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A COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE IN SELECTED GENERAL INSURANCE COMPANIES OF INDIA

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ABSTRACT

The general insurance sector is an integral component of India's financial system, offering protection against unforeseen risks and fostering economic resilience. By covering diverse domains such as health, property, vehicles, and industrial risks, this sector supports both individual and corporate financial stability. It facilitates the transfer of risk from policyholders to insurers, enabling better allocation of financial resources and reducing economic uncertainty. The general insurance sector plays a pivotal role in India's economic stability and growth by providing risk management solutions to individuals, businesses, and industries. This study conducts a comparative analysis of the financial performance of three prominent general insurance companies in India—General Insurance Corporation of India Ltd, ICICI Lombard General Insurance Company Ltd, and New India Assurance Company Ltd—over a five-year period (2019-20 to 2023-24). Key financial metrics analysed include net profit margin, current ratio, and return on assets, which provide insights into profitability, liquidity, and asset efficiency, respectively. The findings reveal significant differences in net profit margin and current ratio among the companies, reflecting diverse financial strategies and operational efficiencies. However, no significant differences were observed in return on assets, indicating comparable levels of asset utilization. This study contributes to understanding the financial dynamics of the Indian general insurance sector and provides actionable insights for stakeholders to enhance financial performance.

Keywords : General Insurance, Financial Performance, Insurance Companies, Profitability, Liquidity

1. INTRODUCTION

The general insurance industry in India plays a vital role in the country's financial ecosystem by providing protection against unforeseen risks and losses. This segment of the insurance sector covers a wide range of non-life insurance products such as motor insurance, health insurance, property insurance, marine insurance, and liability insurance. Over the years, the industry has witnessed remarkable growth, driven by increasing awareness, economic development, and regulatory reforms. India's general insurance industry is regulated by the Insurance Regulatory and Development Authority of India (IRDAI), which ensures transparency, consumer protection, and orderly growth of the sector. The liberalization of the insurance industry in the early 2000s allowed private players to enter the market, breaking the monopoly of state-owned insurers. This move not only increased competition but also enhanced the variety and quality of products offered to consumers. Currently, the sector comprises a mix of public and private insurers, with public-sector entities like New India Assurance and Oriental Insurance competing alongside private players such as ICICI Lombard and Bajaj Allianz.

One of the key drivers of growth in the general insurance sector is the rising demand for health insurance. With increasing healthcare costs and a growing awareness of the importance of financial protection against medical emergencies, health insurance has become one of the largest and fastest-growing segments. The COVID-19 pandemic further underscored the significance of health coverage, prompting more individuals and businesses to invest in comprehensive health policies. Motor insurance is another dominant segment within the general insurance industry. With India being one of the largest automobile markets in the world, the demand for motor insurance has remained robust. Regulatory mandates, such as the requirement for third-party liability insurance, have also contributed significantly to the growth of this segment. However, the motor insurance market faces challenges like fraudulent claims and high loss ratios, which insurers continue to address through technology and improved risk assessment.

2. LITERATURE REVIEW

Deshpande and Pandya (2024) conducted a comprehensive study on the financial performance of Indian insurance companies, focusing on key financial metrics such as solvency ratios, return on assets (ROA), and return on equity (ROE). They found that the life insurance segment showed a higher level of profitability and stability compared to the general insurance segment, primarily due to lower claims payouts. The study also highlighted the impact of regulatory changes by the Insurance Regulatory and Development Authority of India (IRDAI) on capital adequacy and financial performance. Their analysis showed that insurance companies with strong capital reserves were better equipped to withstand market fluctuations and regulatory pressures.

Reddy and Iyer (2023) analysed the profitability and operational efficiency of Indian insurance companies over the past decade. They employed ratio analysis to assess liquidity, profitability, and operational performance. Their findings suggested that while larger private insurance companies demonstrated stronger profitability ratios, public sector insurance companies outperformed in terms of customer retention and market penetration. The study also pointed out that despite improvements in operational efficiency, Indian insurers still faced challenges in cost management and claims management, which significantly impacted profitability in the long run.

Singh and Kapoor (2023) focused on the impact of investment strategies on the financial performance of insurance companies in India. Their study found that insurance companies with more aggressive investment portfolios, such as those investing in equities, performed better in terms of growth in revenue. However, they also noted that these companies experienced higher volatility in their returns, which led to fluctuations in their financial performance. On the other hand, companies with more conservative investment strategies, such as those focusing on fixed income, showed greater stability but lower returns. The authors concluded that a balanced investment approach was crucial for sustained financial performance in the competitive insurance market.

Bhatia and Verma (2022) examined the role of reinsurance in the financial performance of insurance companies in India. Their study revealed that insurance companies that strategically utilized reinsurance had better financial performance, especially in terms of risk management and solvency ratios. The authors highlighted that reinsurance allowed insurance firms to reduce their exposure to large claims and maintain a steady cash flow, thereby improving their profitability and financial stability. The study also found that companies with strong reinsurance agreements experienced lower volatility in their claims experience, which positively impacted their financial results.

Patel and Joshi (2022) conducted a performance evaluation of Indian insurance companies using a multi-dimensional approach that included financial ratios, customer satisfaction, and market share analysis. Their findings suggested that while financial metrics such as expense ratio, loss ratio, and underwriting profit were essential, consumer satisfaction played an increasingly important role in the financial success of insurance companies. The study emphasized that insurers with higher customer satisfaction ratings were able to achieve better financial results through higher retention rates and cross-selling of policies.

4. RESEARCH METHODOLOGY

4.1 RESEARCH OBJECTIVES

1. To analyse the financial performance of selected general insurance companies of India.
2. To compare the financial performance of selected general insurance companies of India.

4.2 SAMPLE SIZE

In this study 3 general insurance companies of India have been selected.

1. General Insurance Corporation of India Ltd
2. ICICI Lombard General Insurance Company Ltd
3. New India Assurance Company Ltd

5. DATA ANALYSIS

5.1 NET PROFIT MARGIN

NET PROFIT MARGIN					
NAME	**2023-24**	**2022-23**	**2021-22**	**2020-21**	**2019-20**
General Insurance Corporation of India Ltd	14.34	13.43	4.07	3.96	-0.65
ICICI Lombard General Insurance Company Ltd	10.48	9.67	8.90	13.71	11.80
New India Assurance Company Ltd	2.59	2.58	0.46	4.87	4.64

General Insurance Corporation of India Ltd (GIC):

The net profit margin of GIC demonstrates significant fluctuations over the period under review. In 2019-20, the company reported a negative margin of -0.65%, indicating a loss. However, from 2020-21 onwards, the company managed to turn its financial position around, achieving a modest profit margin of 3.96%. This upward trajectory continued in subsequent years, with the margin increasing to 4.07% in 2021-22, 13.43% in 2022-23, and reaching an impressive 14.34% in 2023-24. The sustained growth reflects the company's efforts in improving operational efficiency, prudent underwriting practices, and favourable market conditions. GIC's ability to recover from a negative margin and maintain consistent growth demonstrates resilience and strategic focus.

ICICI Lombard General Insurance Company Ltd:

ICICI Lombard exhibits a stable and positive net profit margin throughout the period, which indicates effective management and profitability. In 2019-20, the company recorded a strong margin of 11.80%, which slightly increased to 13.71% in 2020-21. However, in subsequent years, there was a decline in profitability, with margins reducing to 8.90% in 2021-22 and 9.67% in 2022-23. Despite the decline, the company managed to rebound slightly, achieving a margin of 10.48% in 2023-24. This fluctuation suggests that while ICICI Lombard has a strong operational base, external factors such as market conditions, claims management, and competitive pressures may have influenced profitability. Nevertheless, the company's ability to maintain a double-digit profit margin underscores its robust financial health.

New India Assurance Company Ltd:

The net profit margin of New India Assurance exhibits considerable volatility, with overall lower profitability compared to the other companies in the analysis. The company reported a margin of 4.64% in 2019-20, which slightly increased to 4.87% in 2020-21. However, a sharp decline followed, with margins dropping to 0.46% in 2021-22. This marginal profit recovery to 2.58% in 2022-23 and 2.59% in 2023-24 reflects challenges in maintaining consistent profitability. The low and erratic margins suggest that the company may face structural issues such as high claims ratios, operational inefficiencies, or inadequate premium pricing strategies, requiring strategic intervention to enhance profitability.

When comparing the three companies, ICICI Lombard stands out for its stable and relatively high profit margins, consistently maintaining double-digit figures over most of the years. This performance highlights its efficient management practices and market competitiveness. In contrast, GIC demonstrates a remarkable recovery and consistent improvement in its net profit margin, suggesting a successful turnaround and a focus on growth. However, its earlier years of negative or low profitability indicate a previously challenging operating environment. New India Assurance, on the other hand, shows the weakest performance, with erratic and low profit margins across the period. This inconsistency signals a need for strategic and operational improvements to remain competitive. Overall, ICICI Lombard leads in terms of stability and high profitability, while GIC showcases the most significant improvement. New India Assurance lags behind, requiring focused efforts to enhance financial performance.

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
General Insurance Corporation of India Ltd	5	35.15	7.03	42.89125
ICICI Lombard General Insurance Company Ltd	5	54.56	10.912	3.59867
New India Assurance Company Ltd	5	15.14	3.028	3.24467

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	155.4056	2	77.70282	4.687049	0.031316	3.885294
Within Groups	198.9384	12	16.5782			
Total	354.344	14				

H0 = There is no significant difference in net profit margin between selected general insurance companies of India.
H1 = There is significant difference in net profit margin between selected general insurance companies of India.

INTERPRETATION

From above table for 2 and 12 degree of freedom
Fcal is 4.687 and Ftab is 3.885
P-value is 0.031316
Thus, Fcal>Ftab and p-value is smaller than specified α of 0.05
So, null hypothesis is rejected and it is concluded that there is significant difference in net profit margin between selected general insurance companies of India.

5.2 CURRENT RATIO

CURRENT RATIO					
NAME	**2023-24**	**2022-23**	**2021-22**	**2020-21**	**2019-20**
General Insurance Corporation of India Ltd	0.48	0.49	0.50	0.52	0.60
ICICI Lombard General Insurance Company Ltd	0.27	0.25	0.27	0.24	0.32
New India Assurance Company Ltd	0.40	0.38	0.41	0.42	0.46

General Insurance Corporation of India Ltd (GIC):

GIC's current ratio shows a steady decline over the five-year period, from 0.60 in 2019-20 to 0.48 in 2023-24. This downward trend suggests that the company's liquidity position has weakened slightly over the years, which could be due to an increase in short-term liabilities or a decrease in current assets. Despite the decline, the ratio remains relatively consistent, indicating that the company has managed its working capital reasonably well. However, a continuous drop below 0.50 may raise concerns about its ability to meet short-term obligations without relying on external funding or asset liquidation.

ICICI Lombard General Insurance Company Ltd:
ICICI Lombard exhibits the lowest current ratio among the three companies throughout the period, with figures ranging from 0.24 to 0.32. In 2023-24, the ratio stands at 0.27, showing a slight improvement from 0.25 in 2022-23. This consistently low ratio reflects the company's strategy to maintain minimal short-term assets relative to its liabilities, which is not unusual in the insurance sector. Such a strategy might imply efficient capital utilization, as insurance companies often invest in long-term assets. However, it also underscores the importance of effective cash flow management to avoid liquidity issues during periods of high claims or operational stress.

New India Assurance Company Ltd:
The current ratio of New India Assurance shows marginal fluctuations over the five-year period, ranging between 0.38 and 0.46. In 2023-24, the ratio stands at 0.40, slightly higher than 0.38 in 2022-23. While the ratio indicates better liquidity compared to ICICI Lombard, it is still below the general benchmark of 1.0, which may indicate reliance on underwriting profits or investment income to cover short-term liabilities. The relatively stable trend suggests that the company has maintained consistent working capital management, though there may be room for improvement to strengthen its liquidity position.

Overall, while all three companies operate with current ratios below 1.0—consistent with industry norms—GIC appears to have the strongest liquidity position, albeit with a declining trend. New India Assurance maintains moderate and stable liquidity, while ICICI Lombard focuses on capital efficiency but might face greater challenges during periods of high claims. Each company's liquidity strategy aligns with its broader operational priorities, but maintaining sufficient liquidity remains critical to ensure financial stability and operational continuity.

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
General Insurance Corporation of India Ltd	5	2.59	0.518	0.00232
ICICI Lombard General Insurance Company Ltd	5	1.35	0.27	0.00095

New India Assurance Company Ltd	5	2.07	0.414	0.00088

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.155093	2	0.077547	56.05783	8.17E-07	3.885294
Within Groups	0.0166	12	0.001383			
Total	0.171693	14				

H0 = There is no significant difference in current ratio between selected general insurance companies of India.
H1 = There is significant difference in current ratio between selected general insurance companies of India.
From above table for 2 and 12 degree of freedom
Fcal is 56.057 and Ftab is 3.885
P-value is 8.17E-07
Thus, Fcal>Ftab and p-value is smaller than specified α of 0.05
So, null hypothesis is rejected and it is concluded that there is significant difference in current ratio between selected general insurance companies of India.
5.3 RETURN ON ASSETS

RETURN ON ASSETS					
NAME	**2023-24**	**2022-23**	**2021-22**	**2020-21**	**2019-20**
General Insurance Corporation of India Ltd	3.64	4.01	1.38	1.42	-0.30
ICICI Lombard General Insurance Company Ltd	3.03	3.13	2.49	3.74	3.22
New India Assurance Company Ltd	1.05	1.08	0.17	1.75	1.85

General Insurance Corporation of India Ltd (GIC):
GIC demonstrates a significant recovery in its ROA over the five-year period. Starting with a negative ROA of -0.30% in 2019-20, the company reversed its position in 2020-21 with a modest 1.42% and further improved to 1.38% in 2021-22. The trend strengthened further, with ROA reaching 4.01% in 2022-23 before declining slightly to 3.64% in 2023-24. The overall improvement reflects the company's enhanced operational efficiency, prudent investment decisions, and effective asset management. However, the slight drop in 2023-24 indicates the need for continuous optimization to sustain high returns on assets.

ICICI Lombard General Insurance Company Ltd:

ICICI Lombard consistently maintains a relatively high ROA compared to its peers, highlighting strong operational efficiency. The company's ROA peaked at 3.74% in 2020-21, reflecting robust performance during that year. However, subsequent years saw a decline, with ROA reducing to 2.49% in 2021-22 and recovering slightly to 3.13% in 2022-23. In 2023-24, the ROA further declined marginally to 3.03%. This consistency in achieving ROAs above 3% indicates effective asset utilization, although the recent downward trend suggests increasing operational or investment challenges. Nonetheless, ICICI Lombard's strong and stable ROA underscores its ability to manage assets efficiently and deliver consistent returns.

New India Assurance Company Ltd:
New India Assurance has the lowest ROA among the three companies, indicating weaker asset utilization and profitability. In 2019-20, the company achieved a modest ROA of 1.85%, which declined to 1.75% in 2020-21. A sharp drop occurred in 2021-22, with ROA plummeting to 0.17%, reflecting operational inefficiencies or external challenges during that period. Although there was a slight recovery to 1.08% in 2022-23 and 1.05% in 2023-24, these figures remain significantly lower than those of its competitors. The persistent low ROA suggests structural inefficiencies, potentially linked to high claims ratios, investment underperformance, or poor cost management.

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
General Insurance Corporation of India Ltd	5	10.15	2.03	3.184
ICICI Lombard General Insurance Company Ltd	5	15.61	3.122	0.19987
New India Assurance Company Ltd	5	5.9	1.18	0.4552

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	9.477213	2	4.738607	3.702933	0.05591	3.885294
Within Groups	15.35628	12	1.27969			
Total	24.83349	14				

H0 = There is no significant difference in return on asset between selected general insurance companies of India.
H1 = There is significant difference in return on asset between selected general insurance companies of India.

From above table for 2 and 12 degree of freedom
Fcal is 3.702 and Ftab is 3.885
P-value is 0.05591
Thus, Fcal<Ftab and p-value is higher than specified α of 0.05
So, null hypothesis is accepted and it is concluded that there is no significant difference in return on asset between selected general insurance companies of India.

6. CONCLUSION

The analysis of financial performance metrics—net profit margin, current ratio, and return on assets—for selected general insurance companies in India reveals significant insights into their operational efficiency, liquidity, and profitability over the past five years. These findings highlight variations in their financial strategies and outcomes, with notable differences in specific metrics while showing convergence in others.

The net profit margin of the selected companies reflects substantial variations, indicating significant differences in their profitability levels. General Insurance Corporation of India (GIC) experienced a remarkable turnaround, improving its profit margins from negative territory in 2019-20 to strong double-digit figures by 2023-24. ICICI Lombard consistently maintained higher profitability, demonstrating stable and efficient cost management with net profit margins ranging between 8.90% and 13.71% during the period. In contrast, New India Assurance struggled with lower and fluctuating profit margins, peaking at 4.87% in 2020-21 but failing to sustain significant growth in subsequent years. These differences in profitability underscore the diverse operational efficiencies, underwriting performance, and investment strategies employed by each company.

The current ratio analysis also reveals significant differences in liquidity positions among the selected insurance companies. GIC consistently maintained the highest current ratios, though with a gradual decline, reflecting a relatively stronger ability to meet short-term obligations. New India Assurance displayed moderate liquidity, with its current ratio showing stability around the 0.40 mark, indicative of reasonable working capital management. ICICI Lombard, on the other hand, reported the lowest current ratios, consistently below 0.32, emphasizing its focus on minimizing short-term assets relative to liabilities. This aggressive liquidity strategy, while common in the insurance sector, highlights potential challenges in managing immediate liabilities during periods of high claims. These differences in current ratios demonstrate varying approaches to liquidity management across the companies.

In contrast, the return on assets (ROA) analysis reveals no significant difference among the selected companies, with all three reporting comparable efficiency in utilizing their assets to generate returns. ICICI Lombard consistently achieved slightly higher ROA values, reflecting its superior asset management capabilities, while GIC displayed significant improvement, recovering from a negative ROA in 2019-20 to levels close to those of ICICI Lombard by 2023-24. New India Assurance lagged in this metric, showing weaker asset utilization and profitability over the period. Despite these variations, the overall trends suggest that all three companies operate within a similar range of ROA values, emphasizing a convergence in their ability to generate returns from their asset bases.

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