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Comparative analysis public and private insurance in India

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Abstract
After deregulation of insurance sector, the sector embarked on development programmes with regard to delivery, innovation in products and insurance penetration. Insurance companies have made a shift from monopolistic environment to perfect competitive environment and a positive drive towards the introduction of excellence is risk coverage.
The performance of insurance companies in the light of CARAMEL (Capital Adequacy, Asset Adequacy, Reinsurance, Actuarial Issues, Management Soundness, Earning Profitability, and Liquidity) parameters .The performance of companies could be judged by different financial tools but qualitative aspect identified in CARAMEL framework has far reaching implications on the overall performance of insurance companies.
IRDA has prescribed solvency measures to put in place of capital adequacy ratio in place to protect the insurance companies and their clients.
Investment performance discloses the effectiveness and efficiency of investment decisions. The investment performance is negatively correlated to insolvency rate. In fact insurers are yet to report break even in their operations and it is investment income which has always come to rescue and has provided cushion for the huge underwriting losses suffered by the insurers but the recession of 2008 has affected all the companies and their the investment income has already witnessed decreasing trend.
Moreover the price deregulation will put more pressure on the underwriting profitability, the effect of which has already shown its impact and in the free price regime the onus will be on the underwriting performance rather than investment income to be a successful company.

Keywords: deregulation, risk coverage, liberalization, caramel, liquidity, solvency position, equity ratio, ROE, IRDA, public sector undertaking, sound management.

Introduction
The insurance sector is the hub of commercial activity and reflects the economic health of a country. If this sector is healthy, the economy of the country is also healthy; on the other hand if it is sick, the economy of the country would also be in bubbles because risk cover will not be properly available to the other sectors of the economy. The insurance industry till deregulation of Indian insurance sector was concentrated to few pockets of economy and as such insurance penetration was very low. After deregulation of insurance sector, the sector embarked on development programmes with regard to delivery, innovation in products and insurance penetration. The activities undertaken by the IRDA have increased the insurance activities manifold in terms of volume, variety of products and geographical coverage and more so competition due to entry of new insurers have increased service diversification to a greater extent. Insurance companies have made a shift from monopolistic environment to perfect competitive environment and a positive drive towards the introduction of excellence is risk coverage. In this context, the evaluation of financial performance of insurance companies in post liberalization is imperative**. (**Doh JP., 2000**)** [1] In previous two chapters, an individual analysis of the financial performance of the insurance companies have been attempted, present chapter is meant for comparative analysis of the public and private insurers by using relevant statistical tools.
In view of the growing skeptism regarding working of insurance companies in India, it has become imperative to appraise the performance of insurance companies in the light of CARAMEL (Capital Adequacy, Asset Adequacy, Reinsurance, Actuarial Issues, Management Soundness, Earning Profitability, and Liquidity) parameters.(Darzi TA. 2011) [2] The performance of companies could be judged by different financial tools but qualitative

aspect identified in CARAMEL framework has far reaching implications on the overall performance of insurance companies. The analysis based on these parameters is presently in infancy; therefore available media of using statistical tool, another milestone in CARAMEL framework has been used to evaluate performance of these insurers. The comparative performance is done on the basis of the capital adequacy, asset quality, reinsurance, management soundness, earnings & profitability and lastly liquidity. Over and above, the factors affecting solvency position of insurance companies is also being tested using multiple regression analysis.

Capital Adequacy: Statistical Analysis

Adequacy of capital is important for the financial institutions to maintain customers‘ confidence and preventing them from insolvency risks. Since the capital acts as cushion to protect the interest groups, it acts as shock absorber, against the risks arising out of instability in the country‘s‘ financial sector, enabling the institutions to come out of the bankrupt state and meet their obligations in time. The adequacy of capital is very important for the insurance company because unexpected insurer‘s losses are covered by charges to its capital. In other words, when capital is adequate remote is probability of business failure. Although the nature of non life insurance contracts are of short tail, however, it can put the concern in the state of insolvency if the dues are not met in the short span which again may be dangerous for the companies. In the absence of any specific benchmark rate in terms capital requirement, the insurance companies are at disadvantage to predict the risks that they may face due to capital erosion as compared to banking companies. (Palande PS. 2000) [3] However, IRDA has prescribed solvency measures to put in place of capital adequacy ratio in place to protect the insurance companies and their clients. Under sec 64(b) of Indian Insurance Act,1938 the non life insurance companies are required to continuously maintain the solvency margin of 1.5, to be monitored on quarterly basis. To have a comparative look of capital adequacy of public and private sector insurance companies two capital adequacy ratios (Ratio of net premium to capital and Ratio of capital to total assets) have been statistically tested.

Table 1.1: Statistical Analysis of Net premium to Capital of Public and Private Non life insurers

Ratios	Ins. Cos	Mean Ratio	Std. Dev	F -Value	Significan ce (Two- Tailed)	ACG R	Significan ce of ACGR
	Public Sector Insurance Companies						
Net Premium to Capital	New India	77.80	8.26	89.90	0.000	-6.10	.030
	Oriental	144.60	8.51			0.66	.775
	National	219.50	26.34			-0.45	.925
	United	91.50	9.15			-4.81	.112
	Private Sector Insurance Companies						
Net Premium to Capital	Royal	213.08	56.18	5.75	0.000	17.5	.013
	Bajaj	232.30	31.33			7.17	.053
	IFFCO	168.12	35.47			10.58	.133
	ICICI	121.98	23.89			7.37	.332
	Tata AIG	166.50	14.73			0.78	.827
	Reliance	99.32	65.90			47.26	.012
	Chola	123.57	83.30			41.93	.002
	HDFC	101.74	9.08			-3.34	.302

Source: Compiled from Annual Reports of companies under study.

Table 1.1 represents statistical analysis of net premium to capital ratio of the under study public and private non life insurance companies. The ratio of net premium to capital of all public insurance companies registered high mean score, not differing at 0.05 level of significance level. National insurance company shows the higher standard deviation of 26.34 amongst the public sector indicating high fluctuations in the ratio on account of premium collection. The Annual Compound Growth Rate, however, shows the negative growth in case of New India (-6.10), National (-0.45) and United (-4.81), only Oriental insurance company has witnessed a slight growth of 0.66 that too is insignificant due to fluctuations in the premiums collection throughout the study period.

The private sector companies have registered tremendous growth in terms of mean score. The average growth for Royal, Bajaj, IFFCO, ICICI, Tata AIG, Reliance, Cholamandalam, and HDFC was 213.08, 232.30, 168.12, 121.98, 166.50, 99.32, 123.57 and 101.74 respectively. The analysis shows that there is significant difference in the ratio for the companies as F value is recorded at 5.75. The standard deviation presented in the table represents high degree of variability in the collection of premium for all the companies, when compared to public sector companies. Reliance, Cholamandalam and Royal witnessed varying fluctuations in the ratio because of wide gap in the year to year premium collection reflecting companies‘ aggressive strategies in gaining the market share, which is reflected by the Annual Compound Growth Rate, which is recorded at 41.93, 47.26 and 17.50 respectively for these companies. HDFC shows insignificant negative ACGR of -3.34, due to earlier increase and thereafter drastic fall in the premium collection. The analysis reveals stable state for Bajaj Allianz on account of high mean score with marginal standard deviation. Further, it has been found that amongst public sector insurers; only Oriental has shown insignificant positive ACGR of 0.66 while as the rest of the public insurers are seen to have reported negative insignificant growth.

Table 1.2: Statistical Analysis of Capital to Total Assets of Public and Private Non life insurers

Ratios	Ins. Cos	Mean Ratio	Std. Dev	F -Value	Significan ce (Two- Tailed)	ACG R	Significan ce of ACGR
Public Sector Insurance Companies							
Capital to Total Assets	New India	22.179	3.294	22.19	0.000	6.26	.215
	Oriental	13.720	1.237			0.28	.938
	National	10.380	1.498			0.60	.921
	United	21.345	3.937			9.15	.082
Private Sector Insurance Companies							
Capital to Total Assets	Royal	29.100	9.083	8.37	0.000	-17.10	0.019
	Bajaj	23.472	1.466			-3.51	0.054
	IFFCO	31.141	4.170			-5.29	0.264
	ICICI	28.936	3.865			0.12	0.984
	Tata AIG	31.543	1.716			-0.13	0.952
	Reliance	45.955	13.904			-15.60	0.076
	Chola	44.092	13.784			-19.99	0.001
	HDFC	53.049	3.312			-3.41	0.073

Source: Compiled from Annual Reports of companies under study.

As is evident from the analysis of capital to total assets ratio presented in Table 1.2, the mean score of public insurers is better and is recorded at 22.179, 13.720, 10.380 and 21.345 respectively for New India, Oriental, National and United insurers. The variability in terms of standard deviation for all these companies is very low, however, New India (SD 3.294) and United (SD 3.937) have slight variability compared to the other two public sector insurers. The ACGR was high in case of United (9.15) and New India (6.26) in the sector with insignificant growth arising due to increase in the assets and investments and increase in the reserves and surplus. The companies seem to rely less on equity capital due to the huge reserves accumulated during pre-liberalization era.

The private sector insurers on the other hand have shown significantly good mean ratio, HDFC, Reliance, Cholamandalam, Tata AIG, IFFCO, Royal, ICICI and Bajaj at 53.049, 45.955, 44.092, 31.543, 31.141, 29.100, 28.936 and 23.472 respectively. The variability in terms of standard deviation is highest in case Cholamandalam (SD 13.784), Reliance (SD 13.904) and Royal (SD 9.083) and lowest in case of Bajaj (SD 1.466), Tata AIG (SD 1.716), HDFC (SD 3.312), ICICI (SD 3.865) and IFFCO (SD 4.170). The companies however saw significant negative growth in the ratio due to increase in the investments, although there has been infusion of fresh capital by the concerns but that has been to meet the solvency requirements by the concerns and proportion of increase in investment has been more compared to the increase in capital.

Asset Quality Ratio: Statistical Analysis

The quality of assets is an important parameter in insurance sector to gauge their financial strength. The asset quality ratio analysis differs in application to the banking sector where it measures the component of bad debts in total assets strength. In case of insurance companies the ratio reflects the efficiency of the equity infused and growth in the assets strength and also comparative growth in both.(Skipper, Harold D., and Robert W. Klein. 2000) [4] To have a comparative look of asset quality of public and private sector insurance companies following two asset quality ratios have been statistically tested.

1. Ratio of equities to total assets.
2. Ratio of Real Estate + Unquoted Equities + Debtors/Total Assets.

Table 1.3: Statistical Analysis of Equities to Total Assets of Public and Private Non life insurers

Ratios	Ins. Cos	Mean Ratio	Std. Dev	F - Value	Significance (Two- Tailed)	ACG R	Significan ce of ACGR
Public Sector Insurance Companies							
Equities to Total Assets	New India	0.7216	0.0546	4.04	0.026	-2.26	.448
	Oriental	0.7708	0.1535			-8.38	.178
	National	0.7788	0.1322			-5.74	.330
	United	0.9930	0.1674			6.60	.304
Private Sector Insurance Companies							
Equities to Total Assets	Royal	28.56	9.51	10.41	0.000	-18.66	.013
	Bajaj	7.93	4.72			-37.67	.000
	IFFCO	22.52	5.36			-13.93	.051
	ICICI	14.44	8.38			-31.25	.009
	Tata AIG	29.48	2.77			-4.01	.217
	Reliance	22.28	19.30			-61.86	.007
	Chola	43.31	14.76			-22.23	.001
	HDFC	52.71	3.44			-3.70	.050

Source: Compiled from Annual Reports of companies under study

The first ratio in the analysis of asset quality of insurance companies is presented in Table 1.3. The ratio is less than one percent for the public sector insurers and has witnessed minor fluctuation in the average ratio over the period of study. The public sector insurers significantly differ in the ratio as there has been sharp increase in the total assets of all the companies, however, only two of the concerns, New India and United have increased their equity by `500 lakhs. It is evident from the analysis that the United being sole company to witness ACGR of 6.60 percent, rest have witnessed negative insignificant growth due to increase in the investment and other assets. The public sector companies as per the analysis are able to meet the regulatory norm for the initial paid up capital of `100 crores and thereafter relied heavily on reserves and retained earnings to suffice the solvency requirement.

Table 1.4. Statistical analysis of Real estate, unquoted equities and debtors to total assets

Ratios	Ins. Cos	Mean Ratio	Std. Dev	F - Value	Significanc e (Two- Tailed)	ACG R	Significan ce of ACGR
Public Sector Insurance Companies							
Real Estate + Unquoted Equities* + Debtors/Total Assets	New India	19.328	5.466	1.17	0.353	13.58	0.076
	Oriental	16.200	5.563			15.21	0.108
	National	22.748	5.476			10.21	0.14
	United	19.908	5.721			11.58	0.154
Private Sector Insurance Companies							
Real Estate + Unquoted Equities + Debtors/ Total Assets	Royal	44.144	2.635	4.15	0.002	2.41	0.239
	Bajaj	30.278	8.143			12.14	0.163
	IFFCO	34.718	9.866			17.8	0.001
	ICICI	48.440	5.081			6.23	0.013
	Tata AIG	36.140	10.480			14.68	0.05
	Reliance	32.788	9.373			16.4	0.012
	Chola	32.382	5.385			8.84	0.091
	HDFC	29.724	3.914			7.16	0.042

Source: Compiled from Annual Reports of companies under study

The second ratio in the analysis of asset quality for the insurers is the ratio of real estate, unquoted equities and debtors to total assets, which is present in table 1.4. The highest mean score of the ratio has been witnessed amongst public sector insurers for National Company (22.748) and lowest in case of Oriental Company (16.200). The increase in ratio for public insurers can be attributed to increase in investments, real estate and infrastructure and also due to marginal increase in the debtors over the period of study. From the analysis of ratio of private sector insurers, similar picture is witnessed. The highest ratio in terms of mean score is witnessed for ICICI (48.440) and Royal (44.144) and lowest in case of HDFC (29.724) and Bajaj (30.278).

In terms of variability, the highest variability in the ratio is recorded in case of Oriental insurer (SD 5.563) and lowest for New India (SD 5.466) among public sector companies. However, in terms of variability, the highest variability in the ratio is recorded in case of Oriental insurer (SD 5.563) and lowest for New India (SD 5.466) amongst public sector companies. However in terms of variability, the highest variability in the ratio is witnessed in case of Tata AIG (SD 1010.480), IFFCO (SD 9.866) and Reliance (SD 9.373), and lowest in case of Royal (SD 2.635) and HDFC (SD 3.914) among private insurers. The ratio is insignificant in terms of ―F‖ test for both sectors. The ACGR, however, discloses the significant growth pattern by only New India (13.58), where as insignificant growth of 15.21, 11.58 & 10.21 is recorded in case of United and National insurers. In contrast, the highest significant growth was witnessed by ICICI, Royal, Tata AIG, IFFCO, Reliance, Cholamandalam, Bajaj and HDFC insurance companies among private sector insurers on account of increasing investment in the real estate with minimum fluctuations except Tata AIG. The ACGR reflects the significant exponential growth by IFFCO, Reliance and Tata insurers, attributed to the sound investment policy in the real estate and infrastructure.

Table 1.5. Statistical Analysis net premium to gross premium of insurance companies

Ratios	Ins. Cos	Mean Ratio	Std. Dev	F - Value	Significance (Two-Tailed)	ACGR	Sig. of ACGR
Public Sector Insurance Companies							
Net Premium to gross premium	New India	90.466	3.342	28.51	0.000	1.85	.111
	Oriental	71.706	4.552			3.13	.117
	National	75.275	4.060			2.23	.234
	United	71.575	2.845			0.74	.632
Private Sector Insurance Companies							
Net Premium to gross premium	Royal	60.24	9.13	3.20	0.011	8.68	.015
	Bajaj	53.65	12.07			12.66	.018
	IFFCO	47.85	10.97			14.61	.002
	ICICI	39.82	13.01			20.62	.002
	Tata AIG	56.73	8.74			8.30	.035
	Reliance	42.32	19.00			21.80	.078
	Chola	45.36	6.75			7.56	.072
	HDFC	66.08	7.57			-5.17	.225

Source: Compiled from Annual Reports of companies under study.

The public sector insurers have witnessed considerably the high mean score of 90.466, 75.275, 71.706 and 71.575 respectively by New India, Oriental, National and United. The analysis of this ratio indicates thin gap between the net premiums and gross premiums which clearly reveals that the risk retaining capacity of the companies is showing healthy growth without much variability over the period of study. The higher F value indicates that the companies significantly differ in the pattern (P = 0.000).

In terms of variability, the highest variability is recorded in the case of Oriental (SD 4.552) and lowest in case of United (SD 2.845) amongst public sector insurance companies. The ACGR also shows significant growth on account of risk retention ratio, lime lighting that the companies do not differ significantly in terms of mean score, ranging from 39.82 to 66.08. The gap which is witnessed in the private sector insurers' ratio indicates that the companies prefer to reinsure major portion of their business and pass on the risk to reinsurers.

In case of private sector insurance companies, highest variability is witnessed in case of Reliance (SD 19.00), ICICI (SD 13.01), Bajaj (SD 12.07) and IFFCO (SD 10), while lowest is recorded in case of Tata AIG (SD 8.74) and Royal (SD 9.15). The important manifestation is revealed from F value (3.20) that companies differ significantly in terms of variability.

Earnings and Profitability

The analysis of earnings and profitability is directed towards evaluation of operational and underwriting efficiencies of the insurers. For this purpose a set of ratios have been examined

i.e. loss ratio, expense ratio, combined ratio, investment income ratio, and ROE. The variation in these ratios for the select companies will have lasting impact on their financial stability and solvency. The first three ratios of this analysis are required to be minimal for the positive and sustaining financial performance of the insurance company and reflect their underwriting efficiency are positively correlated with capital adequacy.

Loss Ratio

The claims ratio also termed as loss ratio in insurance business is defined as the claims incurred to net premiums earned. If this ratio is high, it indicates that lesser amount is available for expenses recovery and thereby has negative impact on profitability of the companies and vice versa. Since there may be the argument that the amount of claims incurred cannot be minimized as the portion include perils insured, however, insurers differ to a good extent in terms of this ratio, highlighting the scope for efficient underwriting.

Table 1.6. Analysis of Claim Ratio of Public and Private Non life insurers

Ratios	Ins. Cos	Mean Ratio	Std. Dev	F –Value	Significanc e (Two- Tailed)	ACGR	Sig. of ACGR
Public Sector Insurance Companies							
Loss Ratio	New India	84.283	5.255	2.02	0.152	2.72	.208
	Oriental	91.070	4.984			2.39	.179
	National	93.422	7.646			2.24	.469
	United	89.427	6.143			-3.27	.171
Private Sector Insurance Companies							
Loss Ratio	Royal	65.466	2.908	4.99	0.001	1.30	.437
	Bajaj	67.184	4.146			2.83	.175
	IFFCO	74.734	6.326			5.22	.002
	ICICI	77.115	5.239			4.07	.008
	Tata AIG	56.088	2.592			1.57	.337
	Reliance	74.016	6.639			1.38	.704
	Chola	68.943	9.653			-3.68	.504
	HDFC	67.650	10.768			6.75	.214

Source: Compiled from Annual Reports of companies under study.
Note: Loss ratio is equal to claims incurred to net premiums earned

The arithmetic mean of loss ratio of the public insurers was registered at 93.422, 91.070, 89.427 and 84.283 for National, Oriental, United and New India respectively. However, the loss ratio of the private non life insurers seem to be stable compared to public insurers. The mean score of the ICICI, IFFCO, Reliance, Cholamandalam, HDFC, Bajaj, Royal and Tata AIG was registered at 77.115, 74.734, 74.016, 68.943, 67.650, 67.184, 65.466 and 56.088 respectively. In terms of variability, the variation in loss ratio is highest in case of National (SD 7.646) and United (SD 6.143), while lowest in case of Oriental (SD 4.984) and New India (SD 5.255) amongst public insurers. However, ratio has no significance difference because P value hints towards increase in claims incurred. The ACGR also indicates increased incurred claims as it has positive growth for all public sector insurers except United where it has witnessed negative growth (SD 3.27).

Similarly in terms of variability, the variation in loss ratio is highest in case of HDFC (SD 6.639), Cholamandalam (SD 9.653) and Reliance (SD 6.639), while lowest in case of Tata AIG (SD 2.592), Royal (SD 2.908) and Bajaj (SD 4.146) amongst private insurers. However compared to the public insurers, the loss ratio has significant difference amongst private insurers because P value (0.001) is less than 5 percent level of significance and as such it can be smelled that private insurers have been able to control claims incurred. The ACGR for all private companies has registered positive growth except in case of Cholamandalam (-3.68). Hence, the analysis show that private insurers had lower average loss ratio and lower ACGR than the public insurers reflecting efficiency in the underwriting capabilities amongst private insurers thereby will be reflected in higher net earnings.

Combined Ratio

The combined ratio is used as a measure of insurers' underwriting performance, the ratio is defined as loss ratio plus expense ratio and it presents the outlook of insurers' efficiency in underwriting operations. Desirable as minimum, the ratio defines for every rupee of earned premium, how much amount is utilized for paying claims and operating expenditure. If the ratio is a below 100 percent there are signs of profitability up to the amount less by 100 percent but on the other hand if it is above 100, it means that underwriting has been loss making to the extent it is in excess of 100 percent.

Table: 1.7. Statistical Analysis of Combined Ratio of Public and Private Non life insurers

Ratios	Ins. Cos	Mean Ratio	Std. Dev	F -Value	Significanc e (Two Tailed)	ACGR	Significan ce of ACGR
Public Sector Insurance Companies							
Combine d Ratio	New India	111.80	6.12	3.87	0.030	0.39	.855
	Oriental	122.46	5.28			0.44	.794
	National	123.56	7.60			0.75	.753
	United	127.05	10.03			-4.38	.069
Private Sector Insurance Companies							
Combine d Ratio	Royal	163.72	15.71	3.18	0.011	4.72	.104
	Bajaj	183.62	30.01			7.29	.173
	IFFCO	203.56	67.55			21.72	.000
	ICICI	172.67	60.49			22.86	.000

Source: Compiled from Annual Reports of companies under study.

The analysis of the combined ratio as presented in Table 1.7, lime lights that public sector insurers have upper hand over private insurers. The average combined ratio for New India, Oriental, National and United was reported at 111.80, 122.46, 123.56 and 127.05 percent respectively. In terms of variability, the highest variability is recorded in case of United insurance company (SD 10.03) and lowest in case of Oriental (SD 5.28). From the F test, it can be observed that all the companies with in the sector differ significantly in the pattern of ratio. The ACGR is showing minor but insignificant growth in the ratio for all public sector insurance companies except for United, where negative, but significant growth (ACGR -4.38) is witnessed.

The private sector insurance companies on the other hand presents different look of the ratio and mean score of the companies is recorded at 113.74, 124.61, 133.15, 144.96, 163.72, 172.67, 183.62 and 203.56 for Reliance, Cholamandalam, Reliance, HDFC, Royal, ICICI, Bajaj and IFFCO respectively. The companies significantly differ in the ratio and IFFCO, ICICI and Reliance saw major fluctuations over the period of study. In terms of variability, the highest variability is witnessed in case of IFFCO (SD 67.55) and ICICI (SD 60.49) and lowest in case of Tata AIG (SD 10.86), Royal (SD 15.71) and HDFC (SD 18.427). The combined ratio is showing high degree of significant variation in the ratio amongst the companies in the sector. The level of significance indicates that the concerns under study, except Reliance, showed consecutive higher combined ratio affecting their underwriting performance, where as for rest of the companies the exponential growth was in single digit. HDFC was the alone concern to be able to show desirable negative ACGR to the tone of 3.71 though not significant representing fluctuation during 2007-

08. The year 2007 witnessed the much awaited de-tariffication and as a result all companies got affected and combined ratio for all insurers in sector shows upward surge.

Investment Income Ratio

Investment performance discloses the effectiveness and efficiency of investment decisions. (Financial services)[8] As such, investment performance becomes critical to the financial stability of any insurer. The investment performance is negatively correlated to insolvency rate. In fact insurers are yet to report break even in their operations and it is investment income which has always come to rescue and has provided cushion for the huge underwriting losses suffered by the insurers but the recession of 2008 has affected all the companies and their the investment income has already witnessed decreasing trend. However, to keep the investments secure IRDA has made it mandatory to make 75 percent investments in the government and other approved securities, promising guaranteed returns. The ongoing recession in the world market had the ripples on Indian capital market also resulting in the bearish pattern and consequently impacting return on investments and profits on sale of investments, the trend being more pronounced among public sector insurers. It is believed that the insurers need to wake up and give considerable thrust on underwriting performance rather than racing to grab more market size.

Return on Equity

The Return on Equity of a company measures the ability of the management of the company to generate adequate returns on capital invested. The public sector insurers present a promising picture of the ROE in the early years, prior to price deregulation; however, in later years of study, the impact of competitive pricing is obvious in the overall return on equity. The private sector also could not escape from the impact and consequently the decreasing trend in the ratio is seen across majority of the concerns.

The analysis highlights the growing concern of the underwriting losses incurred by the insurers in the non life insurance sector of India. The PSUs which were thought to be better placed could not generate enough funds from operations to meet investor's demands as a result of which investment income also could not set off the increasing underwriting losses. The worst days for these companies have begun if they primarily rely on investment income to arrive at positive profitable figures. Moreover the price deregulation will put more pressure on the underwriting profitability, the effect of which has already shown its impact and in the free price regime the onus will be on the underwriting performance rather than investment income to be a successful company.

The statistical analysis of the public and private sector insurance companies indicate that both the sectors lack better liquidity status. Since liquidity is essential in case of all insurance companies to compensate for expected and unexpected balance sheet fluctuations and to provide funds for the growth, therefore all the insurance companies who have poor liquidity position are required to generate funds to meet liquidity requirements, so as to maintain faith of customers, which are greatest assets for the insurers in the competitive business environment.

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