PERFORMANCE EVALUATION OF GENERAL INSURANCE COMPANIES: A STUDY OF POST-REFORM PERIOD

Abstract

It can be said that the insurance industry as a whole has recorded profound growth after liberalization and privatization of the sector, though the reforms have adversely affected the underwriting results of all the public sector general insurance companies, thanks to their increase in expense ratio and claim ratio in the post-reform period. In the post-reform period, the comparative profitability analysis of the public and private sectors reveals that the public sector general insurance companies have exhibited higher underwriting losses than the private sector companies but the higher investment income of the public sector has compensated their higher underwriting losses which resulted into their higher profitability than the private sector general insurance companies. The liberalization process and the competitive environment acted as a catalyst in the general insurance sector and inculcated efficiency in most of the public insurers and made them more efficient as compared to their private competitors, though private players are reducing the gap very fast by providing better service quality to their customers. The latest market share figures indicate that in such a short span of time, private players have captured market share to the extent of forty-one per cent, which is an eye opener. It is high time for the public insurers to completely reorganize their business model and service delivery to survive in the market.