

## **AN EMPIRICAL ANALYSIS BETWEEN PUBLIC AND PRIVATE GENERAL INSURANCE COMPANIES IN INDIA**

Mohammed Shaybaaz

Dr.G.Vijay Kumar (Associate Professor)

(Department of School of Management & Commerce)

Mallareddy University

Maisammaguda, Dulapally

Hyderabad-500043, Telangana

### **ABSTRACT**

The government of india made history on October `24 2000` by privatizing insurance businesses i.e., Both Life insurance and Non-life insurance. Which had earlier been abolished twenty-four years ago. The opening of the insurance sector was facilitated through the Insurance Regulatory And Development Authority Act 2000. Today organizations are competing in complex business environments characterized by continuous changes in economics, social-political legal and regulatory factors. The insurance sector along with other elements of marketing s well as financial infrastructure have been touched and influenced by the process of liberalization and globalization in india.

The general insurance industry has undergone numerous transitions since covid-19. The pandemic has accelerated phenomenal pace of rapid digitalisation of the industry, reflected an increased in health insurance plans, and covid-19 plans, which created the need for new products ,and stiff competition among all the insurance companies.

Since covid-19 the entire operations of insurance companies has totally changed from a traditional approach to digital approach, from acquiring leads to sustaining those leads. all has become completely digital. Besides the IRDAI in its efforts to achieve the mission of “Insurance for all by 2047” has unveiled a slew of measures to boost the growth in the insurance industry. The opportunity for all insurance players to grow is rife with the IRDAI predicting that the Indian insurance market will reach \$200 Billion dollars by 2047. In 2023 the

drive for cross-selling and upsell is likely to go hand in hand with the growing need for personalized insurance plans and premiums. Customers will choose customized plans over currently available “off-the-shelf-products” in this digital economy perhaps in the long run it is anticipated by the experts, advisors, & analysts, that P2P insurance, flexible coverage options and microinsurance will be the best options.

**Keywords:** *Liberalization, Privatization, Globalization, Digital Insurance, Digital Economy, Insurance Trends, And Covid-19.*

## INTRODUCTION

General insurance is a mutual contract between two bodies one is the insurance company that provides/offers insurance coverages in the market and there is individuals, clients, and small, medium, even large corporations who takes that policy by paying financial premium known as money. So, the insurance companies known as policy providers, where as clients, individuals, and businesses are known as policy holders. General insurance protects everything except life. General insurance provides financial losses to the policy holders in case of any damages they face-off. Those damages can be anything except human’s life.

According to data from Swiss Re, India holds the 8<sup>th</sup> position in the world’s insurance market with a market share of 1.78% in 2020, 1.85% in 2023, India’s total insurance premiums increased by 16.8%. by adjusting inflation rate at 7.8%. the insurance density rose from 78 Billion dollars in 2020-2021 to 90 Billion dollars in 2022-2023. The level of insurance density showed a constant rise.

The total market value of insurance industry in india is almost seven lakh crore(7,00,000,000,000) as per 2023 data provided by IRDA 2000. Under this share both life and non-life values are consolidated. The non-life insurance value is almost three hundred twenty lakh crore (3,20,000,000,000) Indian rupee. Which constitutes more than 25% or 1/4<sup>th</sup> of the total industry value in india. Unlike life insurance industry growth, trends and penetration level general insurance industry is growing way expeditious in all these forms. this all is happening because of faster economy, income level, & nation needs etc and many other economy factors which is boosting this industry.

General insurance products are so many to count-on due to variety in products and nature of businesses. To name some of the products under general business category following are some of the products which typically every general insurance business provides in the society.

**Types Of General Insurance Products:**

- 1) Commercial Insurance
- 2) Health Insurance
- 3) Property Insurance
- 4) Motor Insurance
- 5) Asset Insurance
- 6) Liability Insurance
- 7) Travel Insurance
- 8) Employee Benefits
- 9) Workmen's Compensation
- 10) Marine Insurance

**OBJECTIVE OF THE STUDY:**

- 1) To depict an accurate picture of the general insurance industry.
- 2) To understand the general insurance industry.
- 3) To compare few Digi-Tech insurance firms.
- 4) To analyse sample insurance businesses.
- 5) To provide findings based on analysis.

**LIMITATIONS OF THE STUDY:**

- 1) Authors can be biased towards information.
- 2) May have missed many imperative factors.
- 3) Mis-Interpretation of the available data
- 4) Available Data can be inefficient.

**REVIEW OF LITERATURE**

The authors done literature review on various national publications, articles, and journals, which are described below.

**Showket Ahmad Dar et.al (2015)**

Published paper on Non-Life insurance industry 'Titled as "A Comparative Analysis Of Financial Performance Between Public And Private Firms" in india, concludes by saying' the overall underwriting of premiums are getting back in the form of claims, hence there is less probability of earning profits especially for the private players.

**Jenita Monterio et.al (2015)**

In her research paper Titled as “A Study On Financial Performance Of General Insurance Companies In India” Concludes by saying after the privatization of insurance industry public companies are performing better as compared to private companies. Because of the high complexity in risk, only public companies can manage to bear that risk.

**Anand Thakur (2013)**

In his research paper ‘Titled as “ An Innovations In The General Insurance Products” concludes by saying health insurance has vast potential in Indian general insurance products, however due to lack of strategies and effective products designing, companies are not seeing any exceptional penetration rate which resulting in poor performance of the companies.

**RESEARCH DESIGN**

To carry out this research study, Exploratory research design has been implemented for the entire work. Exploratory research design is a type of methodology which exists already available information/data, published by previous researchers, Authors, Print media, Magazines, and Survey firms. which gives particular information in the form of data analysis and data interpretation.

**RESEARCH METHODOLOGY:**

The study is fully based on secondary data which covers the financial years 2020-2023, the data has been collected from official websites of all the selected companies. As well as from various all the available reports like, Magazines, Journals, and Published Articles.

**SOURCES OF DATA:**

Tools Of Analysis: The data collected to perform this research study is aligned properly and meaningfully, to reach at logical conclusion. The statistical tools which have been used to portray all data in visual formats are Pie-Charts, Column-Charts, Bar-Charts, And Combo-Charts.

**SAMPLE SIZE:**

To execute this research study, We have taken samples of some public and private companies.

- 1) General Insurance Corporation of India.
- 2) The New India Assurance Of Limited.
- 3) ICICI Lombard.
- 4) HDFC Ergo.

The above four general insurance companies are sample size to complete research study and to reach at positive conclusion.

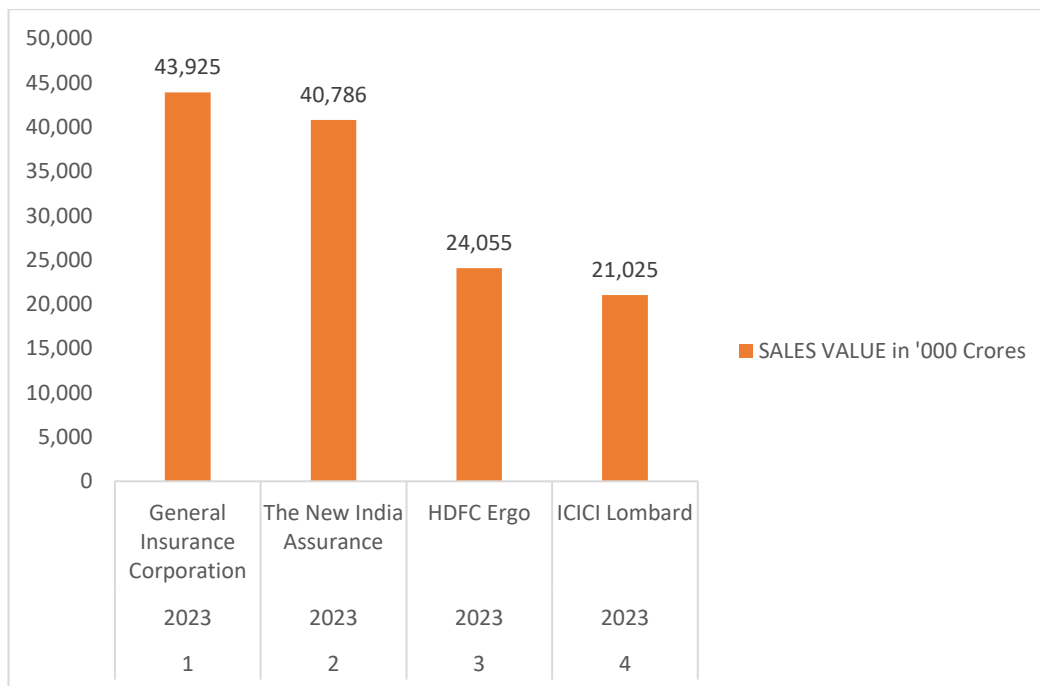
**Comparison Of The Samples Under These Areas Up To The Period Of FI-Year-2022**

- 1) Market Capitalization.
- 2) Gross Written Premium.
- 3) Claims Settlement Ratio.
- 4) Market Share.
- 5) Growth Rate.
- 6) Profit & Loss Ratio.

**DATA ANALYSIS AND INTERPRETATION**

1. Revenue Generation

SL.No	YEAR	COMPANIES	SALES VALUE in '000 Crores
1	2023	General Insurance Corporation	43,925
2	2023	The New India Assurance	40,786
3	2023	HDFC Ergo	24,055
4	2023	ICICI Lombard	21,025



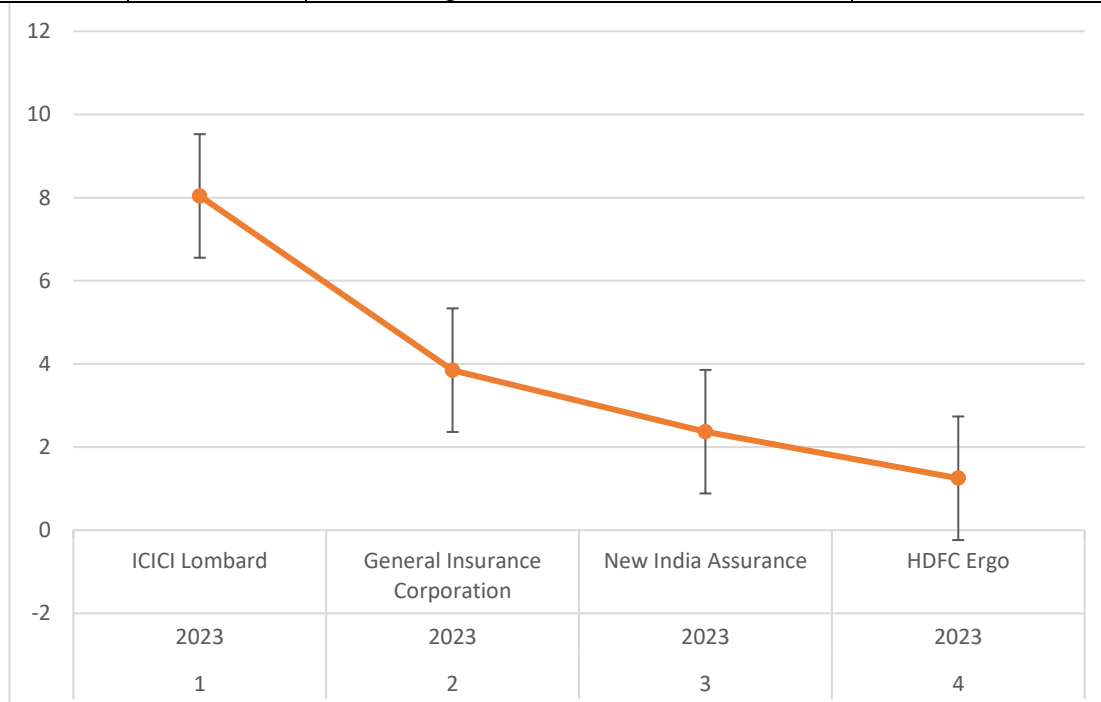
**INTERPRETATION**

The above column chart represents total revenue of four companies up to the period of march 2023. In chart among 4 companies 2 are public and other 2 are privates. From the chart we can understand GIC and NIA being a public companies outperformed as compare to private companies by earning phenomenal amount of revenue in their business.

**2. MARKET CAPITALIZATION**

Market capitalization is the total value of all shares of a company’s stock. It is calculated by multiplying the price of a stock by its total number of outstanding shares.

SL.No	YEAR	COMPANIES	VALUES IN BILLIONS
1	2023	ICICI Lombard	8.04
2	2023	General Insurance Corporation	3.85
3	2023	New India Assurance	2.37
4	2023	HDFC Ergo	1.25



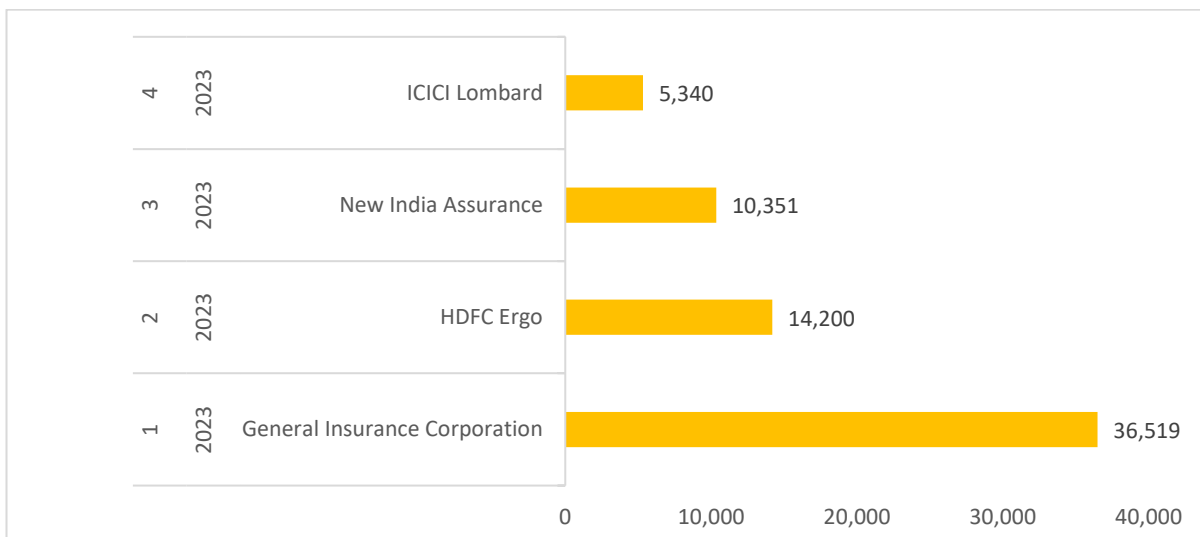
**INTERPRETATION**

From the line chart which illustrates about market capital value of all the selected firms are perfectly aligned. We can clearly see the market capital values of all the companies, in this category ICICI Lombard has the highest market capitalization then GIC,NIA and finally HDFC Ergo. ICICI being the less revenue generating firm yet dominating other companies because of great market capital value.

**3. GROSS WRITTEN PREMIUM**

Gross written premium is the total direct and assumed premium written by an insurer before deductions of re-insurance and ceding commissions.

SL.No	YEAR	COMPANIES	VALUES IN '000 CRORES
1	2023	General Insurance Corporation	36,519
2	2023	HDFC Ergo	14,200
3	2023	New India Assurance	10,351
4	2023	ICICI Lombard	5,340



**INTERPRETATION**

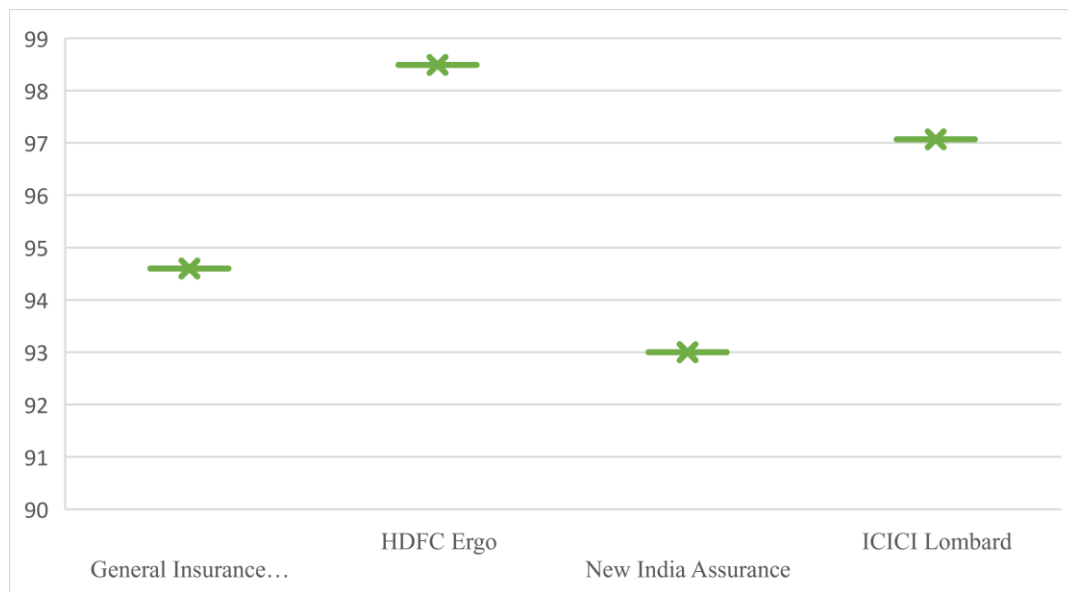
The gross written premium which is illustrated in the form of Bar-Chart that consists of 4 companies. Under Gross Written Premium GIC stands at first place follows by HDFC Ergo then NIA and finally ICICI Lombard.

#### 4. CLAIMS SETTLEMENT RATIO

Claims settlement ratio is the total percentage of claims that an insurance company settles in a year out of the total claims which they tend to receives.

The formula to calculate CSR is  $[\text{Total No.of Claims Settled} / \text{Total No.of Claims in a Year}] * 1000$ .

SL.No	YEAR	COMPANIES	Ratio
1	2023	General Insurance Corporation	94.6
2	2023	HDFC Ergo	98.49
3	2023	New India Assurance	93
4	2023	ICICI Lombard	97.07



#### Interpretation

From the Claim Settlement Ratio surprisingly public sector companies are having very less ratio whereas private companies are having exceptional claims settlement ratio. In this category private sector is dominating public sector companies in terms of claims.

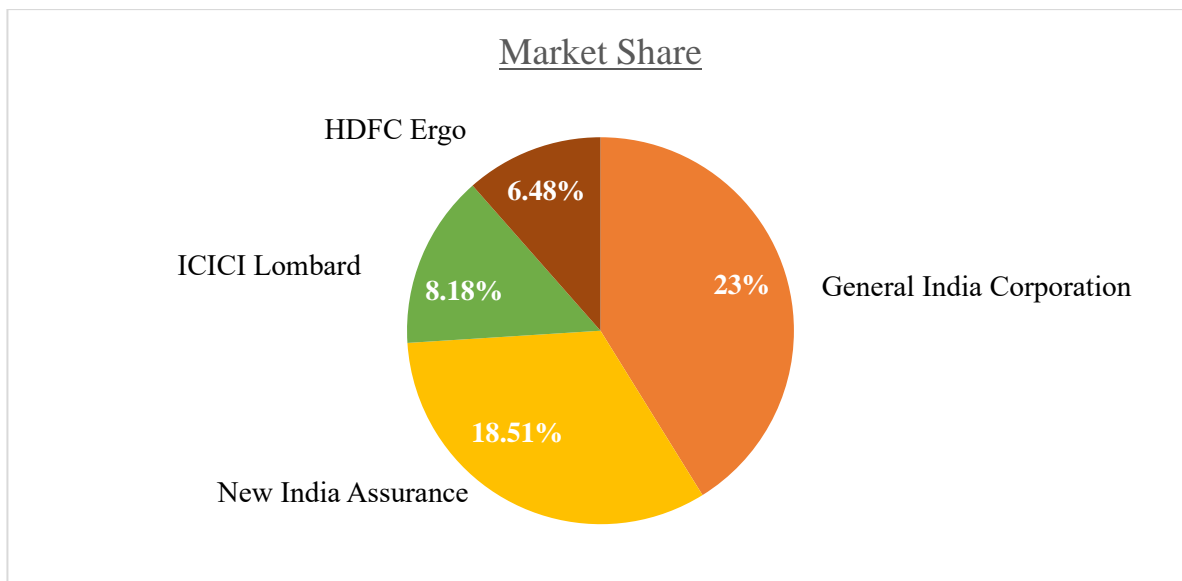


### 5. MARKET SHARE

Market share is the total percentage of sales in an industry generated by a particular company. Market share is calculated by taking the total sales of a company’s products along with entire sales volume of that same industry.

$$\text{Market share} = \frac{\text{Total Company Sales}}{\text{Total Industry Sales}}$$

SL.No	YEAR	COMPANIES	Share
1	2023	General Insurance Corporation	23%
2	2023	New India Assurance	18.51%
3	2023	ICICI Lombard	8.18%
4	2023	HDFC Ergo	6.48%



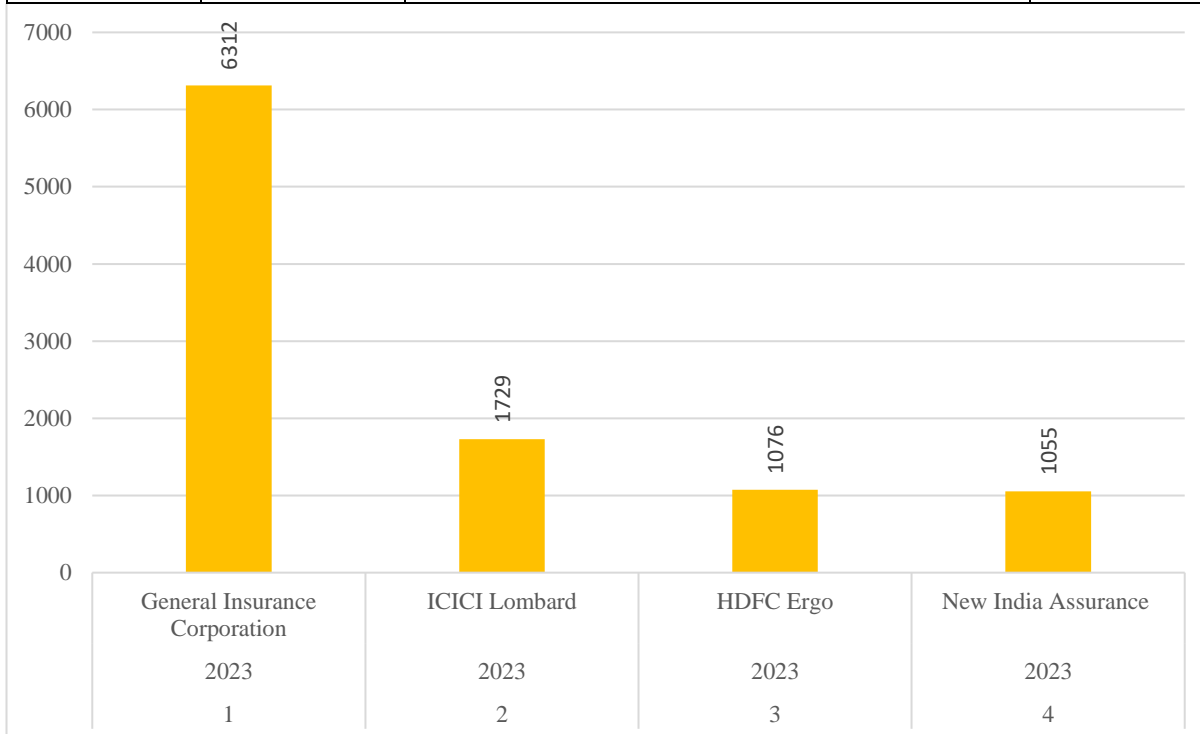
#### Interpretation

From the Pie-Chart we can easily understand the majority market share holders are only public sector companies. However, private sector companies are also at good rate in the highly-complex business trends.

## 6. PROFIT & LOSS ACCOUNT

profit & loss account shows a company’s income and expenses for a particular period of time generally either quarterly or half-yearly and annually.

SL.No	YEAR	COMPANIES	P&L
1	2023	General Insurance Corporation	6312
2	2023	ICICI Lombard	1729
3	2023	HDFC Ergo	1076
4	2023	New India Assurance	1055



Interpretation

From the profit & loss statement General Insurance Corporation of India stands at highest profit making company, followed by private company ICICI Lombard then HDFC Ergo and finally public sector unit New India Assurance company.

## FINDINGS

1. The whole study is completely based on comparison of public and private sector companies.
2. In every aspect public sector companies are performing well and dominating large-cap private players in the industry.
3. The highest revenue generation industry is public sector unit.
4. The largest market share is public sector unit.
5. The most gross written premium earns by only public sector companies.
6. Market capitalization is the only thing where private sector company is dominating the other public companies, as well as all the private insurance companies.
7. Claims settlement ratio is very poor of public sector companies where as private companies are maintaining excellent ratio.
8. Profit & loss account is the only criteria that has been portrayed as differentiation, but both public and private companies are earning profits at a same level because in insurance the more premium leads to more claims settlements.

## CONCLUSION

From the entire research study where we have compared two public and two private insurance companies in core factors of deciding which companies are better. Either public or private, So after performing comparisons under six factors, beginning from revenue generation, then market capitalization, then market share, then claim settlement ratio, then gross written premium and finally profit & loss account of all the firms.

So we can conclude by saying, public sector companies are better performers in all aspects even after 2 decades of privatization of insurance industry, no private sector companies are way outperformers with public units. All these because of government dominance in insurance industry, as government of India earns income from all the resources like, Taxes, Banking, public debt, investments etc and many more. So, because of these any government can manage risk at any level, as government is well-equipped with economic power. However in private sector companies are also performing better as per the research-advisors, technicalists, and Authorities have published in near time private sector will be dominator in general insurance industry.

## REFERENCES

<https://irdai.gov.in/>

<https://www.moneycontrol.com/>

<https://www.gicre.in/en/>

<https://www.newindia.co.in/>

<https://www.icicilombard.com/>

<https://www.hdfcergo.com/>

<https://www.indiatoday.in/>

[https://shodhgangotri.inflibnet.ac.in/bitstream/123456789/6049/3/03\\_review%20of%20literature.pdf](https://shodhgangotri.inflibnet.ac.in/bitstream/123456789/6049/3/03_review%20of%20literature.pdf)

[https://www.researchgate.net/publication/273524475\\_A\\_Review\\_of\\_Theoretical\\_Concepts\\_and\\_Empirical\\_Literature\\_of\\_Non-life\\_Insurance\\_Pricing](https://www.researchgate.net/publication/273524475_A_Review_of_Theoretical_Concepts_and_Empirical_Literature_of_Non-life_Insurance_Pricing)