



A Comparative study of select Public and Private Health Insurance Companies-with reference to COVID-19

Mandala Anil kumar, Research Scholar, Dept of Commerce, Osmania university.

Sr.Prof. D.Chennappa, Dept of Commerce, Osmania university.

INTRODUCTION:

The Insurance industry is one of the major contributors of the economic stability of a country, these has further witnessed a massive shift in dynamics, prompting a precise evaluation of the pre- as well as post-COVID-19 performance of some of the major industry players. Hereby, this chapter will particularly highlight upon the elaborative analysis of two major public organisation, namely, New India Assurance Co Ltd and Oriental Insurance, and two of the leading private organisations, Bajaj Allianz and HDFC ERGO, inspecting their financial metrics against the alterations that have come up due to pandemic-induced disruptions. Before the breakout of COVID-19 pandemic, the scenario of insurance industry was seen to have relative stability, with all the companies within it navigating similar challenges (Yadav and Suryavanshi, 2021).

The objectives of this paper encompass providing an in-depth insight into the performance of the chosen insurance companies before and after COVID-19. The study looks to adequately analyse solvency ratios, combined ratios, incurred claims ratios, commission expense ratios, operating profit ratios, management ratios as well and operating expenses.

REVIEW OF LITERATURE

Pius Babuna (2020): This study investigated the impact of COVID-19 on the insurance industry by studying the case of Ghana from March to June 2020. The COVID-19 pandemic has posed a sudden and unexpected shock to the insurance industry. Insurance companies were affected differently depending on different factors such as liquidity, their portfolio at risk, reliance on reinsurance, level of free assets and protection that reinsurers have in place.

S.E. Choi, L. Simon (2022) in their paper “Modeling the Impact of COVID-19 on Dental Insurance Coverage and Utilization Paper” analyzed, the rapid rise in unemployment related to the COVID-19 pandemic will result in substantial loss of ESDI. These changes may further affect dental practice as the dental industry resumes care delivery in uncertain economic and health care environment.

Mishra, K.C. and Simita Mishra (2021)¹ in their article on “Insurance Industry: Recipe for a Learning Organization” say that like any other industry, insurance industry in India suffers from one challenge repeatable a hundred times, that is the constraints of infrastructure.

Balasubramanian, T.S. and Gupta, S.P. (2021)² in their book on “Insurance Business Environment” explains at length the global and Indian pictures of Insurance systems. The impact of globalization and also liberalization on Insurance business environment is also discussed analytically to have a clear understanding of the challenges faced by the insurance industry.

Jhanna Uy and Vanessa T.Siy Van (2022) in their paper “the impact of COVID-19 on hospital admissions for twelve high burden diseases and five common procedure in the philippines” they analysis used Philippine social health insurance data filed by 1,295 hospitals in 2019 and 2020.COVID-19’s prolonged impact on the utilization of hospital services in the Philippines suggests a looming public health crisis in countries with frail health systems.

Wadikar Ashok Laxaman (2020)⁴ in his thesis on “Innovativeness in the Insurance Industries”, confirms a general opinion that innovativeness in every activity alone rules and dominates the industry. But, at the same time, the practicality and economic justification of that innovativeness are also to be considered.

Balachandran, S. (2020)⁵ in his book on “Customer Driven Services Management” concludes that the insurance industry is fast growing and mostly becoming a customer-driven and customer-centric one. He also advocates that when the insurance products are attractive to the customers.

Mark S. Dorfman (2019)⁷ in his book on “Introduction to Risk Management and Insurance” reviews the salient features of the insurance industry and also the role played by the private enterprise. The different types of insurance intermediaries are also discussed at length with suitable illustrations incorporated wherever necessary.

RESEARCH GAP:

There are many studies which are focused on the performance of the health insurance companies alone, there are no studies found which focused on the comparison of public and private companies. There are also few studies focused on the performance of several sectors with respect to COVID-19 but no study was found with respect to Insurance sector. Hence, the present study is undertaken to fill the research gap found from the literature.

OBJECTIVE OF THE STUDY:

To analyze the impact of COVID-19 on performance of select Public and Private Sector health insurance companies.

DATA ANALYSIS:

Table No.1
Combined Ratio of select Public and private non life insurance companies

Financial Year	In terms of %			
	Public Insurers		Private Insurers	
	NIACL	Oriental	Bajaj Allianz	HDFC ERGO
2014-15	123.31	125.11	96.70	107.54
2015-16	120.80	123.20	99.30	105.29
2016-17	122.66	149.05	96.80	109.13
2017-18	112.60	117.81	92.32	97.11
2018-19	123.39	134.88	96.69	98.74
2019-20	118.50	141.53	100.83	105.26
2020-21	114.48	132.24	96.89	103.25

Source: Annual Reports of Companies for the year 2014-15 to 2020-21

From the Table No.1 , it can be inferred that, In case of New India Assurance Co Ltd, it can be seen that the combined ratio has been steady without great fluctuations till FY 2017-18. Later increased to 123.39 in FY 2018-19. But once again, it decreased gradually in FY 2019-20 and FY 2020-21. In case of Oriental Insurance Co Ltd, the combined ratio can be seen increasing manner and recorded highest in FY 2016-17 which fell to 117.81 in 2017-18 and increased thereafter till 2019-20 and reduced to 132.24 thereafter. In case of Bajaj Allianz, the combined ratio can be seen in a steady manner without great fluctuations till 2018-19. However, it rose to 100.83 reaching the highest combined ratio and fell once again in 2020-21 maintaining the same steadiness as earlier years. The combined ratio of HDFC ERGO can be seen being highest in 2016-17 which fell in the previous FY 2015-16. It decreased to 97.11 in 2017-18 and increased thereafter.

Table No. 2
Solvency Ratio of Public and Private Health Insurers

Financial Year	Public Insurers		Private Insurers	
	NIACL	Oriental	Bajaj Allianz	HDFC ERGO
2014-15	2.44	1.68	1.8	1.65
2015-16	2.3	1.59	2.51	1.67
2016-17	2.44	1.97	3.12	1.81
2017-18	2.56	2.31	3.19	1.91
2018-19	2.77	2.43	3.33	1.98
2019-20	2.11	0.92	2.54	1.89
2020-21	2.13	1.4	3.45	1.9

Source: IRDA Annual Reports for the period 2014-15 to 2020-21

From the Table No. 3.4, it can be inferred that, In case of New India Assurance Co Ltd, it can be seen that the Solvency ratio has decreased in 2015-16 and increased continuously till 2018-19. However, it reduced in 2019-20 and doesn't show a great difference in FY 2020-21. In case of Oriental Insurance Co Ltd, after decreasing in 2015-16, the Solvency ratio can be seen increasing with an increasing trend till FY 2018-19. But the solvency ratio sharply fell in FY 2019-20 and raised to 1.4 in FY 2020-2021. In case of Bajaj Allianz, the solvency ratio can be observed increasing consistently upto FY 2018-19 and fell sharply to 2.54 in reduced to 13.1 in FY2015-16 and increased thereafter till FY 2017-18. Further, it decreased in FY 2018-19 and increased continuously later on. The solvency ratio of HDFC ERGO can be observed increasing consistently upto FY 2018-19 and remained almost stable in FY 2019-20 and 2020-21.

Table No. 3
Commission Expense Ratio of Public and Private Health Insurers

Financial Year	Public Insurers		Private Insurers	
	NIACL	Oriental	Bajaj Allianz	HDFC ERGO
2014-15	6.83	6.34	8.59	8.69
2015-16	6.40	5.94	7.94	3.47
2016-17	5.11	6.09	7.36	-22.64
2017-18	7.50	6.63	6.99	-24.30
2018-19	6.10	6.10	4.04	-19.16
2019-20	5.96	6.62	2.84	-15.74
2020-21	5.77	7.40	4.92	-1.13

Source: Annual Reports of Companies for the year 2014-15 to 2020-21

From the Table No. 3.5 it may be inferred that : NIACL's commission expense ratio was decreasing till 2016-17 and seen a rise in 2017-18. But decreased in 2018-19 and continuously decreasing there after. Commission Expense ratio of Oriental Insurance Co Ltd (OICL) has seen continuous hike except for the year 2015-16 where the expense ratio decreased to 5.94. Bajaj Allianz's commission expense ratio is continuously decreasing till 2019-20. In 2020-21 its commission expense ratio started rising to 4.92 which is equivalent to nearly 90% of the previous year expense ratio.

Commission expense ratio of HDFC ERGO has been decreasing and becomes negative in FY 2016-17 and gradually decreases further till 2017-18. However, the expense ratio of HDFC ERGO is increasing (Decline of Negative ratio) after 2018-19 and became minimal (negatively) in 2020-21.

Table No. 4
Incurred Claims Ratio of Public and Private Health Insurers

Financial Year	In Percentage(%)			
	Public Insurers		Private Insurers	
	NIACL	Oriental	Bajaj Allianz	HDFC ERGO
2014-15	100.83	117.02	75.46	56.48
2015-16	116.41	114.48	76.22	51
2016-17	102.94	118.23	78.50	50.76
2017-18	103.19	113.86	77.61	52.58
2018-19	103.74	108.8	85.29	76.36
2019-20	100.83	104.97	70.74	79.18
2020-21	92.79	112.51	68.45	75.74

Source: IRDA Annual Reports for the period 2014-15 to 2020-21

From the Table No. 3.6 , it can be inferred that: The Incurred Claims Ratio of New India Assurance Company Ltd has increased to 116.41 in FY 2015-16, after which it decreased in FY 2016-17. Later on, it increased from 102.94 to 103.19 in FY 2017-18 and continuously decreased there after showing a decreasing trend. The incurred Claims ratio of Oriental Insurance Co Ltd, has decreased to 114.48 in FY 2015-16. Later on, it increased in FY 2016-17. But moving ahead, incurred claims ratio has fallen gradually upto FY 2019-20 and raised to 112.51 in FY 2020-21. In case of Bajaj Allianz, the incurred claims ratio can be seen remaining almost stable without much fluctuations till FY 2017-18.

FINDINGS

This study elaboratively discusses the performances that have been evaluated upon the private as well as public health insurance companies, pre and post breakout of the COVID-19 pandemic. The aspects of combined ratio, that involves both public as well as private health insurance companies such as Oriental Insurance Co Ltd, New India Assurance Co Ltd, HDFC ERGO and Bajaj Allianz brings about the key metric. The ratio combined within highlights the relationship present between the suffered losses and operational expenses to the premiums that have already been earned. Hereby, in-depth analysis of the ratio over a long time have helped in adequately identifying the financial trend alterations in these companies' financial management as well as efficacy. Likewise, metrics such as the management expense ratio highlights the strategies for cost management, while the operating profit ratio delves into the aspects of cost-effectiveness. Meanwhile, the solvency ratio signifies the health insurance companies' ability to achieving its long-term targets and set objectives and the commission expense ratio have signified the effectiveness of their respective distribution channels amidst the crisis brought about by COVID-19 pandemic. The companies New India Assurance, Oriental Insurance, Bajaj Allianz as well and HDFC ERGO have shown flexibility amidst the COVID-19 pandemic that has posed challenges. Focusing on the background of each company have revealed a mix of public as well as private units contributing massively towards India's healthcare security. New India Assurance, a public sector company, brings years of experience, whereas Oriental Insurance balances the landscape with its wide-ranging offering of the product.

In contrast, Bajaj Allianz is one of the most prominent private entities, in the health insurance sector which focuses upon the technological adaptability and HDFC ERGO brings about an integrated financial stability along with an emphasis on providing products that are utterly customer-centric. HDFC Ergo General Insurance as signified above also displays that it has undergone a significant acquisition, namely acquiring L&T General Insurance for the amount of Rs. 551 Crore in June, 2016, enhancing its position to the third place in the private insurance industry. It is also seen that HDFC Limited have acquired a 51% share in Apollo Munich Health Insurance, that has brought about the information that about the creation of HDFC ERGO General Insurance Company Limited, hence marking the milestones where the HDFC Ergo's position as well as its influence in the health insurance industry have enhanced. The intricate details presented in the above charts and tables displays the financial robustness of the selected companies with the ratios that do not only signify the company's current stability status but also serves as a predictive approach for the potential risks. Therefore, the Indian health insurance industry stands resilient, implementing a blended strengths of

private as well as public companies pre-COVID-19, making them the major players, which then using its diverse products along with financial flexibility competence have shown the potential overcome the challenges that has been brought by the COVID-19 pandemic.

CONCLUSION:

The net Commission ratios declined for the entire health insurance industry in India from 2020 to 2021. Growth of the industry was again recorded after the pandemic. Before the pandemic, the growth rate of the Health Insurance business in India was significantly low but awareness increased since the pandemic indicating the positive impact this event had on this industry. Between 2014 to 2015 the net incurred claims ratio of this industry was significantly high but began to decrease in the next couple of years and was the lowest during 2019 to 2020. For general insurance and overall, Health Insurance in India the gross Commission ratio was high between 2020 to 2021.

Several statistical tools were adopted for evaluating the performance of these companies by comparing and contrasting them against one another individually as well as based on the sector they represented. The performance of New India Assurance was relatively better than Oriental Insurance among the two Public Health Insurance businesses in India. On the other hand, the performance of Bajaj Allianz was more stable compared to the financial performance of HDFC ERGO. By comparing the performances of all four companies it can be stated that New India Assurance has a relatively more stable financial performance in the industry compared to the others. A similarity observed in the performance of all the companies was that a positive impact was recorded since the pandemic. Result associated with this impact of COVID-19 on insurance company of India reveal that for most the company it was beneficial from financial perspective.

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