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ANALYSIS ON COMPANY AND SECTOR WISE PART OF HEALTH INSURERS IN INDIA

Analysis on Company and Sector Wise Part of Health Insurers in India

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Abstract – The level of the gross premium is continuously climbing in the non-life industry. Over the years, the public sector insurers contribute maximum premium value to non-life business than the private sector insurers. But considering the growth level, the private sector insurers have been showing tremendous growth rate year on year. During the financial year 2007-08, the non-life industry had two new entrants in the private sector, namely, Chola Mandalam General Insurance and HDFC Chubb General Insurance. The public sector Export Credit and Guarantee Corporation (ECGC) got itself registered with the IRDA in the year 2007-08. In the financial year 2004-05, the growth rate of both the sectors is tremendously high (public-13.59% and private- 6904.96%), but in the year 2005-03, the premium volume declines with a much higher growth rate in both the sectors (public- 5.57% and private 193.43%) as compared to previous year. Thereafter, the growth rate of established insurers is keep on fluctuating up and down whereas the growth rate of private insurers is on the rise every year.

Key words: premium, insurers, financial year, fluctuating.

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INTRODUCTION

Indian economy has been on a consistent high growth path in recent years and GDP growth in 2007-08 is estimated at 8.1 percent. The industrial sector has recorded a growth of 9.4 percent and agricultural sector too has bounced back showing a growth rate of 2.3 percent. The service sector has grown at 9.9 percent, and the investment climate remained buoyant for the second consecutive year. The growth of the economy is also witnessed in the insurance industry. The insurance industry mirrored the overall vigorous performance of the economy and grew at approximately 21 percent during the current year¹³. However, given the low insurance penetration and insurance density in the country when compared to USA, Europe, Australia and many Asian countries, substantial growth can be expected in the coming years.

After liberalization, there are four public sector and six private sector insurers which have been operating in non-life insurance market. Later on in December 2002, two more private sector insurers

REVIEW OF LITERATURE

The market share of new insurers has moved up from 3.76 percent in 2007-08 to 34.26 percent in 2011-12 displaying spectacular performance with an improvement of almost ten percent over the last year. The wide disparity in the quantum premium increases of each player is perhaps indicative of the premium

growth strategies of each before detariffing of rates sets in. The hunger for relentless market expansion by all the insurers is something that is a significant and a definite gain of liberalizing the insurance market. It is clearly seen that from financial year 2007-08 to 2011-12, the market share of public sector insurers is keep on falling, whereas the share of private insurers has registered increasing trend over the study period

Among public sector insurers, the New India Assurance ranks at the top with maximum market share over the years, and among private sector insurers, the ICICI Lombard is at the top with highest market share over the period, whereas all other insurers fluctuate up and down with their market shares over the years.

The induction of new insurers has changed the market scenario which is now more vibrant and more demanding for better customer services. The non-life public sector insurers have been rather slow to respond to the evolving competition. The private insurers buoyed up by their success will not allow the established insurers any room to manoeuvres. The going is tough as future cannot be a continuation of the past. It is quite visible from the table that the gross direct premium of non-life insurance business is souring every year over the study period from financial year 2007-08 (Rs.12383.41 crore) to 2011-12 (Rs.83511.94 crore). The market share of non-life insurers grows from financial year 2007-08 (44.99%) to 2006-07 (46.26%), but after that there is a decline

from financial year 2009-10 (41.63%) to 20082009 (29.80%).

MATERIAL AND METHOD:

The performance upto financial year 2010 provides a view of how the non-life industry in India has performed over the years, and contributing to the insurance industry as a whole. It can be seen from the following analysis.

Table 1

Share of Non-Life Insurance Business in India

(Rs. In crore)

Sr.No.	Particulars	2011-12	2008-09	2009-10	2006-07	2007-08	2001-02
1	Total GDP (Life + Non-Life)	83511.94	70481.70	43329.42	34716.41	31259.62	27523.35
2	GDP of Non-Life Insurance Sector	25341.54	21007.70	18039.55	16061.33	14324.73	12383.41
3	Market Share of Non-Life Insurance Sector (%)	30.34	29.80	41.63	46.26	45.83	44.99

Source: Annual reports of IRDA, IRDA Journals. (From December 2007-March 2012)

Website of IRDA (www.irda.org), and Compiled from annual reports of mentioned companies: National Insurance, Oriental, New India, United India, Royal Sundaram, Bajaj Allianz, ICICI Lombard, Reliance, Tata AIG, IFFCO-TOKIO, Cholamandalam and HDFC Chubb.

Table 1 highlights the share of non-life insurance sector in total gross direct premium of insurance sector in India from financial year 2007-2012.

It is quite visible from the table that the gross direct premium of non-life insurance business is souring every year over the study period from financial year 2007-08 (Rs.12383.41 crore) to 2011-12 (Rs.83511.94 crore). The market share of non-life insurers grows from financial year 2007-08 (44.99%) to 2006-07 (46.26%), but after that there is a decline from financial year 2009-10 (41.63%) to 20082009 (29.80%). In the current financial year the non-life insurance industry advances slightly and reaches to 30.34 percent of the share in the market.

Table 2 shows the gross premium of all the non-life insurers in India along with the index of growth from the financial year 2005–10. The level of the gross premium is continuously climbing in the non-life industry. Over the years, the public sector insurers

contribute maximum premium value to non-life business than the private sector insurers. But considering the growth level, the private sector insurers have been showing tremendous growth rate year on year. During the financial year 2007-08, the non-life industry had two new entrants in the private sector, namely, Cholamandalam General Insurance and HDFC Chubb General Insurance. The public sector Export Credit and Guarantee Corporation (ECGC) got itself registered with the IRDA in the year 2007-08. In the financial year 2004-05, the growth rate of both the sectors is tremendously high (public- 13.59% and private- 6904.96%), but in the year 2005-03, the premium volume declines with a much higher growth rate in both the sectors (public- 5.57% and private 193.43%) as compared to previous year. Thereafter, the growth rate of established insurers is keep on fluctuating up and down whereas the growth rate of private insurers is on the rise every year.

In the current financial year the growth rate of private insurers (24.05%) is more than three folds of public insurers (7.18%). Among established insurers, the New India which ranks at top in premium contribution over the years shows a huge decline in growth rate year on year in year 2007-08 as compared to previous years, whereas the National insurance which shows decline in premium contribution and growth rate in financial year 2009-10, rises up with accretion of Rs. 141.23 crore, showing growth rate of 4.0 percent against -7.27 percent of the previous year.

Among all public insurers the United India shows highest growth rate of 12.85 percent followed by Oriental Insurance of 12.13 percent. Among new insurers the Reliance shows marvellous growth rate of 365.15 percent which is highest among private insurers. On the other side ICICI Lombard contributes maximum accretion of Rs.1458.34 crores with a growth rate of 91.60 percent. The HDFC Chubb which is continuously adding premium volume over the years is showing with the addition of new insurers who are playing a significantly more dominant role, in the current fiscal, in terms of expanding premium income growth, it is expected that the non-life insurance industry would continue to grow at the current rates. The non-life industry never had it so good, as now, with growth rate of 24.05 percent, and high premium incomes growing so fast.

Table 3

Company and Sector wise Share (%) of Non-Life Insurers in India

Sr. No.	Insurers	2011-12-	2010-11	2009-10	2006-07	2007-08	2001-02
Public Sector							
1	National	14.46	16.77	21.06	21.11	20.17	19.70
2	Oriental	15.61	16.79	16.73	17.63	19.57	20.18
3	New India	19.31	22.81	23.34	25.19	27.37	33.90
4	United	14.04	15.02	16.32	19.10	20.72	22.46
	Total	63.43	71.39	77.45	83.04	87.83	96.24
5	ECGC	2.31	2.75	2.86	2.77	2.63	
	Sub - Total (A)	65.74	74.14	80.31	85.81	90.46	96.24
Private Sector							
5	Royal Sundaram	2.28	2.18	1.83	1.61	1.29	0.57
6	Bajaj Allianz	6.68	6.11	4.74	2.99	2.09	1.15
7	ICICI Lombard	12.04	7.59	4.84	3.03	1.50	0.22
8	Reliance	2.98	0.77	0.90	1.00	1.30	0.62
9	Tata - AIG	3.16	2.92	2.61	2.20	1.68	0.63
10	IFFCO TOKIO	5.18	4.26	2.81	2.03	1.51	0.57
11	Cholamandalam	1.22	1.05	0.94	0.60	0.10	-
12	HDFC CHUBB	0.72	0.98	1.02	0.73	0.07	-
	Sub - Total (B)	34.26	25.86	19.69	14.19	9.54	3.76
	Grand - Total (A+B)	100.00%	100.00%	100.00%	100.00%	100.00%	1.00

Source: Compiled from data of Gross Premium of health portfolio and non-life insurers from annual reports of mentioned companies: National, Oriental, New India, United India, Royal Sundaram, Bajaj Allianz, ICICI Lombard, Reliance, Tata-AIG, IFFCO-TOKIO, Cholamandalam and HDFC Chubb and Table 3 reveals the company and sector wise market share of all non-life insurers in total non-life business in India, over the study period. It is clear from the table that though the overall non-life market is on the rise, but the shares of both the public and the private sector insurers are differing a lot in their contribution. The market share of new insurers has moved up from 3.76 percent in 2007-08 to 34.26 percent in 2011-12 displaying spectacular performance with an improvement of almost ten percent over the last year. The wide disparity in the quantum premium increases of each player is perhaps indicative of the premium growth strategies of each before detariffing of rates sets in. The hunger for relentless market expansion by all the insurers is something that is a significant and a definite gain of liberalizing the insurance market. It is clearly seen that from financial year 2007-08 to 2011-12, the market share of public sector insurers is keep on falling, whereas the share of private insurers has registered increasing trend over the study period.

CONCLUSION:

Among public sector insurers, the New India Assurance ranks at the top with maximum market share over the years, and among private sector insurers, the ICICI Lombard is at the top with highest market share over the period, whereas all other insurers fluctuate up and downs with their market shares over the years.

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