

A study on Financial Performance of Private Sector General Insurance Companies in India

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ABSTRACT

Financial performance is one of the tools for measuring the firm's policies and operations in monetary terms. It is used to analyze the overall firm's financial health for a particular period of time and also helped to compare the similar industry across the country. From this financial performance tool this study analyzes the selected three private sector general insurance company's overall financial performance for 5 years from 2013 to 2017. Based on the market performance of these three insurance companies are selected for this study. It is an empirical study based on data from IRDAI annual reports. The hypothesis is to test different between the expenses of the sampled companies during the period of study. The analysis reveals that, there is a difference in expenses of selected all three private sector general insurance companies during the period.

1. Introduction

Insurance is one of the needed products for all life and it is a fact of life with everywhere. People life is always coming with risk, so we need to take insurance for our life to reduce the risk. This is the main reason for the insurance sector's growth at present in India. Insurance companies provide new products with new innovations and new ideas to survival of this competitive world market. Insurance is a profitable industry with the multiple dimensions. In India we have one public sector life insurance company(LIC), 16 private life insurance companies, six public non-life insurance companies and 16 private, non-life insurance companies, six health insurance companies and one re-insurance company.

General insurance provides insurance against property's unexpected risk like fire, accident, etc. The following are the various types of general insurance products in India:

- Motor Insurance
- Health Insurance
- Travel Insurance
- Home Insurance

Based on the market performance of the general insurance companies in India. These three insurance companies are selected for analyzing the financial performance.

1.1. Importance of the study

The Indian insurance industry has helped in the growth of Indian economy. Now a day's insurance industry market performance is very high. The insurance industry has also contributed to the Indian insurance industry. Insurance industry plays a major role in India's emerging economy as the number of policyholders of various insurance products in growing rapidly. Through this study, the private sector general insurance companies may be able to know the financial performance of the selected period. One key to strengthening the financial

performance of the company is balanced their expenses with corrected methods to follow.

1.2. Statement of the problem

In the present world, nothing is unpredictable including life's unexpected things. Through insurance we can skip the risk and manage the risk. Insurance has become a better part of everyone's life. Because of high competitive every insurance industry need to improve its performance. Then only it can retain its customers. This study helps to analyze the financial and operational performance of the selected three private sector general insurance companies in India.

1.3. Objectives of the study

The study has the following objectives:

- To evaluate the operating efficiency of selected private general insurance companies
- To measure the financial performance of selected private general insurance companies

1.4. Methodology

The study is empirical in nature and executed using the data published by IRDAI. The research study is solely based on secondary data. The financial data related to selected private sector general insurance companies in India were collected from the website and annual reports of private sector general insurance companies in India. The other required information has been collected from various academic journals and literatures.

1.5. Period of the study

The present study covers a period of five years, taking from 2012-2013 to 2016-2017.

1.6. Hypothesis

H_0 : There is no significant difference between the expenses of the sampled companies during the study period.

H_1 : There is a significant difference between the expenses of the sampled companies during the study period.

Kurtosis	2.82	-1.83	-1.28	1.01
Range	157371	25101	96397	757638
Minimum	338062	18312	101807	750252
Maximum	495433	43413	198204	1507890

Source: Computed

1.7. Sampling design

The sample private sector general insurance companies are selected on the basis of convenient sampling method. A sample of three insurance companies has been selected on the basis of its market share and premium performance in India and availability of data. The following three private sector general insurance companies are selected for the study:

Table-1
General Insurance Companies in India (Rs.in Crores)

S.No	Company Name	Gross Written Premiums in FY-18	Market share upto the month of March 2018
1	ICICI Lombard	12,356.85	8.20
2	Bajaj Allianz	9,445.22	6.27
3	HDFC ERGO	7,289.97	4.84

Source: IRDAI

2. Data Analysis

The selected three private sector general insurance companies are going to analyze based on its total claims, commission, operating expenses and investment. The data has been analyzed by considering the four parameters of the companies. All parameters have been analyzed through the different statistical measure.

2.1. ICICI Lombard General Insurance

The following table-2 data related to the ICICI Lombard General Insurance for the period of five years from 2012-2013 to 2016-2017.

Table-2
ICICI Lombard General Insurance (Rs.in Lakhs)

Year	Total Claims	Commission	Operating Expenses	Investments
2012-2013	338062	18312	101807	750252
2013-2014	361891	22909	121457	930898
2014-2015	344344	37382	138527	1019972
2015-2016	392822	32797	171120	1156252
2016-2017	495433	43413	198204	1507890

Source: IRDAI

Descriptive Statistics

Table-3
ICICI Lombard General Insurance

Descriptive Statistics	Total Claims	Commission	Operating Expenses	Investments
Mean	386510	30962	146223	1073052
Median	361891	32797	138527	1019972
Std. Deviation	64489	10301	38623	284267
Variance	415	106.12	149.18	80.80
Skewness	1.69	-.13	.38	.83

The above table-3 reveals that the financial growth of the ICICI Lombard General Insurance; with respect of its total claim, commission, operating expenses and investment. From the table, it's clear that the increased growth in the study period.

t-test

Table-4
ICICI Lombard General Insurance

	T	Df	Sig. (2-tailed)	Result
Total Claims	13.402	4	.000	Significant
Commission	6.721	4	.003	Significant
Operating Expenses	8.465	4	.001	Significant
Investments	8.441	4	.001	Significant

Source: Computed

Result: From the table-4 all the four parameters significant value is less than the 0.05. So the null hypothesis is rejected. It shows that there is a significant difference between the expenses of ICICI Lombard General Insurance during the study period.

2.2. Bajaj Allianz General Insurance

The following table-5 data related to the Bajaj Allianz General Insurance for the period of five years from 2012-2013 to 2016-2017.

Table-5
Bajaj Allianz General Insurance (Rs.in Lakhs)

Year	Total Claims	Commission	Operating Expenses	Investments
2012-2013	211814	9911	76874	471308
2013-2014	252528	13520	83628	601785
2014-2015	275599	4924	94332	700693
2015-2016	305386	9393	114071	893464
2016-2017	347629	3563	136145	1027275

Source: IRDAI

Descriptive Statistics

Table-6
Bajaj Allianz General Insurance

Descriptive Statistics	Total Claims	Commission	Operating Expenses	Investments
Mean	278591	8262	101010	738905
Median	275599	9393	94332	700693
Std. Deviation	51554	4027	24157	222999
Variance	265.79	162.16	583.58	497.28
Skewness	.100	.066	.768	.221
Kurtosis	-.289	-1.417	-.712	-1.445
Range	135815	9957	59271	555967
Minimum	211814	3563	76874	471308
Maximum	347629	13520	136145	1027275

Source: Computed

The above table-6 reveals that the financial growth of the Bajaj Allianz General Insurance; with respect of its total claim, commission, operating expenses and investment. From the table, it's clear that the increased growth in the study period.

t-test

Table-7
Bajaj Allianz General Insurance

	T	Df	Sig. (2-tailed)	Result
Total Claims	12.083	4	.000	Significant
Commission	4.588	4	.010	Significant
Operating Expenses	9.350	4	.001	Significant
Investments	7.409	4	.002	Significant

Source: Computed

Result: From the table-7 all the four parameters significant value is less than the 0.05. So the null hypothesis is rejected. It shows that there is a significant difference between the expenses of Bajaj Allianz General Insurance during the study period.

2.3. HDFC ERGO General Insurance

The following table-8 data related to the HDFC ERGO General Insurance for the period of five years from 2012-2013 to 2016-2017.

Table-8
HDFC ERGO General Insurance (Rs.in Lakhs)

Year	Total Claims	Commission	Operating Expenses	Investments
2012-2013	95105	6602	38704	269570
2013-2014	127502	9763	44683	314313
2014-2015	131788	9682	62329	376669
2015-2016	124415	14987	76553	411314
2016-2017	127007	22488	71420	615925

Source: IRDAI

Descriptive Statistics

Table-9
HDFC ERGO General Insurance

Descriptive Statistics	Total Claims	Commission	Operating Expenses	Investments
Mean	121163	12704	58737	397558
Median	127007	9763	62329	376669
Std. Deviation	14805	6244	16507.65	133809
Variance	219.20	389.88	272.50	179.05

References

1. Rakesh .H. M., Shiipa .R. (2015): 'A study on financial performance of life insurance corporation (LIC) of India.' International Journal of Research in Engineering and Technology. Vol: 04, Special Issue: 14, 90-92.
2. <http://www.policyholder.gov.in>
3. <https://www.irdai.gov.in>
4. Annual report of selected company's websites

Skewness	-2.055	1.143	-.285	1.345
Kurtosis	4.402	.827	-2.498	2.100
Range	36683	15886	37849	346355
Minimum	95105	6602	38704	269570
Maximum	131788	22488	76553	615925

Source: Computed

The above table-9 reveals that the financial growth of the HDFC ERGO General Insurance; with respect of its total claim, commission, operating expenses and investment. From the table, it's clear that the increased growth in the study period.

t-test

Table-10
HDFC ERGO General Insurance

	T	Df	Sig. (2-tailed)	Result
Total Claims	18.299	4	.000	Significant
Commission	4.550	4	.010	Significant
Operating Expenses	7.956	4	.001	Significant
Investments	6.644	4	.003	Significant

Source: Computed

Result: From the table-10 all the four parameters significant value is less than the 0.05. So the null hypothesis is rejected. It shows that there is a significant difference between the expenses of HDFC ERGO General Insurance during the study period.

3. Conclusion

This study mainly focuses on the financial performance of three private sector general insurance companies. These three insurance companies are successfully creating their own value to its policyholders. From the study total claims, commission, operating expenses and investment of selected private sector general insurance companies affected the financial performance and the income of the companies. Based on the market performance only these three companies are analyzed; the result also indicated the same significance level outcomes. ICICI Lombard General Insurance is the best general insurance company comparing the others. This company financial performance is very high with respect of its income and expenses. Finally, this study proved that there are differences in these three private sector general insurance companies with respect of its total claim, commission, operating expenses and investments.