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A COMPARATIVE STUDY OF PUBLIC AND PRIVATE INSURANCE SECTOR PERFORMANCE

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ABSTRACT

Indian insurance sector has got wide growth of development because of huge amount of population. The research paper covering the government policy on FDI in insurance sector. Present status of Indian Insurance Market, Benefits of Increased FDI in Insurance Industry in India, IRDAI issues guidelines on FDI in insurance firms, ultimate benefits of increased FDI in Insurance sector and a comparative study of public and private insurance performances.

KEYWORDS

Insurance, Government policy, FDI, IRDAI and Comparative study.

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INTRODUCTION

Insurance is an upcoming sector. In India the year 2000 was a landmark year for life insurance industry, in this year the life insurance industry was liberalized after more than fifty year. The market share of LIC has been considerably reduced. For the past some year's private players have launched many innovations in the industry in terms of products, market channels and advertisement of products, agent training and customer services etc.

Objectives

The objective of the present study is to compare the performance of public and private non-life insurance companies in terms of certain parameters.

Research methodology

The research article is based upon descriptive as well as exploratory research. Secondary sources of data collection have been adopted for the study. The relevant and required data are collected from the text books, nationals and internationals articles, as well as annual reports of LIC, Statistical Handbook of Insurance and IRDA.

Indian Insurance Market

The insurance industry of India consists of 52 insurance companies of which 24 are in life insurance business and 28 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company.

Out of 28 non-life insurance companies, there are six public sector insurers, which include two specialised insurers namely Agriculture Insurance Company Ltd for Crop Insurance and Export Credit Guarantee Corporation of India for Credit Insurance. Moreover, there are 5 private sector insurers are registered to underwrite policies exclusively in Health, Personal Accident and Travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd.

In addition to 52 insurance companies, there is sole national re-insurer, namely, General Insurance Corporation of India. Other stakeholders in Indian Insurance market include approved insurance agents, licensed Corporate Agents, Brokers, Common Service Centres, Web-Aggregators, Surveyors and Third Party Administrators servicing Health Insurance claims.

Insurance Laws (Amendment) Act, 2015 provides for enhancement of the Foreign Investment Cap in an Indian Insurance Company from 26% to an Explicitly Composite Limit of 49% with the safeguard of Indian Ownership and Control.

Insurance penetration of India i.e. Premium collected by Indian insurers is 3.30% of GDP in FY 2014-15. Per capita premium underwritten i.e. insurance density in India during FY 2014-15 is US$ 55.0.

Benefits of Increased FDI in Insurance Industry in India

The higher FDI cap will immensely help the insurance sector which is extremely short on investments. Benefits of Increased FDI limit in Insurance Sector are as below;

Increased Insurance Penetration

With the population of more than 100 crores, India requires Insurance more than any other nation. However, the insurance penetration in the country is only around 3 percent of our gross domestic product with respect to over-all premiums underwritten annually. This is far less as compared to Japan which has an insurance penetration of more than 10 percent. Increased FDI limit will strengthen the existing companies and will also allow the new players to come in, thereby enabling more people to buy life cover.

Level Playing Field

With the increase in foreign direct investment to 49 percent, the insurance companies will get the level playing field. So far the state owned Life Corporation of India controls around 70 percent of the life insurance market.

Increased Capital Inflow

Most of the private sector insurance companies have been making considerable losses. The increased FDI limit has brought some much needed relief to these firms as the inflow of more than 10,000 crore is expected in the near. This could go up to 40,000 crore in the medium to long term, depending on how things pan out.

Job Creation

With more money coming in, the insurance companies will be able to create more jobs to meet their targets of venturing into under insured markets through improved infrastructure, better operations and more manpower.

Favorable to the Pension Sector

If the pension bill is passed in the parliament then the foreign direct investment in the pension funds will also be raised to 49 percent. This is because the Pension Fund Regulatory Development Bill links the FDI limit in the pension sector to the insurance sector.

Consumer Friendly

The end beneficiary of this amendment will be common men. With more players in this sector, there is bound to be stringent competition leading to competitive quotes, improved services and better claim settlement ratio.

IRDAI issues guidelines on FDI in insurance firms

Total foreign investment, both direct and indirect, in Indian insurance companies cannot exceed the limit of 49 per cent, regulator IRDAI said today.

The regulator issued guidelines to bring in more clarity on the issue of compliance with the manner of Indian-owned and-controlled companies.

"Total foreign investment: Both direct and indirect holding in an Indian insurance company shall not exceed 49 per cent.

As per the Insurance Laws (Amendment) Act 2015, the foreign investment cap in the insurance sector has been increased to 49 per cent, as well as permitting overseas reinsurers to open branch offices to carry out reinsurance business in India.

The law also provides for "Indian Owned and controlled requirement" for an Indian insurance company.

The Insurance Regulatory and Development Authority of India (IRDAI) said the applicability of these guidelines may come into existence after notification of the Act.

Also, the law will be applicable in case the companies propose to hike their foreign investment from the existing level; or even when they do not intend to increase their current foreign stake from the existing level, IRDAI clarified.

About the Indian control, it said the domestic firm shall ensure that majority of the directors, excluding independent directors, should be nominated by Indian promoter/investors; and appointment of key management person, including Chief Executive Officer or Managing Director or Principal Officer, should be through the Board of Directors or by the Indian promoter.

However, key management person, excluding CEO, may be nominated by the foreign investor provided that the appointment of such key management person is approved by the Board of Directors, wherein majority of the directors excluding independent directors are the nominees of Indian promoter, it added.

Further, it said that the control can be exercised by any one or more of criterion like by virtue of shareholding; management rights; shareholders agreements; voting agreements; any other manner as per the applicable laws.

According to IRDAI guidelines are also applicable to insurance intermediaries such as brokers, third party administrators, surveyors and loss assessors.

"However, in case of an insurance intermediary having more than 50 per cent of its revenue from the non-insurance activities, these guidelines shall not be applicable to such insurance intermediaries."

What are the ultimate benefits of increased FDI in Insurance sector?

Insurance products

Private as well as government insurers will benefit from the proposed hike of FDI; these companies will offer better and wide range of insurance products to customers at larger competitive prices.

Smaller Companies

FDI will help smaller insurance companies to break-even faster and help monetize (convert into currency) the holdings of the promoters of the older life insurance companies.

Capital inflow

Immediate capital inflows of $2 billion and long term inflows of about $10 billion can be expected.

Aggression

The industry has been cautious in selling products which are capital intensive, it will be able to become more aggressive.

Technology

Insurers will not just get capital but also technology and product expertise of the foreign partner who is the domain expert.

New Players

We can expect about 100 life and non-life insurance companies to serve a market of our size. Increasing FDI could see 25-30 new insurers entering the market.

State-Run Companies

People in the country have more faith on government insurance companies and less on private ones, this hike will benefit the state-run companies more than the private ones.

Penetration

With the population of more than 100 crores, India requires Insurance more than any other nation. However, the insurance penetration in the country is only around 3 percent of our gross domestic product. Increased FDI limit will strengthen the existing companies and will also allow the new players to come in, thereby enabling more people to buy life cover.

Employment

With more money coming in, the insurance companies will be able to create more jobs to meet their targets of venturing into under insured markets through improved infrastructure, better operations and more manpower.

Analysis

From the above table no 01 showing that premium under written in public sector is 239667.65 when compared to private sector 88433.49 crores in the year 2014-14, where as in the year 2013-14 also public sector more dominant when compared to private sector. in case of new policies 201.71(public sector), 57.37(private sector) in the year 2014-15, and in the year 2013-14 345.12 new policies (public sector) and 63.6 new policies in (private sector), benefits claimed ,individual death claims amount ,group death claims (number of claims and amount paid in crores, individual death claims, group death claims, No. of Grievances reported during the year, Grievances resolved during the year, Grievance Resolved (in percent), are having dominant role in 2013-14 and 2014-15 except in Number of Offices.

Analysis

From the above table no 02 it is clear that non-life business performance in premium undertaken (crores) in the year 2013 -14 public sector premium undertaken 38,599.71 when compared to private sector 32010.3 crores, in case of new policies issued, number of officers, net income claimed are dominant in private sector 2013-14 and 2014-15, except grievances resolved is the dominant in public sector.

Analysis

In the above table no: 03 it is clear that stand lone health insurance companies comparisons of 2013-14 and 2014-15, net earned premium high for the Star Health and Allied Insurance (1017 crores) followed by Apollo Munich Health Insurance (655 crores), Max Bupa Health Insurance(315 crores), Religare Health Insurance (154 crores), Cigna TTK Health Insurance(6 crores). And in the year 2013-14, net earned premium high for the Star Health and Allied Insurance (147 crores loss) followed by Apollo Munich Health Insurance (85 crores loss), Max Bupa Health Insurance (158 crores loss), Religare Health Insurance (94 crores loss), Cigna TTK Health Insurance (66.74 crores loss).

Analysis

From the above table no 04 it is clear that in Specialized Insurer in Agriculture, Agriculture Insurance Co. Ltd. earned a net profit of 32 crores when compared to 2014-15 a loss of 158 crores.

Analysis

From the above table no 05 it is clear that in Specialized Insurer in export credit insurance, Export Credit Guarantee Corporation of India Limited earned a profit of 61.86 crores in the year 2013-14 when compared to 2014-15, earned a loss of 291.91 crores.

Table No.1: A comparative analysis of public and private sector life insurance business performance

S.No	Life Insurance Business Performance	2014-15		2013-14	
		Public Sector	Private Sector	Public Sector	Private Sector
1	Premium Underwritten (Rs in Crores)	239667.65	88433.49	236942.3	77340.9
2	New Policies Issued (in Lakhs)	201.71	57.37	345.12	63.6
3	Number of Offices	4877	6156	4839	6193
4	Benefits Paid (Rs in Crores)	144125	67054	158081	58380
5	Individual Death Claims (Number of Policies)	755901	121927	760334	125027
6	Individual Death Claims Amount Paid (Rs in Crores)	9055.18	2733.49	8475.26	2385.33
7	Group Death Claims (Number of lives)	273794	192989	267296	158682
8	Group Death Claims Amount Paid (Rs in Crores)	2037.27	1483.55	1882.83	1222.25
9	Individual Death Claims (Figures in per cent of policies)	98.19	89.4	98.14	88.31
10	Group Death Claims (Figures in per cent of lives covered)	99.64	91.2	99.65	90.45
11	No. of Grievances reported during the year	80944	198048	85284	289336
12	Grievances resolved during the year	80944	193119	85828	288836
13	Grievance Resolved (in percent)	100	97.51	100.64	99.83

Source: Annual Reports IRDA (2014-15 and 2013-14)

Table No.2: A comparative analysis of public and private sector Non-life insurance business performance

S.No	Non-Life Insurance Business Performance	2014-15		2013-14	
		Public Sector	Private Sector	Public Sector	Private Sector
1	Premium Underwritten (Rs in Crores)	42549.48	35090.09	38599.71	32010.3
2	New Policies Issued (in Lakhs)	677.82	504.97	600.06	424.47
3	Number of Offices	8207	2200	7869	2003
4	Net Incurred Claims (Rs in Crores)	31567.75	19430.46	27817.96	17874.11
5	Number of Grievances reported during the year	15860	44828	17658	45677
6	Grievances Resolved During the Year	16105	43318	18083	45653
7	Grievance Resolved (in percent)	101.54	96.63	102.4	99.95

Source: Annual Reports IRDA (2014-15 and 2013-14)

Table No.3: A comparative analysis of standalone Health Insurance Companies performance

Stand Alone	2014-15				2013-14			
Health Insurance Companies	**Gross Direct Premium (Rs in Crores)**	**Net earned premium (Rs in Crores)**	**U/W Profit / Loss (Rs in Crores)**	**Net incurred claim ratio**	**Gross Direct Premium (Rs in Crores)**	**Net earned premium (Rs in Crores)**	**U/W Profit / Loss (Rs in Crores)**	**Net incurred claim ratio**
	1	2	3	4	5	6	7	8
Star Health and Allied Insurance	1469	1017	N.A.	63.96%	1091	675	Loss 147	67.21%
Apollo Munich Health Insurance	803	655	N.A.	60.03%	692	543	Loss 85	65.59%
Max Bupa Health Insurance	372	315	N.A.	55.16%	309	238	Loss 158	59.07%
Religare Health Insurance	275	154	N.A.	61.13%	152	N.A.	Loss 94	79.92%
Cigna TTK Health Insurance	21	6	N.A.	64.33%	0.34	N.A.	Loss 62.74	N.A.

Source: Annual Reports IRDA (2014-15 and 2013-14)

Table No.4: A comparative analysis of Specialised Insurer in Agriculture Insurance Companies performance

Specialized Insurer in Agriculture	2014-15				2013-14			
	1	2	3	4	5	6	7	8
Agriculture Insurance Co. Ltd.	2740	1598	Loss 158	108.47%	3395	1648	Profit 32	104.65%

Source: Annual Reports IRDA (2014-15 and 2013-14)

Table No.5: A comparative analysis of Specialised Insurer in Export credit Insurance Companies performance

Specialized Insurer in export credit insurance	2014-15				2013-14			
	1	2	3	4	5	6	7	8
Export Credit Guarantee Corporation of India Limited	1362	1019	loss 291.91	114%	1304	907	Profit 61.86	82.22%

Source: Annual Reports IRDA (2014-15 and 2013-14)

CONCLUSION

The results shoes that public insurance companies shows that they must remain competitive by doing better and faster and also cost effectiveness with performance large number of innovative products are introduced when compared to public sector. During the decay the public sector market share is growing faster than the public sector.

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CONFLICT OF INTEREST

We declare that we have no conflict of interest.

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