



## AN EVALUATION OF PERFORMANCE OF SELECTED GENERAL INSURANCE COMPANIES IN INDIA

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### **Abstract**

*Over the last few years, Indian general insurance has witnessed tremendous growth due to the opening of insurance market for the private players, growth in general insurance premium, de-ratification, introduction of Third Party Administrator (TPAs), quick settlement in insurance claims, launch of innovative general insurance products, increase in insurance premium, discounts in insurance products. After the entry of private sector insurance companies, the public sector insurance companies are facing stiff competition and have become more competitive by offering varieties of products and services. The performance level of public sector general insurance companies has enhanced. Moreover, the awareness level of the insured has also been increased regarding the insurance policies.*

*IRDA standardize the terminology of general insurance and also created opportunity in personal life insurance business. It has taken few initiatives and efforts to enhance the quality of service in general insurance sector. General insurance is a growing portfolio and the insurance penetration and density has increased very rapidly. The premium ratio in general insurance is growing, but in contra, the claim ratio is also increasing. The general insurance has created many challenges and opportunities in health insurance business. In this background, the present paper focuses on the performance of public sector general insurance companies in India. In addition, it further focuses on the key issues in premium and claim settlement ratio of different public and private sector general insurance in India by offering suggestions to improve and develop the general insurance industry.*

**Key Terms:** *General Insurance, IRDA, Public Sector General Insurance Companies, Private Sector Insurance Companies.*

### **Introduction**

Insurance is concerned with the protection of the economic value of assets. Tangible assets are human beings, house, furniture, motorcycle etc. and intangible assets are liabilities. Insurance can be termed as an agreement by mutual consent between the insured and the insurance company which is enforceable by law wherein insurance company promises to the insured on receipt of premium, the payment of money as per terms and conditions of the policy. Contracts wherein the subject matter of insurance is the life of human beings come under the purview of life insurance.

### **General Insurance or Non-Life Insurance**

Generally speaking, the contracts of insurance other than the contracts upon human life are called General or Non-Life Insurance contracts. Fire, Marine and Miscellaneous are the broader classifications of General Insurance contracts. However, in the General insurance, contracts upon human life are also available in the form of Personal Accident Insurance Policies which cover the death or disability due to accidents only. Whereas in Life Insurance Policies, the basic cover is for death due to natural, disease or accidental causes

### **Present Status of General Insurance in India**

As a result of General Insurance Business (Nationalization) Act 1972 which came into existence with effect from 2-1-1973, four public sector insurance companies were formed viz., National Insurance Company Limited with its head office at Kolkata, New India Assurance Company Limited with head office at Mumbai, Oriental Insurance Company Limited with head office at Delhi and United India Insurance Company Limited with head office at Chennai. All these four public sector companies were working as subsidiary companies of the General Insurance Corporation of India with its head office in Mumbai.

The organization of the public sector companies consists of a Corporate or Head Office which controls and coordinates few Regional Offices, each of which is located in most of the states of the country. Regional office controls few Divisional Offices located in the jurisdiction of the region. Divisional Office may or may not have Branch Offices under its control. The divisional/Branch Office serves directly to the customers. After the opening up of the General Insurance business to the private companies in the year 1999 all the four public sector insurance companies were de-linked from the General Insurance Corporation of India and the GIC it was renamed as the National Re-insurer.

### **Insurance Regulatory and Development Authority of India (IRDA)**

Government of India through The Insurance Regulatory and Development Authority Act 1999 opened up the insurance sector to private players as part of economic liberalization and globalization policy and amended The Insurance Act 1938 and ended the monopoly of the public sector Insurance companies. Since then, 23 private General Insurance companies in addition to the six public sector general insurance companies (including ECGC & Agriculture Insurance Company) have been registered by the IRDA and are working in the country.

### **Review of Literature**

Review of the earlier few works have been made in the following paragraphs which are relevant to the present study.

**Tanveer Ahmad Darzi ( 2009)** in his thesis, '*Financial Performance of Insurance Industry in Post liberalization era in India*' has included the financial performance of public and private sector non-life insurer on the basis of some parameters. In his thesis, he compared the statistical analysis of public and private non-life insurance companies. He tried to find out the impact of liberalization on the financial performance of insurance industry in India. His work also examines the impact of liberalization on security analysis of state owned and private sector companies in the light of ISI standards. It analyzed the several factors on the solvency of non-life insurers has suggested for enhancing and synchronizing the probable benefits of liberalization of insurance sector.

**Jawahar Babu (2010)** in his thesis, '*General Insurance Claim Management with Special reference to Motor third party claims in Public Sector Insurance Companies*' has investigated the details of the motor claim and its management in the recent past in general insurance companies in India. It is identified certain special features in the area of motor vehicles liability faced by the Indian public sector insurance companies which are under the provision of jurisdiction to file the claim by claimants. Compensations are determined by the courts and there is considerable delay in the judicial process. In this context, it has identified the factors that influence Motor Third Party Claims Management in public sector non-life insurance companies. It identifies on priority, the Internal and overall solutions for Motor Third party claim Problems. Abnormal increase in motor accidents in Motor vehicle Act, the unlimited liability to the insurance companies, fraud an exaggerated claims, liberal attitude of courts in awarding Compensations, Social Legislation attitude, procedural complications in dealing with Third Party Claims by court. Finally, attempts to cover overall issues of Third party claim management in public sector insurance companies, and the problems associated are analyzed.

**Krishna Prasad B. (2011)** in his thesis, '*A Study on organizational climate of General Insurance Companies in Thiruvananthapuram District, Kerala State*' has analysed the organizational climate of four public sector general insurance companies in Thiruvanthapuram district. He investigates demographic variables of the employees in organizational climate perceptions and ascertains the level of perception towards the organizational climate. The factors influencing the perception of the employees towards the organizational climate were also taken into consideration. Finally, it investigated the relationship between organizational climate and organizational success which includes effective job satisfaction, organizational commitment and intention to quit.

**Dr. K Rajender, et.al, (2012)** in their research paper '*Investment Practices in General Insurance Industry*' studied the investment unit for the time, whether the funds are committed for the expected rate of inflation and for the uncertainty involved in the future flow of funds. It examines the term-wise and security-wise investment analysis of General insurance companies, ascertains the operation of insurance business of general insurance companies and evaluates the portfolio return and earning power of the general insurance companies. The study covers oriental insurance company and ICICI Lombard general insurance company limited. The analysis of investment is made through trend and term-wise investments. The study reveals that the trend proportion of term-wise investments were consistent and low degree of correlation in oriental insurance and ICICI Lombard, it was varying and moderate degree of correlation was observed during the study period which discloses that there is a significant difference between the public and private general insurance companies regarding the security wise investments are concerned.

**Dr. Saroji Hiremath (2013)** in his research article, '*Insurance Sector Challenges and Opportunities*' stated that new era of insurance development has seen the entry of international insurers, the proliferation of innovative products and distribution channels, and the raising of supervisory standards. The number of insurers in India had been augmented by the entry of private-sector players to a total of 28 up from five before liberalization. A range of new products have been launched to cater different segments of the market, while traditional agents were supplemented by other channels including the internet and bank branches. According to him, these developments were instrumental in propelling business growth in insurance sector. More challenges in health insurance, still it is undeveloped in India, banc assurance is rapidly changing, outstanding issues

concerning to regulatory body, majority population residing in rural areas are the key areas of challenges. In contra, opportunities in India is highly populated country and would continue to be so in the near future, job opportunities are likely to increase, huge inflow of funds to the country, Marketing strategies with different advertising, brand building etc.

**Anoop Kumar S.(2014)** in his research article, '*Motor Claims; dealing with parts made of mixed constituents while assessing the loss*', examines the motor insurance policy and contract between the insurer and insured and rate of depreciation applied for different parts and reproduce the same. The statistical data analyses the rate of depreciation for the vehicle on the basis of age of the vehicle and also the type and purpose of the vehicle is used. The researcher is of the opinion that all the parts made of composite material fall under the definition of the other parts for the purpose of applying depreciation. It is concluded that the surveyors change their mindset and also age old practice of applying depreciation blindly. This is where the surveyor's institute, a body formed by IRDA, and clearly defining the interpretations of certain words in policy conditions which should be circulated to all the insurance companies. This, in turn, will help the surveyors work truly independently and fearlessly and then only they can claim.

**Dr. Geeta Bhardwaj et.al,(2015)** in their research article, "*Combating the Invisible Enemy Fraud in Health Insurance - A TPA's Perspective*" identified the order to successfully combat fraud, a business should adopt a top down strategy the effect the risk actually has on their business. It investigates the number of fraud cases in India and observed that 15% of total claims and the types of claims are opportunistic fraudsters, repeat fraudsters, organized fraudsters. Fraud from the point of insurer as well as insured identified use commonly assessed fraud. Finally, the outcome of the investigation clearly points out as to how the fraud was perpetrated, and what motivated the fraudster to do it.

#### **Objectives of the Study**

- To study the premium trend of selected general insurance companies in India
- To study the claim trend of selected general insurance companies in India
- To analyze the premium and claim performance of selected general insurance companies in India
- To offer suggestions for the better performance of these selected general insurance companies in India

#### **Scope of the Study**

The present study focuses on premium trend and claim trend of general insurance companies in India. Further, it makes an attempt to analyze the performance of premiums and claim trend of general insurance companies in India.

**Period of Study:**The study covers the period of ten years from 2006-07 to 2015-16.

#### **Sources of Data Collection**

The data collected for the study are mainly based on secondary sources and are collected from monthly journals of IRDA, insurance journals, published books, annual reports, books, other published documents on insurance topics and internet sources.

#### **Sample Design**

The study considers all the four public sector and six private general insurance companies in India

- National Insurance Company Ltd
- New India Assurance Company Ltd
- Oriental Insurance Company Ltd
- United India Insurance Company Ltd
- Bajaj Allianz General Insurance Company Ltd
- ICICI Lombard General Insurance Company Ltd
- Royal Sundaram Allianz Insurance Company Ltd
- IFFCO Tokoyo General Insurance Co Limited
- Reliance General Insurance Co Limited
- Tata AIG General Insurance Co Limited.

#### **Statistical Tools and Techniques**

As far as statistical applications are concerned, trend analysis and regression analysis of premium and claim, percentages and averages are used. In addition, diagrams, tables are used for the presentation.

### Limitations of the Study

- The present study is confined to only to the available secondary data
- It is limited to cover only selected general insurance companies in India
- Assessment of the performance is based on only premium and claim

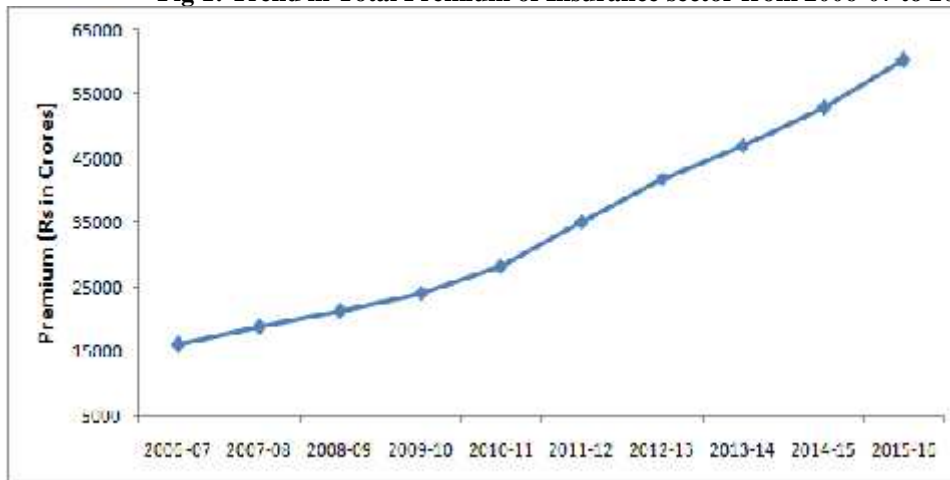
### I. Trend Analysis of Premium collected by Insurance sector

Year	Total Premium (Rs in crores)	Year-on-Year Growth (in %)
2006 -07	16072.67	-
2007-08	18808.27	17.02
2008-09	21234.08	12.90
2009-10	24111.73	13.55
2010-11	28296.32	17.36
2011-12	35171.47	24.30
2012-13	41823.22	18.91
2013-14	47018.23	12.42
2014-15	52923.49	12.56
2015-16	60329.31	13.99
<b>Annual Average Growth Rate</b>	<b>14.12</b>	

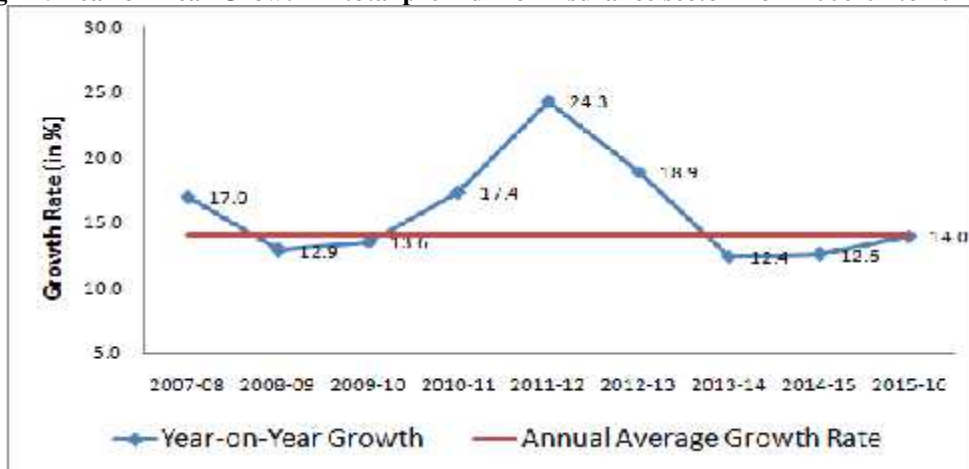
Data Source:IRDA Annual Reports 2006-07 to2015-16.

To begin with, the total premium (inclusion of both public and private insurance companies) is depicted in Table 1. Accordingly, it is observed that during 2006-07 and 2007-08, the total premium receipt was Rs 16,073 crores and Rs 18,808 crores with a yearly growth rate of 17.02%. Furthermore, an increase in premium receipts was seen from 2007-08 onwards with Rs 18808.27 crores to Rs 21234.08 crores in 2008-09 with an annual growth of 12.9 percent [fig 1]. Even though a further increase was observed during 2009-10 resulting in Rs 24111.73 crores of total premium, in terms of growth rate, it was about less than one per cent point change [from 12.90 to 13.55, fig 2]. Nonetheless, in the year 2010-11, the total premium collection observed is Rs 28296.32 crores indicating an annual growth of about four percentage points [from 13.5 percent to about 17.3 percent in the year 2010-11]. This shows that a substantial increase in the revenue to the insurance sector is observed in the form of premium collection.

**Fig 1: Trend in Total Premium of Insurance sector from 2006-07 to 2015-16**



**Fig - 2: Year on Year Growth in total premium of Insurance sector from 2006-07 to 2015-16**



On similar lines, a further jump or increase in total premium receipt was again observed during 2011-12, where it increased from Rs 28296.32 crores in 2010-11 to Rs 35171.47 crores in 2011-12 with a year on year increase of 17.36 percent. Interesting to note from the data, a linear trend in the premium receipt is observed. In essence, a higher percentage of growth in premium receipt is observed over the ten year time period. Likewise, a higher increase in the premium receipt was again noticed from 2012-13 onwards from Rs 41823.22 crores to Rs 47018.23 in the year 2013-14 with an annual growth rate of 12.4 percent between the two years. In continuation, the total premium receipt during 2014-15 is Rs 47018.23 crores and then it increased to Rs 52923.49 crores in 2014-15, thus injecting a Y-o-Y growth of 12.5 per cent [Fig 2] and then to Rs 60329.31 crores during 2015-16. On the whole, a linear trend is observed in the premium collection during the ten year study period [2006-07 to 2015-16]. Finally, in terms of the annual average growth rate, a growth of 14.1 per cent is observed in total premium receipts of the insurance sector in one decade lag period.

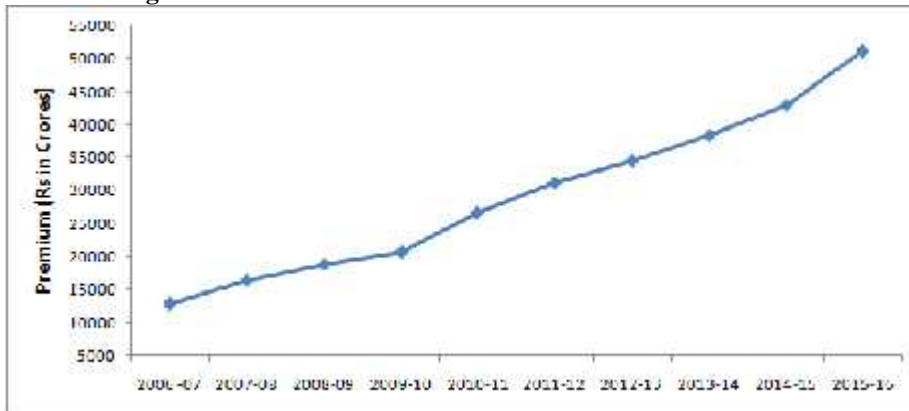
## II. Trend Analysis of Claims by the Insurance Sector

**Table - 2: Total Claims (Rs in Crores) and Y-o-Y increase in claim**

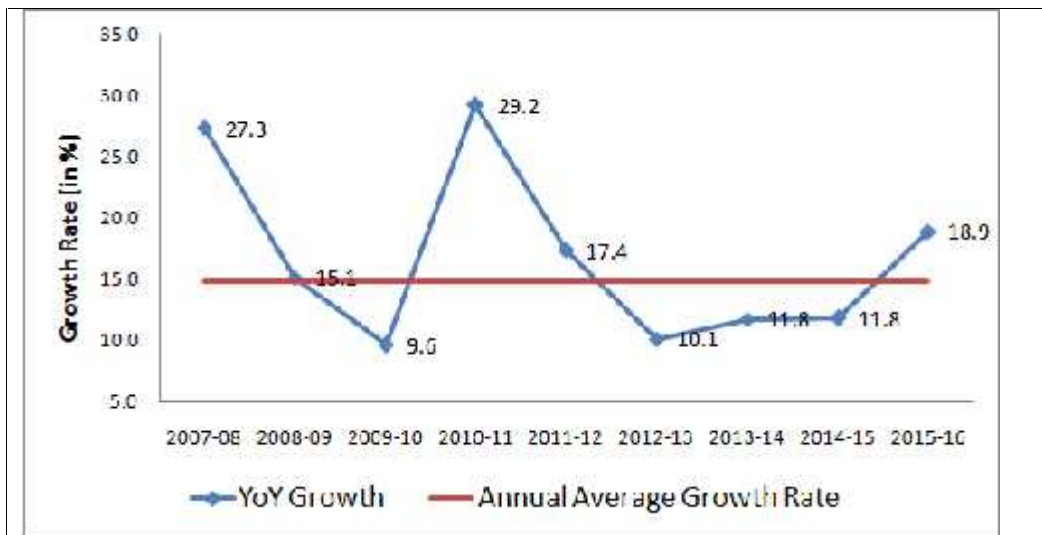
Year	Total Claims (Rs in crores)	Year- on- Year Growth (in %)
2006 -07	12825.56	-
2007-08	16332.94	27.3
2008-09	18804.72	15.1
2009-10	20618.52	9.6
2010-11	26638.70	29.2
2011-12	31266.23	17.4
2012-13	34425.12	10.1
2013-14	38470.32	11.8
2014-15	42999.47	11.8
2015-16	51111.79	18.9
<b>Annual Average disbursement Rate</b>	<b>14.81</b>	

Data Source: IRDA Annual Reports 2006-07 to 2015-16

**Fig 3: Trend in Total Claims of Insurance sector from 2006-07 to 2015-16**



**Fig 4: Year on Year disbursement rate of total Claims from 2006-07 to 2015-16**



On similar lines, a further jump or increase in the claim disbursement was observed during 2011-12, where it increased from Rs 26638.70 crores in 2010-11 to Rs 31266.23 crores in 2011-12 with a year on year increase disbursement rate of 10.1 per cent [Fig 4]. Interesting to note from the data, a linear trend is observed even in claim disbursement as seen in the premium receipts. In essence, a higher percentage of disbursement is observed over the ten year time period. In continuation, a higher increase in the disbursement was again noticed from 2012-13 onwards from Rs 34425.12 crores to Rs 38470.32 in the year 2013-14 with an annual disbursement rate standing at 11.8 percent between the two years. Likewise, the total claim disbursement during 2014-15 is Rs 42999.47crores and then it increased to Rs 51111.79 crores during 2015-16. In totality, a linear trend is observed in the premium collection during the ten year period [2006-07 to 2015-16]. Finally, in terms of the annual average disbursement rate, a growth of 14.8 percent is observed in total claims disbursement of the insurance sector in one decade lag period.

### III. Regression Result

The OLS regression equation is given by

$$Y_i = \alpha + \beta X_i + \epsilon_i$$

Where  $Y_i$  = CLAIMS disbursed over the period from 2006-07 to 2015-16

$X_i$  = PREMIUM received over the period from 2006-07 to 2015-16

$\epsilon_i$  = Error Term

Year	Total Premium (Rs in crores)	Total Claims (Rs in crores)
2006 -07	16072.67	12825.56
2007-08	18808.27	16332.94
2008-09	21234.08	18804.72
2009-10	24111.73	20618.52
2010-11	28296.32	26638.70
2011-12	35171.47	31266.23
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2015-16	60329.31	51111.79

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1328.692	1080.032		1.230	.254
premium	.810	.029	.995	28.156	0.000*

a. Dependent Variable: claims, \* Significant at 5 % level.

The estimated regression equation is given by

$$Y_i = 1328.7 + 0.810X_i + \epsilon_i$$

The interpretation is that for one unit (one crore) increase in Premium collection, one would expect about on an average of 0.810 times increase in the CLAIM disbursement. In essence, for every one crore of premium accumulated, the insurance company is expected to spend about 81 lakh worth of Claim disbursements.

### Major Findings of the Study

1. The average growth of premium of four public sector and six private sector insurance companies are 14.2%
2. The trend shows highest premium growth 24.3% during the year 2011-12
3. The trends also shows lowest premium growth 12.4% during the year 2013-14
4. The average growth of claim of four public sector and six private sector insurance companies comes to 14.81%
5. The trend shows highest claim growth percentage of 29.2 during the year 2010-11
6. The trends also shows the lowest claim growth percentage of 10.1 during the year 2012-13
7. When comparing the premium with claim, it is evident that the premium quantity of 1 =0.81 to claim of these general insurance companies.

### Suggestions

Insurance industry plays an important role by contributing to the GDP and economic development of the country. Due to the increase of density of insurance risk made wider scope by adding new products. The entry of private sector had made drastic changes in service, innovations, adding new and additional type of risks, technological changes etc. Apart from all these, general insurance companies have failed to control the risk in terms of incurred claim. In terms of cash inflow (premium) general insurance had increased the ratio regularly. There is a need for improvement in premium by general insurance companies to control the incurred claim in order to sustain. It shows positive sign to general insurance companies are utilizing the opportunity and increase the market share in these portfolios.



### Conclusion

The study observes the performance of general insurance company in terms of premium better. But, still public general insurance companies need to gear up by adopting new strategies. The regulatory body (IRDA) has to understand the need, role and power of the both the regulator and insurance companies as one of the main objectives of the insurance regulators is to safeguard the interest of the policyholders as well as insurance companies of both public and private sector.

Development of general insurance business in India, what has been done and achieved till now is only the good beginning. With increasing complexity and business opportunities thrown open to more and more players in the market, if the insurer wishes to survive in the market, they have to be innovative in their products, services, channels, technology etc.

The regulatory body too needs to gear up its administration and regulatory machinery to have in place more structured, systematic and effective approach to successfully find solution to more and more challenges and issues related to innovations

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