Investment Portfolio Performances of Public-sector General Insurance Firms in India: An Empirical Approach

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Abstract

Deregulation of the Indian insurance sector has witnessed the rise of private players in the Indian general insurance sector post-1999. Though the four major public-sector general insurers still continues to dominate the Indian general insurance market, but an abrupt rise in the number of private players has raised concerns upon the solvency position of the public-sector general insurance companies in safeguarding their policyholders’ interests. The major reason for this concern could be attributed to the existing investment portfolios of the general insurance firms, the impact of which has been felt upon their solvency position. The present study investigated the investment portfolios of the four major public-sector general insurance firms in India, involved in multi-line businesses, and its subsequent impact upon their solvency position. The application of the multiple linear regression model has been employed to investigate the solvency determinants of the public-sector general insurance firms, in view of their short-term and long-term investment portfolios covering the study-period from 2005-06 to 2014-15. The findings of the study have pointed out the necessity for the four public-sector general insurers to focus on certain key investment variables in their investment portfolios in ensuring a sound solvency position in the long-run.

Key Words: Investments, Solvency, General Insurance, Determinants, IRDAI.

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