Outline of the Chapter:-

1. Introduction

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1. Introduction:

In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers’ contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular.

1818 saw the advent of life insurance business in India with the establishment of the Oriental Life Insurance Company in Calcutta. This Company however failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era, however, was dominated by foreign insurance offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance and the Indian offices were up for hard competition from the foreign companies.

In 1914, the Government of India started publishing returns of Insurance Companies in India. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in
India by Indian and foreign insurers including provident insurance societies. In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers.

The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business.

An Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector.

For analyzing the profitability of selected private sector life Insurance companies of India, the data relating to the selected ten companies for the past ten years vis. 2003-04 to 2012-13 have been collected and various techniques of measuring profitability like Ratio Analysis and several statistical techniques have been applied to analyze and drew conclusions. The present study has been divided in nine chapters. Chapter wise findings have been discussed as here under.
2. Summary and Findings:

CHAPTER-I

INTRODUCTION:

The concept of efficiency means to evaluation performance of a concern included in the appraisal. As per accounting concepts Efficiency is the accomplishment of or the ability to accomplish a job with minimum expenditure of time and cost. The financial efficiency is a vital unit to measure the efficiency of firms. Therefore financial statement are prepared to serve the objective measurement of efficiency through the financial statement analysis provides a good knowledge about the behavior of financial variables for measuring the efficiency of different units in the industry and to indicate the trend of improvement or deterioration in organization. The areas of efficiency like service production and productivity efficiency, profitability efficiency, liquidity efficiency, working capital efficiency, fixed asset efficiency, fund flow efficiency and cash flow efficiency and social efficiency etc. “Appraisal” is just an intelligent application of techniques to examine, to measure, to interpret, and then to draw some conclusions. Appraisal of efficiency of any general insurance company is depended upon the final accounts prepared and published by the general insurance company. The need and importance of appraisal of efficiency rise from the viewpoint of different parties like management, employees and trade unions, investors, policy holders, government and society.

There are various concepts of profit like the accounting profit, economic profit, business profit and social profit. As per accounting concepts the
“Profit is the difference between the sales revenue and the total cost of producing and selling the product.”

According to economic profit “The residual of income after meeting all the ‘explicit’ and ‘implicit’ items of expenditure for a given period is known as “economic profit”. As per social profit concepts, the excess of social benefits over social costs is termed as social profit. No doubt, it is not possible to measure these social benefits and social costs in terms of money.

CHAPTER-II

PROFILE OF SELECTED PRIVATE LIFE INSURANCE COMPANIES:

The brief history, organization and structure of insurance industry before and after IRDA have been discussed in this chapter. An Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. Now there are twenty three private sector units / companies avail in India but researcher has selected ten companies among all these.

1. SBI Life Insurance Co. Ltd. - 2001
2. Bajaj Allianz Life Insurance Co. Ltd. - 2001
4. Reliance Life Insurance Co. Ltd. - 2002
5. ING Vysya Life Insurance Co. Ltd. - 2001
7. ICICI Prudential Life Insurance Co. Ltd. - 2000
8. HDFC Standard Life Insurance Co. Ltd. - 2000
1. SBI Life Insurance is a joint venture between the State Bank of India and Cardiff of France. State Bank of India is the largest banking franchise in India. Along with its 7 Associate Banks, SBI Group has a network of over 14,500 branches across the country, the largest in the world.

The number of offices in India has shown increasing during the period 2003-04 to 2012-13. This indicates that life insurance business has been expanding in India.

2. Bajaj Allianz is a joint venture between Allianz AG one of the world's largest insurance companies, and Bajaj Auto, one of the biggest two and three wheeler manufacturer in the world. Bajaj Allianz is into both life insurance and general insurance.

The number of offices in India has shown increasing during the period 2003-04 to 2012-13. This indicates that life insurance business has been expanding in India.

3. Max New York Life Insurance Company Limited is a joint venture between Max India Limited, a multi-business corporate, and New York Life International, a global expert in life insurance. New York Life is a Fortune 100 company that has over 160 years of experience in the life insurance business.

The number of offices in India has shown increasing during the period 2003-04 to 2012-13. This indicates that life insurance business has been expanding in India.

4. Reliance Life Insurance Company Limited is a part of Reliance Capital Ltd. of the Reliance - Anil Dhirubhai Ambani Group. The company acquired 100
per cent shareholding in AMP Sanmar Life Insurance Company in August 2005. RLIC has a huge network of around 1145 branches covering a wide geographical area. It is one of the ISO 9001:2000 certified life insurance companies of India.

The number of offices in India has shown increasing during the period 2003-04 to 2012-13. This indicates that life insurance business has been expanding in India.

5. ING Vysya Life Insurance Company Limited is a joint venture between Vysya Bank and ING Group of Holland, the world's 4th largest financial services group, with presence across 50 countries, and a heritage of over 150 years. ING Vysya Life Insurance Company Limited (the Company) entered the private life insurance industry in India in September 2001, and has established itself as a distinctive life insurance brand with an innovative, attractive and customer friendly product portfolio and a professional advisor sales force.

The number of offices in India has shown increasing during the period 2003-04 to 2012-13. This indicates that life insurance business has been expanding in India.

6. Birla has an extensive reach through its network of 600 branches and 1,47,900 empanelled advisors. This impressive combination of domain expertise, product range, reach and ears on ground, helped BSLI cover more than 2.4 million lives since it commenced operations and establish a customer base spread across more than 1500 towns and cities in India. BSLI has ensured that it has lowest outstanding claims ratio of 0.00% for FY 2010-11. The company has web-enabled IT systems for better customer
services and a strong distribution channel. It has professional knowledge and global expertise of Aditya Birla Group.

The number of offices in India has shown increasing during the period 2003-04 to 2012-13. This indicates that life insurance business has been expanding in India.

7. ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank, a premier financial powerhouse and prudential plc, a leading international financial services group headquartered in the United Kingdom. ICICI was established in 1955 to lend money for industrial development. Today, it has diversified into retail banking and is the largest private bank in the country. Prudential plc was established in 1848 and is presently the largest life insurance company.

The number of offices in India has shown increasing during the period 2003-04 to 2012-13. This indicates that life insurance business has been expanding in India.

8. HDFC Standard Life Insurance Company Ltd. is one of India's leading private insurance companies, which offers a range of individual and group insurance solutions. HDFC Standard Life Insurance Co. Ltd. is a joint venture between HDFC Ltd., India's largest housing finance institution and Standard Life Assurance Company, Europe's largest mutual life company.

The number of offices in India has shown increasing during the period 2003-04 to 2012-13. This indicates that life insurance business has been expanding in India.

9. Tata AIG Life Insurance Company Limited is a joint venture between Tata Group and American International Group, Inc. (AIG). Tata Group is one of
the oldest and leading business groups of India. Tata Group has had a long association with India's insurance sector having been the largest insurance company in India prior to the nationalization of insurance. The Late Sir Dorab Tata was the founder Chairman of New India Assurance Co. Ltd., a group company incorporated way back in 1919. American International Group, Inc is the leading U.S. based international insurance and financial services organization and the largest underwriter of commercial and industrial insurance in the United States. AIG has one of the most extensive life insurance networks in the world.

The number of offices in India has shown increasing during the period 2003-04 to 2012-13. This indicates that life insurance business has been expanding in India.

10. MetLife entered Indian insurance sector in 2001. The MetLife companies offer life insurance, annuities, automobile and home insurance, retail banking and other financial services to individuals, as well as group insurance, reinsurance and retirement and savings products and services to corporations and other institutions, reaching more than 70 million customers around the world.

The number of offices in India has shown increasing during the period 2003-04 to 2012-13. This indicates that life insurance business has been expanding in India.

CHAPTER-III

RESEARCH METHODOLOGY:
The subject of the present study is “A Comparative study of financial performance appraisal of selected private sector life insurance companies of India”, which covers the period of the ten years from 2003-04 to 2012-13. This study covers the private sector life insurance units only. The study is based on secondary data published by private sector life insurance companies in their annual reports and accounts. The main objective of the present study is to measure profitability of life Insurance private sector Companies and to find out their various factors which affect the profitability.

Various statistical measures like mean, regression, index number have been used and least-square trend of premiums have been fitted. Moreover “F” test has been applied to test the validity of two hypothesis namely (1) Null Hypothesis and (2) Alternative Hypothesis.

Finally, a survey of existing literature on the subject has been made and the limitations of present study have also been shown.

CHAPTER- IV

SERVICE PERFORMANCE:

This chapter deals with an overview of insurance sector. The chapter covers introduction of Indian life insurance. The chapter also reveals the IRDA, Kinds of life insurance policies, Major principles of Indian insurance contract, Major role of life insurance in India, The scope of a life insurance company in India, Life insurance contribution to Indian economy, insurance market place, Life insurance office management and Net premium of selected companies.
The indices of net premium was the highest in Met Life Insurance Co. Ltd. followed by Bajaj Allianz, Reliance, SBI, HDFC Standard, ING Vysya, Max Newyork, Birla Sun Life, ICICI Prudential and Tata AIA respectively. The trend of net premium indices had increased during the study period almost in all the companies under study which indicates a sign of improvement of the private sector life insurance companies. The performance of Met was the best from this point of view during the study period 2003-04 to 2012-13.

CHAPTER- V

CAPITAL STRUCTURE:

Capital structure refers to the combination or mix of debt and equity, which a company uses to finance its long-term operation. So, proportionate relationship between debt and equity of a firm’s total capitalization is generally known as its capital structure. The basic pattern of capital structure can be simple or complex. A simple capital structure consists of equity shares and preference share. A complex capital structure consists of multi-securities as equity shares, preference shares, debentures, bonds etc. The optimum capital structure is the mix of finance in which the market value of each share is maximum or the average cost of capital structure is minimum and it will be at that point where the marginal cost of each source of fund is the same. Optimum capital structure strikes a balance between the risk and return and thus maximizes the price of the stock.

Many factors affect capital structure like market conditions, cost of capital, firm’s internal condition, growth rate, stability of sales, cash flow, floatation costs, assets structure, interest rate level, nature of industry and
capital requirements, management control, flexibility, profitability, taxes leverage effects etc. Capital structure directly affects the financial soundness of a business enterprise. Hence appropriate capital structure is a crucial factor.

Major findings of capital structure of the selected private sector life insurance companies are as below.

😊 Findings:

1. The main component of capital structure in SBI Life Insurance Co. Ltd. The main component of capital structure was policy holders’ fund. During 2009-10 to 2011-12 it has remained more than 95 percent. The second main component of capital structure was share capital. It was the highest 39.87 percent during the year 2003-04 and the lowest 1.91 percent in the year 2012-13 which show decreasing trend during the study period. The third main component of capital structure was reserve and surplus.

2. The main component of capital structure in Bajaj Allianz Insurance Co. Ltd. The main component of capital structure was policy holders’ fund. During 2007-08 to 2011-12 it has remained more than 90 percent. The second main component of capital structure was share capital. It was the highest 70.18 percent during the year 2003-04 and the lowest 0.38 percent in the year 2011-12 which show declining trend during the study period. The third main component of capital structure was reserve and surplus. During 2004-05 to 2007-08 and 2011-12 to 2012-13 it has remained more than 8.00 percent.

3. The main component of capital structure in Max New York Life Insurance Co. Ltd. The main component of capital structure was policy holders’ fund. During 2009-10 to 2012-13 it has remained more than 81 percent. The second main component of capital structure was share capital. It was the
highest 80.87 percent during the year 2007-08 and the lowest 9.02 percent in the year 2012-13 which show mixed trend during the study period. The third main component of capital structure was reserve and surplus. During 2007-08, 2009-10 and 2011-12 to 2012-13 it has remained more than 1.09 percent.

4. The main component of capital structure in Reliance Life Insurance Co. Ltd. The main component of capital structure was policy holders’ fund. During 2009-10 to 2011-12 it has remained more than 90 percent. The second main component of capital structure was share capital. It was the highest 88.08 percent during the year 2003-04 and the lowest 6.27 percent in the year 2012-13 which declining trend during the study period. The third main component of capital structure was reserve and surplus. During 2012-13 year it was the highest 10.92 percent which shows downward trend during the year 2003-04 to 2011-12.

5. The main component of capital structure in ING Vysya Life Insurance Co. Ltd. The main component of capital structure was share capital. During 2003-04 to 2004-05 it has remained more than 70.00 percent but then it shows declining trend. The second main component of capital structure was policy holders’ fund. It was the highest 81.49 percent during the year 2012-13 and the lowest 2.12 percent in the year 2003-04 which indicating increasing trend during the study period. The third main component of capital structure was reserve and surplus. During 2012-13 year it was the highest 0.027 percent which shows mixed trend during the year 2003-04 to 2012-13. The fourth main component of capital structure was borrowings which was the highest 0.07 percent in the year 2003-04 and lowest 0.02 percent in the year 2005-06.
6. The main component of capital structure in ICICI Prudential Life Insurance Co. Ltd. The main component of capital structure was policy holders’ fund. During 2003-04 to 2004-05 it has remained more than 98 percent. The second main component of capital structure was share capital. It was the highest 12.59 percent during the year 2003-04 and the lowest 1.93 percent in the year 2012-13 which show decreasing trend during the study period. The third main component of capital structure was reserve and surplus. During 2006-07 and 2012-13 it has remained more than 4.50 percent.

7. The main component of capital structure in Birla Sun Life Insurance Co. Ltd. The main component of capital structure was policy holders’ fund. During 2010-11 to 2012-13 it has remained more than 88.00 percent. The second main component of capital structure was share capital. It was the highest 34.98 percent during the year 2003-04 and the lowest 8.95 percent in the year 2011-12 which show decreasing trend during the study period. The third main component of capital structure was reserve and surplus. During 2009-10 and 2012-13 it has remained more than 2.18 percent.

8. The main component of capital structure in HDFC Standard Life Insurance Co. Ltd. The main component of capital structure was policy holders’ fund. During 2010-11 to 2012-13 it has remained more than 88.00 percent. The second main component of capital structure was share capital. It was the highest 34.98 percent during the year 2003-04 and the lowest 8.95 percent in the year 2011-12 which show decreasing trend during the study period. The third main component of capital structure was reserve and surplus. During 2009-10 and 2012-13 it has remained more than 2.18 percent.

9. The main component of capital structure in TATA AIG Insurance Co. Ltd. The main component of capital structure was policy holders’ fund. During
2009-10 to 2012-13 it has remained more than 85 percent. The second main component of capital structure was share capital. It was the highest 52.67 percent during the year 2003-04 and the lowest 2.09 percent in the year 2012-13 which show decreasing trend during the study period. The third main component of capital structure was reserve and surplus. During 2003-04 and 2004-05 it has remained more than 0.77 percent but in the year 2005-06 to 2009-10 it was 0.00 percent.

10. The main component of capital structure in TATA AIG Insurance Co. Ltd. The main component of capital structure was policy holders’ fund. During 2009-10 to 2012-13 it has remained more than 85 percent. The second main component of capital structure was share capital. It was the highest 52.67 percent during the year 2003-04 and the lowest 2.09 percent in the year 2012-13 which show decreasing trend during the study period. The third main component of capital structure was reserve and surplus. During 2003-04 and 2004-05 it has remained more than 0.77 percent but in the year 2005-06 to 2009-10 it was 0.00 percent.

11. The main component of capital structure in Met Life Insurance Co. Ltd. The main component of capital structure was share capital. During 2003-04 to 2005-06 it has remained more than 50.00 percent but then it shows declining trend. The second main component of capital structure was policy holders’ fund. It was the highest 81.12 percent during the year 2012-13 and the lowest 10.89 percent in the year 2003-04 which indicating increasing trend during the study period. The third main component of capital structure was borrowings which was the highest 0.07 percent in the year 2004-05 and lowest 0.08 percent in the year 2011-12. The third main component of capital structure was reserve and surplus. During 2012-13 year it was the
highest 0.027 percent which shows mixed trend during the year 2003-04 to 2012-13.

12. The debt-equity ratio the debt-equity ratio of Met Life Insurance Co. Ltd. was the best during the study period followed by TATA AIA, Max Newyork, Reliance, ING Vysya, Birla Sun Life, HDFC Standard, SBI, ICICI Prudential and Bajaj Allianz respectively.

   Application of F test for analyzing debt to equity ratio is significant between the companies and over the years, so $H_0$ is rejected and $H_1$ is accepted.

13. The proprietary ratio of ICICI Prudential Life Insurance Co. Ltd. was the highest among all the companies during the study period followed by TATA AIA, SBI, Met, Birla Sun Life, HDFC Standard, Reliance, ING Vysya, Max Newyork and Bajaj Allianz respectively.

   Application of F test for analyzing net worth to total assets ratio was not significant between the companies, so $H_0$ is accepted and $H_1$ is rejected. However, it was significant over the years, so $H_0$ is rejected and $H_1$ is accepted.

14. The solvency ratio of Met Life Insurance Co. Ltd. was the best among all the companies during the study period 2003-04 to 2012-13 followed by ING Vysya, SBI, Bajaj Allianz, Max Newyork, Reliance, TATA AIA, HDFC Standard, Birla Sun Life and ICICI Prudential respectively.

   Application of F test for analyzing solvency ratio was not significant between the companies, so $H_0$ is accepted and $H_1$ is rejected. However, it was significant over the years, so $H_0$ is rejected and $H_1$ is accepted.
15. The interest coverage ratio of ICICI Prudential Life Insurance Co. Ltd. was the highest among all the companies during the study period followed by Reliance, ING Vysya, Birla Sun Life, HDFC Standard, SBI, TATA AIA, Bajaj Allianz, Max Newyork and Met respectively.

Application of F test for analyzing interest coverage ratio was not significant between the companies and over the years, so $H_0$ is accepted and $H_1$ is rejected.

16. Over all financial performance of the selected private sector life insurance companies with special reference to capital structure and related ratio was the best during the study period in ICICI Prudential and followed by TATA AIA, SBI, Met, Birla Sun Life, HDFC Standard, Reliance, ING Vysya, Max Newyork and Bajaj Allianz respectively.

CHAPTER - VI

PROFIT MARGIN AND ASSETS TURNOVER:

A business firm is always established with a view to earn profit from its operations. It is the profit, which is a backbone for survival, growth and stability of a business firm, provides incentives and encouragements for prospective investors, attracts external funds and serves a major source of internal funds. Hence profit margin is the most essential object of the business firm, as it a very good indicator of profitability. Over all profitability of a business firm depends also on assets turnover along with profit margin. The relationship between sales and assets is called assets turnover. Assets turnover ratio indicates how effectively the assets of a business firm are utilized and managed. Important ratio related with profit margin are operating profit ratio, gross margin ratio, net profit ratio and
operating ratio. Important ratio related with assets turnover are total assets turnover ratio, fixed assets turnover ratio, current assets turnover ratio, working capital turnover ratio and inventory turnover ratio.

Major findings of profit margin and assets turnover of the selected private sector life insurance companies are as below.

The accounting profitability and assets were analyzed and interpreted in this chapter. Profitability of private sector life insurance companies under study was analyzed with the help of profit margin and assets.

### Findings:

1. The inter firm comparison of net profit to net premium represents that the Max Newyork had generated a sizeable net profit throughout the study period and ICICI Prudential Life Insurance Co. Ltd. was next one firm which also generated net profit throughout the study period followed by Bajaj Allianz, TATA AIA, Birla Sun Life, SBI and Met. While ING Vysya suffered weak profit then HDFC standard and Reliance had maintain profitability except one year loss during the study period 2003-04 to 20123-13.

   Hence, it can be concluded that the earning position of seven firms under review were success in earning during the study period, while ING Vysya was under pressure in terms of earning during the study period.

   The observations made from “F” test clarifies that the variances in Earning ratio was not significant between the companies, so \( H_0 \) is accepted and \( H_1 \) is rejected. However, it was significant over the years, so \( H_0 \) is rejected and \( H_1 \) is accepted.

2. It can be opined the percentage of operating profit ratio was highest in SBI followed by Max Newyork, Reliance, ING Vysya, Met, TATA AIA, Birla Sun
Life, Bajaj Allianz, ICICI Prudential and HDFC Standard respectively. The operating profit ratio increased during the last two years of the study period in all the selected life insurance companies under study hence it can be said that the profit ability of almost all the life insurance have grown sustainably especially during the last two years, from the view point of operating profit and investment income.

Application of F test for analyzing operating ratio was significant between the companies and over the years, so $H_0$ is rejected and $H_1$ is accepted.

3. The total assets turnover ratio of ICICI Prudential Life Insurance Co. Ltd. was the highest among all the companies during the study period followed by SBI, Bajaj Allianz, Reliance, Max Newyork, Birla Sun Life, TATA AIA, HDFC Standard, ING Vysya and Met respectively.

Application of F test for analyzing total assets turnover ratio was significant between the companies and over the years, so $H_0$ is rejected and $H_1$ is accepted.

4. The fixed assets turnover ratio of Bajaj Allianz Life Insurance Co. Ltd. was the highest among all the companies during the study period followed by Birla Sun Life, SBI, ICICI Prudential, Met, HDFC Standard, Reliance, ING Vysya, Max Newyork and TATA AIA respectively.

Application of F test for analyzing fixed assets turnover ratio was not significant between the companies, so $H_0$ is accepted and $H_1$ is rejected. However, it was significant over the years, so $H_0$ is rejected and $H_1$ is accepted.
5. The current assets turnover ratio was the highest in ICICI Prudential Life Insurance Co. Ltd. during the study period followed by Bajaj Allianz, SBI, Reliance, Birla Sun Life, Met, TATA AIA, Max Newyork, HDFC Standard and ING Vysya respectively.

Application of F test for analyzing current assets turnover ratio was significant between the companies and over the years, so $H_0$ is rejected and $H_1$ is accepted.

6. The working capital turnover ratio in Birla Sun Life was almost lower in compared to ICICI Prudential Life Insurance Co. Ltd., SBI, Bajaj Allianz, Reliance, Max Newyork, , TATA AIA, HDFC Standard, ING Vysya and Met. In HDFC Standard, SBI, ING Vysya, TATA AIA and Met ratio was higher than 2.00 times during 2003-02 to 2005-06, which indicates that the working capital management of these companies was sound and effective.

Application of F test for analyzing working capital turnover ratio was not significant between the companies and over the years, so $H_0$ is accepted and $H_1$ is rejected.

CHAPTER- VII

RETURN ON CAPITAL EMPLOYED AND APPROPRIATION OF PROFIT:

Investment in any business is made with a view to obtain return on capital employed, therefore by comparing profit with capital employed, overall profitability of a business firm can be measured. Along with return on capital employed, appropriation of profit can also present a picture of over all profitability of a business firm. Important ratio related with return on capital employed are return on gross capital employed ratio, return on net capital
employed ratio, return on share holders' equity ratio. Important ratio related with appropriation of profit are dividend-payout ratio.

Major findings of return on capital employed and appropriation of profit of the selected private sector life insurance companies are as below.

**Findings:**

1. The return on gross capital employed ratio was the highest in Bajaj Allianz and followed by ICICI Prudential, Reliance, Birla Sun Life, TATA AIA, Max Newyork, SBI, HDFC Standard, Met and ING Vysya respectively. So, financial performance of Bajaj Allianz, with special reference to gross capital employed ratio can be said the best, in compared to ICICI Prudential, Reliance and Birla Sun Life.

   The results shown by “F” test reveals that the differences in percentage of gross capital employed ratio was not significant between the companies and over the years, so $H_0$ is accepted and $H_1$ is rejected.

2. The return on net capital employed ratio was the highest in Birla Sun Life and followed by ICICI Prudential, HDFC Standard, TATA AIA, Reliance, Max Newyork, Bajaj Allianz ING Vysya, Met and SBI respectively. So, financial performance of GNFC can be said the best, with special reference to return on net capital employed ratio.

   Application of F test for analyzing net capital employed ratio was not significant between the companies and over the years, so $H_0$ is accepted and $H_1$ is rejected.

3. The return on Shareholders’ Equity or net worth ratio was the highest in Birla Sun Life and followed by ICICI Prudential, HDFC Standard, TATA AIA, Reliance, Max Newyork, Bajaj Allianz ING Vysya, Met and SBI respectively.
So, financial performance of GNFC can be said the best, with special reference to return on Shareholders’ equity or net worth.

Application of F test for analyzing Shareholders’ Equity or net worth ratio was not significant between the companies and over the years, so $H_0$ is accepted and $H_1$ is rejected.

4. The ratio was almost shows increasing trend in all the companies during the study period. The volume of investment income to total income ratio shows highest in ICICI Prudential and followed by SBI, TATA AIA, Birla Sun Life, ING Vysya, Met, Bajaj Allianz, HDFC Standard, Max Newyork and Reliance respectively.

Application of F test for analyzing investment income to total income ratio was not significant between the companies, so $H_0$ is accepted and $H_1$ is rejected. However, it was significant over the years, so $H_0$ is rejected and $H_1$ is accepted.

**CHAPTER- VIII**

**COMMON - SIZE ANALYSIS:**

A common size statement in one that shows the separate item appearing in the percentage from. In it, each item is shown as a percentage of sum totals of which that item is a part, so by it, proper evaluation of relationship among item at a particular date becomes possible. It helps especially for comparison of different companies, which are varying in production capacity. This technique is useful when some one wishes to compare two or more companies having differences in the organization’s size. Though, it shows the percentage of each item to the total period but not variation in respective item from period to period.
Major findings of common size profit and loss account of the selected private sector life insurance companies are as below.

**Findings:**

The common-size analysis of various private sector life insurance companies under the study makes it evident that the surplus from policy holders accounts in 2012-13 was the highest 23.99 percent in Max New York followed by ICICI Prudential, Reliance, Tata AIA, Bajaj Allianz, SBI, ING Vysya, HDFC Standard, BSLI and Met respectively. Throughout the study period, the surplus from policy holders accounts was the lowest in Met during the year 2008-09. Moreover, the surplus from policy holders accounts under study was nearly 0.1 to 3 during the year 2005-06 to 2009-10.

The percentage of income from investment was the highest in ICICI Prudential during 2003-04 to 2012-13 and the lowest in BSLI during the study period. However, income from investment more than 0.16 percent in the all selected companies.

Expenses were the highest 85.83 percent of ING Vysya in 2003-04. The percentage of expenses was always more than 15 percent in all the selected companies during the year 2003-04. It was the lowest 0.07 percent in ICICI Prudential during the year 2009-10.

On analyzing the taxation front, the taxes were the highest in ING Vysya, which was 0.66 percent of the net premium in 2008-09. In ICICI prudential, the tax was lowest 0.07 percent in 2009-10.

At last profit after tax was the highest in Max New York, it was 37.73 percent of net premium in the year 2012-13 and the lowest -71.34 percent of net premium in ING Vysya during the year 2003-04.
In concluding, it can be said that common size profit and loss account of all the selected private sector life insurance companies have shown growing results.

3. Suggestions:

1) The policy coding (numbering) may be made easy to understand.
2) Use of Information technology can be made more efficient especially for policy application, issue of policy, paying premium and renewal of policy.
3) Policy without agent if implemented, policy could be offered as less and competitive premium will help private sector life insurer to serve even downtrodden people of India.
4) A policy if clubbed in portfolio and if a customer is given a customer id having all policies in one portfolio will help in getting better tracking.
5) Plans targeting rural people giving policy in regional language and giving receipt of premium in regional language will help in getting better business.
6) Development of new products will motivate deeper penetration of market in middle income sector with significant saving trend.
7) Reverse Mortgage kind of schemes useful to senior citizens may be launched.
8) Toll free helpline and customer care units and if possible policy trekking system if generated will help customers at one end and LIC at another end for better and effective /efficient business.
4. Scope for future Research:

This study was limited only for Private Sector Companies but there is still scope for future research in the following industries:

1. Evaluation of the performance of public sector life insurance company in comparison to the private sector life insurance companies of India.

2. A study of financial performance appraisal of fertilizer companies located in the states, other than Gujarat.

3. A state-wise comparative study of financial performance appraisal of fertilizer industry in India.

4. A study of financial performance appraisal of industries like dairy industry, communication industry, oil and petroleum industry, chemical industry, pharmaceutical industry, mobile industry, sugar industry etc.

All such research studies will enable the management to formulate appropriate financial strategies and to obtain a true insight into the financial performance of the concerned company.