A STUDY OF FINANCIAL ANALYSIS OF SELECTED 5 GENERAL INSURANCE COMPANIES

Corresponding Author:

SHANMUGA KESAVAN P

2/1015 Parapalayam,

Mangalam Road,

Tirupur-641604

Dr. S. GANDHIMATHI, M.Com., M.Phil., B.Ed.,Ph.D., P.G.D.C.A.

Associate Professor, Department of Commerce, Dr. N.G.P. Arts and Science College.

Shanmuga Kesavan P, Third-year B.Com.,Dr.N.G.P.Arts and Science College, Coimbatore

1.1 INTRODUCTION OF GENERAL INSURANCE:

General insurance is a crucial component of the broader insurance industry, playing a pivotal role in safeguarding individuals, businesses, and assets against a myriad of risks. Unlike life insurance, which provides financial protection in the event of death, general insurance covers a wide range of non-life risks. This type of insurance is designed to protect policyholders from unforeseen events that may result in financial losses. The diverse nature of general insurance encompasses various categories, including property, liability, health, and travel insurance, among others.

One of the fundamental principles of general insurance is risk mitigation. Insurance companies pool together the premiums paid by policyholders and utilize these funds to compensate those who suffer covered losses. This collective approach helps distribute the financial impact of risks across a large group of individuals or businesses. It is this risk-sharing mechanism that forms the foundation of general insurance and allows policyholders to have a safety net against unexpected events.

1.2 SCOPE OF THE STUDY:

The scope includes analysing the intricate processes of underwriting, where risks are assessed and policies are formulated, as well as investigating the complex mechanisms involved in claims management. Additionally, the study explores the financial health of insurance companies, including their investment portfolios, solvency ratios, and adherence to regulatory requirements. Understanding the legal and ethical frameworks governing these entities is another crucial aspect of the scope, ensuring compliance with industry standards and ethical considerations.

1.3 STATEMENT OF THE PROBLEM:

While the general insurance industry plays a pivotal role in risk management and financial stability, there exists a pressing need to address and understand several critical challenges within this sector. Key issues include the impact of emerging technological disruptions on traditional insurance models, the effectiveness of underwriting processes in accurately assessing and pricing risks, the implications of evolving regulatory frameworks on company operations, and the increasing prevalence of fraudulent activities in claims management.

1.4 OBJECTIVES OF THE STUDY:

- To know the financial performance of selected insurance companies
- To examine the liquidity and solvency position of insurance companies.
- To analyze the financial positions of the five group of insurance companies
- To analyse the comparative analysis of insurance companies.

1.5 TOOLS USED:

Ratio Analysis:

- current ratio
- fixed asset ratio
- proprietary ratio
- net profit ratio
- debt-to-equity ratio
- quick ratio

REVIEW OF LITERATURE

1. **NANDHINI NITHIN (2020)** Based on the discussion above, it is clear that marketing techniques are important for insurance services, and this also holds true for life insurance services. Additionally, there aren't many studies that look into the relationship between the marketing strategy used and how customers behave in relation to the strategy when it comes to life insurance services. Other than the factors taken into account in this study, there is still much to be discovered and discussed in this field.

2. **METHA (2020)** By increasing their total assets turnover capacity through carefully considered and reviewed capital budgeting techniques and working capital policies—investing a sufficient amount of funds in working capital will automatically lead to optimal fund utilization—companies can increase their operating capacity. When it exhibits an excessive proportion, it can also redirect its working capital toward either buying trade securities or repaying its loans.

PROFILE OF 5 GENERAL INSURANCE COMPANIES

1. Bajaj Allianz GENREAL INSURANCE COMPANY ;

Bajaj Allianz General Insurance Company Limited is a joint venture between Bajaj Limited and Allianz SE, one of the world's largest insurance companies. Here's a brief history:

2. HDFC ERGO GENREAL INSURANCE COMPANY;

HDFC ERGO General Insurance Company has witnessed significant growth since its inception, driven by various factors including strategic initiatives, product innovation, market expansion, and a focus on customer service. Here are some key aspects of its growth:

3. IFFCO TOKIO GENREAL INSURANCE COMPANY;

Established in 2000, IFFCO Tokio General Insurance Company Limited is a prominent insurance provider in India. It is a joint venture between the Indian Farmers Fertiliser Cooperative (IFFCO), which is one of the largest cooperative societies in the world, and Tokio Marine Group, a leading insurance conglomerate based in Japan.

4. BHARTI AXA GENERAL INSURANCE COMPANY;

Bharti AXA General Insurance Company Limited is a joint venture between Bharti Enterprises, one of India's leading business conglomerates, and AXA Group, a global leader in insurance and asset management. Here's an introduction to Bharti AXA General Insurance Company:

5.RELIANCE GENERAL INSURANCE COMPANY;

Reliance General Insurance Company Limited, a subsidiary of Reliance Capital, stands tall as one of India's leading insurance providers. Established in 2000, Reliance General Insurance has swiftly grown to become a significant player in the country's insurance landscape, offering a diverse range of insurance products to cater to the evolving needs of individuals and businesses

DATA ANALYSIS AND INTERPRETATION

4.1 RATIO ANALYSIS:

Ratio analysis is a technique used in finance and accounting to evaluate a company's financial performance and health by analysing the relationships between various financial figures in its financial statements. It involves calculating and interpreting different ratios to gain insights into different aspects of a company's operations, profitability, liquidity, solvency, and efficiency.

TYPES OF RATIOS:

- CURRENT RATIO
- FIXED ASSET RATIO
- PROPRIETARY RATIO
- NET PROFIT RATIO
- DEBT-TO-EQUITY RATIO
- QUICK RATIO

4.1.1.CURRENT RATIO:

A current ratio greater than 1 indicates that a company has more current assets than current liabilities, suggesting it can cover its short-term obligations. However, a very high current ratio may indicate inefficiency in asset utilization. Conversely, a ratio less than 1 suggests potential liquidity issues. The ideal current ratio varies by industry and depends on factors like business stability, cash flow patterns, and capital requirements.

Current Ratio = Current Assets/Current liabilities

Year	Bajaj general insurance	HDFC general insurance	Iffco Tokyo general insurance	Bharti AXA general insurance	Reliance general insurance
2019	1.06	0.54	1.63	1.51	1.72
2020	0.81	0.38	0.84	1.84	1.87
2021	2.54	0.76	0.93	0.90	2.05
2022	1.60	0.84	1.85	0.15	2.10
2023	0.34	0.76	0.31	1.43	0.94

INTERPRETATIONS:

The current ratio measures a companies ability to pay short term obligations. In the year of 2021 in Bajaj general insurance has more contribution then Four companies and the year of 2022 Reliance general insurance has more contribution then four companies from the table observed that the current ratios are less then standard ratio and gradually increases.

4.1.2 FIXED ASSET RATIO:

A high fixed asset turnover ratio indicates that the company is effectively using its fixed assets to generate sales, while a low ratio suggests inefficiency in asset utilization or possibly underutilized assets. Comparing this ratio over time or against industry benchmarks can provide insights into a company's operational efficiency and asset management strategies.

Fixed Asset Ratio= Net Sales/Average Fixed Ratio

Year	Bajaj general insurance	HDFC general insurance	Iffco Tokyo general insurance	Bharti AXA general insurance	Reliance general insurance
2019	1.16	2.09	0.19	1.49	2.69
2020	3.45	1.65	0.06	0.83	0.42
2021	2.29	1.20	2.81	0.71	1.51
2022	3.05	0.57	1.07	2.51	1.96
2023	2.18	1.37	1.20	0.72	0.05

INTERPRETATION:

Fixed asset turnover ratio implies that the management is using the fixed assets more effectively the fixed asset turnover ratio. In the year of 2020 Bajaj general insurance high ratio comparing then other companies. And the year of 2022 also Bajaj general insurance have high ratio.

4.1.3 PROPRIETARY RATIO:

The proprietary ratio, also known as equity ratio, measures the proportion of assets financed by the owner's equity. It's calculated by dividing owner's equity by total assets. A higher ratio indicates a larger proportion of assets funded by owner's equity, which implies lower financial risk.

Proprietary Ratio = Shareholders Equity / Total Assets

Year	Bajaj general insurance	HDFC general insurance	Iffco Tokyo general insurance	Bharti AXA general insurance	Reliance general insurance
2019	1.58	1.86	2.69	1.65	1.63
2020	0.78	2.91	1.70	0.83	1.45
2021	0.60	2.86	1.52	0.96	1.60
2022	1.86	2.79	1.60	2.74	2.67
2023	2.39	2.51	2.06	2.54	2.56

INTERPRETATION:

The proprietary ratio measures the amount of funds that investors have contributed towards the capital of a firm in relation to the total capital that is required by the to conduct operations. In the year of 2020 HDFC general insurance have high ratio comparing then other companies.

4.1.4 NET PROFIT RATIO:

The net profit ratio is a financial metric used to assess a company's profitability. It's calculated by dividing net profit by total revenue and multiplying by 100 to express it as a percentage. It indicates how much profit a company generates for every dollar of revenue earned.

Net Profit Ratio = Net profit After Tax / Total Revenue

Year	Bajaj general insurance	HDFC general insurance	Iffco Tokyo general insurance	Bharti AXA general insurance	Reliance general insurance
2019	12.68	22.61	10.77	11.68	12.06
2020	13.76	26.77	9.66	10.65	12.46
2021	8.21	30.69	11.87	11.41	11.08
2022	13.56	31.76	11.08	10.27	13.58
2023	9.08	29.17	10.57	9.26	22.10

INTERPRETATION:

Net profit ratio measures the profitability of the firm over the year. From the table HDFC general insurance have more Revenue over the five years and comparing between other four companies.

4.1.5 DEBT-TO-EQUITY RATIO:

A high Debt-to-Equity ratio indicates that a company has been financing its growth primarily through debt, which can increase financial risk. Conversely, a low Debt-to-Equity ratio suggests that a company relies more on equity financing, which might indicate a lower risk but can also indicate slower growth or limited access to debt financing.

Debt-to-Equity Ratio = Total Debt/Total Equity

Year	Bajaj general insurance	HDFC general insurance	Iffco Tokyo general insurance	Bharti AXA general insurance	Reliance general insurance
2019	0.55	0.63	0.99	0.55	0.41
2020	0.13	0.94	0.15	0.15	0.37
2021	0.47	0.62	0.47	0.65	0.97
2022	0.36	0.79	0.48	0.80	0.68
2023	0.04	0.47	0.14	0.46	0.46

INTERPRETATION:

The debt to equity ratio's upward trend raises the possibility that the businesses depended increasingly on debt financing to keep themselves afloat. IFFCO General Insurance has a higher ratio in 2019 when compared to the other four companies.

4.1.6 QUICK RATIO:

The quick ratio, also known as the acid-test ratio, is a financial metric used to assess a company's short-term liquidity position. It's calculated by dividing the sum of a company's cash, cash equivalents, marketable securities, and accounts receivable by its current liabilities.

Quick Ratio = Quick Asset / Quick Liabilities

Year	Bajaj general insurance	HDFC general insurance	Iffco Tokyo general insurance	Bharti AXA general insurance	Reliance general insurance
2019	1.09	0.68	0.13	0.87	1.03
2020	1.35	0.25	0.15	1.07	1.34
2021	1.07	1.58	0.87	0.37	1.56
2022	1.83	1.91	0.35	0.56	1.22
2023	2.79	1.58	1.74	1.38	1.89

INTERPRETATION:

The ratio of assets to liabilities is represented by the quick ratio figure. The greatest quick ratio is shown in the table for the year 2023, with a standard quick ratio of 2.97. Comparing Bajaj General Insurance to the other four firms, the ratio is higher.

FINDINGS, SUGGESTION AND CONCLUSION

FINDINGS:

- According to the current ratio, Bajaj General Insurance made the largest ratio contribution in 2021, whereas Reliance General Insurance contributed more in 2022 than Bajaj General Insurance did.
- The amount of money investors have put into a company's capital is measured by the proprietary ratio. 2020 will see a high ratio for HDFC General Insurance when compared to other companies.
- The net profit ratio calculates the company's annual profitability. According to the table, when compared to the other four companies, HDFC General Insurance has generated greater revenue during the past five years.

SUGGESTION:

- To maintain a good level of current ratio, businesses should concentrate on growing current assets and decreasing current liabilities.
- The companies must strengthen its long-term financial condition.
- Businesses ought to heed the financial auditor's advice.
- The companies ought to take action to raise their general level of assurance and efficiency.
- The companies must lower its total debt.

CONCLUSION:

In this study of each company exhibits unique strengths and weaknesses in their financial performance. While some companies demonstrate robust revenue growth and profitability metrics, others may struggle with solvency ratios and operational efficiency. Market position and competitive advantage vary across the board, with some companies maintaining strong market shares and effective differentiation strategies, while others face challenges in these areas.

REFERANCE:

BOOKS:

- Research methodology (Dr. J.A. Khan, A P H Publications)
- Management accounting (Dr. B.K. Mehta, SBPD Publications)

WEB SITES:

- https://www.wikipedia.org/
- https://shodhganga.inflibnet.ac.in/
- https://www.moneycontrol.com/