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Study Of Mergers And Acquisition In Indian Insurance Sector "Mumbai, Thane, Pune, Nashik and Kolhapur"

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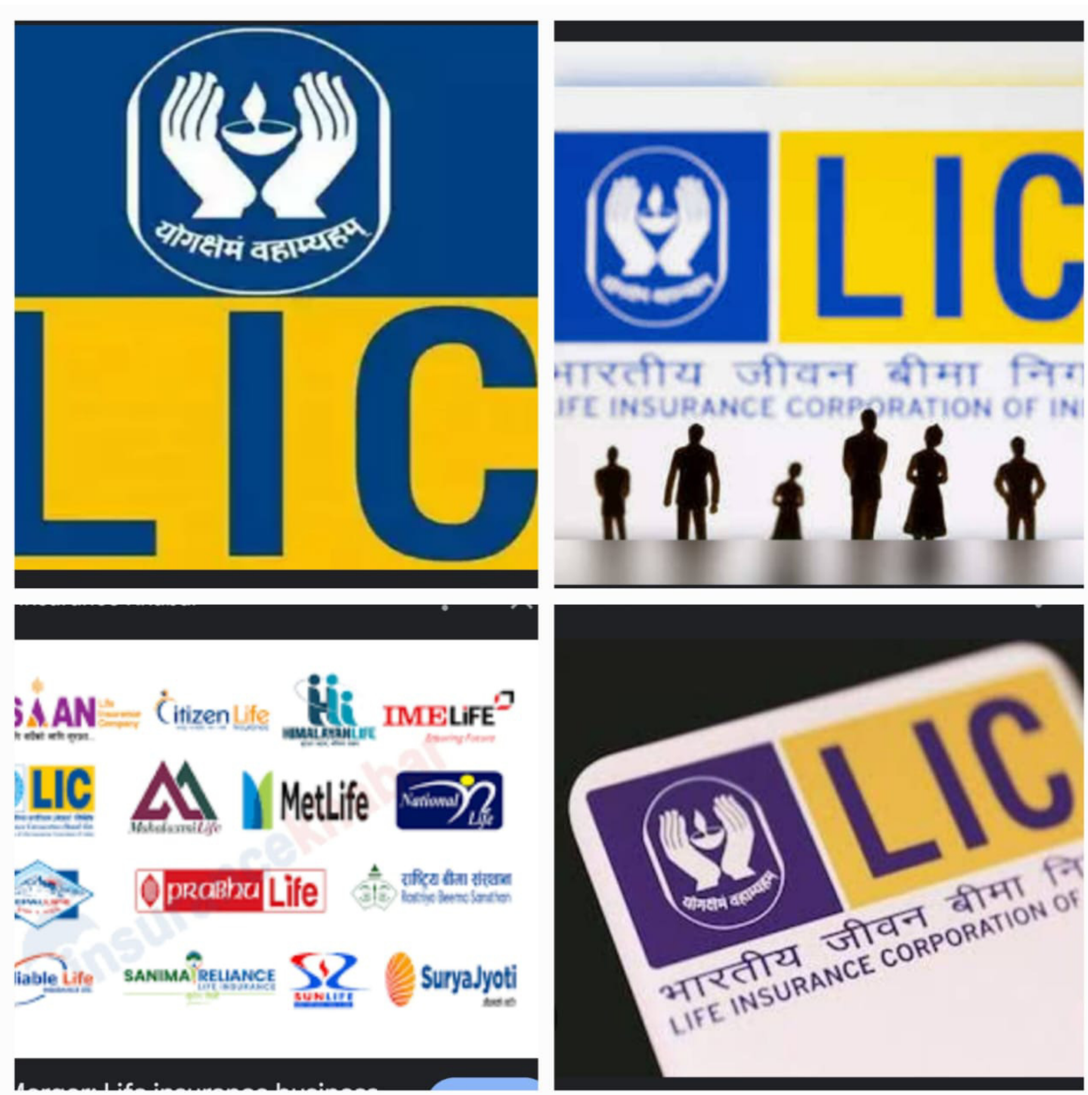

Abstract :- The Indian insurance sector has transformed significantly over the past few decades and has been contributing significantly to the economic development of the country. This sector is transformed from being dominated By a single player Life Insurance corporations' LIC to becoming a sector comprising various players offering diverse range of products tailored To meet the need of the customers. The Transformation has been fuelled by several factors such as economic development, technological advancement, demographic shifts and increased consumer awareness about financial security Insurance Especially post-COVID 19 pandemic penetration stood at 4.2% of the GDP in 2022, which include 3.2% from Life Insurance, 1.0% known life general insurance. The dominance Of LIC in india's life insurance segment and the robust growth Witnessed in the general insurance sector expansion on the near future.

Keyword :- Insurance limitations gave future consumer.

Introduction :- Formation of 1938 - 72, The period before 1938 was marked to be a volatile phase for India's insurance sector as it functioned as an unregulated sector insurance Act 1938 as the government established stringment measures to control in insurance business in india. Post independence in 1956 various insurance companies approx 245. companies life India corporation.LIC a part of the nationalistin act. The main objective of these move were to increase penetrations of insurance sector in India and protect policy holders from mismanagement. The general insurance sector was nationalised in 1972 from the GIC, with the objective of controlling superising and carrying business of general insurance in India.

Insurance industry of India consist 57 insurance companies of which 24 are in Life Insurance business and 33 are non-life insurance. Among the life insurers, Life Insurance Corporate (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national reinsurer, namely, General Insurance Corporation of India (GIC). Other stakeholders in Indian insurance market include agents (individual& corporate), broker's surveyors and third-party administrators servicing health insurance claims.3

In F.Y. 2019 (up to October 2018) gross direct premium of non-life insurance reached Rs. 962.05 billion showing a year-on-year growth rate of 12.40%. The market share of private sector companies in the non-life insurance market rose from 13.12% in F.Y. 2003 to 50.06%. In F.Y. 2019 (Up to October 2018) government has approved the ordinance to increase FDI limit in Indian Insurance sector from 26% to 49% which would further help attracts investments in the sector.

In 2017 insurance sector in India saw 10 M&A deals worth US $ 903 million. Increasing life expectancy, favorable savings and greater employment to fuel demand for pension plans. Likewise strong growth in the automotive industry over the next decade would be a key driver for the motor insurance market.

Top 10 Insurance companies india

LIFE INSURANCE IN INDIA

- Life Insurance Company (LIC)
- Aegon life insurance company
- Bharti AXA life insurance company
- Bajaj Allianz life insurance company
- HDFC life insurance Company
- Max life insurance company
- Promerica life insurance company
- Exide life insurance company
- Kotak Mahindra Life Insurance Company
- Reliance Nippon life insurance company

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Gap Research :-

Numerous studies comducted on various aspects of M&A like share holders wealth and mergers in insurance industry Financial growth indicator of M&A in India corporate sector M&A cause and effect etc.based on recent study by swiss Re, the indian insurance sector is projected to rank as the sixth -largest market by year 2032 .One of the most significant factor increased awareness among the indian regarding there importance of insurance whether its life.healtg or general.

STAR HEALTH AND APPLIED INSURANCE COMPANY LIMITED ACQUISITIONS DEAL

1) star health was incorporated 2006 medical claims and personal injuries.

2) In 2018 consortium investors called safe corp holding pvt signed definitive agrrement with share holders of star health aquire their shares.

3) Rakesh JhunJhunwala holds 35% and remaining share will be held by safe crop holding.

According to a KPMG media release[1], the Americas and EMEA (Europe, Middle East and Africa) still attracted the lion's share of deal-doing in 2005; the Asia Pacific is experiencing the largest growth in targeted M&A up 39 percent by value and 50 percent by volume in the last one year. During 2005, the region recorded 6,921 deals valued at US$370 billion, which is said to be the highest activity levels ever logged for the Asia Pacific.

M&A deals in insurance sector have again gained momentum in 2005, and by September 2005, 191 deals valued at US$ 32,688 million have been recorded. Though the numbers of deals are lower compared to the previous year, the value of the deals is more than double.

Annual Deal Volume In Insurance Sector					
	2001	2002	2003	2004	2005
All Insurance					
Number of Deals	300	277	282	301	191
Aggregate Deal value ($M)	65,212.0	9,271.2	59,669.1	14,182.2	32,688.0
Property & casualty					
Number of Deals	55	42	50	22	34
Aggregate Deal value ($M)	2,319.8	429	22,474.7	507.1	2,853.0
Life & Health					
Number of Deals	40	20	27	23	13
Aggregate Deal value ($M)	58,554.1	2,718.0	14,124.3	3,855.5	14,084.5
Managed Care					
Number of Deals	13	13	10	17	9
Aggregate Deal value ($M)	3,188.4	4,843.6	21,848.2	8,800.9	14,797.0
Broker and Agency					
Number of Deals	192	202	195	239	135
Aggregate Deal value ($M)	1,149.7	1,280.6	1,221.9	1,418.7	953.5

Property & Casualty includes Multiline, Title, Financial Guaranty and Mortgage Guaranty. Whole deals only. Asset sales are not included. Data as of 9/30/2005

Source:- The SNL Data source

RESEARCH METHODOLOGY :-

1) **Source of data :-** study based on secondry deta annual reports selected units by vairois websites Annual reports etc .deta collected of insurance company before 3 year or merger and after 3 year of merger oncome statememts balanceshhet and all of the specific deta requi for M&A analysis .

2) **Population :-** 2020 to 2023 reason for choosing insurance companies for the research was because there had been no local research carried on them yet many studies done internationally.

3) **Selection of samples :-** Only micro level has been selected the study depend all types of insurance companies having different business .
In the indian context, mehrotra and sahay 2018 Dash (2018) and bhargava and tandon (2023) consistently sowcased wealth enhancememt in the immideat after math of merger announce ment this reasonates with specific segments positive.

Literature review :-

Kumar & Suhas (2010)[1] Examined the effects of mergers on the wealth of shareholders of both acquire and target banks involved in banking merger from year 1996-2006 with financial ratios.This study concluded that stock market return increased for both target and bidding bank, negative abnormal return and operating performance also does not improve after Mergers.

Ghosh & Dutta (2014)[2] Explored the over all strategic impact of M&A in telecome sector with the tools like ratio analysis of 8 BSE listed telecom companies goes for M&A during 2000-2010 ,The study concluded that changes in overall performance of the 7 firms due to M&A not much significance.They faced difficulty in coping with the adverse macro financial situation and integration the mergers firms on the other.

Kumar and bansal (2008)[3] Examined the impact of M&A on coropater performance by analizing tools like ratio analysis, correlation, tabulation and secondry financial data and concluded that in many cases of M&A acquiring firms were able to generate synergy in long run that may be in the form of higher cash flow, more business diversificatiom, cunt cutting etc.

Kawahara &Takeda (2007)[4] investigated how merger and acquisition affects corporate performance for three years after their implementation. The corporate performance of 162 M&A that te took place in Japan from 2001-2013 is analysed by using wikoran signed rank test. They find that overall effects of M&A on corporate performance statistically insignificant, compared to the corporate performance of ather companies within the same industry with similar pre-acquisition performance.

Reddy et al. (2013)[5] Investigated that mergers improve financial performance in long run or not? With the tools like earning management approach and T-TEST. The study concluded that selected Indian M&A cases show the superior performance during the post-merger period for both manufacturing and service observed a balance sheet improvement in long run.

Lee et al.(2011)[6] examined the variance of 2 brand image and dimensions of brand equity after M&A with sample size of 409 responses collected throughs random sampling from internet survey in unwan with tools like T-test and ANOVA, this study showed that greater perceived difference between acquirer and acquired brands, the more the brand equity of acquirer will increase all thedimensions of brand equity for for the the brand with a superior image decreases significantly.

Ransariya (2010)[7] measured the impact of M&A on Financial growth indicators in Indian corporate sector using 10 companies (top 10 M&A) during year 1996-2002 with tools like averages, index number, standard deviation, T-test and ratio analysis. The study concluded that financial performance and return of shareholders fund not improved after M&A and liquidity position of selected units also becomes poor after M&A.

FINDING AND CONCLUSION :-

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The study sought to established the effect of M&A in insurance industry in india for a period of 2 uear before and 2 year after M& A between year 2010 to 2018.The analysis of Reliance Nippon life insurance compnay provides diffferent results .The performance indicator for Reliance life insurance companh was improved in 6 ratios and decline on rest 4.

The study concluded that the liquidity ratio of selected company declined affrer M&A activity both current and quick ratio not improved after M&A so companies short term financial position was not improved after M&A The researcher also conducted that activity ratio selected company were. Improved Debtor turnover ratio and Fixed turnover ratio improved after M&A Which shows that the capital efficiently used to working capital and stock is used to obtain sales. The study concluded that have overall positive effects on performance insurance companies in india.

In the current scenario, where the world is becoming a global village, there is a need for larger insurance companies which can play a significant role in the global markets, especially in the emerging markets. Though, M&As are favored in the insurance sector, they are also criticized for the hampering the competition within the sector. However insurance companies should undertake M&As provided the financial sector is restructured to allow them to offer existing or enhanced services to the consumer sector with adequate level of competition within the sector.

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