



PERFORMANCE OF GENERAL INSURANCE COMPANIES IN INDIA

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Introduction

Insurance plays a significant role in the development of a country. It is one of the service sectors which focus on all segments of the society. With the increased population, industrialization and the changing environment, insurance related issues and problems are being emphasized and have become a great concern for the contemporary world. The rapid industrial development and post privatization period has given more opportunities for insurance sector. The Insurance sector is a large global industry by covering wide range of risks by protecting life and disability of human being and their families. It also covers the property and other assets of industrial as well as an individual by protecting and safeguarding from uncertainty which arises. It assures the insured to transfer the risk for the particular period and bear the losses during the risk period. India has given wide range products for the customers. Insurance sector not only concentrates on individual but also on industry and society. It protects and safeguards the risk which covers for the particular period.

Insurance is defined as the equitable transfer of risk of loss, from one entity to another, in exchange for payment. An **Insurer** is a company selling the insurance; an **Insured**, or **Policyholder**, is the person or entity buying the insurance policy. The insurance rate is a factor used to determine the amount to be charged for a certain amount of insurance coverage, called the **Premium**. In law and economics, insurance is a form of risk management primarily used to hedge against the risk of contingent, uncertain loss. Risk management, the practice of appraising and controlling risk has evolved as a discrete field of study and practice.

Liberalization, Privatization and Globalization (LPG) policy has changed the insurance sector and taken new diversion of economic growth. This policy has brought new business opportunities and increase in economic and financial activities which have made the Indian insurance sector more competitive. And also this policy brings the existence of Insurance Regulatory authority of India, (IRDA) a statutory autonomous and apex body which controls, regulates and supervises both Life insurance and General insurance sectors in India. The main objectives of IRDA are to protect the interest of the policy holders, promote the efficiency of insurance sector and supervise the premium rates and terms of insurance. It also ensures to maintain solvency margin by the insurance companies in order to maintain the pay-out claim ratio.

The Indian insurance sector earlier was dominated by public sector insurance companies. Even after the new economic policy, insurance sector share was in the hands of public sector. After the introduction of IRDA, Government offered private sector insurance companies to enter into the insurance business in India. This privatization policy brings new era of change for the insurance sector, which has made insurance sector more competitive

Earlier, life insurance had become more significant part of the society. But changing conditions of property and assets also becomes a part of insurance. Due to industrial growth and private sector entry into the insurance sector focus is rapidly changing towards general insurance.



Insurance Industry in India-An Overview

There are mainly two types of insurance business in India. They are

Life Insurance

Life Insurance is the insurance for an individual and his family. Life insurance is a policy that people buy from a life insurance company, which can be the basis of protection and financial stability after one's death. Its function is to help beneficiaries financially after the death of owner of the policy. It can also be a form of savings in the long run if a plan is purchased, which offers the option of contributing regularly

General Insurance

Insurance other than Life Insurance falls under the category of General Insurance. General Insurance comprises of insurance of property against fire, burglary etc, personal insurance such as Accident and Health Insurance, and liability insurance which covers legal liabilities.

Review of Literature

The literature in the area of general insurance is enormous. A number of research works have been carried about insurance in India and abroad. It is very difficult and not relevant to review all the works carried out in the area of general insurance and the review work of present research is limited to only those studies which are relevant to the objectives of the present study.

Odoyo S. Fredrick (2009) in his thesis "*Growth and Performance of General Insurance Sector in India*" discussed the key aspects of present scenario in general insurance companies and evaluates the performance of general insurance from 2000 to 2006. Various parameters have been used to evaluate the growth and performance. The study concentrates on post privatization period, and assesses the government regulations to enhance the insurance industry performance. Further, it focuses on impact of information and communication technology in general insurance companies as well as different types of marketing strategies and how they lead to growth and competition in general insurance companies in India.

Tanveer Ahmad Darzi (2009) in his thesis "*Financial Performance of Insurance Industry in Post Liberalization era in India*" has evaluated the financial performance of public and private sector non-life insurers on the basis of few parameters. The study tried to find out the impact of liberalization on the financial performance of insurance industry in India. It also examines the impact of liberalization on security analysis of state owned and private sector companies in the light of ISI standards. He analyzed several factors on the solvency of non-life insurers. He has suggested enhancing and synchronizing the probable benefits of liberalization of insurance sector

Dr. Shankar H S, et.al, (2014) in their research paper "*Financial Performance of General Insurance Business in India- A Study of Select Indicators*" has emphasized on general insurance business, one of the progressing business in India. The study mainly concentrated on measuring financial performance in terms of capital adequacy and assets quality of public sector insurance companies, for a period covering from 2003 to 2013 in relevance of secondary data.

Objectives of the Study

The broad objective of the study is performance of General Insurance Companies in India. The other objectives are presented as under.



- To examine the trend in overall Premium, Claim, operating Expenses and profitability of General Insurance Companies in India.
- To analyses the Profitability and Financial Efficiency of general insurance companies In India.

Scope of the Study

The scope of the study covers the study of General, Public and Private sector general insurance companies in India. This study has a special focus on the relation of premium, claim, operating expenses and profitability and financial strength of Public and Private General Insurance Companies. It further concentrates on the premium, claim, operating expenses and profitability portfolio analysis by studying the trends during the study period of the 2019-20 and 2020-21.

Sources of Data and Methodology

The present study majorly has been undertaken on the basis of secondary sources of data. Secondary data have been collected from monthly journals of IRDA, Insurance Times Monthly Magazines, IRDA annual reports from 2019-20 to 2020-21 relevant books, research articles and other published documents from concerned companies as well as e-sources.

The method of analysis followed for the present study is purely analytical in nature.

Tools and Techniques

For the present study, many statistical tools and techniques are made use of and a brief explanation of the same is presented. Mean, diagrams, tables and graphs are used for effective presentation of the data analyzed

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Table 1.1 Performance of premium

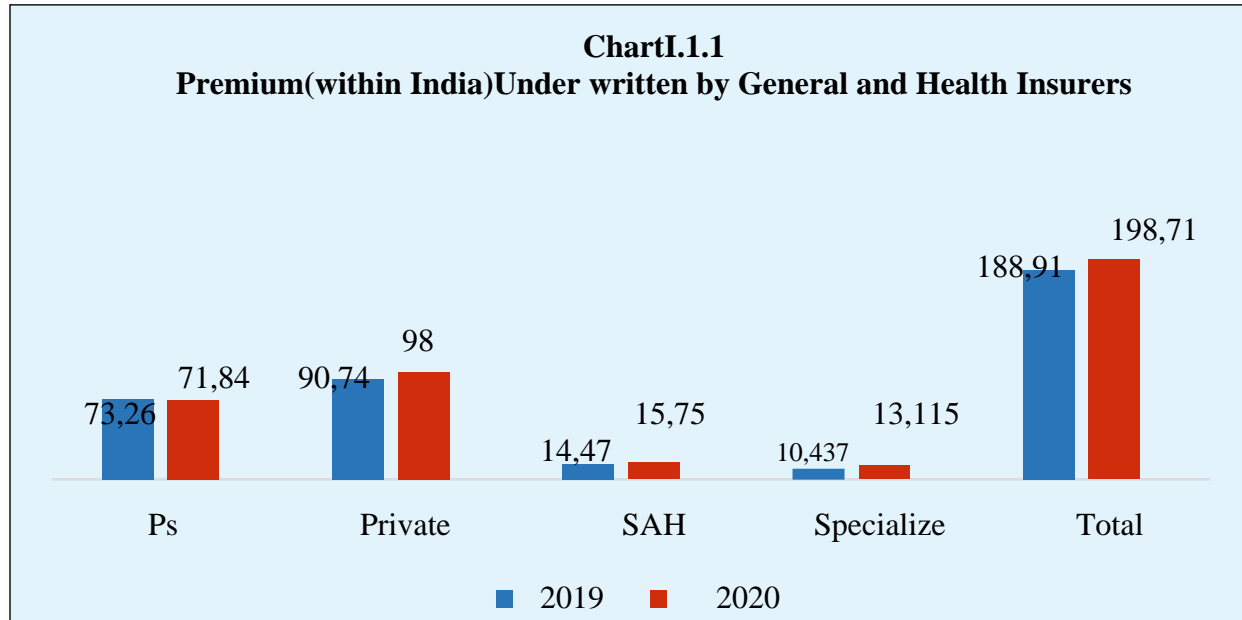
Table I.1 Premium (with in India) Underwritten by General and Health Insurers				
Insurers	Premium (₹ crore)		Market Share (%)	
	2019-20	2020-21	2019-20	2020-21
Public Sector Insurers	73,263.08 (6.71)	71,843.72 (-1.94)	38.78	36.15
Private Sector Insurers	90,743.94 (11.63)	98,000.96 (8.00)	48.03	49.32
Stand-alone Health Insurers*	14,472.89 (27.47)	15,755.19 (8.86)	7.66	7.93
Specialized Insurers	10,436.71 (28.08)	13,114.85 (25.66)	5.52	6.60
Total	1,88,916.62 (11.49)	1,98,714.72 (5.19)	100.00	100.00

*Erstwhile HDFC Ergo Health Insurance Co. Ltd. merged with HDFC Ergo General Insurance Co. Ltd. w.e.f March 01, 2020.



Note: Figures in brackets indicate growth (in percent) over previous year.

1. Reclassification/Regrouping in the previous year's figures, if any, by the insurer has not been Considered



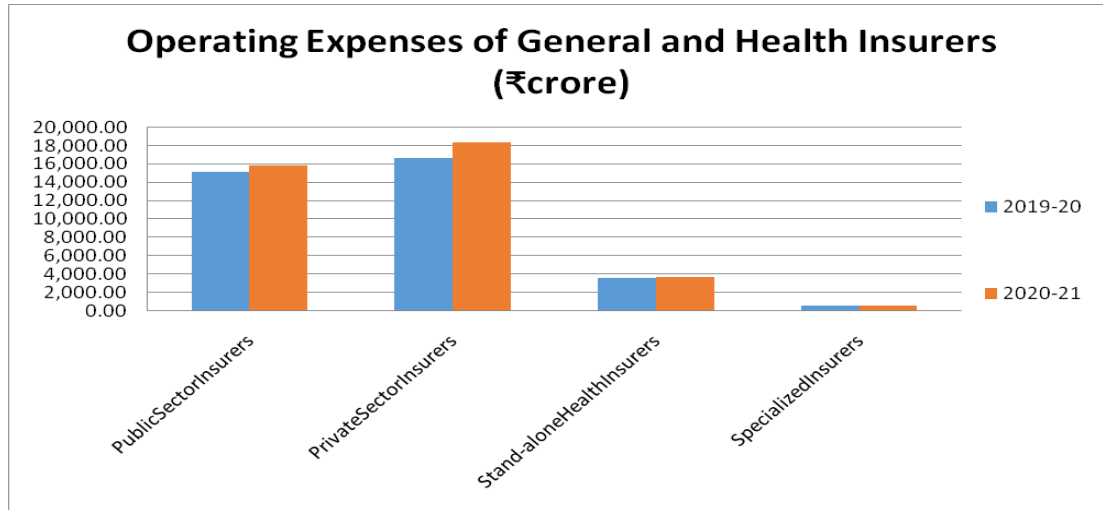
Gross direct premium of General and Health Insurer

The general insurance industry underwrote total direct premium of Rs. 1.99 lakh crore in India for the year 2020-21 as against Rs. 1.89 lakh crore in 2019-20 registering growth rate of 19 per cent against 11.49 growth rates recorded in the previous year. The public sector exhibited the growth of 1.94 per cent in 2020-21 over the previous year's growth rate of 6.71 per cent. The private general insurers registered a growth rate of 8.00 per cent as against 11.63 per cent growth rate during the previous year. The standalone health insurers registered a growth rate of 8.86 per cent as against 27.47 per cent during the previous year and the specialized registered a growth rate of 25.66 per cent as against the growth rate of 28.08 per cent during the previous year. The premium underwritten by 27 private sector insurers in 2020-21 was Rs. 1.14 lakh crore as against Rs.1.05 crore in 2020-21

Performance of Operating Expenses 1.2

Table I.2
Operating Expenses of General and Health Insurers (₹crore)

Insurer	2019-20	2020-21
Public Sector Insurers	15,090.75 (24.08)	15,759.12 (4.43)
Private Sector Insurers	16,582.22 (28.14)	18,307.96 (10.41)
Stand-alone Health Insurers	3,620.04 (18.08)	3,662.86 (1.18)
Specialized Insurers	551.92 (20.96)	551.51 (-0.07)
Total	35,844.93 (25.23)	38,281.44 (6.80)



Operating Expenses of General and Health insurers

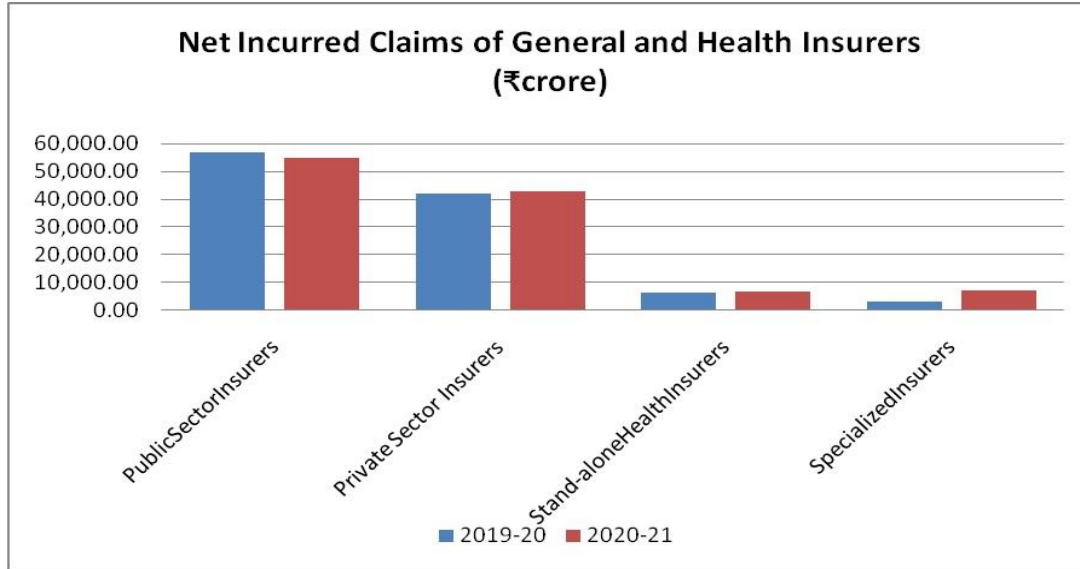
Operating Expenses constitute a major part of the total expenses including commission. The operating expenses of general insurance companies stood at Rs. 38,281 crore in 2020-21 as against Rs. 35,845 crore in 2019-20 showing overall increase of 6.80 per cent. The operating expenses of the public sector insurers increased by 4.43 per cent, whereas private sector increased by 10.41 per cent, standalone health insurers 1.18 and specialized insurers decreased by 0.07 per cent.

Performance of Net Incurred claim Table 1.3

Table 1.3		
Net Incurred Claims of General and Health Insurers (₹crore)		
Insurer	2019-20	2020-21
Public Sector Insurers	56,887.50 (-1.09)	54,604.65 (-4.01)
Private Sector Insurers	41,977.62 (16.21)	42,984.80 (2.40)
Stand-alone Health Insurers	6,435.43 (35.47)	6,779.09 (5.34)
Specialized Insurers	3,089.71 (15.95)	7,181.29 (132.43)
Total	1,08,390.26 (7.26)	1,11,549.83 (2.92)

1. Figures in brackets indicate growth(in percent)over previous year.

2. Re-classification/re-grouping by the insurers in the previous year's figures, if any, has not been considered.



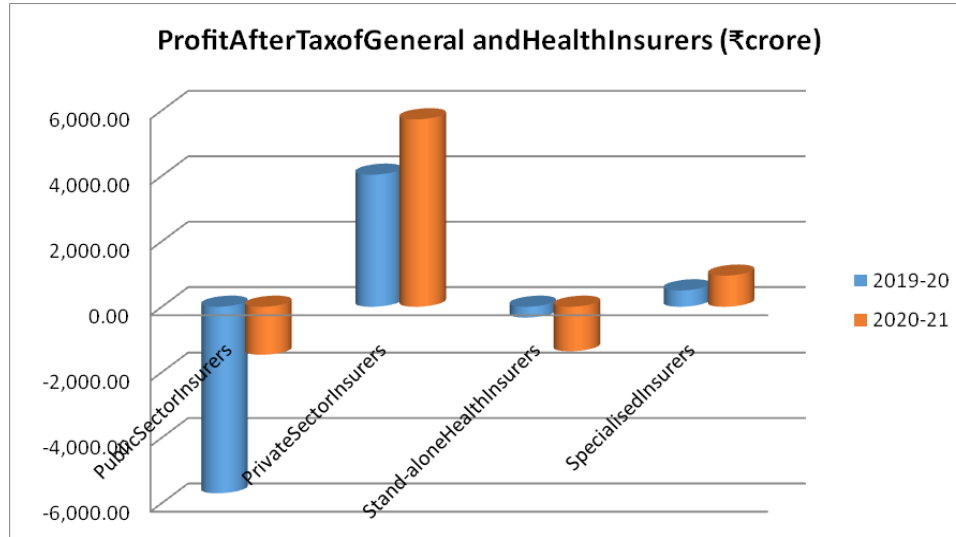
Claims of General insurers

The net incurred claim of the general insurers stood at Rs. 1.12 lakh crore in 2020-21 as against of Rs. 1.08 lakh in 2019-20. The net incurred claim of exhibited increase of 2.92 per cent during the year. The private sector general insurance companies, standalone health insurer and specialized insurers reported increase of 2.40 per cent, 5.34 per cent and 132.43 per cent respectively over the previous year. While the public sector general insurer decrease in the incurred claim of 4.01 per cent. The incurred claim of public sector insurers 87.48 per cent for the year 2020-21 per cent. Whereas for the private sector general insurer, standalone health insurers and specialized insurers, standalone health insurers and specialized insurers incurred claims ratio for the year 2020-21 was 73.39 per cent, 75.43 per cent and 93.95 per cent respectively as compared to the previous year ratio of 75.32 per cent, 64.13 and 15.40 per cent respectively.

Performance of Profit After Tax Table 1.4

Insurer	2019-20	2020-21
Public Sector Insurers	-5,700.54	-1,467.29
Private Sector Insurers	4,036.69	5,729.06
Stand-alone Health Insurers	-331.07	-1,359.73
Specialized Insurers	500.54	950.50
Grand Total	-1,494.38	3,852.53

Note Re classification/Regrouping in the previous year's figures, if any, by the insurer has not been considered.



Profits of General and Health Insurers

During the previous year 2020-21, the net profit of general insurance industry was Rs. 3,853 crore as against the net loss of Rs. 1.49 crore in 2019-20. The public sector companies reported a loss of Rs. 1,467 crore as against of Rs. 5,701 core in 2019-20. The private sector insurers reported a profit after tax (PAT) of Rs. 5,729 crore as against PAT of Rs. 501 crore in 2019-20, whereas the stand alone health insurers reported loss of Rs. 1,360 crore against a loss of Rs. 331 crore in 2019-20.

Summary of findings and conclusion

The above study it reveals that the premium of general insurance company during the year 2020-21 was Rs. 1,98,714.72 as against Rs. 1,88,916.62 during the year 2019-20. The increase in premium rate of 5.19 per cent during the study period.

The operating expenses of the general insurance company show during the year 2020-21 were Rs.38281.44 when compared to 2019-20 it was RS. 35844.93 With the increase of 6.80 per cent.

The Net Incurred claim ratio of general insurance company was Rs. 1, 11,549.83 during the year 2020-21 when contemplated 2019-20 it was Rs. 1, 08,390.26 with the growth of 2.92 per cent.

The profit after tax (PAT) of general insurance exhibits Rs.3, 852.53 during the year 2020-21 as against Rs. -1494.38 during the year 2019-20. The percentage of increase was 358 per cent.

Conclusion

The study and analysis shows significant performance of general insurance companies in terms of Premium, operating expenses, incurred claim and Profit. The premium stands for the companies' capability of the input. The total output for the insurance companies indicates incurred claim and expenses which are significantly controlled by the general insurance companies during the study period. The profit always be keen issues for all general insurance which shows the higher the profit ratio with the increase of 358 per cent.. Finally it is evident that general insurance companies have shown better performance during the year 2020-21 when compared to 2019-20.



Limitations of the Study

The study tries to study the comparative study of general insurance companies in India. In spite of the best efforts of the researcher, following shortcomings could be identified during the study.

1. The study focuses on overall general insurance companies in India by ignoring the study of individual companies.
2. The study covers the premium, claim and profit and not considering the other segment of the analysis.

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