



## PERFORMANCE COMPARISON OF LISTED INSURANCE COMPANIES IN STOCK MARKET

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### Abstract

Indian economy is one of the fastest growing economies in the world. Indian markets were on a bull run over the last year. Many Insurance companies have hit the Dalal Street and raised the money from the investors. Insurance business is still in the nascent stage in India and is expected to grow at a healthy CAGR of over 15%. Many states owned as well as private players were in the business and have raised lumpsum amount of bounty with IRDAI paving the way for going public.

This journal is an attempt to look into the performance of various listed insurance companies and their performances on the bourses after their listing. It also emphasizes the reasons for the underperformances of the state-owned insurers and reinsurers as in comparison to the private insurers. It also aims to bring to the notice of the readers the various types of insurance available for better understanding of the insurance industry and to the public in general.

### Introduction

Insurance companies have been the age-old business in India when we see the first setting up of an Insurance company way back in 1818 and the setup of IRDAI (Insurance Regulatory and Development Authority of India), a regulatory body to oversee the operations in late 1990's. As many as 24 Life Insurance, 31 General Insurance and 2 Reinsurance companies in India are operating in India as of today with a mix of state owned and private companies.

Insurance business took a surge with the advent of a large number of private and public insurers in the last 20 years. Since Insurance business requires huge investment in capital and the threat of great losses and inconsistent return.

So when the insurers were looking to gather capital for the business, IRDAI set the standards for the issue of securities which paved way for the Initial Public Offer. Let's now look into the types of insurance companies which is apt before discussing further.

### Types of Insurance

#### Insurance

Insurance is defined as a contract between two parties; insurer and insured, whereby the insurer agrees to indemnify certain losses caused to the insured, for adequate consideration, i.e. premium. The party who look for obtaining insurance policy is called insured, whereas the party which assures the other to mitigate the risk is called insurer.

### Types of Insurance

1. **Life Insurance:** The insurance which covers life risk of the insured is life insurance or assurance. In the event of death, the amount is paid to the nominee.
2. **General Insurance:** Any insurance other than the one which covers the risk of life is called general insurance. It includes fire, marine, and other insurances. e.g., Life Insurance Corporation of India (Lic).

**Reinsurance:** Reinsurance is defined as the contract between the ceding company and the reinsurer, whereby the two parties agrees to transfer and accept respectively, a definite proportion of risk or liability, as defined in the agreement.

**Facultative Reinsurance:** A type of reinsurance contract that covers the loss of a specific risk, which is expressed in the agreement.

**Treaty Reinsurance:** In this contract, the two companies, i.e. the ceding company and the reinsurer enter into a treaty agreement, and the reinsurance is under the confines of the treaty. The limits may be related to money, business, geography, etc. e.g. the general insurance corporation of india (gic re).

### 3. Assurance

The term 'Assurance' refers to protection against an event that will definitely happen, such as the end of an individual's life. In assurance the question is not whether the event (death) will occur, but when the event will occur.

e.g., New India Assurance.



### Objectives of the Study

1. The main objective was to study and analyse the performance of the listed insurance companies on the stock market.
2. To calculate technically the future prospects of the Insurance companies and their growth.

### Review of Literature

The Indian Insurance industry is still in its nascent stage in the country with almost 80% of the population do not come under the health insurance cover. The penetration in India is quite low and the claiming process is tedious according to the recent survey. Hence there is huge potential of growth for the insurance industry in India and thankfully with entry of private players in the business competition has become quite intense.

As with the regulations setup for the public issue by IRDAI these companies have hit the Dalal Street and the few more are making their way into the same.

The listed players did get a fair response from the investors and also the issue has been huge running into thousands of crores; but they failed to stand on the issue price either listing slightly above the upper-band of the issue price or at the same price or slightly below it and plummeting below the issue price once after getting listed (especially the state-owned entities). The research gap in the insurance sector is the recent NSE listed insurance companies and their share growth and future prospects.

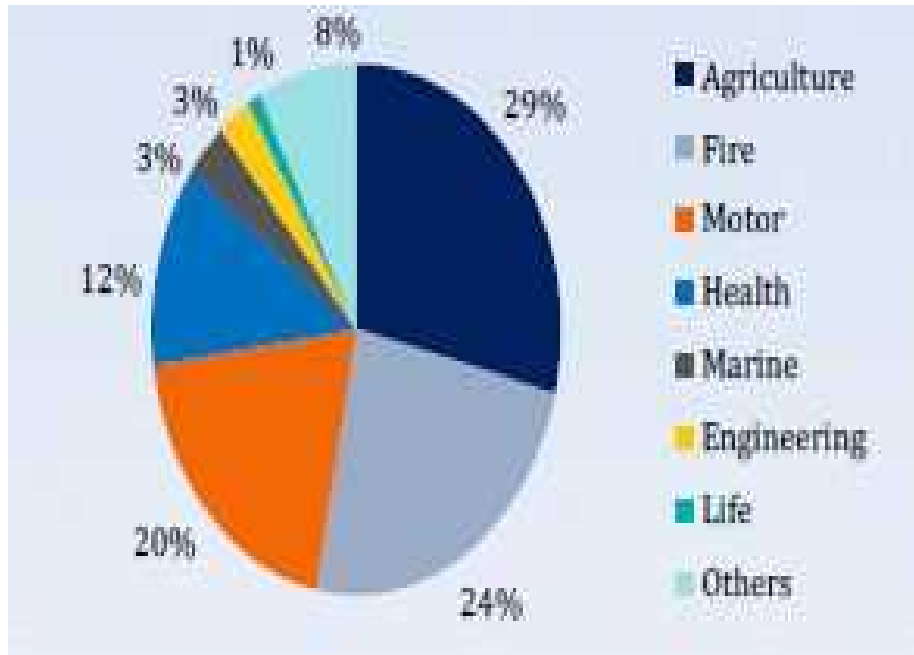
### Research Methodology

Indian Reinsurance industry is growing at an annual compounded growth rate of over 10-15%. The recently public, state owned entities like the General Insurance(GIC) and the New India Assurance have amassed the money from the investors but the share growth did not meet the expectations. Let's see one by one



### The General Insurance Corporation of India (GIC RE)

The general insurance corporation of India is the only reinsurance company in India and a state-owned enterprise. It is thirteenth largest reinsurance company in the world in terms of gross premiums.



### Financials

The company enjoys a well growing financial history with dividend proposed almost every year in the last four years.

(Rs crore)	FY14	FY15	FY16	FY17
Operating Profit from insurance	1603.4	1561.3	1590.2	2142.1
Income from investment	982.7	1302.1	1436.4	1638.4
Others	110.0	234.8	242.6	18.1
Total Income	2696.1	3098.1	3269.2	3798.7
Expenses	393.6	267.6	247.7	382.2
Profit before tax	2302.4	2830.5	3021.4	3416.5
Tax	-17.0	29.4	331.8	412.3
Profit after tax	2319.4	2801.1	2689.6	3004.2
Profit of associates	113.7	89.9	133.8	136.4
Reported profit	2433.1	2891.0	2823.4	3140.6
RDE (%)	17.8%	18.0%	15.3%	15.7%

The Return on Investment is good at a CAGR of over 15%.

### Share Price

The company was listed last year in October at a discounted price of 45Rs to the upper band of price 912 Rs.870 Rs was the amount offered for retail investors. The company though posted good results, failed to make the share price go up and hence it's been plummeting down from the issued price.



### New India Assurance (NIACL)

The company also went public last year but failed to hold on to the issue price and plummeted down like GIC RE.

**Share price:** The most recent uptrend in the curve can be attributed to the MERGER proposal of the three state owned insurers.





### SBI Life Insurance

**Share price:** It too became public and since then been in the downtrend only.



### Private Players

ICICI Lombard General Insurance (ICICIGI) and the HDFC LIFE INSURANCE(HDFCLIFE) have been going big and showing the positive signs Already in the industry.

### ICICI Lombard General Insurance

#### Share price

The share price of ICICI Lombard has been uptrend from the time it got listed till the recent correction in stock markets.





**HDFC Life Insurance  
Share price**



**Data Analysis**

Company	Market capital (cr)	Book value	P/E	EPS(TTM)	Price/book
General insurance corporation (GIC RE)	63,588.23	570.16	-	-	1.27
ICICI Lombard General Insurance(ICICIGI)	35,541.88	82.12	42.15	18.27	9.53
SBI Life Insurance(SBILIFE)	67,300.00	55.52	60.90	11.05	12.12
HDFC Life Insurance(HDFCLIFE)	91,037.53	18.93	-	-	23.92
New India Assurance(NIACL)	58,248.56	158.70	-	-	4.45

\*P/E: price per earnings ratio

\*\* EPS: earnings per share

\*\*\*All the values indicated are as of 5 march, 2018; they tend to change with the market conditions.

**As Seen From The Above  
Comparison**

The general insurance companies, GIC RE and ICICIGI (symbols indicate respective stock exchange codes of NSE) are having a healthy market capitalisation. GIC RE have a high book value in comparison indicating that the IPO is highly priced and it is still overpriced for the current market conditions and hence the drop in the share price. The ICICIGI on the other hand is fairly priced and hence the uptick in the share price movement.

The insurance companies on the other hand consisting of SBI Life, HDFC Life and New India Assurance all have healthy market capitalisation. HDFC Life have better valuation among its peers owing to a low P/E ratio of 18.93.Hence it's been the best performer among all the insurance companies and is likely to still maintain buy rating and would in future lead the race as Insurance Index topper.

**Conclusion**

First of all, Insurance companies are relatively new to investors. Secondly, there is no benchmark index for insurance business companies in stock market which makes comparison tougher. The private players were better equipped than their state-owned counter-parts in the insurance business.

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