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Analysis of Indian Insurance Sector among the Private and Public Sector

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Abstract: *The paper investigates the Indian economy and examines the characteristics of the Indian insurance industry based on the strengths and weaknesses of the Indian insurance industry. As a result of the liberalisation of the insurance market, it is necessary to revisit the Private and Public Players in India's insurance industry and conduct a new literature review. In addition, the increase in foreign direct investment from 26% to 49% indicates that India's insurance industry will expand, but will face stiff competition from the rest of the world, particularly Asian nations. Consequently, there is a possibility that there will be differences between private and public insurance companies. In this study, an attempt was made to compare Private and Public firms in the Indian insurance industry based on Insurance Education, Mergers and Acquisitions, the proportion of foreign investments in the insurance sector, premium, and performance evaluation. Key Performance Indicators (KPIs) in the insurance industry, such as operating expenses, commission expenses, retention ratio, new policies issued, registered insurers, premium underwritten, distribution of offices of life insurers, market share, incurred claims ratio, investment income, and leverage will be used to evaluate the performance. The period under consideration is 2000-01-2014-2015. An effort is made to clarify the results and generalise them to the performance of the insurance industry. The study will be conducted by analysing the content of secondary data sources such as insurance company annual reports, the journal of the Insurance Regulatory Development Authority (IRDA), and an insurance journal. The study will employ descriptive statistics, percentage analysis, and growth trends as statistical tools. The hypothesis of the study is that there is no difference between public and private insurance firms in terms of growth and performance. The nature of the study is exploratory, descriptive, and empirical.*

Keywords: Insurance, Private corporations, Public corporations.

I. INTRODUCTION

After liberalisation and globalisation, the financial services industry has undergone significant changes. The insurance industry is also one of India's most important industries. As a result of liberalisation, the private and public players in the Indian insurance industry are thriving, and the number of insurance companies is increasing. In addition, the increase in foreign direct investment from 26% to 49% indicates that India's insurance industry will expand, but will face stiff competition from the rest of the world, particularly Asian nations. Therefore, there is a possibility that there may be a difference between private and public insurance companies. With the introduction of private players, competition is intensifying. In order to attract customers and satisfy customers' needs, public and private companies compete to implement new creations and innovative product characteristics. In light of this, the purpose of this study is to conduct a comparative analysis between private and public companies in terms of demand conditions, competition, product innovations, delivery and distribution systems, use of technology, product variety, innovative bundling of insurance with other financial services, aggressive marketing, and improved customer care. plus regulation In addition, a comprehensive analysis of the performance of the insurance industry in India is conducted using a variety of performance parameters. The structure of this paper is as follows: Section 2 provides an overview of previous research on the insurance industry. The third section describes the insurance industry in India and its SWOT analysis. In Section 4, the research methodology is described. In Section 5, the content analysis of Private and Public Players in the Indian insurance industry is described, along with a comparison of the two based on a variety of indicators. In this section, the paper also discusses the performance of Indian insurance companies. Lastly, Section 6 concludes the paper and outlines the scope of potential future work that could result from the gaps identified in this paper.

II. REVIEW OF LITERATURE

More than a century has passed since the private dominance and government monopoly of the Indian insurance industry. The establishment of the Insurance Regulatory and Development Authority in 1999 and the subsequent entry of foreign and private players altered the country's entire insurance landscape. Professionalism and the technologies introduced by the foreign players have compelled the previously sluggish and complacent players to adopt customer-satisfaction-oriented strategies that are progressive in nature (Hole and Misal, 2013).

However, the majority of strategies are far more survival-oriented than growth-oriented. Though, Companies claim they are making every effort to maximise customer satisfaction, but the reality is quite different. Insurance provides social security to both employees and non-employees, necessitating customer-centric products and marketing strategies (Davar and Singh, 2014).

This also increases their level of competition and fosters the development of emotional intelligence. A number of international studies (Lagrange & Roodt, 2001; Slaski & Cartwright, 2002; Sitarenios, 1998; Rapisarda, 2002 and Donaldo-Feidler & Bond, 2004) and Indian studies (Jain & Sinha, 2005; Sinha & Jain, 2004; Srinivas and Anand, 2012; and Kumar, Mishra & Varshney, 2012) indicate that insurance coverage, in Numerous studies have found that employee insurance has a positive effect on the job performance of employees (Jayan, 2006; Bechara, Tranel & Damasio, 2000; O'Boyle Jr. et al., 2010), which is significant for the survival and growth of the insurance industry in India.

Risk is inevitable in all nations and societies. However, the efforts and measures taken to mitigate the risk vary. After numerous unsuccessful or subpar attempts, it was realised that risk can never be eliminated, but its impact can be reduced by taking various measures. Among these steps is insurance. Currently, insurance is regarded as the backbone of a nation's risk management system because it offers a variety of products to protect individuals, households, and businesses from risk and ensure their financial security (Krishnamurthy et al,2005). As a source of long-term capital that can be used for constructing social and physical infrastructure as well as executing long-term projects, insurance is now also recognised as an important financial intermediary not only within the country but also across the globe. A rise in the number of unfinished projects for various reasons has increased the demand for insurance. Likewise, international trade is fraught with dangers emanating from the sea, the air, and human activity. The greatest obstacle, however, is meeting the growing domestic demand for risk management while people are unwilling to use insurance as a risk management tool. Realizing the potential of the insurance sector to mobilise savings for productive use and to provide job security and social safety, the government has taken a number of measures to enhance its quality, reach, and popularity. Consequently, the sector was opened to both private and international players. It is evident that the liberalisation, privatisation, and globalisation processes have brought about a sea change in the Indian economy and insurance industry. With a greater number of policies, a greater amount of premium, and alterations to commission and operating expenses, private insurers have expanded their presence in rural and untapped areas (Chand, 2014). There is healthy competition and varying levels of job satisfaction among the employees as a result of the increasing competition from domestic and international players. To compete and grow, however, employees in both the private and public sectors must work in proper harmony and coexistence. Though increased competition has brought satisfaction, it has also necessitated innovative marketing strategies and customer satisfaction practises, which are dependent on the increased job satisfaction of employees and will be made possible by social security, i.e., insurance (Kaur, 2012).

In addition to other sectors, the insurance industry plays a crucial role in the economic development of our country by providing various useful services such as mobilising savings, promoting investment, stabilising financial markets, and managing both social and financial risk. Despite its added advantages, India is still considered to be an under-insured country on a global scale. Since 2009, when it held the 18th position among Life Insurance markets and the 28th position among Non-Life Insurance markets, it has come a long way and made significant progress. Nevertheless, given its ever-increasing population and demographic dividend, it has vast untapped potential that has yet to be explored and utilised. Even the establishment of IRDA and the opening of markets have not contributed to the growth of insurance penetration, with the exception of the period between 2001 and 2009, when it increased from 2.71 to 5.20 percent. Since then, it has decreased to 3.96 percent in 2012, which is significantly less than the global average of 6.5% of GDP. The insurance density, which increased from 11.50 in 2001 to 64.40 in 2010, decreased to 53.20 in 2012-13 and continues to decline even today. This is because of the decline in premium collections, the regulator's tightening of the rules, and the decline in household savings (Ganesh, 2014). De-tariffing of non-life insurance products in 2007 was followed by liberalisation, which provided the sector with impetus and a level playing field, fostering flexibility, profitability, and competition among the players (Sharma and Sikidar, 2014). Even after opening up the market and de-tariffing, insurance companies in India face a variety of challenges, including the payment of outstanding claims, which is primarily based on their strong national franchise, presence, sound financial position, comfortable solvency position, diversified investment portfolios, and robust reinsurance ties. In addition, domestic insurance industry changes necessitated by intensified competition and a sharp decline in interest rates continue to be the leading source of concern. In addition, the emergence of a dynamic environment has put pressure on their profitability, operational costs, claim management, and service standards. In addition, systemic inefficiencies and the inadequacy of the tariff structure in certain business segments have weakened their position.

The purpose of the literature review is to gain an understanding of the significance and scope of the insurance business. It also investigates how private and public sector characteristics influence the insurance industry. In addition, a review of previous studies is conducted to identify and summarise the relevant comparison criteria between private and private insurance companies. Relevant performance evaluation parameters are then identified and discussed in the context of insurance. Finally, some unresolved research issues and gaps are highlighted. This paper attempts to address some of these issues.

III. PRIVATE AND PUBLIC PLAYERS IN INDIA'S INSURANCE MARKET

3.1 Insurance Training

Among the institutions that provide specialised education for the insurance industry is the National Insurance Academy in Pune, which specialises in teaching, research, and consulting services for the insurance industry. The Institute of Insurance and Risk Management in Hyderabad offers a Postgraduate diploma in Life and General Insurance, Risk Management, and Actuarial Sciences. The Amity School of Insurance, Banking, and Actuarial science (ASIBAS) provides MBA programmes in Insurance, Insurance, and Banking, as well as M.Sc./B.Sc. actuarial sciences and a Post Graduate Diploma in Actuarial Sciences. The University of Pondicherry offers an MBA in insurance management. The PGDM-IBM programme in insurance business management is available from Birla Institute of Management Technology. The Life Office Management Association (LOMA) of the United States is BIMTECH's educational partner, and BIMTECH is an authorised LOMA examination centre. The Chartered Insurance Institute (CII), United Kingdom has accorded credit recognition to the BIMTECH PGDM-IBM programme. NLU, Jodhpur offers a two-year MBA and a one-year MS in insurance for engineering graduates. Lack of insurance awareness has proven to be one of the obstacles to insurance's national penetration. This analysis is conducted by analysing the content of insurance companies' websites and their annual reports. This is done to evaluate the initiatives taken by individual insurance companies to raise awareness of the industry and its products.

It has been observed that IRDA, as opposed to individual insurance companies, provided the majority of insurance awareness, education, and training. Very few individuals provide insurance information. It is the agent who serves as the company's representative who educates individuals on specific policies. The majority of public life insurers educate their agents on insurance products in order to reach customers. Most private insurers maintain their information online.

3.2 Leverage

Leverage reveals the capital structure position and indicates the insurers' solvency. In this section, debt utilisation is measured by the amount of borrowing as well as the introduction of new policies. The amount of borrowings will reveal the debt burden, while the new policies will reveal the earnings necessary to reduce the debt burden. The insurance industry has borrowed 17490 lakhs to date, while the value of new policies issued to date is 4688.79 lakhs. In 2008-09, the greatest amount of loans was taken out, and in 2009-10, the greatest value of policies was acquired. Since 2009-2010, the amount of borrowing has decreased, indicating that the insolvency of insurance companies has improved. It indicates that they have sufficient resources to pay policyholder claims. While borrowing decreased in 2010-2011, the rate of new policies also decreased.

3.3 Operating Expenditure

Operating expenses are those incurred in the normal course of business operations. Low operating expenses will indicate that the company's management is performing well and that the business is better able to compete with its rivals. In the life and non-life insurance sectors, public companies have higher operating expenses than their private counterparts. In 2009-2010, public life insurers had a lower proportion of operating expenses than private life insurers. However, the opposite occurred in the non-life insurance industry. Higher operating expenses in the public sector are due to IRDA compliance requirements for maintaining statutory business management requirements.

IV. CONCLUSION

Opening the market and insurance sector to private and foreign players has unquestionably brought about significant changes in India's insurance industries. It has challenged the dominance of LIC and GIC in the non-life insurance sector. Similarly, the market share of these two government behemoths has decreased, but not as anticipated. The global financial crisis has reversed the trend, and these companies' market share is virtually uncontested even today. Private players are contributing in terms of professionalism, technology, product variety, and operational efficiency, but the industry has not yet reached the global standard. Unlike developed and other emerging economies, India has a higher proportion of life insurance than non-life insurance, which must be reversed to bring it in line with its Asian peers, let alone its Western counterparts. In addition, the professionalism and customer-centric approach of private players have yet to generate substantial revenue and challenge the dominance of LIC and GIC. In India, people continue to have more faith in government-owned companies than in private ones. This is a result of the after-sales service and excessively profit-driven focus of the existing private players. In order to have their own space and make coexistence a reality, they must also focus on their role and responsibility to society. They must regain the public's trust, and their business must serve the public interest, not the other way around. In addition, they must change their attitudes and the way 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 non-life segment. Though having growth and business potential, we are yet to have the specialists in health insurance. Need of the hour is systemic solutions that strengthen the market and benefit society, rather than half-baked and spiritless fire-fighting approaches. Problem of under and inadequate insurance must be addressed on a war footing in order to realise the full potential of insurance, which can provide a social safety net for the people and national liquidity. The future growth of life insurance depends on products that offer pure protection, a variety of options, are simple to comprehend, and are customer-centric, with a focus on the continuous improvement of its services. Since the flow of funds into insurance is correlated with household savings, innovative distribution channels are required for increased market penetration in rural areas and deeper penetration into existing markets. This paper examined the performance corresponding to insurance industry-relevant parameters. This paper developed a comparative framework that allows for a comparison between the current status of public and private insurance companies in India. In both life and non-life insurance, the public sector performs better than the private sector. It could be due to their market dominance and the reliability of their customers. This study has practical implications because it helps policymakers identify the types of insurance companies that are successful or unsuccessful in the market. The findings of the present study will aid policymakers in implementing necessary modifications to the current policy and provisions that may further accelerate the industry. This work can be expanded upon in three ways. The initial expansion of this project will be industry-specific. Life insurance and non-life insurance products and services can be compared between private and public insurance companies in India. A similar extension is possible in the context of Asian nations. Lastly, additional research can be conducted on new attributes of comparison that may differ from those examined in this study.

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