



PERFORMANCE EVALUATION OF THE UNITED INDIA INSURANCE COMPANY LIMITED

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ABSTRACT

Insurance is a way of reducing uncertainty of occurrence of an event. Insurance is an investment. Its basic purpose is to derive plans to counteract the financial consequences of unfavorable events. Insurance is a social device for eliminating or reducing the cost to society to certain types of risks.

Insurance is essentially a co-operative endeavor. It is the function of the insurance to protect the few against the heavy financial impact of anticipated misfortunes by spreading losses among many who are exposed to risks of similar misfortune.

In general, insurance can be broadly classified as Life Insurance and Non-Life Insurance. The term "Insurance Marketing" refers to the marketing of insurance services with the motto of customer - orientation and profit-generation. The insurance marketing focuses on the formulation of an ideal mix for the insurance business so that the insurance organizations survive and thrive in a right perspective. The quality of services can be improved by formulating a fair mix of the core and peripheral services.

The marketing concept in the insurance business is concerned with the expansion of insurance business in the best interest of society vis-a-vis the insurance organizations. The present day socio-economic scenario leads to the inevitable basic need for general insurance.

INTRODUCTION

Insurance market is an ice-cream parlor where earlier there were only few brands like vanilla and strawberry. But in the boundary-less world and customer oriented market, customers are demanding different flavors with different tastes. Similarly, in the insurance sector also many innovative products are being introduced almost every day to cater to the varied requirements of customers. There has been a tremendous change in the financial services arena across the world in last five years. Commoditization, globalization, deregulation and rapid technological advancements are the sweeping changes that have changed the market scenario of financial services industry.

FORMS OF INSURANCE

From the practical point of view the insurance can be classified into two broad categories such as Life Insurance and Non- Life Insurance.

LIFE INSURANCE

Life insurance is a contract whereby the insurer in consideration of the premium paid either in lump sum or in periodical installments undertakes to pay an annuity or certain sum of money, either on the death of the insured or on the expiry of a certain number of years, whichever is earlier.

NON – LIFE INSURANCE

Other than Life Insurance, everything will come under Non – Life Insurance. This type of insurance is for only one year.

GENERAL INSURANCE BUSINESS COMPANIES IN SIVAKASI

After the formation of general insurance under the Central Government control, the Divisional offices and respective branches were established throughout the major cities. Since, Sivakasi is an industrially developed area, and all the subsidiaries have opened the Divisional and Branch offices in the study area. The pioneer to start insurance company at Sivakasi was The New India Assurance Company Limited, which was established in 1973. Next came, the Oriental Insurance Company Limited in 1977. Having understood the potentialities of the Insurance market, the United India Insurance Company Limited, opened its branch in 1979 and the National Insurance Company Limited opened its branch in 1986. Hence, the study area could feel very proud of having all branches of the four subsidiaries of the General Insurance Corporation.

UNITED INDIA INSURANCE COMPANY LIMITED

The United India Insurance Company Limited is one of the four subsidiaries of General Insurance Corporation with its headquarters at Chennai is the second largest Insurer by size of premium and market share of the entire General Insurance business transacted throughout India under the stewardship of Mr. K. N. Bhandari.

“This vast network includes 21 regional offices, 313 divisional offices and 789 branch offices. Service to its largest clientele is done through 3820 officers, 3275 development officers, 11,777 supervisory and clerical staff and 2693 subordinate Staff.

STATEMENT OF PROBLEM

The GIC has to face severe competitions from different angles. Due to privatization, more than six players have come into the general insurance sector in India. Moreover, the GIC has more than 180 products which are outdated in the present context as they are not suitable to the changing needs of the customers. The GIC has to face severe problems from the distribution side also. The GIC has to take some risks in strengthening the existing distribution channel and expanding the new channels on par with new players in the field.

REVIEW OF LITERATURE

- ❖ Ms. J. Margaret Radha Rani has undertaken a study entitled. “Role of New India Assurance Company in providing Rural Insurance Schemes” in April 1990 in Madurai Kamaraj University. In her readings, she has stated that commanding majorities i.e., 68.30% of the respondents have taken policy only on compulsion from banks. Moreover, the advertisements given by the New India Assurance
- ❖ Company from rural insurance schemes has not reached the rural masses. Mr.R.Murugan in his project, titled, “Fire Insurance in Sivakasi” has highlighted the significance of fire insurance business to match and fireworks industries.
- ❖ MS.S.Kala has undertaken a study entitled “The workings and Evaluation of New India Assurance Company Limited.,” in Sivakasi Taluk, in May 2000. In her findings, she has stated that 48.38% of the respondents have insured with the expectation of loss of property by fire and 21.74% of them for loss due to shortage and theft etc. Hence, the insurance policy was essential for industrial units.

SCOPE OF THE STUDY

The present study focuses mainly on the potentialities of the marketing of various GIC products intended to cover the period from 2000 - 01 to 2009-10. The study also covers the progress of GIC policies, claims and premiums. The study concentrates on the role of agents and clients attitude towards the use of GIC products.

OBJECTIVES OF THE STUDY

The following are the main objectives of the present study.

1. To review the growth and progress of the United India Insurance Company Limited.
2. To analyze the performance evaluation of the United India Insurance Company Limited.
3. To offer suitable suggestions for the improvement of services of the Company.

HYPOTHESES

- ❖ There is a positive relationship between claims incurred and premium received.
- ❖ There is a positive relationship between incurred claims and settlement of claims.

- ❖ Higher the income higher is the expenditure of the United India Insurance Company Limited.

DEFINITION OF CONCEPTS

Premium – The monetary consideration paid by the insured to the insurer under contract of insurance is called premium.

Peril – It is an event that causes a personal or property loss.

Re-insurance – A system whereby an insurer having accepted a risk given off a part of the risk to another insurer so that his own ultimate liability is reduced.

Sum-insured – The monetary limit of liability of insurers under policy insurance is referred to as sum insured.

PERIOD OF STUDY

The present study covers a period of 5 years from 2005-06 to 2009-10 in order to ascertain the latest trend in the insurance field.

FIELD WORK AND COLLECTION OF DATA

The fieldwork for the study was conducted during the months of November, December 2009 and January 2010. The data were collected through a pre-tested interview schedule.

METHODOLOGY

The study is mainly focused on the marketing of products of the General Insurance Corporation. Four subsidiaries of GIC are functioning in the study area. Out of the 4 subsidiaries, the United India Insurance Company Limited has been selected purposely since it is the second biggest one in Sivakasi in terms of volume of business and the number of policies canvassed and it is the second largest insurer in the whole of India. So, it was selected for investigation.

SOURCES OF DATA

The data required for the study has been collected both from primary and secondary sources. The interview schedule was used to collect the data from the Company. The personal interview technique was adopted with the help of pretested schedule to collect the data from the agents and policyholders.

The Secondary data were collected from the records of the insurance company, books, magazines, journals such as Indian Journal of Marketing, The Insurance Times and so on and also information through internet.

PERFORMANCE EVALUATION OF UNITED INDIA INSURANCE COMPANY LIMITED

The key areas of performance in the insurance companies are:

- ❖ Number of policies covered
- ❖ Growth rate of premium
- ❖ Claims incurred
- ❖ Settlement of Claims
- ❖ Sources of Income
- ❖ Expenditure
- ❖ Profit position
- ❖ Financial performance

NUMBER OF POLICIES EFFECTED

The success of any business depends upon its ability to win the confidence of customers. A customer is a significant visitor to the premises of all business. The number of policies issued by the sample units has been analyzed and the results are presented in the below table.

TABLE – 1

NUMBER OF POLICIES ISSUED, GROWTH RATE PREMIUM, CLAIMS INCURRED DURING THE PERIOD FROM 2000-01 TO 2009-10

Year	Number of Policies issued	Trend Percentage	Total Premium Collected	Trend Percentage	Claims Made	Trend Percentage
2000-01	6720	-	234	-	113.96	-
2001-02	7340	109.23	253	108.12	127.96	112.29
2002-03	8450	125.74	278	118.80	130.03	114.10
2003-04	9100	135.42	310	132.48	152.60	133.91
2004-05	9978	148.48	355	151.71	165.07	144.84
2005-06	10745	159.90	390	166.67	243.85	213.98
2006-07	11102	165.20	549	234.61	276.28	242.44
2007-08	12415	184.75	652	278.63	358.96	314.99
2008-09	13540	201.49	730	311.97	485.12	425.69
2009-10	14495	215.70	803	343.16	496.28	435.49

Source: Records from Sivakasi Divisional Office

It is apparent from the above table that the growth of policies is on the increasing trend every year i.e., the number of policies has increased from 6720 in 2000-01 to 14495 policies in 2009-10, thus registering 215.70% growth over a period of ten years. It shows that the United India Insurance Company Limited in Sivakasi has progressed well in marketing its insurance products in Sivakasi.

On the basis of this growth rate, its future growth rate in 2012 has been projected with the help of trend analysis in the below table.

TABLE – 2

TREND ANALYSIS FOR GROWTH OF POLICY

Year (X)	Policies (Y)	X = (x-99)	X²	XY	Yc = a+bx
1998-99	6.720	-4	16	-26.88	4.67
1999-00	7.340	-3	9	-22.02	6.10
2000-01	8.450	-2	4	-16.90	7.53
2001-02	9.100	-1	1	9.10	8.96
2002-03	9.978	0	0	0	10.39
2003-04	10.745	1	1	10.745	11.82
2004-05	11.102	2	4	22.204	13.25
2005-06	12.415	3	9	37.245	14.68
2006-07	13.540	4	16	54.160	16.11
2007-08	14.495	5	25	72.475	17.54
2008-09	-				18.97
2009-10	-				20.40
Total	103.885	-	85	121.929	

$$Y_c = a + bx$$

$$a = \Sigma Y / N$$

$$= 103.885 / 10$$

$$= 10.388$$

$$\begin{aligned} &= 10.39 \\ b &= \Sigma Y / \Sigma X^2 \\ &= 121.929/85 \\ &= 1.434 \\ &= 1.43 \end{aligned}$$

From the above analysis, it is evident that the number of policies would go up to 20,400 in 2012. It means that there would be heavy demand for the insurance, policies in Sivakasi in future. To meet the growing demand, it is recommended that the United India Insurance Company Limited shall take all efforts to strengthen the existing products besides innovating new products.

GROWTH RATE OF PREMIUM

Having seen the growth rate in terms of number of policies, an attempt has been made to analyze the growth rate in terms of premium collection. The Table-1 reveals the growth rate of premium collected during the study period.

As seen in the number of policies, a favorable trend prevails in the case of premium collected also. The above table shows that there is a steady growth of premium during the study period from Rs. 234 lakhs in 2000-01 to Rs. 803 lakhs in 2009-10. It reveals that more the number of polices more is the premium collection.

CLAIMS INCURRED

A claim is considered to be the insured's demand for indemnification of loss by the insurance company in accordance with the terms and conditions laid down in the insurance policy. Whenever damages are incurred, the insured will make the claim for the loss of properties. The following table reveals the claims made from 2000 – 01 to 2009 – 10.

The Table-1 highlights the fact that the claims of the United India Insurance Company Limited have also continuously increased from Rs. 113.96 Lakhs in 2000 – 01 to Rs. 496.28 Lakhs in 2009 – 10, thus registering a growth of 435.49 % over the study period.

Further an analysis has been made to examine the relationship that exists between the premium collected and claims incurred as shown in the below table.

TABLE – 3

TABLE SHOWING CORRELATION BETWEEN CLAIMS INCURRED AND TOTAL PREMIUM

Year	Total Premium (X)	Incurred Claims (Y)	dx	dx ²	dy	dy ²	dxdy
2000	234	113.96	-121	14641	-51.11	2612	6184.31
2001	253	127.96	-102	10404	-38.07	1449	3883.14
2002	278	130.03	-77	5929	-35.04	1228	2698.08
2003	310	152.60	-45	2025	-12.47	155	561.15
2004	355	165.07	-	-	-	-	-
2005	390	243.85	35	1225	78.78	6206	2757.30
2006	549	276.28	194	37636	112.21	12368	21768.74
2007	652	358.96	297	88209	193.89	37593	57585.33
2008	730	485.12	375	140625	320.05	102432	120018.75
2009	803	496.28	306.72	94077	331.21	109700	164372.89
Total			862.72	394771	899.42	273743	379829.69

$$\begin{aligned}
 \gamma &= \frac{\sum dxdy - \sum dx \sum dy / n}{\sqrt{\sum dx^2 - (\sum dx)^2 / n} \times \sqrt{\sum dy^2 - (\sum dy)^2 / n}} \\
 &= \frac{379829.69 - 862.72(899.42)/10}{\sqrt{394771 - (862.72)^2 / 10} \times \sqrt{273743 - (899.42)^2 / 10}} \\
 &= 302189.89 / 348548.85 \\
 \gamma &= +0.91
 \end{aligned}$$

From the above analysis, it is found that, there is a high degree of positive correlation between premium received and claims incurred. Hence, there is a positive relationship between claims incurred and premium received.

SOURCES OF INCOME

Premium income constitutes the major source of income to the United India Insurance Company Limited. So, the company has to carefully manage its general insurance policies, so that it gets adequate return in order to satisfy the policy holders. The major sources of income of the United India Insurance Company Limited are collected and presented in the below table.

TABLE – 4

SOURCES OF INCOME (FIGURES IN LAKHS)

S. No	Details	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Premium Income	218.37 (37.18)	248.12 (33.45)	274.06 (37.89)	325.04 (52.58)	374.43 (51.94)
2.	Interest and Dividend	183.75 (31.28)	259.01 (34.92)	275.01 (38.04)	138.91 (22.47)	168.03 (23.31)
3.	Non-payment of Claims	149.52 (25.45)	179.56 (24.21)	130.08 (17.89)	117.76 (19.05)	135.49 (18.79)
4.	Miscellaneous Income	35.75 (6.09)	55.06 (7.42)	44.07 (6.09)	36.43 (5.89)	42.92 (5.95)
	Total	587.39	741.75	723.22	618.14	720.87

Source: Primary Data

Note: Figures in brackets indicate percentages

It is vivid from the above table that the income from premium is the major source of income for the study unit in recent times. It constitutes 52.58% of the total income in 2008-09 and 51.94% in 2009-10. It is followed by income from interest and dividend earned through investments. It shows a declining trend in recent times.

Hence, it is recommended that the company shall take necessary steps to improve the quality of their investment portfolio by investing more on government and industrial securities and thereby pushing up its income through interest and dividend.

SOURCES OF EXPENDITURE

Having seen the source of income, an analysis has been made to highlight the various sources of expenditures. The following table presents the same.

TABLE – 5

DETAILS OF EXPENDITURES (FIGURES IN LAKHS)

\$S. No	Details	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Commission to Agent	38.73 (36.37)	39.46 (35.67)	42.03 (34.10)	44.42 (35.16)	45.76 (34.12)
2.	Salary to Staff	58.03 (54.50)	59.06 (53.39)	60.28 (48.91)	62.72 (49.64)	64.85 (48.34)
3.	Postal	1.76 (1.65)	2.89 (2.61)	3.53 (2.86)	5.25 (4.16)	5.69 (4.24)
4.	Travelling	5.18 (4.86)	7.25 (6.55)	12.93 (10.49)	9.72 (7.69)	12.75 (9.51)
5.	Other Expenses	2.78 (2.62)	1.97 (1.78)	4.48 (3.64)	4.24 (3.35)	5.08 (3.79)
	Total	106.48	110.63	123.25	126.35	134.13

Source: Primary Data

Note: Figures in brackets indicate percentages

It is observed from the above table that salaries to employees are the major source of expenditure for the study unit. It constitutes 49.64% of the total expenditure in 2008-09 and 48.34% of total expenditure in 2009-10. It is followed by commission to agents. It is interesting to note that the expenditure varies with the income earned as shown in the below table.

TABLE – 6

TABLE SHOWING CORRELATION BETWEEN INCOME AND EXPENDITURE

x	(x - \bar{x})	X^2	Y	(y - \bar{y})	y^2	Xy
587.39	-90.884	8259.901	106.48	-13.688	187.361	1244.0201
741.75	63.476	4029.203	110.63	-9.538	90.973	-605.4341
723.22	44.946	2020.143	123.25	3.082	9.499	138.5236
618.14	-60.134	3616.079	126.35	6.182	38.217	-371.7484

720.87	42.596	1814.419	134.13	13.962	194.937	594.7254
3391.37	0	19739.745	600.84	0	520.987	1000.0866

$$X = 3391.37/5 = 678.274$$

$$Y = 600.84/5 = 120.168$$

$$\gamma = \frac{1000.0866}{\sqrt{19739.745} \times \sqrt{520.987}}$$

$$\gamma = 1000.0866 / 3206.867$$

$$\gamma = 0.312$$

From the above calculation, it is found that, there is a high degree of positive correlation between income and expenditure. Hence, higher the income higher is the expenditure has been proved.

PROFIT POSITION OF SIVAKASI DIVISIONAL OFFICE

Profit is the basic regulator of all kinds of sectors. The success of any business or management is depending upon its profit earning capacity. The profit earned or loss incurred over a period of time should be taken into account to a get a clear picture about the success of any unit.

TABLE – 7

PROFIT EARNED DURING 2005 – 2009 (FIGURES IN LAKHS)

Year	Profit / Loss	Trend Percentage
2005-06	159.84	-
2006-07	195.96	14.19
2007-08	210.47	18.68
2008-09	272.73	24.21
2009-10	287.59	25.53
Total	1126.59	

Source: Primary Data.

From the above table, it is gratifying to note that the United India Insurance Company Limited has earned profit throughout the study period. In 2005-06, it was Rs.159.84 lakhs and it has increased to Rs.287.59 lakhs in 2009-10 registering 25.53% growth over a period of five "years. It is a healthy trend indeed since profitability would go a long way in increasing the public confidence and in building up a good image.

SUMMARY OF FINDINGS

- It is found that all the three types of policies viz., fire, marine and motor constitute more or less an equal share in premium income during 2009-10.
- In 2000-01, it was Rs. 113.96 lakhs and it has increased to Rs. 496.28 lakhs in 2009-10, thus registering a growth of 435.49% over the study period.
- As far as the settlement of claims is concerned there is an increasing trend throughout the study period, increasing from Rs. 113 lakhs in 2000-01 to Rs. 493 lakhs in 2009-10.
- While analyzing the profitability position, it is heartening to note that the United India Insurance Company Limited has been earning profits throughout the study period. In 2005-06, it was Rs. 159.84 lakhs and it has increased to Rs. 287.59 lakhs in 2009-10, thus registering 25.53% increase over a period of five years.

SUGGESTIONS

- To achieve the business performance target, it is suggested that the study unit shall adopt various marketing strategies such as introduction of new schemes, restructuring of old plans, designing of new social security schemes, creation of awareness among rural people, reviewing the mode of premium, establishing customer relationship management, etc.,
- It is suggested that the company shall take more steps to popularize these policies through advertisement, circulars etc., and by extending fire insurance facilities at a concessional rates to institutions.
- It is suggested that the company shall devise new schemes for rural based industries and the tiny sectors functioning in the rural area.

CONCLUSION

The foregoing discussion on the marketing of general insurance products in Sivakasi shows that the movement is picking up in the area. If the above suggestions are duly carried out, the United India Insurance Company Limited will be able to market more effectively in the interest of the customers of this area as well as in the interest of the country as a whole.

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