STUDY ON PERFORMANCE OF GENERAL INSURANCE COMPANIES IN INDIA ON SELECTED VARIABLES

[1]Javed Ahmed [2]Issac P. Elias 6th Semester BBA Christ University
[1]Student [2]Associate Professor
[1]Department of Management Studies
1Christ (Deemed to be university), Bengaluru, India

ABSTRACT: Since privatization of the insurance sector in 2000, the industry has seen immense growth. Out of the 28 General Insurance companies in India, four of them fall under the public sector while the remaining lie in the private sector. The public sector insurance companies have been witnessing heavy and strong competition since the private sector has come into existence as they have brought in a wider range of products and services. This study aims at evaluating the performance of public sector and private sector insurance companies in India over the past decade. Seven variables have been taken into consideration while conducting this study.

Keywords – Competition, General Insurance, Privatization, Public Sector, Private Sector

I. INTRODUCTION

The Insurance sector in India has shown a drastic growth trend over the time period and has been influenced greatly by other countries, especially by England. The Life Insurance Corporation had controlled the market until the latter part of 90s when the Insurance segment was privatized in the year 2000. Before Privatization the industry contained of only 2 national firms: “Life Insurance Corporation and General Insurance Corporation.” It was in December 2000 that the four offshoots of GIC were separated and setup as independent firms: “Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company Limited.”

Ever since 2000 the General Insurance sector in India has shown upward growth trend as ruling Government at that time allowed Private companies and Foreign Direct Investment up to 26%. In the recent time the Cabinet increase it to 49% from 26%. This era had witness insurance rise in a journey spreading to approximately 200 years.

There are twenty eight companies in the general insurance sector which also consists of ECGC and Agriculture Insurance Corporation of India out of which 4 are public companies. This sector is enormous one which highly contributes to the GDP of the nation and its current growth rate is 15% to 20% per annum.

The Insurance Penetration & Density in 2016 was (as per IRDA report):
Insurance Penetration – 59.70 (USD)
Insurance Density – 3.49 %

II. REVIEW OF LITERATURE

Tanveer Ahmad Darzi (2009) in the research paper, “Financial Performance of Insurance Industry in Post liberalization era in India” made a comparison of public and private general insurance companies’ performance using statistical analysis. The motive behind the paper was to discover the influence of privatization of the insurance sector in 2000 on the monetary performance of overall industry. The paper also examines the effect of liberalization on the security of the private and public companies.

T. Chandrashekhara and Dr. K.S. Sarala (2017) in their research paper “An Evaluation of Performance of Selected General Insurance Companies in India” calculated the performance using claims and premium as variables of four public and six private companies. The analysis was done on the data collected for the last 10 years of the companies through IRDA annual report. The study finds out that the public companies need to prepare for the tough competition by the private companies by accepting new and different strategies. The paper also suggests that the function and power of the regulator and insurance companies need to be recognised by IRDA

Dr. Nalini PraveThripathy (2007) in his research paper “Indian Insurance Industry-The Paradigm Shift” stated that the economy of India has been in evolution for over 2 decades because of the introduction of strong economic reforms affecting all sectors. Indian insurance business being one of the most important one amongst the sectors. The paper also talks about General insurance industry dealing with exposure of risks to goods and property.

Hook, n.d. in his research article, “Insurance business has changed over time” finds out that Technology, regulation, disintermediation and globalization had its own effect on the insurance sector during the last several decades. Today it faces lots of challenges and there is no events creating a shortage in shaking its foundation. Rise in knowledgeable client base in a market place promotes the consumers in educated purchases and increased insurance take ups. The increased insurance takes up rate can help the producers of the products in efficient risk management and take the benefits of a more competitive and stable financial market and economic growth.

Basir Ahmad Joo in his research paper, “Analysis of financial Stability of Indian Non-Life Insurance companies stated that the Indian insurance market was assaulted by the presence of MNC post privatization of the insurance sector in the year 2000 which has both threats and opportunities for the existing public companies. The paper highlights the relationship between claim ratio and firm size on the solvency position of the company. The research tool used for the process of analysis was multiple regression analysis.

Rajesh K. Yadav and Sarvesh Mohania in their research paper, “ Impact of F.D.I. on Life insurance sector in India” stated that how FDI movement in the Indian insurance sector increase the overall performance of the sector. It also talks about the outflow of money (Indian Currency) which the RBI and IRDA need to keep check on. The data for the analysis have been collected from the annual report of IRDA.

Ms. Tnr. Kavitha, Dr. A. Latha and Ms. S.Jamuna in their research paper, "Customers' Attitude towards General Insurance - A Factor Analysis Approach" analysed the attitude of customers towards the insurance offered by general insurance companies where 750 policy holders opinion was collected on the basis of 5 point scaling. The study helps to find out the expectations of the shareholders from general insurance companies.

III. RESEARCH DESIGN

- **Statement of the Problem**
  At present there are 28 General Insurance Companies working in India as a result there is huge competition in the market. Due to Privatization in the year 2000, Public sector companies have changed their business strategies in power with the market trend and introduced variety of product. The current study is a try to evaluate the performance shown by both the sectors over the last decade.
- **Objective of Study**
  - To assess and compare performances portrayed by private and public sector on selected variables.
  - To comprehend the behaviour of companies that lie in the private sector
  - To understand the operating efficacy of General Insurance Companies.
- **Research Methodology -** This study is primarily based on secondary data collected from the annual report of IRDA, Research journals and other periodical of insurance over the last 10 years.
- **Scope of the Study -** For the current study 2 prominent and oldest companies from private and public sector are considered. The following companies have been selected for this study:

1. New India Assurance
2. Oriental Insurance
3. Bajaj Allianz
4. ICICI Lombard

- Study is based on the selected variables as follows:
  - i. Gross Direct Premium
  - ii. Net Earned premium
  - iii. Claim Settlement and Net incurred claim
  - iv. Grievance Settlement
  - v. Solvency Ratio
  - vi. Equity share capital
  - vii. Surplus or Deficit

- **Limitation of the Study**
  - Study is based only on secondary data.
  - Only 2 companies from private sector are considered out of 24 private companies.
  - Study is based on selected variables.
- **Tools for Data Analysis**
  - I. Mann-Whitney U Test
  - II. Correlation
  - III. Regression
  - IV. Bar and Line graph interpretation

IV. DATA ANALYSIS AND INTERPRETATION

GROSS DIRECT PREMIUM (IN CRORE)

YEAR	NEW INDIA ASSURANCE	ORIENTAL INSURANCE	BAJAJ ALLIANZ	ICICI LOMBARD
2007-08	6151.97	3900.22	2379.92	3307.12
2008-09	6455.79	4077.89	2619.29	3402.04
2009-10	7099.14	4854.67	2482.33	3295.06
2010-11	8225.51	5569.88	2869.96	4251.87
2011-12	10073.88	6194.6	3286.62	5150.14
2012-13	11873.48	6737.65	4001.4	6133.99
2013-14	13727.6	7282.53	4516.44	6856.16
2014-15	15480.35	7561.92	5229.84	6677.79
2015-16	17763.31	8611.59	5832.15	8090.71
2016-17	19114.69	10803.34	7633.28	10725.2

Data Source: IRDA Annual Reports

Interpretation

In insurance, gross direct premium is also referred as gross premium written which means "the sum of an insurance corporation direct premiums written and its expected premiums written prior to the effect of yielded reinsurance." Over the last ten years post privatization of the industry, the gross direct premium of four companies has increased considerably compared to the base year 2007-08. New India Assurance GDP being the highest in the public sector while ICICI Lombard in the private sector.

NET INCURRED CLAIMS (IN CRORE)

YEAR	NEW INDIA ASSURANCE	ORIENTAL INSURANCE	BAJAJ ALLIANZ	ICICI LOMBARD
2007-08	4177.48	2602.22	945.7	1228.32
2008-09	4671.87	3057.19	1359.92	1684.54
2009-10	5132.45	3260.18	1386.57	1948.38
2010-11	6524.87	4065.36	1701.27	2730.64
2011-12	7087.53	4464.83	1907.95	3600.91
2012-13	8143.07	4392.85	2118.14	3380.62
2013-14	9380.95	5111.02	2525.28	3618.91
2014-15	11188.04	5261.5	2755.99	3443.44
2015-16	13141.19	5879.59	3053.86	3928.21
2016-17	16256.92	9398.09	3476.29	4954.33

Data Source: IRDA Annual Reports

Interpretation

In insurance, Net Incurred Claims means the amount of claims incurred during a year after deducting reinsurance recoveries. The Net incurred claims of all the companies has increased year by year resulting in the outflow of the settlement amount to the insured ones. New India Assurance (16256.92) Net incurred claims being the highest in the public sector while ICICI Lombard (4954.33) in the private sector.

SOLVENCY RATIO

YEAR	NEW INDIA ASSURANCE	ORIENTAL INSURANCE	BAJAJ ALLIANZ	ICICI LOMBARD
2007-08	4.00	1.91	1.55	2.03
2008-09	3.41	1.66	1.62	2.03
2009-10	3.55	1.56	1.54	2.07
2010-11	2.90	1.34	1.73	1.56
2011-12	2.03	1.38	1.56	1.36
2012-13	2.50	1.51	1.79	1.55
2013-14	2.61	1.64	1.96	1.72
2014-15	2.44	1.68	1.82	1.95
2015-16	2.30	1.59	2.51	1.82
2016-17	2.19	1.11	2.61	2.10

Data Source: IRDA Annual Reports

Interpretation

Solvency ratio is one of numerous degrees used to quantify an organization's capacity to reach its long haul commitments. Public companies have shown downward movement while both the private companies have shown up and down trend but in the last 3 years it has shown an upward trend which means that it is disposing its liabilities efficiently.

NET EARNED PREMIUM (IN CRORE)

YEAR	NEW INDIA ASSURANCE	ORIENTAL INSURANCE	BAJAJ ALLIANZ	ICICI LOMBARD
2007-08	4811.43	2876.23	1415.44	1567.18
2008-09	5249.30	3066.80	1891.27	1973.65
2009-10	5710.86	3590.83	1884.20	2192.82
2010-11	6473.32	4314.90	2149.65	2856.16
2011-12	7874.59	4893.06	2474.68	3549.00
2012-13	9450.64	5387.11	2924.33	4009.25
2013-14	11196.87	5953.97	3493.06	4352.91
2014-15	13315.29	6425.17	3831.90	4235.33
2015-16	14959.83	7023.90	4223.65	4821.62
2016-17	17814.79	8383.26	4937.05	6163.60

Data Source: IRDA Annual Reports

Interpretation

In insurance, Net Earned Premium refers to that extra price that the customers are willing to pay for the insurance product that they buy. It can be seen that from last decade the premium income of the 2 private and 2 public general insurance companies has increased considerably compared to the base year.

STATUS OF GRIEVANCES (REPORTED/RESOLVED)

YEAR	NEW INDIA ASSURANCE	ORIENTAL INSURANCE	BAJAJ ALLIANZ	ICICI LOMBARD
2007-08	555/283	293/221	115/91	408/371
2008-09	552/332	225/181	167/129	421/396
2009-10	558/381	214/133	143/119	340/324
2010-11	977/593	686/250	108/177	465/461
2011-12	2035/1975	4391/3923	11728/11727	23739/23731
2012-13	3082/2980	5131/4850	10246/10244	14005/13980
2013-14	3712/3613	3070/3004	6363/6358	6879/6588
2014-15	3303/3201	2231/2172	4775/4571	5954/5582
2015-16	4189/4050	2614/2485	1960/1991	5346/5256
2016-17	4347/4312	2802/2672	966/959	3677/3589

Data Source: IRDA Annual Reports 2007-08 to 2016-17

Interpretation

The data of the grievance settlement above shows how efficient all of the company is in solving the grievances. In the initial years all of the companies are inefficient in solving the grievances resulting in piling of the pending grievances reports. But eventually all the companies improved its grievances handling mechanisms where it starts to solve the reported grievances as well as the pending grievances.

EQUITY SHARE CAPITAL **(IN CRORE)**

YEAR	NEW INDIA ASSURANCE	ORIENTAL INSURANCE	BAJAJ ALLIANZ	ICICI LOMBARD
2007-08	200.00	100.00	110.23	377.26
2008-09	200.00	100.00	110.23	403.14
2009-10	200.00	100.00	110.23	403.63
2010-11	200.00	100.00	110.23	404.57
2011-12	200.00	100.00	110.23	436.58
2012-13	200.00	150.00	110.23	437.02
2013-14	200.00	150.00	110.23	445.06
2014-15	200.00	200.00	110.23	446.59
2015-16	200.00	200.00	110.23	447.54
2016-17	200.00	200.00	110.23	451.15

Data Source: IRDA Annual Reports 2007-08 to 2016-17

Interpretation

Equity Share Capital is basically the funds of the real owner of the companies (shareholders). Bajaj Allianz and New India Assurance have their equity share capital remains constant. Whereas, the equity share capital of ICICI Lombard has increase every year and Oriental Insurance also had a constant equity share capital till 2011-12 but since then there has been an increase. It has maintained constant since 2014-15.

SURPLUS OR DEFICIT **(IN CRORE)**

YEAR	NEW INDIA ASSURANCE	ORIENTAL INSURANCE	BAJAJ ALLIANZ	ICICI LOMBARD
2007-08	633.95	274.01	469.74	338.86
2008-09	577.43	9.61	531.35	289.11
2009-10	578.41	330.65	497.63	244.44
2010-11	-51.55	249.54	448.38	125.52
2011-12	787.06	428.23	566.73	-51.91
2012-13	1307.57	994.26	806.19	628.63
2013-14	1815.92	842.95	967.78	734.00
2014-15	2127.25	1163.67	1075.91	791.89
2015-16	1818.64	1144.31	1169.79	893.41
2016-17	1557.87	-1014.83	1460.76	1209.27

Data Source: IRDA Annual Reports 2007-08 to 2016-17

Interpretation

To calculate surplus/ deficit, the following formula has been used= Net earned premium –Net incurred claims

In the case of surplus and deficit, private companies have been better than public companies.

REGRESSION ANALYSIS

To find out the regression of the companies, Net incurred claims and Net earned premiums of have been taken into consideration.

New India Assurance

REGRESSION OUTPUT

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11787.084	34699.407		.340	.743
	PREMIUM	.873	.033	.994	26.621	.000*
a. Dependent Variable: CLAIMS, *Significant at 5% level						

Interpretation - for every unit rise in Premium collection, one would anticipate about on an average of 0.873 times increase in the Claim pay-out.

Oriental Insurance

REGRESSION OUTPUT

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-51392.996	70509.021		-.729	.487
	PREMIUM	1.014	.129	.941	7.856	.000*
a. Dependent Variable: CLAIMS, *Significant at 5% level						

Interpretation - for every unit rise in Premium collection, one would anticipate about on an average of 1.014 times increase in the Claim expenditure.

Bajaj Allianz

REGRESSION OUTPUT

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7479.934	6681.511		1.119	.295
	PREMIUM	.701	.021	.996	32.758	.000*
a. Dependent Variable: CLAIMS, *Significant at 5% level						

Interpretation - for every unit rise in Premium collection, one would anticipate about on an average of .701 times increase in the Claim pay-out.

ICICI Lombard

REGRESSION OUTPUT

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	26244.470	22258.728		1.179	.272
	PREMIUM	.781	.058	.978	13.410	.000*
a. Dependent Variable: CLAIMS, *Significant at 5% level						

Interpretation - for one unit rise in Premium collection, one would anticipate about on an average of .781 times increase in the Claim pay-out.

CORRELATION ANALYSIS

To find out the regression of the companies, Net incurred claims and Net earned premiums of have been taken into consideration.

New India Assurance

		PREMIUM	CLAIMS
PREMIUM	Pearson Correlation	1	.994**
	Sig. (2-tailed)		.000
	N	10	10
CLAIMS	Pearson Correlation	.994**	1
	Sig. (2-tailed)	.000	
	N	10	10
**. Correlation is significant at the 0.01 level (2-tailed).			

R = 0.9944. There is a strong positive correlation, which means that high Net Incurred Claims variable scores go with high Net Earned Claims variable scores and vice versa.

Oriental Insurance

		PREMIUM	CLAIMS
PREMIUM	Pearson Correlation	1	.941**
	Sig. (2-tailed)		.000
	N	10	10
CLAIMS	Pearson Correlation	.941**	1
	Sig. (2-tailed)	.000	
	N	10	10
**. Correlation is significant at the 0.01 level (2-tailed).			

R = 0.941. There is a strong positive correlation, which means that high Net Incurred Claims variable scores go with high Net Earned Claims variable scores and vice versa.

Bajaj Allianz

		PREMIUM	CLAIMS
PREMIUM	Pearson Correlation	1	.996**
	Sig. (2-tailed)		.000
	N	10	10
CLAIMS	Pearson Correlation	.996**	1
	Sig. (2-tailed)	.000	
	N	10	10
**. Correlation is significant at the 0.01 level (2-tailed).			

R = 0.996. There is a strong positive correlation, which means that high Net Incurred Claims variable scores go with high Net Earned Claims variable scores and vice versa.

ICICI Lombard

		PREMIUM	CLAIMS
PREMIUM	Pearson Correlation	1	.978**
	Sig. (2-tailed)		.000
	N	10	10
CLAIMS	Pearson Correlation	.978**	1
	Sig. (2-tailed)	.000	
	N	10	10
**. Correlation is significant at the 0.01 level (2-tailed).			

R's value is 0.978. This is a strong positive correlation, which means that high Net Incurred Claims variable scores go with high Net Earned Claims variable scores and vice versa.

MANN-WHITNEY U TEST

In order to understand whether or not there is any possibility of statistical difference in the growth rates of public and private General insurance companies. The variables compared are Earned Premium and Incurred Claims.

Oriental Insurance

NET EARNED PREMIUM	NET INCURRED CLAIM	COMBINED
Sum of ranks: 115 Mean of ranks: 11.5 Expected sum of ranks: 105 Expected mean of ranks: 10.5 U-value: 40 Expected U-value: 50	Sum of ranks: 95 Mean of ranks: 9.5 Expected sum of ranks: 105 Expected mean of ranks: 10.5 U-value: 60 Expected U-value: 50	Sum of ranks: 210 Mean of ranks: 10.5 Standard Deviation: 13.2288

Result 1 - U-value: U = 40. The critical value of U at $p < .05$ is 23. Hence, the result is not significant at $p < .05$.
Result 2 - Z-ratio: Z score = 0.71813. P-Value = .47152. The result is therefore, not significant at $p < .05$.

New India Assurance

NET EARNED PREMIUM	NET INCURRED CLAIM	COMBINED
Sum of ranks: 114 Mean of ranks: 11.4 Expected sum of ranks: 105 Expected mean of ranks: 10.5 U-value: 41 Expected U-value: 50	Sum of ranks: 96 Mean of ranks: 9.6 Expected sum of ranks: 105 Expected mean of ranks: 10.5 U-value: 59 Expected U-value: 50	Sum of ranks: 210 Mean of ranks: 10.5 Standard Deviation: 13.2288

Result 1 - U-value: U = 41. The critical value of U at $p < .05$ is 23. Hence, the result is not significant at $p < .05$.
Result 2 - Z-ratio: Z score = 0.64254. P-value = .52218. Leaving the result insignificant at $p < .05$.

Bajaj Allianz

NET EARNED PREMIUM	NET INCURRED CLAIM	COMBINED
Sum of ranks: 126 Mean of ranks: 12.6 Expected sum of ranks: 105 Expected mean of ranks: 10.5 U-value: 29 Expected U-value: 50	Sum of ranks: 84 Mean of ranks: 8.4 Expected sum of ranks: 105 Expected mean of ranks: 10.5 U-value: 71 Expected U-value: 50	Sum of ranks: 210 Mean of ranks: 10.5 Standard Deviation: 13.2288

Result 1 - U-value: The U = 21. The critical value of U at $p < .05$ is 23. Hence, the result is not significant at $p < .05$.
Result 2 - Z-ratio: Z score = 1.54965. P-value = .12114. The result is insignificant at $p < .05$.

ICICI Lombard

NET EARNED PREMIUM	NET INCURRED CLAIM	COMBINED
Sum of ranks: 118 Mean of ranks: 11.8 Expected sum of ranks: 105 Expected mean of ranks: 10.5 U-value: 37 Expected U-value: 50	Sum of ranks: 92 Mean of ranks: 9.2 Expected sum of ranks: 105 Expected mean of ranks: 10.5 U-value: 63 Expected U-value: 50	Sum of ranks: 210 Mean of ranks: 10.5 Standard Deviation: 13.2288

U-value: U=37. The critical value of U at $p < .05$ is 23. Hence, the result is not significant at $p < .05$.
Z-ratio: Z score = 0.94491. P value = .34722. The result is insignificant at $p < .05$.

SUMMARY OF FINDING

- When Net Earned Premium and Net Incurred Claims were analysed using Mann-Whitney U Test - no statistically significant difference
- Correlation between Net Earned Premium and Net Incurred Claims shows that there is a strong positive correlation, which means that high Net Incurred Claims variable scores go with high Net Earned Claims variable scores and vice versa.
- Overall, the performance of private companies have been better than public company in terms of surplus/deficit.
- Bajaj Allianz and New India Assurance have made sure that their equity share capital remains constant and it has been so since 2007-2008 and this has helped the company to maintain better relationship with their equity shareholders.
- Bajaj Allianz and ICICI Lombard has proved itself to be more efficient in solving the grievances reported than New India Assurance and Oriental Insurance.
- All the companies have shown continuous growth in the income earned through premiums.
- The private companies have a better solvency ratio in the past few years as compared to Public companies.
- The growth of Gross Direct Premium and Net Incurred Claims of all the companies have shown an upward trend over the 10 years.
- When comparing the premium with claim by using Regression Analysis:
  New India Assurance = 1 quantity of premium =0.87 to claim
  Oriental Insurance = 1 quantity of premium =1.014 to claim
  Bajaj Allianz = 1 quantity of premium =0.70 to claim
  ICICI Lombard = 1 quantity of premium =0.781 to claim

CONCLUSION

To conclude, the overall performance of the private companies have been better than the public companies. This could be possibly due to new strategies adopted by the private companies along with attracting customers by offering new products. Also, the service in terms of grievance settlement has been better by the private companies. Public companies need to gear up and improve themselves in terms of offering new product and providing better customer service. The General Insurance sector of India's future looks bright. The country certainly has positive demographics and an investment friendly government that is continuously striving to form policies that attract investment and practices that allow businesses to grow in the healthiest way possible.

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