

Performance Assessment of Bajaj Allianz General Insurance Company Limited during 2001-02 to 2010-11

Abstract

Bajaj Allianz has received I AAA rating indicates highest claims paying ability and a fundamentally strong position. There are five types of business namely health, fire, marine, motor and 'others' segment; among which health segment is highest profitable than others.

Keywords: Premium, Claim, IRDA, Segment.

Introduction

Bajaj Allianz General Insurance Company Limited is a joint venture between Bajaj Finserv Limited (formerly part of Bajaj Auto Limited) and Allianz SE of Germany. Both enjoy a reputation of expertise, stability and strength. Bajaj Allianz General Insurance received the Insurance Regulatory and Development Authority (IRDA) certificate of registration on 2nd May, 2001 to conduct a general insurance business, including health insurance, in India. The company has an authorized and paid up capital of Rs. 1.10 billion. Bajaj Finserv Limited holds 74% and the remaining 26% is held by Allianz SE. Bajaj Allianz is headquartered in Pune and maintains a network of offices in over 200 towns throughout India. Bajaj Allianz maintained its premier position in the general insurance industry by achieving growth as well as profitability.

Bajaj Allianz has received I AAA rating, from ICRA Limited, an associate of Moody's Investors Service for seven consecutive years. This rating indicates highest claims paying ability and a fundamentally strong position. Bajaj Allianz was also awarded as "Claims Service Company of the Year" by the Indian Insurance Awards 2013, for its superior claims paying ability. The company was conferred with the Golden Peacock Award 2014 in the category of Innovative Products/Service.

Review of Literature

Some articles on insurance business are reviewed as follows:

Tripathy (2004), made an endeavour to find out the perception of customers towards insurance companies through marketing variables, and also analyzed the performance of customers and the importance they assigned to different attributes. The author also examined the satisfaction level of respondent customers and agents regarding customer service offered by the company, and tried to determine the position of different companies in the minds of people. The author suggested that to achieve greater insurance penetration, private companies have to create more vibrant and competitive industry, with greater efficiency, choice of products and value for customers.

Banumathy and Subhasini (2004), examined and evaluated the attitude of LIC policyholders towards Life Insurance business, at a branch level in Virudhunagar District. In order to collect opinion of policyholders, a well-structured questionnaire was prepared. The sample comprised of 200 respondents selected randomly. The study revealed that educational level, income and financial status of the policyholders are the important factors influencing their decision to take the policy. Most of the policyholders get the information about various plans & schemes of LIC only through its agents. Policies are taken up by the policyholders for various purposes, such as future safety, family welfare, children's education, marriage, tax benefits etc. About 10 components have been identified to measure the level of attitude. A five-point attitude scale had been framed. The components analyzed were: premium rate locating of branch, loan procedure, rate of bonus, services of agents, settlement of claims, advertisement, publicity, safety and social security. This measurement of level of attitude clearly revealed that most of the policyholders were satisfied with the services rendered by the LIC and its agents.



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Azam (2005), examined the customers' attitudes towards private and public owned general insurance organizations' products exploring 8 salient beliefs, namely, sound financial strength, goodwill, satisfactory claim settlement, easy risk underwriting, diversified policy, experienced employee, excellent client service and good office environment.

Sandhu and Bala (2006), in their research article, reviewed some of the studies that focused on different aspects of life insurance related to customer services, agents' opinion towards life insurance companies, service marketing, growth, functioning, problems and privatization of life insurance sector. The study revealed that the life insurance sector has gained greater importance over the period especially in the post- liberalization era.

Research Gap

The earlier literatures have not studied the following:

1. Trend of different components of income and expenditure in detail of Bajaj Allianz General Insurance Co.
2. They have not compared which business is most profitable and which one is less of the Bajaj Allianz General Insurance Co.

Objectives of the Study

1. To study the growth rate of different components of income and expenditure of the company.
2. To rank the businesses according to their profitability of the company.

Sources of Data and Methodology

All the data have been collected from the IRDA report of various years and the published annual report of Bajaj Allianz. The data have been collected on premium, other income, claims and other operating expenses business wise. The study period is 2001-02 to 2010-11. For methodology simple log linear trend equation have been fitted $\ln y_t = a + bt$ and auto-correlation test by Durbin Watson have been done by SPSS package.

Performance Measurement of Bajaj Allianz General Insurance Company

The annual growth rate of different performance parameters comprising total income and total expenditure of Bajaj Allianz have been presented here. In Table 5.5 and Table 5.7 the growth rate of the parameters forming part of total income have been presented in nominal and real terms respectively along with the results of estimated trend equations which are adjusted R^2 (i.e. \bar{R}^2), Durbin Watson Statistic (DW), acceleration or deceleration of the parameter, if any. In Table-1 and Table-4, the results of the estimated trend equations of the parameters comprising total expenditure have been presented in nominal and real terms respectively.

Total Income Analysis

From Table -1 and Table -3, we find that trend lines fitted to nominal and real figures of different components of total income from general insurance business of Bajaj Allianz and total income as a whole gave us a good fit, as all the adjusted values of R^2 (\bar{R}^2) are statistically significant at 1 %

probability level. Further, from the values of DW statistic it is found that in no case the problem of auto correlation in the disturbance term was present. From the estimated parameters it is found that during the study period, net premium earnings from all segments of non-life insurance business in Bajaj Allianz taken together was grown in India at an annual rate of 24.5 % and 21.3 % in nominal and real term respectively. The growth rate of this parameter was comparatively higher than that of income from investments and other income. However, a significant tendency of deceleration has been detected in all the parameters except income from investments and other income.

Total Expenditure Analysis

From Table -2 and Table -4, we found that trend lines fitted to nominal and real figures of different components of total expenditure from general insurance business of Bajaj Allianz gave us a good fit, as all adjusted values of R^2 (\bar{R}^2) are statistically significant at 1 % probability level. Further, from the values of DW statistic it is found that in no case the problem of auto correlation in the disturbance term was present. A significant tendency of deceleration has been detected in all the parameters of total expenditure. It has been observed that the nominal figures of net incurred claims from all business segments taken together grown at an annual rate of 23.5 % during 2001-02 to 2010-11 whereas in real term it was 20.3 %. Further, it can be seen that though the growth rate of net commission (40.2 % and 37.0 % in nominal and real term respectively) was much higher than all other components of total expenditure in both nominal and real terms; the growth rate of total expenditure (21.4 % and 18.2 % in nominal and real term respectively) was more or less similar with the growth rate of net incurred claims. This indicates to a comparatively huge presence of net incurred claims in the total expenditure of Bajaj Allianz in every year under study that can be seen from Table 5.36. Finally, it has been ascertained that total income of Bajaj Allianz was grown at a higher rate than the growth rate of total expenditure in both nominal and real terms during the study period. This indicates to a favourable business position of Bajaj Allianz during the study period. The annual reports of the company reveal that except 2001-02, Bajaj Allianz generated operating profit in every year under study that ranges from Rs. 17.10 crores to Rs. 179.80 crores.

Segment Wise Analysis of Net Premium Earnings and Net Incurred Claims

It can be seen from Table-1, 2, 3 and 4 that the annual growth rate of net premium earnings (24.5 % and 21.3 % in nominal and real term respectively) was higher than the growth rate of net incurred claims (23.5 % and 20.3 % in nominal and real term respectively) from all the five segments taken together. Similar trend in difference of growth rates of net premium earnings and net incurred claims has been identified in all the five segments in both nominal and real terms. Though the growth rate in net premium earnings from marine segment was highest (27.1 % and 24.0 % in nominal and real term respectively) among all the five segments, it is found

that the difference between the growth rates (in nominal and real terms) of net premium earnings and net incurred claims was highest in health segment followed by marine segment, motor segment and 'others' segment. However, the growth rates of net premium earnings and net incurred claims were same in fire segment in both nominal and real terms. Therefore, the underwriting performance of Bajaj Allianz was best in health segment among all the five segments under study.

Conclusion

The growth rate of premium income was comparatively higher than that of income from investments and other income. However, a significant tendency of deceleration has been detected in the

premium income except income from investments and other income.

It has been ascertained that total income of Bajaj Allianz was grown at a higher rate than the growth rate of total expenditure in both nominal and real terms during the study period. This indicates to a favourable business position of Bajaj Allianz during the study period.

In Segment wise analysis of business , it is found that the difference between the growth rates (in nominal and real terms) of net premium earnings and net incurred claims was highest in health segment followed by marine segment, motor segment and 'others' segment. Therefore, the underwriting performance of Bajaj Allianz was best in health segment among all the five segments under study.

Table -1
Estimated Growth Rate (In Nominal Terms) of Different Performance Parameters Comprising Total Income of Bajaj Allianz General Insurance Co. for the Period from 2001-02 to 2010-11

Sl.	Parameter	\bar{R}^2	Dw ⁺	Growth \hat{K} Rate (%)	Acceleration / Deceleration (%)
1	Net Premium Earnings (All Segments)	0.913 [*] (0.48723)	1.984	24.5 [*] (0.027)	-1.9 [*] (0.005)
	Fire	0.921 [*] (0.46583)	1.435	22.3 [*] (0.026)	-2.8 [*] (0.005)
	Marine	0.934 [*] (0.48564)	1.281	27.1 [*] (0.027)	-2.7 [*] (0.005)
	Motor	0.912 [*] (0.49734)	1.951	25.3 [*] (0.027)	-1.8 ^{**} (0.005)
	Health	0.909 [*] (0.49606)	1.980	24.6 [*] (0.027)	-1.8 ^{**} (0.005)
	Others	0.894 [*] (0.49186)	1.983	21.7 [*] (0.027)	-2.0 [*] (0.005)
2	Income From Investments	0.958 [*] (0.22628)	1.243	18.9 [*] (0.012)	-
3	Other Income	0.911 [*] (0.84061)	1.876	9.1 [*] (0.032)	-
	Total Income	0.953 [*] (0.31665)	1.930	23.8 [*] (0.017)	-1.4 [*] (0.003)

Notes: ^{*} implies significant at 1% probability level, ^{**} implies significant at 5% probability level, ^{***} implies significant at 10% probability level; Figures within the parenthesis are standard errors. ⁺All the values of DW statistic indicate the absence of autocorrelation problem in the disturbance term. ^a Acceleration/ deceleration in growth rate is represented by the estimated coefficient c of the log-quadratic trend $y_t = a+bt+ct^2+u_t$. ^k Growth rates are represented in the forms of percent per annum.

Table -2
Estimated Growth Rate (in Nominal Terms) of Different Performance Parameters Comprising Total Expenditure of Bajaj Allianz General Insurance Co. for the Period from 2001-02 to 2010-11

SL.	Parameter	\bar{R}^2	DW ⁺	Growth \hat{K} Rate (%)	Acceleration / Deceleration (%)
1	Net Incurred Claims (All Segments)	0.946 [*] (0.35288)	1.850	23.5 [*] (0.019)	-1.4 [*] (0.004)
	Fire	0.962 [*] (0.29964)	1.660	22.3 [*] (0.016)	-2.3 [*] (0.003)
	Marine	0.942 [*] (0.44106)	1.112	24.8 [*] (0.024)	-3.2 [*] (0.005)
	Motor	0.937 [*] (0.39182)	1.872	24.3 [*] (0.022)	-1.2 ^{***} (0.004)
	Health	0.933 [*] (0.37189)	1.811	21.8 [*] (0.020)	-1.5 [*] (0.004)
	Others	0.933 [*] (0.36907)	1.839	21.4 [*] (0.020)	-1.6 [*] (0.004)

2	Net Commission	0.774 [*] (1.58486)	1.833	40.2 [*] (0.087)	5.9 ^{**} (0.017)
3	Operating Expenses	0.986 [*] (0.11818)	1.355	16.3 [*] (0.007)	-0.8 [*] (0.001)
4	Other Expenses	0.965 [*] (0.46017)	1.298	6.8 [*] (0.058)	-0.9 [*] (0.021)
	Total Expenditure	0.975 [*] (0.21411)	1.809	21.4 [*] (0.012)	-1.0 [*] (0.002)

Notes: Same as Table -1

Table-3

Estimated Growth Rate (in Real Terms) of Different Performance Parameters Comprising Total Income of Bajaj Allianz General Insurance Co. for the Period from 2001-02 to 2010-11

Sl.	Parameter	\bar{R}^2	DW ⁺	Growth \hat{K} Rate (%)	Acceleration / Deceleration (%)
1	Net Premium Earnings (All Segments)	0.897 (0.48108)	1.995	21.3 [*] (0.026)	-2.0 [*] (0.005)
	Fire	0.910 [*] (0.45764)	1.448	19.1 [*] (0.025)	-2.9 [*] (0.005)
	Marine	0.925 [*] (0.47750)	1.294	24.0 [*] (0.026)	-2.8 [*] (0.005)
	Motor	0.895 [*] (0.49184)	1.932	22.1 [*] (0.027)	-1.9 [*] (0.005)
	Health	0.891 [*] (0.48981)	1.962	21.4 [*] (0.027)	-1.9 [*] (0.005)
	Others	0.874 [*] (0.48505)	1.962	18.5 [*] (0.027)	-2.1 [*] (0.005)
2	Income From Investments	0.928 [*] (0.24738)	1.130	15.7 [*] (0.014)	-
3	Other Income	0.815 [*] (0.34915)	1.219	6.3 [*] (0.022)	-
	Total Income	0.942 [*] (0.31159)	1.902	20.6 [*] (0.017)	-1.6 [*] (0.003)

Notes: Same as Table -1

Table -4

Estimated Growth Rate (in Real Terms) of Different Performance Parameters Comprising Total Expenditure of Bajaj Allianz General Insurance Co. for the Period from 2001-02 to 2010-11

SL.	Parameter	\bar{R}^2	DW ⁺	Growth \hat{K} Rate (%)	Acceleration / Deceleration (%)
1	Net Incurred Claims (All Segments)	0.934 [*] (0.34774)	1.820	20.3 [*] (0.019)	-1.5 [*] (0.004)
	Fire	0.954 [*] (0.29968)	1.689	19.1 [*] (0.016)	-2.4 [*] (0.003)
	Marine	0.936 [*] (0.43203)	1.116	21.6 [*] (0.024)	-3.4 [*] (0.005)
	Motor	0.922 [*] (0.38710)	1.850	21.2 [*] (0.021)	-1.3 ^{**} (0.004)
	Health	0.917 [*] (0.36759)	1.792	18.6 [*] (0.020)	-1.6 [*] (0.004)
	Others	0.917 [*] (0.36487)	1.825	18.2 [*] (0.020)	-1.7 [*] (0.004)
2	Net Commission	0.771 [*] (1.45118)	1.794	37.0 [*] (0.080)	5.2 ^{**} (0.016)
3	Operating Expenses	0.978 [*] (0.12531)	1.333	13.1 [*] (0.007)	-0.9 [*] (0.001)
4	Other Expenses	0.816 [*] (0.25514)	1.471	4.1 [*] (0.017)	-1.1 [*] (0.013)
	Total Expenditure	0.967 [*] (0.21175)	1.785	18.2 [*] (0.012)	-1.2 [*] (0.002)

Notes: Same as Table -1

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