9 (2), 7-20.
- Greene, M. R. (1972). The Spanish Insurance Industry. An Analysis. *Journal of Risk and Insurance*, 221-243.