



# A Study on Performance Analysis of Oriental General Insurance Company

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## Abstract

The evaluation of a company's performance is an integral part of the management of every organization. This research enables the determination of the extent to which actions made by business management had an impact on the company's performance results, as well as the trajectory of those results and the necessary steps to enhance them. It should be highlighted, however, that in today's dynamic corporate climate, timely performance control is vital; as a result, non-financial performance indicators are gaining increasing attention. Traditionally, the performance of a corporation is evaluated by analyzing financial performance metrics. However, in today's dynamic business world, timely performance management is essential. Based on secondary data from the company's annual report on performance analysis, this study assesses the performance of Oriental General Insurance in terms of premiums collected, claims paid, operational expenses, profit earned, and income distribution.

**Keywords:** Performance, Premiums, Claims, Operating expenses, Income

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## I. Introduction

Insurance is the backbone of risk of the people from unexpected happenings to them in a nation. Insurance providers offer a variety of risk protection packages to businesses, ensuring them financial stability. It assists individuals and organizations in mitigating the effects of risk, contributing significantly to the growth and development of the insurance sector. The Indian insurance business faces significant obstacles in terms of finding willing customers, supplying them with services, attracting and keeping players, product and distribution innovation, and so forth. In addition to meeting the needs of their clients, Indian life insurers must also improve their performance to ensure profitable growth. To sustain profitable growth, private enterprises struggle with promoting insurance awareness, building brand strength, meeting regulatory requirements, establishing a vast network of distribution channels, and putting in place infrastructure. The importance of new and competitive dynamics is heightened by the fact that the oriental insurance sector anticipates diverse consumer categories with varying wants, hence highlighting the significance of new customer segments. To win, they need to rethink business strategies that help businesses make money and stay in business.

### Industry Growth in Life Insurance:

At the time of the opening of the insurance industry in India, there was no intense market competition. Until 2021, the only life insurance firm functioning in India was the public-sector Life Insurance Corporation (LIC). In 1999, the Indian government permitted the privatization of the insurance industry and established the Insurance Regulatory Development Authority (IRDA) to regulate and grow the sector. IRDA has awarded licenses and opened the market for private life insurance companies. As a result, India's insurance business has expanded rapidly since liberalization in 1999, when private players were permitted to enter the country's life insurance market. In terms of premium income, new business policies, number of offices, agents, products,

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riders, etc., the Indian life insurance sector grew exponentially beginning in 2000. The Indian insurance business is experiencing a period of rapid expansion, headed by market participants who are attempting to alter the market's characteristics through modernization and development. In India, there are now 23 private life insurers and 1 public life insurer functioning in 2012–13. A report from McKinsey in 2007 says that by 2025, India is expected to be the fifth largest market in the world.

### **The Oriental Insurance Company**

On September 12, 1947, The Oriental Insurance Company Ltd. was formed in Mumbai. The Oriental Government Security Life Assurance Company Ltd. was established the company as a wholly-owned subsidiary to engage in general insurance. From 1956 until 1973, the company was a subsidiary of the Life Insurance Corporation of India (till the General Insurance Business was nationalized in the country). In 2003, the General Insurance Corporation of India surrendered all of its shares in our company to the Central Government.

The company is a pioneer in establishing methods for the efficient and orderly operation of businesses. The company's greatest asset is its highly trained, highly motivated, multi-disciplined workforce with broad expertise. Oriental specializes in the creation of custom covers for huge projects such as power stations, petrochemical, steel, and chemical plants.

The company has created a variety of insurance policies to meet the demands of India's urban and rural populations. The company's professional staffs are technically qualified and knowledgeable to provide the highest quality customer service. In 1950, Oriental Insurance began with a modest first-year premium of Rs. The company's mission statement was "Service to Clients," and its accomplishment was aided by the establishment of enduring traditions over time. With its headquarters in New Delhi, Oriental has 29 regional offices and more than 1800 functioning offices in cities across India. The company has international operations in Nepal, Kuwait, and Dubai and employs approximately 13,500 people in total. From less than one lakh at its commencement, the gross premium rose to Rs. 58 crores in 1973 and Rs. 13199 crores at the end of the 2018-19 fiscal year.

## **II. Objective**

1. To evaluate the performance of the oriental general insurance company

## **III. Methodology**

The study is based on IRDA's annual reports. Several websites were also investigated. Oriental Insurance calculates financial parameters such as current ratio, solvency ratio, return on asset ratio, and leverage ratio to determine financial success.

### **Data source**

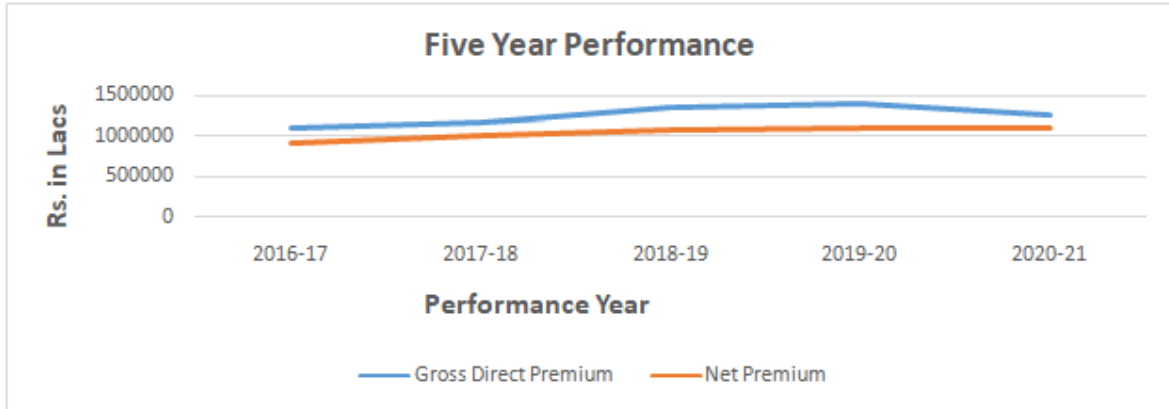
This study employed secondary data. As secondary sources of information, we looked at books, journal articles, published and unpublished research papers, financial statements, and measurements of insurance company performance from Oriental Insurance's Annual Report. **Processing data**

Manually editing and organizing secondary data determines completeness. All secondary data was manually and electronically processed and analyzed with MSExcel.

## **IV. Analysis of Performance Evaluation**

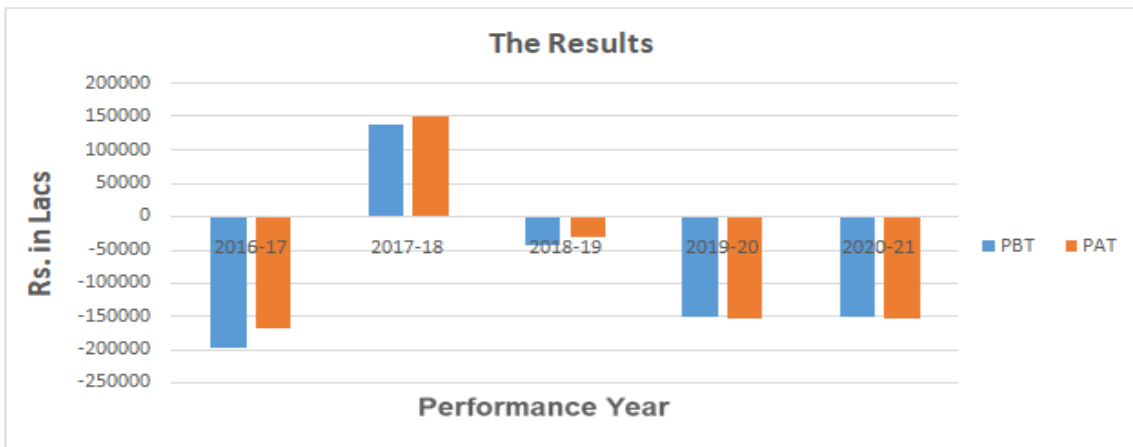
### **Premiums Received**

According to the financial results for the fiscal years 2020–21, The Oriental General insurance company has reported a negative growth rate of -8.92% on a gross basis. Additionally, it has reported an underwritten global premium of Rs. 12747.42crores, which is less than the underwritten global premium of Rs. 13996.01crores in the year 2019-20. When compared to the amount of Rs. 10988.69 crores that it was in the year 2019–20, our net premium 2020–21 was 11007.69 crores, which is an increase of 0.16% when compared to the amount that it was in the year 2019–20.



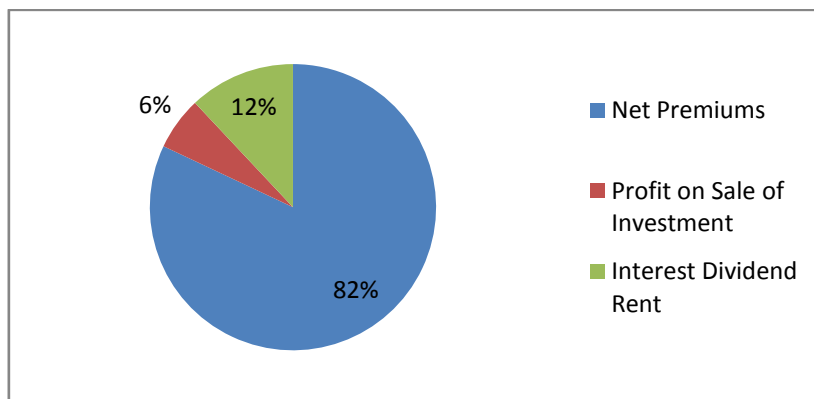
**Claims settled**

When the income from the Policyholder is factored in, the Operating Deficit dropped to Rs. 1232.82crores in FY 2020-21 from Rs. 1382.75crores in FY 2019-20. This was mostly because Incurred Claims increased during the period. Since all obligations were accounted for by the best actuarial predictions for the fiscal year 2020-21 and the company had no carryover from prior years, this year we recorded a loss before tax of Rs. 1512.05crores, which is an increase from last year's loss before tax of Rs. 1498.69crores. After taking into account taxes, the total loss for the fiscal year 2020-21 was more than the total loss for the previous fiscal year, which was Rs 1,524.10 crores.



**Operating Expenses**

The total amount of money spent on operating expenses during the fiscal year 2020–21 was 3042.81 crores, which is 399.72 crores less than the amount of money spent on operating expenses during the fiscal year 2019–20, which was 3442.53 crores. During the fiscal year 2019–20, the total amount of money spent on operating expenses was 3442.53 crores.

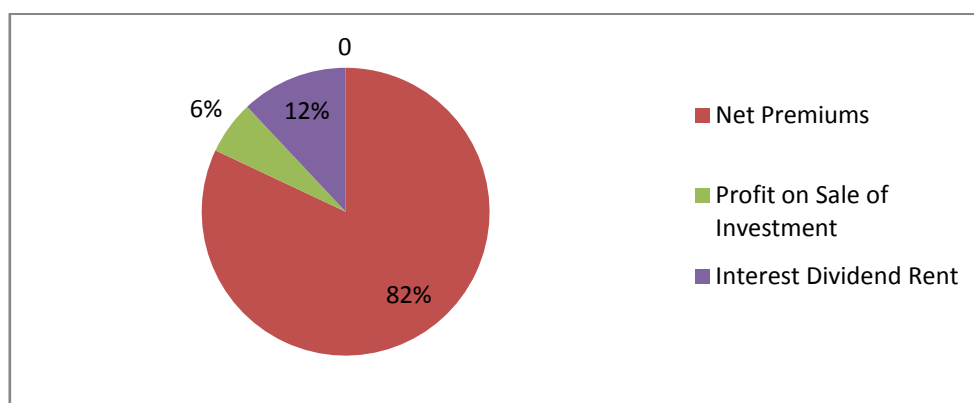


### Profit gained

As compared to the figure of 1438.05 crores profit recorded during the previous year, the total amount of revenue collected from interest, dividends, and rent increased to a total of 1660.33 crores during the current fiscal year. In comparison, the profit made from the sale of investments was Rs. 749.98 crores in the financial year 2020–21, whereas it was Rs. 1740.71 crores in the previous financial year, 2019–20.

### Income Distribution

During the financial year 2020–21, the Foreign Operations division recorded a gross premium of Rs. 297.71 crores and a net surplus of Rs. 141.61 crores from its operations in Nepal, Dubai, Kuwait, and Qatar. In the 2019-20 fiscal year, a gross premium of 323.36 crores and a net deficit of 62.46 crores are expected to be recorded. As of March 31, 2021, the solvency margin stood at 1.52 percent. AM BEST, another well-known rating organization, has confirmed that our current grade of "B+" will not be changed shortly (very good). Both CRISIL and ICRA have said that shortly, they will give us their highest rating.



### V. Conclusion

Oriental insurance is critical to a nation's financial and economic stability. Future insurance industry profitability is crucial for financial stability. It has consequently become necessary to examine the factors that influence the financial performance of these organizations. In the past, such studies were rare, but in recent years, their number has grown. Results vary by country. This means one model of measuring financial performance can't be used everywhere. Despite the scenario, little research helps estimate Oriental Insurance's financial performance. The study finds that firm size and long-term investment most affect financial performance in Indian life insurance companies. Overinvesting in long-term investments can hurt Oriental Insurance's future profitability. Oriental Insurance Company should only expand after examining financial performance, as it can limit scale economies and profitability. The Oriental Insurance Company's financial performance drops moderately as short-term debt and operational expenses rise. Companies should manage their total assets, long-term investments, current assets, and current liabilities to maximize profit. In the future, the loss ratio, operating margin, premium increase, and tangibility may be used as independent variables in panel data analysis.

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