

GROWTH AND PERFORMANCE OF GENERAL INSURANCE PUBLIC SECTOR COMPANIES OF INDIA

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Abstract: The growth of insurance industry is associated with the general growth of industry, trade and commerce. Indian insurances industry had on rapid growth rate due to inducting privatizations and IRDA- Insurances Regulatory & Development Authority of Indian in 1999 to Indian insurances market. Public sector general insurances companies of India which plays magnificent work in selling its products. But since last few years it is facing tremendous competition as many private players have inter into industry. The idea behind this study therefore to know the growth and performance of General Insurances Public Sector Companies of India. The researcher is going to analyze the major source of income (Premium Earned) and expance of management the sampled unit, as well as the significant net earned premium of GIPSC to measure the performance during the period of the study.

Keywords: General Insurances Public Sector Companies of India (GIPSC), EP (Earned Premium).

I. INTRODUCTION

Insurances are economic activities that help to reduce the risk of loss. In 1850 Triton Insurance Company Limited became the first general insurance company established in India; it was based in Calcutta the Britisher. The Indian Mercantile Insurance Ltd. set up in 1907. It was the first company to transact all classes of general insurance business. In 1957 General insurance council, a wing of the insurance association of India framed a code of conduct for ensuring a fair conduct and sound business. During 1968, the Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up in 1972. The General Insurance Business (Nationalization) Act, 1972 nationalized the general insurance business in India with effect from 1st January 1973. And finally in 1999 the current act, the Insurance Regulatory Development Authority (IRDA) Act, was passed to open insurance sector (both life and non life) to private participation. One hundred and seven insurers amalgamated and grouped into four 4 subsidiaries:

1. National Insurance Company Ltd.

National Insurance Company (NIC) was incorporated on 6th December 1906 at the height of the country's nationalist swadeshi movement as an expression of the Indian aspiration to establish a strong indigenous Company. The only company among 24 life insurance and 27 non-life insurance companies to be headquartered in the eastern part of the country. Expanding to a robust 1340 offices including 373 Business Centers with 14,757 skilled personnel, NIC spans the length and breadth of the country. NIC has been a consistent market leader in two zones (Northern India & Eastern India) for several years now. It has consistently been seen as "Best in Service" in the Motor and Health classes of Business which constitute 63% of the Indian Non Life Insurance Market.

2. United India Insurance Company

United India Insurance Company Limited was incorporated as a Company on 18th February 1938. General Insurance Business in India was nationalized in 1972. After Nationalization United India has grown by leaps and bounds and has 16,366 work forces spread across 1340 offices providing insurance cover to more than 1 crore policy holders. The Company has variety of insurance products to provide insurance cover from bullock carts to satellites.

3. New India Insurance Company

New India is a leading global insurance group, with offices and branches throughout India and various countries abroad. Incorporated on July 23rd, 1919 Founded by the House of Tata Founder member - Sir Dorab Tata. Gross premium (in India) of Rs 11540 Cr. in the year 2013-14 of 28 Regional Offices, 4 Large Corporate Offices, 412 Divisional Offices, 583 Branches, 27 Direct Agent Branches and 1041 Micro Offices. Rank No. 1 in the Indian market. Largest Non-Life insurer in Afro-Asia excluding Japan. First Indian non-life company to reach highest growth in gross premium.

4. The Oriental Insurance Co Ltd (OICL)

Incorporated in 1947, Oriental Insurance Company is government owned non life insurance company with headquarters in New Delhi. In 1956 when insurance business was nationalized Oriental insurance became part of LIC till 1973. ICRA, the renowned rating agency has given Oriental insurance iAAA rating indicating ability to pay claims is excellent. Oriental Insurance has 26 Regional Offices and more than 900 operating Offices in different cities of the country.

II. PROBLEM OF THE STUDY

Performance Evaluation of General Insurances Public Sector Companies of India.

III. OBJECTIVES OF THE STUDY

To study growth and performance of General Insurances Public Sector Companies of India. The factors associated with it are gross direct premium, net earned premium, net incurred claims, operating expenses, profit before tax and profit after tax.

IV. RESEARCH METHODOLOGY

Data Collection: The present study covers secondary data. Data and information have been extracted from Annual Reports of General Insurances Public Sector Companies of India. The researcher has collected 10 years annual reports of the sampled unit. It is also supported by various published journals, literatures of the General Insurances Public Sector Companies of India.

Period of the Study: The period of the study was from 2006 to 2015 i.e. of 10 years.

Tools & Techniques of the Study: The researcher has used the tools as per the need and type of the study. The information so collected has been classified, tabulated and analysed as per the objectives of the study. It is very scientific and perfect analysis. In the present study it was diagrams and graphical presentation used to support the inferences drawn from the above statistical analysis as non parametric analysis.

Significance of the study: Significance of the study: Under the fast transformations of socio-economic factors, the human life is subject to various types of risks and uncertainties. From this angle, General insurance is a very significant factor to cover up the risks in human life. The present study was mounted to give the perfect knowledge of general insurance and current situation of General Insurances Public Sector Companies plans.

V. SCOPE OF THE STUDY

The study covers secondary data of General Insurances Public Sector Companies of India of India during the 10 years period from 2006 to 2015.

VI. LIMITATION OF THE STUDY

1. This study is based on to General Insurances Public Sector Companies of India only.
2. Conclusion would be as per the data collected by the researcher subject to sampling and non-sampling errors.

VII. DATA ANALYSIS

Direct gross premium income means the gross amount of all premiums, assessments, dues and fees collected, received or derived, or obligations taken therefor, from business **in this Commonwealth** during each year ending December 31, excluding premiums received for reinsurance assumed from licensed insurance .It is important indicators of the performance of the insurance business. The Gross Direct Premium of the public sector general insurance companies for the period 2006 to 2015 has been presented in Table 1.

Table 1. Gross Direct Premium of Public Sector General Insurance Companies

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
National	3532	3814	4007	4790	4625	6221	7791	9166	10223	11243
United	3155	3499	3739	4278	5239	6376	8179	9266	9709	10692
New India	4791	5017	5276	5509	6042	7097	8543	10,038	11540	13209
Oriental	3227	3928	3808	3964	4736	5570	6194	6737	7282	7408
Total	14706	16259	16832	18541	20643	25264	30709	35209	38756	42553

Source: Compiled from the Annual reports of respective companies and IRDA Annual Reports from 2006 to 2015

Above table shows the gross direct premium of public sector general insurance companies during the period of this study. The gross direct premium income of the public sector general insurance companies is on the way of increasing. In 2006 gross direct premium of public sector general insurance companies is 14706crore. It shows continuously progress in four public sector general insurances companies on every year. In 2015 it is 42553 crore. So, we can observe upward trending gross premium .This can be observed from the diagram below also.

Fig. 1.1: Gross premium collection of public insurers

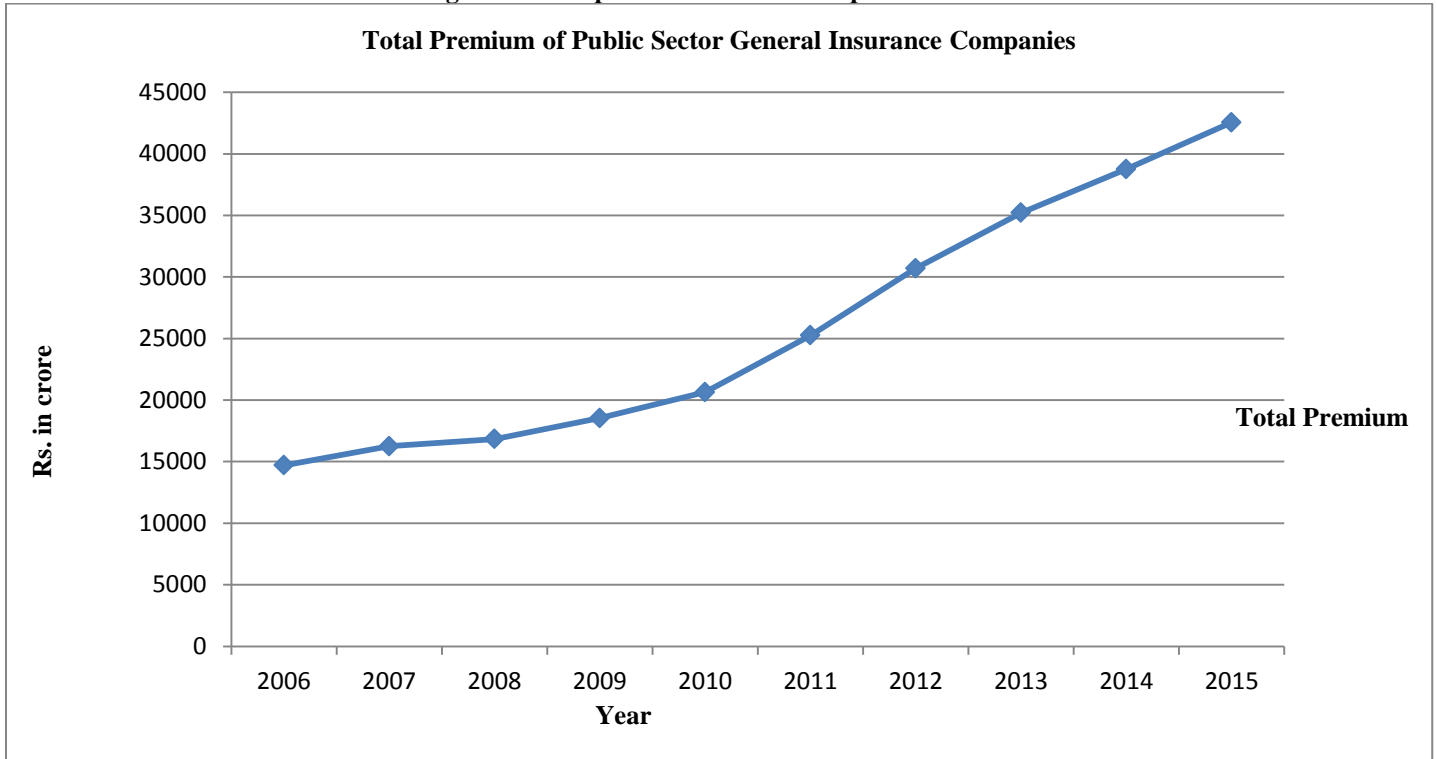


Table 2.Net Earned Premium of Public Sector General Insurance Companies

(Rs. in crore)

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
National	2683	2855	3188	3653	3816	4764	6073	7468	8682	9898
United	2194	2373	2702	3199	3838	4647	6087	7250	7603	8816
New India	4121	4535	4535	5249	5711	6473	7874	9450	11232	13315
Oriental	2500	2880	2879	3235	3962	4611	5236	5545	6381	6472
Total	11498	12644	13305	15337	17328	20497	25272	29715	33899	38502

Source: Compiled from the Annual reports of respective companies and IRDA Annual Reports from 2006 to 2015

The above table explains the net premium earned by the public sector general insurance companies of India during the period of 10 years from 2006 to 2015. In insurance business, the Net premium earned increased from 2006 to 2015 that is 11498 crore to 38502 crore. This can be observed from the diagram below also.

Fig. 2.1: Net Earned premium collection of public insurers

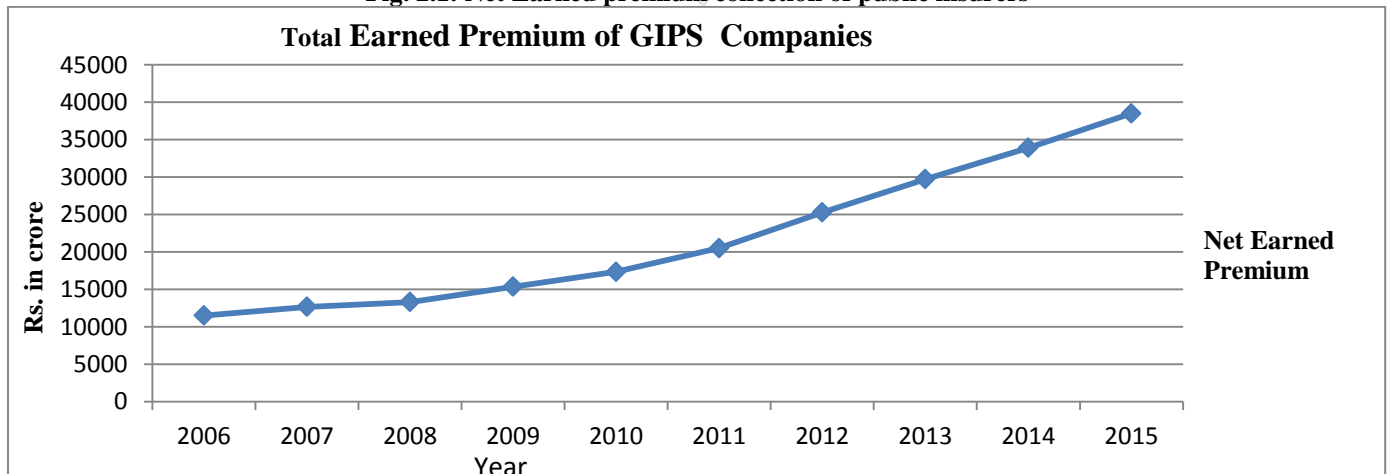


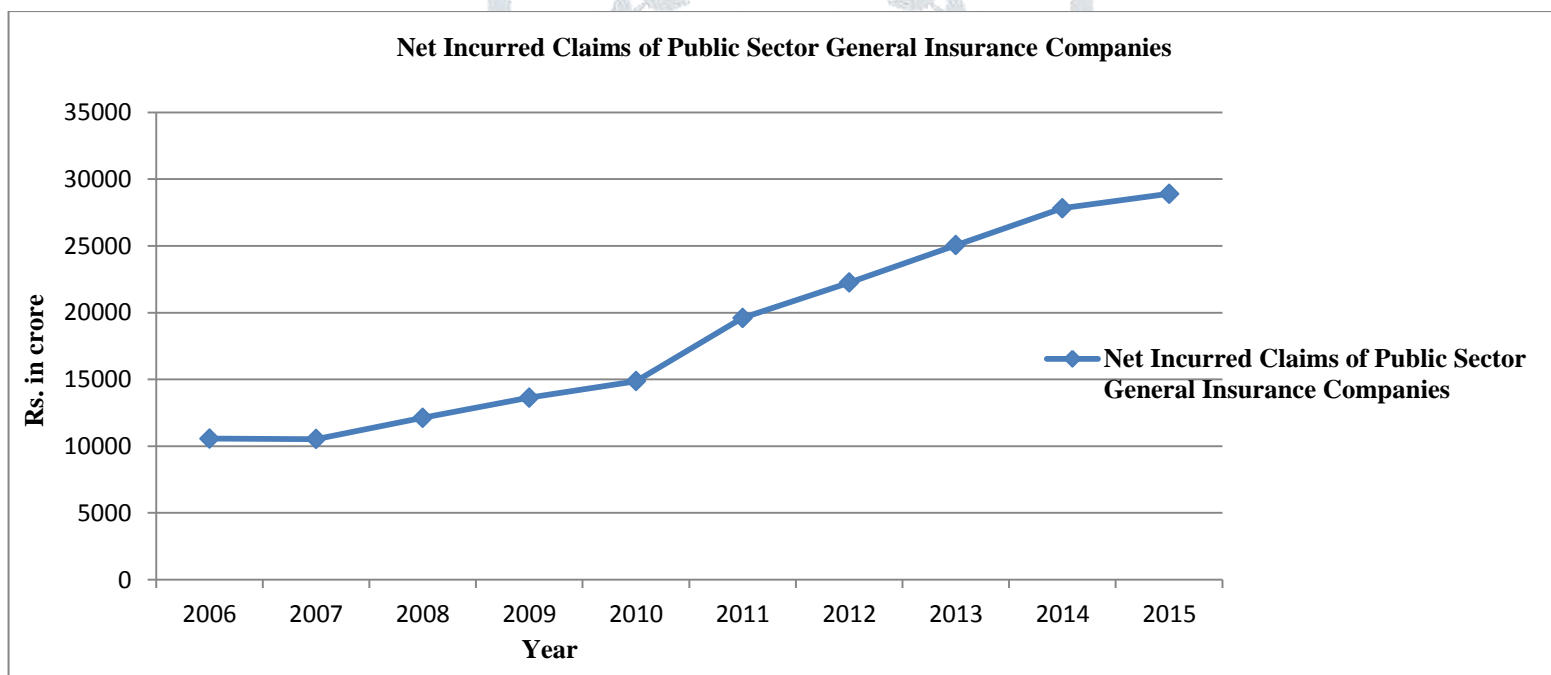
Table 3. Net Incurred Claims of Public Sector General Insurance Companies

(Rs. in crore)

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
National	2830	2394	2839	3394	3245	4623	5314	6390	7048	7675
United	2043	2142	2506	2515	3229	4385	5387	6135	6278	7443
New India	3632	3643	4177	4672	5132	6525	7083	8143	9381	11188
Oriental	2065	2359	2602	3057	3260	4065	4465	4393	5111	5261
Total	10570	10528	12124	13638	14866	19598	22249	25058	27818	28897

Source: Compiled from the Annual reports of respective companies and IRDA Annual Reports from 2006 to 2015

Net incurred claims of public sector general insurance companies show fluctuated during the starting periods of studies. After 2010 it net incurred claims of public sector general insurances companies show increably till 2015. Reported outstanding general insurance claims comprise the estimated costs of all claims incurred but not settled at the statement of financial position date, less any reinsurance recoveries. In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from adjusters and information on the cost of settling claims with similar characteristics in previous periods. Provision is made for claims incurred but not reported until after the statement of financial position date. The overall net incurred claim on earned premium has gone up to 14866 in 2010 .It increase 2889723 in 2015. This can be observed from the diagram below also.

Fig. 3.1: Net Incurred Claims of Public Sector General Insurance Companies**Table 4. Operating Expenses of Public Sector General Insurance Companies**

(Rs. in crore)

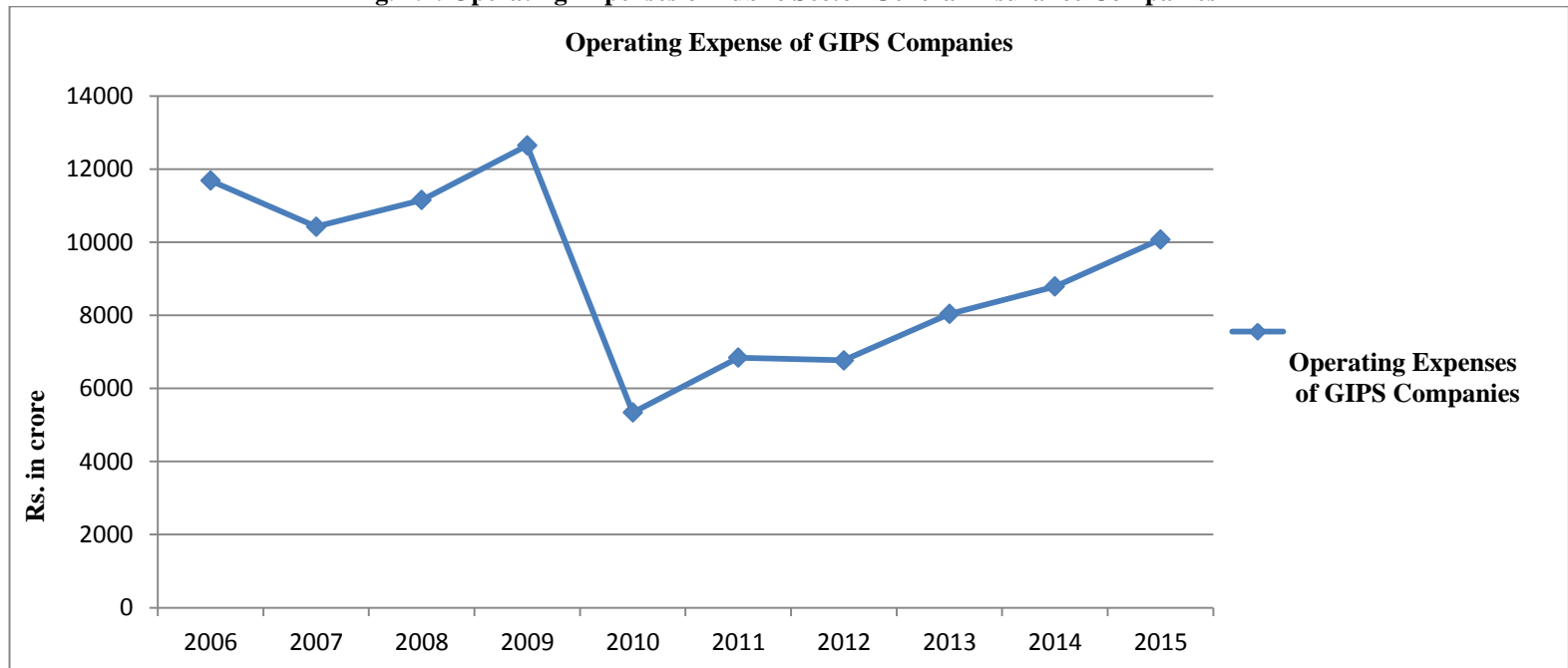
Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
National	882	866	985	1023	1299	1602	1783	1913	2274	3122
United	976	864	912	1025	1156	1725	1566	2001	2111	2648
New India	1321	1153	1019	1456	1736	1943	2065	2374	2630	3060

Oriental	8507	7542	8236	9144	1150	1572	1354	1748	1775	2347
Total	11686	10425	11152	12648	5341	6842	6768	8036	8790	10077

Source: Compiled from the Annual reports of respective companies and IRDA Annual Reports from 2006 to 2015

Operating expenses relating to insurance business are apportioned to the revenue account on the basis of gross direct premium. Operating expenses are those expenditures that a business incurs to engage in any activities not directly associated with the production of goods or services. These expenditures are the same as selling, general and administrative expenses. The operating expense ratio (OER) is a measure of what it costs to operate a piece of property compared to the income that the property brings in. The operating expense ratio is calculated by dividing a property's operating expense by its gross operating income and used for comparing the expenses of similar properties. In 2006 it was 11686 it decrease in 2010 is 5341. In 2015 is noted 10077. This can be observed from the diagram below also.

Fig. 4.1: Operating Expenses of Public Sector General Insurance Companies



Some reason behind the fluctuation of operating expenses of public sector general insurance companies of India are-Increase employee's remuneration and benefits, office and administrative expenses, etc. and a higher ratio reflects financial instability of the business because a decrease in revenue may result in losses, whereas lower ratio is an indicator of better operational performance.

Table 5. Profit before Tax of Public Sector General Insurance Companies

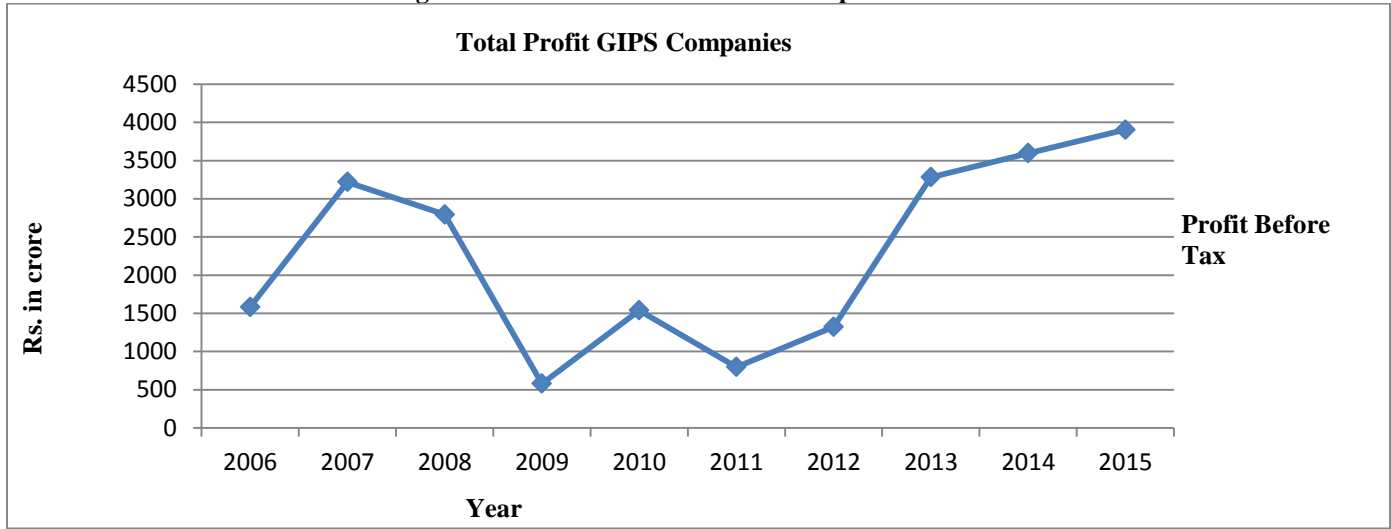
(Rs. in crore)

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
National	-59	455	172	-133	268	75	331	858	1007	1196
United	453	520	658	503	822	131	469	617	633	319
New India	855	1613	1521	297	359	411	156	1,011	1294	1776
Oriental	334	629	442	-88	88	180	366	794	660	617
Total	1583	3219	2794	579	1538	798	1323	3282	3595	3903

Source: Compiled from the Annual reports of respective companies and IRDA Annual Reports from 2006 to 2015

The above table explains the profit before tax of public sector general insurance companies. Profit before tax was the Public Sector General Insurance Companies of India during the period of 10 years from 2006 to 2015. In insurance business, the Profit before tax 1583 core in 2006. It is fluctuated year by year. In 2015 it is 3903 crore. This can be observed from the diagram below also.

Fig. 5.1: Profit before Tax collection of public insurers



The profit has been very fluctuating during the time period of study and it came down sharply in 2007-09, which was mainly due to providing a huge additional amount towards outstanding claims. Secondly, this net loss was also due to making an additional provision towards outstanding for gratuity and leave salary and also the low incurred claim ratios in the fire, cargo and miscellaneous segments. From 2011 it goes to increasing trend.

Table 6. Profit after Tax of Public Sector General Insurance Companies

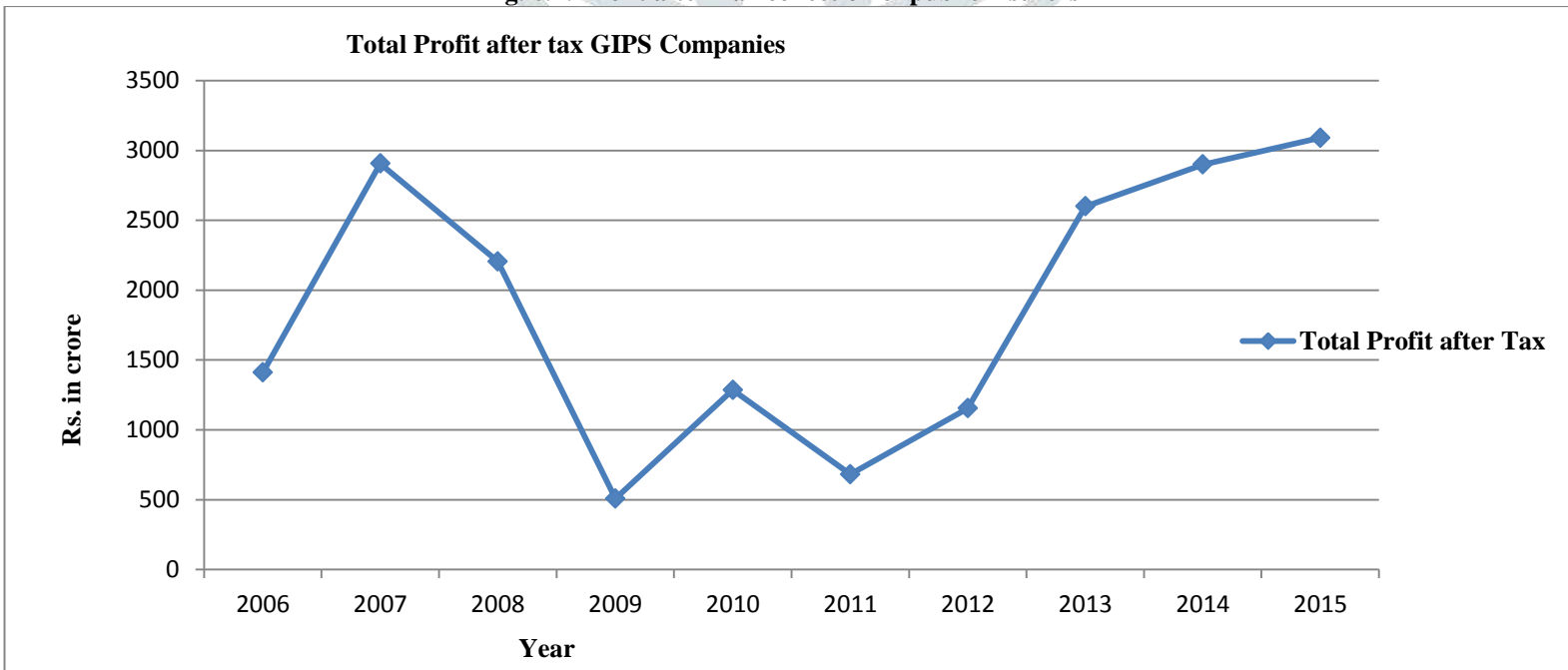
(Rs. in crore)

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
National	-14	418	163	-138	220	74	324	695	823	967
United	425	5289	631	476	707	130	387	527	527	300
New India	716	1460	1401	224	404	421	179	843	1088	1431
Oriental	284	497	09	-52	-44	54	253	533	460	392
Total	1411	2906	2205	508	1286	681	1154	2600	2900	3091

Source: Compiled from the Annual reports of respective companies and IRDA Annual Reports from 2006 to 2015

The above table explains the profit after tax of public sector general insurance companies. Profit after tax the Public Sector General Insurance Companies of India during the period of 10 years from 2006 to 2015. In insurance business, the Profit after tax noted 1411 core in 2006. It is fluctuated year by year. In 2015, profit after tax was 3091 crore. This can be observed from the diagram below also.

Fig. 6.1: Profit after Tax collection of public insurers



The profit after tax also fluctuate during the period of study of public sector general insurances companies. Due to fluctuation in lower stock market movement, profits generated by sale of investments were reduce, operating cost increase because of competition in the insurance market and more expenses of management and claim.

VIII. CONCLUSION

The present study investigates the performance of public sector general insurance companies of India for the period from 2006 to 2015. The growth of insurance industry is related the general growth of industry, trade and commerce. Indian public sector general insurance companies of India today achieve rapid growth rate. The gross direct premium income of the public sector general insurance companies is on the way of increasing day by day it so progress .The major source of income (Net premium earned) also going up ward. It is increased from 11498.79 crore during 2006 to 38502.08crore in 2015.

Net incurred claims of public sector general insurance companies show flustered during the starting periods of studies. After 2010 it net incurred claims of public sector general insurances companies show increability till 2015. Operating expenses relating to insurance business are apportioned to the revenue account on the basis of gross direct premium .Profit before tax and after tax of public sector general insurance companies of India during the period of 10 years from 2006 to 2015.It is fluctuated year by year. In the case of public sector non-life insurers, all four companies expanded their business with an increase in their respective premium collections. It reported a growth is higher.

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