

A Study on Performance Evaluation of General Insurance Subsidiary Companies of Virudhunagar District

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Abstract

India's general insurance industry serves as a vital pillar in protecting individuals, businesses, and assets against unforeseen risks. Over time, the sector has experienced significant expansion, with both public and private entities offering a diverse range of insurance solutions. Subsidiary firms, owned by larger corporate groups, play a key role in driving market growth by enabling these organizations to diversify their operations while concentrating on specific insurance segments or geographic areas. However, evaluating the performance of these subsidiaries is essential to ensure they align with the broader strategic objectives of their parent companies and contribute effectively to overall business success. Virudhunagar district in Tamil Nadu, which, like many parts of rural and semi-urban India, has seen an increase in insurance penetration. The presence of subsidiary companies in this region is vital as it allows them to tap into a growing market with specific needs. The study focuses on evaluating how well these subsidiary companies are performing in terms of financial stability, operational efficiency, and customer satisfaction.

Keywords: Premium, Claims, Insurance Policy, Profits, Operational Efficiency

Introduction

Insurance is a form of investment that helps reduce the uncertainty of unforeseen events. Since its inception, it has evolved to serve multiple functions. Its primary objective is to develop strategies that mitigate the financial impact of adverse occurrences. The Performance evaluation is crucial for understanding how well an insurance company is fulfilling its objectives, particularly in terms of profitability, operational efficiency, and customer service. This evaluation can be based on a variety of metrics, including financial ratios, claims settlement ratios, growth in premiums, customer satisfaction surveys, and more.

The General Insurance Corporation (GIC) was established as a company in 1972 and officially began operations on January 1, 1973, with financial backing from the Government of India. All four subsidiaries under its umbrella are legally registered under the Companies Act of 1956. As a key player in the insurance sector, GIC acts as a custodian and trustee of funds for millions of policyholders across India. A study on this subject could focus on evaluating the financial stability, operational efficiency, market standing, and broader economic impact of these insurance entities on the Indian financial landscape.

Statement of the Problem

The General insurance business has come to acquire a status and stability that justify its claim as one of the largest nationalized general insurance companies in the world of democracy. As a result of nationalization, the General insurance business has acquired a monopolistic hold on general insurance business. But in view of the loud cry for privatization it is likely to face stiff competition in the market. As such there is a need for a detailed study of General Insurance Products and their performance evaluation to ensure a sustained growth of the General Insurance Subsidiary Companies of Virudhunagar District.

Objectives of the Study

The current study aims to achieve the following objectives:

- To assess the financial and operational efficiency of general insurance subsidiaries..
- To evaluate the operational efficiency and claims management practices.
- To recommend suitable remedial measures for addressing the challenges in general insurance.

Period of the Study

This study encompasses a five-year span from 2018 to 2023, during which the Corporation implemented several new schemes.

Methodology

A) Sources of Data

This research study relies on secondary data from each subsidiary of general insurance companies in Virudhunagar District. The data were sourced from company records, reference books, periodicals, academic journals, and other pertinent documents.

B) Sample Design

At present, four subsidiaries of the [General Insurance Corporation](w) operate in Virudhunagar District: [New India Assurance Company Ltd.](w), [Oriental Insurance Company Ltd.](w), [United India Insurance Company Ltd.](w), and [National Insurance Company Ltd.](w). This study relies on secondary data collected from each of these subsidiaries.

C) Framework Analysis

In order to analyze, test and interpret the primary data, the researcher has adopted appropriate statistical tools, R value, trend analysis, Linear Co-efficient, Co- variance and Common growth rate in percentage and SPSS statistical packages have been used to estimate the discriminate Co-efficient and factors readings. This study mainly attempts for analyzing the growth rates of premium, claims and commission the trend analysis and Co- variance also has been used in this study.

Limitations of the Study

The study does not cover analysis the industry wise investment pattern of General Insurance Subsidiaries in Virudhunagar District.

The research is concentrating only on the performance evaluation of general insurance subsidiaries only on divisional offices which are located in the study area and not at the branch level.

Data Analysis and Interpretation

In India, the General Insurance Business is not so developed as in foreign countries. With nationalization of general insurance business, it is expected to have a new turn in annals of general insurance. After this period the sector grows gradually with many new developments till 2022-23, the growth was overall good. Net premium income registering 46.57%.

Number of Policies Sold by General Insurance Companies

The following table shows the number of policies sold by the public sector general insurance companies in the Virudhunagar District.

Table 1 Number of Policies Sold

Year	National	Oriental	New India	United India
2018-19	34640	22456	44534	46153
2019-20	40465	25676	48645	54423
2020-21	43181	27890	50116	58144
2021-22	60089	32643	70183	63761
2022-23	74367	47687	87732	84659

Source: Compiled from the Annual Report of Subsidiaries of General Insurance Company Limited, various issues

The table illustrates a rising trend in the total number of policyholders in [National Insurance Company](w) (NIC), increasing from 34,640 in 2018 to 74,367 in 2022-2023. Similarly, the number of policyholders in 2018-19 stood at 22,456 and steadily grew to 47,687 in 2022-2023. For [New India Assurance Company](w) (NIAC), the total number of policyholders rose from 44,534 in 2018-2019 to 87,732 in 2022-2023. This shows that there is a growth rate in number of policyholders in all the four public sector General insurance Companies.

Profit Analysis of The United India Insurance Company

The main objective of the insurance company is service to society. Moreover, insurance companies also have to follow strictly the rules and regulations of the IRDA Act. To study the relationship between the premium, claims and commissions and examine whether it has efficiently employed its premium for the purpose of earning more profit. The net profit is deducted as from the premium less commission and claims. The table furnishes the details of profit earned by the United India insurance company.

Table 2 Profit Analysis of the United India Insurance Company

Year	Premium	Commission	Claims	P/L
2018-19	1336.150	52.503	507.190	776.457
2019-20	1135.201	88.255	448.796	598.150
2020-21	1078.981	81.310	390.734	606.937
2021-22	976.768	85.685	561.550	329.533
2022-23	1470.964	135.720	750.900	584.344
Total	9912.047	622.321	5262.433	4336.751

Source: Compiled from the Annual Report of United India Insurance Company Limited, various issues.

It could be seen from table that the amount of premium earned and claims incurred and also, commission paid by the United India Insurance Company has been increasing in all the insurance company has not incurred claims in any one of the years under study.

Profit Analysis- New India Assurance Company Limited

The following table exhibits the New India Insurance Company to earned profit from the premium less claims incurred and commission paid.

Table 3 Profit Analysis of The New India Insurance Company

Year	Premium	Commission	Claims	P/L
2018-19	1778.100	53.170	513.590	1211.340
2019-20	1431.190	107.370	492.590	831.230
2020-21	1199.800	125.380	462.490	611.930
2021-22	1229.160	128.430	763.750	336.980
2022-23	1692.770	197.304	829.170	666.296
Total	12601.823	965.070	5939.33	5697.423

Source: The Annual Report of New India Assurance Company Limited

The profit position of [New India Assurance Company](w) showed a significant increase during the study period, with notable growth starting in 2018-19. However, in 2022-23, profits declined due to a higher volume of claims incurred

Profit Analysis of The Oriental Insurance Company Limited

To study the relationship between the premium of the policies, claims incurred and commissions paid from the year 2018 to 2019. The profit is deducted as from the premium less commission and claims. The following table furnishes the details of profit earned by the Oriental Insurance Company Limited.

Table 4 Profit Analysis of the Oriental Insurance Company

Year	Premium	Commission	Claims	P/L
2018-19	403.352	29.24	178.950	195.162
2019-20	590.219	37.48	291.300	261.439
2020-21	508.592	27.61	292.850	188.132
2021-22	553.899	26.56	344.920	182.419
2022-23	659.954	24.52	417.180	218.254
Total	2716.016	145.41	1525.20	1045.406

Source: Compiled from the Annual Report of Oriental Insurance Company Limited, various issues

The above table gives a clear picture of the premium collection, claims incurred and commission paid from the past five years under study. The premium has been increased from year to year. But at the same time payment of commission and claim incurred also increased one.

Profit Analysis of The National Insurance Company Limited

Table 5 Profit Analysis National Insurance Company

Year	Premium	Commission	Claims	P/L
2018-19	410.210	30.623	41.665	337.922
2019-20	558.600	41.308	31.169	486.123
2020-21	583.530	33.333	31.169	519.028
2021-22	648.522	36.422	106.210	505.890
2022-23	762.450	35.004	200.460	526.986
Total	4874.722	247.149	1437.213	3190.36

Source: Compiled from the Annual Report of National Insurance Company Limited, various issues

Note: Net Result = Premium – Commission paid – claims paid = Profit/Loss

It is ascertained from table that the profit earned from year to year has been increased. It is also noted that the premium collection in favourable position during the study period.

Profit Analysis of the Four Subsidiaries of GIC

In order to examine the premium collection, commission paid and claims incurred of the Subsidiary companies of the GIC from 2018 to 2019, the arithmetic mean and co-efficient of variation has been tested.

Table 6 Profit Analysis (Co- Variance)

S. No	Company's Name	Premium			Commission			Claims		
		Mean	S.D	C.V (%)	Mean	S.D	C.V (%)	Mean	S.D	C.V (%)
1	United Insurance	991.20	371.79	37.50	62.23	37.87	60.85	526.24	185.04	35.16
2	New India Assurance	1260.68	407.89	32.36	96.51	51.03	52.87	593.93	151.98	25.58
3	Oriental Insurance	509.42	177.24	34.79	18.34	11.87	64.72	266.20	91.72	34.45
4	National Insurance	487.47	151.83	31.11	24.711	16.63	67.30	143.72	107.65	72.90

It has been observed from the above table that the profit was Nu.991.20 million, Nu.1260.18, Nu.509.42 Nu 487.47 million respectively during the period from 2018- 2019. It is observed from the analysis that the United India Insurance Company Limited followed by The performance of [Oriental Insurance Company](w) is reflected in the coefficient of variation, which stands at 37.50% and 34.79%, respectively. The computed results of the trend and growth rate in the following table.

Table 7 United India Insurance Company Ltd common Growth Rate For Premium, Commission and Claims

S. No	Variable	Linear Trend Co-efficient			
		a	b	R	CGR
1	Premium	6.202	0.113	0.637	11.96
2.	Commission	2.634	0.233	0.889	26.26
3.	Claims	5.944	0.049	0.199	5.032
S. No	Variable	Linear Trend Co-efficient			
		a	b	R	CGR
1	Premium	6.684	0.0738	0.905	10.72
2.	Commission	3.442	0.176	0.228	19.31
3.	Claims	6.133	0.040	0.131	4.14

Oriental Insurance Company Ltd -Common Growth Rate For Premium,

Commission and Claims

S. No	Variable	Linear Trend Co-efficient			
		a	b	R	CGR
1	Premium	5.796	0.070	0.409	7.26
2.	Commission	2.634	0.211	0.738	23.55
3.	Claims	5.944	0.049	0.605	10.82
S. No	Variable	Linear Trend Co-efficient			
		a	b	R	CGR
1	Premium	5.583	0.101	0.637	11.96
2.	Commission	1.392	0.268	0.706	30.85
3.	Claims	20.280	54.319	0.770	5.060

The table indicates that the trend coefficients for all operational variables are statistically significant at the 5% level. This suggests that, on average, the amount of premium, commission, and claims paid per policy for general insurance subsidiaries has been increasing. Specifically, for [United India Insurance Company Limited](w), the growth rates are Nu. 0.113 for premium, Nu. 233 for commission, and Nu. 0.049 for claims. For New India Nu.0.0738, Nu. 0.176, Nu.0.040 and for National Insurance Company Limited, for Nu 0.101 ,Nu.0.268 and The annual growth rate was recorded at 54.319%. The overall growth rate in profit was notably high for [United India Insurance Company Limited](w) at 11.96% and for [National Insurance Company Limited](w) at 10.72%.. The Commission was high in National (30.85) followed by United Insurance Company and for claims paid by the subsidiaries is high for the (30.85) National Insurance Company followed by the United India Insurance Company Limited.

This Article gave the details about the secondary data for the policy wise particulars have been analysed for premium, claims paid and Commission paid. In addition, R value, trend analysis, Linear Co-efficient, Co- variance and Common growth rate in percentage have been computed by applying trend analysis for claims and commission and also the premium.

Suggestions for Improvement

1. Operational Recommendations

Optimizing claims management, improving customer service, and training agents. Innovative marketing strategies to increase brand awareness and market penetration.

2. Financial Strategies

Diversifying investment portfolios, reducing claims and improving profitability.

3. Customer Relationship Management

Enhancing digital platforms, improving communication, offering personalized products.

4. Regulatory and Policy Suggestions

Advocacy for favorable regulatory frameworks that benefit insurers while protecting consumers.

Conclusion

The general insurance sector in India is growing steadily, supported by both regulatory initiatives and rising demand for insurance products due to economic development and awareness campaigns. The four subsidiaries of General Insurance with strong digital infrastructure and innovation are

likely to perform better, particularly in terms of customer engagement, claims management, and market expansion. The Financial stability is generally good, but companies must continue focusing on controlling the claims ratio and improving profitability by leveraging better underwriting and risk management practices. However, general insurance companies are still facing challenges regarding low penetration in rural areas, rising claims ratios, and market competition, which they must address to maintain growth momentum and achieve sustainable profitability. The general insurance sector is performing well overall, with moderate growth and profitability trends. However, insurers must continue to innovate, improve customer experiences, and manage operational risks effectively to stay competitive in this growing market.

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