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Profitability analysis of Insurance companies: A case of Private Non-life Insurers

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ABSTRACT

A business organization is always established with the aim of earning profit from its operations. It is the profit, which act as a backbone for survival of every organization. Without earning profit, growth and stability of a business firm is not possible. The private general insurance companies registered a growth rate of 13.12 percent in the year 2015-2016, against 9.62 percent growth rate in the year 2014-2015. Profit provides incentives and inspirations for prospective investors, attracts external funds and also serves a key source of internal funds. As per IMF- Background paper (2003) indicators for measuring financial soundness of insurance Industry is CARAMEL framework. These indicators involve those quantitative factors which significantly affect the financial position of Non-life insurance company. Earning and profitability parameter of CARAMEL has been used on the basis of their analytical significance, data availability, calculation and its relevance for the study. The study is basically based on secondary data and that has been gathered from annual report of IRDA, annual report of selected Non-life Insurance companies, Journals, websites etc. to analyze the 'earning and profitability' five leading Private Non-life Insurance Companies were taken up for the study . The period of the study was 2011-2012 to 2015-2016.

Introduction

In this fundamental development of service in India, insurance service sector is additionally contributing altogether with an extremely normal development rate. With biggest number of insurance policies authorized around the world, life and non-life insurance happens to be an immense opportunity in India. Insurance is financial intermediation function through which one can exposed to specified contingencies.

In India individuals trust that getting an insurance policy is a waste and they never approach to purchase an insurance policy instantly. After globalization numerous private insurance agencies have learnt that India is a potential zone to advertise their insurance products, (Khansili D.C. 2006). Hence large number of private companies attached with famous organization in India and start selling their products in Indian market. These companies are focusing mainly on general insurance sector because this sector is still untapped. The Private Sector General Insurance Companies has increased their branch network, but quantitative expansion has only beneficial when it is matched with consisting improvement in the quality of service and performance. The rapid expansion of insurance companies after privatization has given rise to a numerous of problems associated with brand image, operational efficiency, profitability and the quality of system as a whole. Their survival in the industry depends upon their performance in profitability, efficiency and service quality. So, there is a need to evaluate the service quality as well as profitability of the general insurance companies. The present study “A Study of Private Insurance Business in India" is an attempt in this direction.

Review of Literature

Norgaard and Schick, (1970) determined the profitability of the companies which provide property and liability insurance during the period 1953-67. Risk return trend analysis has been used for the further analysis.

The result revaluate that inside the insurance industry economy of scale is found in degree of specialization and size.

Baltelsmit and Bouzouita, (1998) inspected the connection amongst profitability and market structure in automobile insurance. The information for study was related to the period 1984-1992. The outcomes demonstrated that in private passenger automobile insurance there was a positive significant impact of concentration on productivity of combined liability and physical damage lines.

Rao, (1998) observed that there has been a huge change in the physical execution of the LIC. But profitability in terms of financial performance had not been up to the expected level.

Verma, (2000) observes the performance of GIC and its auxiliary organization throughout the year was no such improvement recorded in profit position because of increased expenses, not increased claim and commission. Rudolf, (2001) analyzed the profitability, investments and underwriting result of non-life insurance companies of seven countries (G7) for the period 1996 – 2000. The outcomes showed that exclusive Germany and japan have a positive underwriting result on the other hand France and Germany had a low ROE, moderate in Canada and high in United Kingdom.

Brien, (2001) specifically focused 28 companies who are providing insurance services in United Kingdom from 1990-99. Research demonstrated that they must focus on paid us commission and allowed higher surrender esteems in the early years.

Sangmi, (2002) recognize the factors that are responsible for profitability of selected public sector banks in India. Period chosen for the study was 1991-92 to 1997-98. the results reveal that earning of class one bank is much satisfactory than earning of class two bank.

Verma, (2003) identified that motor insurance is the biggest and the quickest developing general insurance market. The insurance company point out that expenses and loses are too high as compared to premium earned in a year they cause immense underwriting loses the study likewise found that the new privately owned businesses have demonstrated a cautious approach.

Lai and Limpaphayom, (2003) studied the Japanese life insurance industry and inspected the relationship between organizational structure and firm performance. Period of 1983-1994 were chosen for the study. The outcomes shows that stock companies that have a place with one of the six horizontal Keiretsce groups have bring down cost and lower levels of free income than autonomous stock and mutual insurance companies.

Dhanda, (2004) observed the performance of LIC Business by utilizing both primary and secondary date. It was discovered that development of individual business had not been exceptionally consistent during the period from 1957-1990. 60 percent of aggregate income was gotten by premium income and the rest of the pay was earned by investing funds.

Chen and Wong, (2004) analyzed the solvency of Asian general and life insurance organization utilizing firm information and large scale data independently. Financial health of general insurance is influence by various factors like liquidity ratio, firm size, operating margin, combined ratio, Surplus growth, and investment performance.

Deloittie and Touche, (2004) focused on profitability and viability of the federal multiple crop insurance (MPCI) programme. Data of 1992-2002 have been used for analyzing the performance of both MPCI property and casualty insurance business. MPCI business does not have risk return benefits in respect to the P&C business.

Uppal, (2004) identified the factors which are influencing the profitability of five noteworthy bank groups. Period of study was 1997-2001. Ratio of public sector bank was lower than foreign and new private banks.

Hoyt and Powell, (2006) utilized economic combined ratio and ROE measures to analyses the profitability performance of medical liability insurer. Study period was 1996 to 2004. Medical liability insurer sustained losses in six sequential years from 1998 to 2003.

Holzheu, (2006) concentrated on the insurer of six major Non-life market the Japan, France, United States, United Kingdom, Canada, Germany from 1994-2004. The outcomes for the years 1994-1997 and 2002-2004 that underwriting profit before tax for ten years were positive in all countries inferring a positive commitment to profit from the insurance activities.

Kasturi (2006) focused on the insurance sector in terms of performance management. Financial performance of any insurance company is generally expressed in terms of return on investment, profit earned, Return on equity etc.

Kaur and Kapoor (2007) assessed the benefit and the relative effectiveness of Public sector Bank in India during Post Liberalization period. All the twenty eight banks have been incorporated in the study and the period chosen for the study in 2001-2005. Pal and Malik, (2007) researched the distinction in the financial relative qualities of public sector banks, foreign banks and private banks in India. The outcomes shows that foreign banks would be better to perform as contrasted with other two classes of banks, all in all and in terms of use of resources specifically during the period decided for the study. Charumathi, (2012) researched that Indian Life insurance Industry is the slightest productive market for its investors among all Asian nations because of fall in new business premium in 2010-11 in in spite of the way that it has detailed net profit of Rs. 26.57 billion in 2010-11 as against net loss of Rs. 9.89 billion of every 2009-10.

Objective

1. To assess the profitability performance of selected private Non-Life Insurance service providers.

Research Methodology

The study is basically based on secondary data and that has been gathered from annual report of IRDA, annual report of selected Non-life Insurance companies, Journals, websites etc. CARAMEL framework has been utilized for the analysis. According to IMF-Background paper (2003), Financial Soundness Indicators (FSI's) for the Insurance Industry can be given in CARAMEL [Capital sufficiency, Asset quality, Reinsurance and Actuarial issues, Management soundness, Earnings/Profitability and Liquidity) Framework. These Indicators incorporate the utilization of those quantitative variables which influence the financial position of an Insurance organization. Just Earnings/Profitability and Liquidity are chosen for the study. The choice of Indicator depends on their analytical criticalness, accessibility of information for gathering, calculation and its relevance for the investigation.

To analyze the 'earning and profitability', five leading Private Non-life Insurance Companies were taken up for the study. They are ICICI Lombard General Insurance Company Limited, Bajaj Allianz General Insurance Company Limited, HDFC Ergo, Iffco Tokio General Insurance Company Limited and TATA AIG General Insurance Company Limited. The period of the study was 2011-2012 to 2015-2016.

Analysis and Interpretation

1. Claim Incurred Ratio

Claim Incurred ratio is calculated by dividing net incurred claim to net written premium. B

Table 1 : Claim Incurred ratio of selected General Insurance Companies

Name of the Company	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	Mean
ICICI Lombard	81	81	83	84	101	86
Bajaj Allianz	73	71	72	72.4	77	73
Iffco Tokio	79	74	75	76	92	79.2
HDFC Ergo	72	78	80	76	83	77.8
Tata AIG	74	69	70	78	84	75
Mean	75.8	74.6	76	77.2	87.4	

It was found that, ICICI Lombard showed a maximum average claim ratio of 86 percent followed by Iffco Tokio and HDFC Ergo with the respective percentage of 79.2 percent and 77.8 percent. Tata AIG general insurance company showed the least average claim ratio of 75 percent followed by Bajaj Allianz with the ratio of 73 percent. Year-wise analysis indicates that the average claim ratio of private sector companies is highest i.e. 87.4 percent in the year 2011-2012 followed by 77.2 percent in the year 2012-2013. Claim incurred is sub parameter of earning and profitability. High value of this ratio reflects the high drainage of funds from the organization. Furthermore taken into consideration the risk insured, an insurer definitely put him in a position to pay claims. Good risk management and risk evaluation matters here.

Testing of Hypothesis: One Way ANOVA

Table 2 : Ho1.1: There is no significant difference in claim incurred ratio of selected private Non-life Insurance Companies in India during the study period.

Total net incurred claims to net written premium (NWP) ratio					
Source of Variation	SS	DF	MS	FCal.	Sig
Between Groups	492.266	4	123.066	3.286	.032
Within Groups	748.928	20	37.446		
Total	1241.194	24			

Table distinguished that distinction in the ratio of total net incurred claim to net written premium are significant as the p value is 0.032, subsequently there are significant differences in claim incurred ratio of selected general insurance companies under the investigation at 5 % level of significance. The difference is because of good execution of ICICI Lombard when compared it with rest of the companies.

2. Expense Ratio

The ratio of expenses of management to gross direct premium reveals how much level of income is being utilized for expenses on management.

Table 3 : Expense Ratio of selected General Insurance Companies

Name of the Company	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	Mean
ICICI Lombard	21.15	20.77	17.71	16.59	16.94	18.63
Bajaj Allianz	21.87	20.17	18.51	19.21	20.45	20.04
Iffco Tokio	19.57	18.56	17.12	17.35	17.84	18.08
HDFC Ergo	22.65	19.58	15.37	15.24	15.75	17.71
Tata AIG	23.33	21.06	21.36	21.58	22.78	22.02
Mean	21.71	20.02	18.01	17.99	18.75	

In this way, it is set apart from the table that as competition expands private segment needed to spend more on competition, commission and different cost. Sec 40 C of the Insurance Act 1938 likewise sets out the rules in regard of the management expenses and indicated by this Sec that, expense ought to never surpass 20 percent of the net premium. The private non-life Insurer appears to break it.

Testing of Hypothesis: One Way ANOVA

Table 4 : Ho1.2: There is no significant difference in expense ratio of selected private Non-life Insurance Companies in India during the study period.

The ratio of expenses of management as percentage of gross direct premium					
Source of Variation	SS	DF	MS	FCal.	Sig
Between Groups	61.889	4	15.472	4.046	.015
Within Groups	76.483	20	3.824		
Total	138.371	24			

Table 1.4 identified that p value is 0.015 which is less than 0.05 which suggest that difference in the ratio of expenses of management to gross direct premium are significant. There are significant differences found in the expense ratio of selected general insurance companies under the study at 5 % level of significance. The difference is because of companies like Bajaj Allianz and Tata AIG are spending additional on operating expenses in comparison to other selected companies. This also shows that private companies are not able to control their expenses and hence for them profitability decreases.

3. Combined Ratio

Combined ratio, is a proportion of profitability utilized by an insurance agency to demonstrate how well it is performing in its day by day activities.

Table 5 : Combined Ratio of selected General Insurance Companies

Name of the Company	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	Mean
ICICI Lombard	102.1	101.7	100.7	100.5	117.9	104.5
Bajaj Allianz	94.87	91.17	90.51	91.6	97.45	93.12
Iffco Tokio	98.5	89.5	92.12	93.8	109.8	96.74
HDFC Ergo	94.6	97.5	95.37	91.2	98.7	95.47
Tata AIG	97.3	90.0	88.01	95.3	106.7	95.46
Mean	97.47	93.97	93.34	94.48	106.11	

ICICI Lombard registered the highest average combined ratio of 104.5 percent followed by Iffco Tokio 96.74 percent. HDFC Ergo is registered fourth position among five private insurance companies with average combined ratio of 95.47 percent followed by Tata AIG with 95.46 percent. Year-wise, the average combined ratio of the private sector in the year 2011-12 was 106.11 per cent which reduced to 93.34 per cent in the year 2013-2014. Again, it showed an increasing trend and reached at 97.47 per cent in the year 2015-2016. Above table indicates that the variation in the combined ratio of the private sector general insurance companies is higher.

Testing of Hypothesis: One Way ANOVA

Table 6 : Ho1.3: There is no significant difference in the combined ratio of selected private Non-life Insurance Companies in India during the study period.

The ratio of Combined effect of expenses of management and claim incurred					
Source of Variation	SS	DF	MS	FCal.	Sig
Between Groups	386.208	4	96.552	2.531	.073
Within Groups	762.988	20	38.149		
Total	1149.195	24			

The table 1.6 indicates that differences in the ratio of underwriting result to net written premium are insignificant as the p value is 0.175. Since the value is more than 0.05 hence there are insignificant differences in the underwriting result ratio of selected general insurance companies at 5 % level of significance. The result indicates the similar performance of selected insurance companies from core insurance business. Except Bajaj Allianz, remaining companies' shows increasing combined ratio thus results in decreasing underwriting profit. 2011-12 proved to be most significant year, also in this year all selected companies get upward trend in their combined ratio.

4. Underwriting Result Ratio

The underwriting results specify the execution of an insurance company from central insurance business. The underwriting results ratio is ascertained by separating underwriting results to net written premium.

Table 7 : Underwriting Result Ratio of selected General Insurance Companies

Name of the Company	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	Mean
ICICI Lombard	-0.10	-0.05	-0.06	-0.05	-0.21	-0.094
Bajaj Allianz	-0.016	0.022	-0.001	-0.021	-0.074	- 0.0224
Iffco Tokio	-0.0689	-0.036	0.0008	-0.0381	-0.1697	- 0.0625
HDFC Ergo	-0.09	-0.10	-0.02	-0.02	-0.15	-0.076
Tata AIG	-0.12	-0.03	-0.055	-0.18	-0.24	0.125
Mean	-0.0157	-0.0476	0.0273	0.0618	0.1687	

It is clear from the above table that average underwriting result ratio of Tata AIG was 0.125 percent which was highest among the private sector general insurance company followed by ICICI Lombard 0.0224 percent, HDFC Ergo -0.076 percent. Iffco Tokio was on fourth position with underwriting loss of -0.0625 percent followed by Bajaj Allianz -0.0224 percent. Private sector shows decreasing trend of underwriting ratio. The average underwriting losses of the private sector companies were highest during the year 2011-2012 of 0.1687 per cent which continuously reduced to -0.0157 per cent till the year 2016-17. Ratio

Testing of Hypothesis: One Way ANOVA

Table 8 : Ho1.4: There is no significant difference in the underwriting result ratio of selected private Non-life Insurance Companies in India during the study period.

The ratio of Underwriting results to net written premium					
Source of Variation	SS	DF	MS	FCal.	Sig
Between Groups	.029	4	.007	1.765	.175
Within Groups	.081	20	.004		
Total	.109	24			

Table 1.8 indicates that differences in the ratio of underwriting result to net written premium are insignificant as the p value is 0.175, since the value is more than 0.05 hence there are insignificant differences in the underwriting result ratio of selected general insurance companies at 5 % level of significance. The result indicates the similar performance of selected insurance companies from core insurance business.

5. Investment Income ratio

Investment performance uncovers the effectiveness and efficiency of decisions taken for investment. Investment performance becomes critical to the financial soundness of any insurer.

Table 9 : Investment Income Ratio of selected General Insurance Companies

Name of the Company	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	Mean
ICICI Lombard	17.11	17.25	14.65	11.17	7.50	13.53
Bajaj Allianz	10.51	13.22	12.32	11.95	10.78	11.75
Iffco Tokio	12.26	12.01	12.98	12.01	11.35	12.12
HDFC Ergo	13.62	12.63	10.68	9.64	8.33	10.98
Tata AIG	4.14	4.26	4.18	3.68	2.42	3.73
Mean	11.52	11.87	10.96	9.69	8.07	

Table 1.9 highlights the investment income to net written premium ratio of the public insurers for the period 2011-12 to 2015-16. The results indicate that the among the private insurers, ICICI Lombard exhibits the highest average investment income ratio of 13.53 per cent followed by Iffco Tokio 12.12 per cent, Bajaj Allianz 11.75 per cent, HDFC Ergo 10.98 per cent and Tata AIG 3.73 per cent. Tata AIG has shown the least average investment income ratio.

Testing of Hypothesis: One Way ANOVA

Table 10 : Ho1.5: There is no significant difference in the Investment Income ratio of selected private Non-life Insurance Companies in India during the study period.

The ratio of Investment income to net written premium					
Source of Variation	SS	DF	MS	FCal.	Sig
Between Groups	296.902	4	74.226	15.274	.000
Within Groups	97.190	20	4.860		
Total	394.092	24			

Table 1.10 discloses that differences in the ratio of investment income to net written premium are significant as the p value is 0.000, since the value is less than 0.05 hence there are significant differences in the Investment Income ratio of selected general insurance companies at 5 % level of significance. The difference is due to staggering performance of ICICI Lombard and Iffco Tokio.

6. Net Retention Ratio

Net Retention proportion characterized as net written premium divided by gross-direct premium.

Table 11 : Net Retention Ratio of selected General Insurance Companies

Name of the Company	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	Mean
ICICI Lombard	67.17	66.30	65.60	67.58	53.91	64.11
Bajaj Allianz	78.39	76.66	83.28	80.05	82.02	80.08
Iffco Tokio	80.16	77.82	69.04	72.48	72.05	74.31
HDFC Ergo	56.16	55.88	60.74	59.98	63.27	59.20
Tata AIG	73.62	72.42	73.30	70.40	79.79	73.90
Mean	71.1	69.81	70.39	70.09	70.20	

Table 1.11 presents the Net Retention Ratio of private sector general insurance companies form the years 2011-12 to 2015-16. Among the private insurers, Bajaj Allianz has registered the highest average net retention ratio of 80.08 percent followed by Iffco Tokio with a percentage of 74.31percent, Tata AIG with a percentage of 73.90 percent, ICICI Lombard with a percentage of 64.11 percent and HDFC Ergo with a percentage of 59.20 percent. The year wise trends indicate that, the private insurance company reported an upward trend .Their average net retention ratio in the year 2011-2012 was 70.20 percent which was decreases in the year 2014-2015 , 69.81 percent but again increased in the year 2015-2016 with a percentage of 71.1 percent.

Testing of Hypothesis: One Way ANOVA

Table 12 : Ho1.6: There is no significant difference in the Net Retention ratio of selected private Non-life Insurance Companies in India during the study period.

The ratio of Net written premium to Gross Direct premium					
Source of Variation	SS	DF	MS	FCal.	Sig
Between Groups	296.902	4	74.226	15.274	.000
Within Groups	97.190	20	4.860		
Total	394.092	24			

Table 1.12 discloses that differences in net written premium to gross direct premium are significant as the p value is 0.000, p value is less than 0.05 hence it implies significant differences in the Net Retention ratio of selected general insurance companies at 5 % level of significance. The reason behind the difference is due to the performance of Bajaj Allianz.

7. Operating Ratio

Operating Ratio characterized as profit before tax divided by net written premium.

Table 13 : Operating Ratio of selected General Insurance Companies

Name of the Company	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	Mean
ICICI Lombard	13.02	15.60	11.56	6.79	-9.61	7.74
Bajaj Allianz	16.87	19.38	15.60	13.16	7.19	14.44
Iffco Tokio	8.10	11.65	15.93	10.55	-3.27	8.59
HDFC Ergo	10.68	7.91	12.70	12.36	-3.41	8.04
Tata AIG	1.30	10.69	13.79	9.94	-3.43	6.45
Mean	9.99	13.04	13.91	10.56	-2.50	

It is evident from the table that among the private insurers, Bajaj Allianz has exhibited the highest average operating ratio of 14.44 percent followed by Iffco Tokio, HDFC Ergo, with the respective percentages of 8.59 per cent and 8.04 per cent. ICICI Lombard registered the average operating profit ratio of 7.74 percent followed by Tata AIG with average percentage of 6.45 percent.

Testing of Hypothesis: One Way ANOVA

Table 14 : Ho1.7: There is no significant difference in the Operating ratio of selected private Non-life Insurance Companies in India during the study period.

The ratio of Profit before tax to net written premium					
Source of Variation	SS	DF	MS	FCal.	Sig
Between Groups	109.825	4	27.456	1.540	.229
Within Groups	356.514	20	17.826		
Total	466.339	24			

Table 1.14 resulted that differences in profit before tax to net written premium are insignificant as the p value is 0.229, since the value is more than 0.05 hence it implies insignificant pattern of differences in the Operating Ratio of selected general insurance companies.

8. Net earning ratio

The Net Earning Ratio indicates how productive the Insurance business is. It determined the summary of each activity which has been taken during the review period. It is figured by dividing Profit after tax to net written premium.

Table 15 : Net Earning Ratio of selected General Insurance Companies

Name of the Company	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	Mean
ICICI Lombard	9.33	12.09	11.36	7.37	-10.13	6.00
Bajaj Allianz	12.33	14.02	10.87	9.21	4.58	10.20
Iffco Tokio	5.64	7.94	10.67	7.24	-2.23	5.85
HDFC Ergo	7.97	5.84	11.06	10.49	-3.41	6.39
Tata AIG	0.91	7.83	9.36	7.00	-2.18	4.58
Mean	7.23	9.54	10.66	8.26	-2.67	

Table 1.15 highlights the trends of net earnings ratio (profit after tax to NWP) of the private sector general insurance companies for the period 2011-12 to 2015-16. Among the public sector insurers, Bajaj Allianz has showed the highest average net earnings ratio of 10.20 percent followed by HDFC Ergo, and ICICI Lombard with respective percentage of 6.39percent and 6.00 percent. Iffco Tokio exhibited average net earnings ratio of 5.85 percent followed by Tata AIG 4.58 percent. All the private insurers have shown operating profit during all the years under study.

Testing of Hypothesis: One Way ANOVA

Table 16 : Ho1.8: There is no significant difference in the Net earning ratio of selected private Non-life Insurance Companies in India during the study period.

The ratio of Profit after tax to net written premium.					
Source of Variation	SS	DF	MS	FCal.	Sig
Between Groups	109.825	4	27.456	1.540	.229
Within Groups	356.514	20	17.826		
Total	466.339	24			

Table 1.16 demonstrate that differences in profit after tax to net written premium are insignificant because the p value is 0.113, since the value is more than 0.05 hence it implies insignificant pattern in Net Earnings Ratio of selected general insurance companies.

10. Return on equity ratio

Return on Equity ratio demonstrates how proficiently the assets of the proprietors have been utilized (Anthony and Reece, 1995). It determined the return accumulating to owner's capital.

Table 17 : Return on Equity Ratio of selected General Insurance Companies

Name of the Company	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	Mean
ICICI Lombard	15.97	18.97	21.47	17.31	-28.55	9.03
Bajaj Allianz	20.22	25.26	24.57	23.50	12.89	21.28
Iffco Tokio	13.27	18.87	24.39	20.12	-5.94	14.14
HDFC Ergo	14.14	10.40	22.14	21.54	-7.46	12.15
Tata AIG	0.19	18.18	21.91	16.99	-6.36	10.18
Mean	12.57	18.33	22.89	19.89	-7.08	

The trend on return on equity of private sector general insurance companies for the period 2011-12 to 2015-16 has been shown in table 1.17. The analysis exhibited that the average return on equity among the private sector insurers, Bajaj Allianz has earned the highest average return on equity of 21.28 percent followed by Iffco Tokio, HDFC Ergo and Tata AIG with the respective percentage of 14.14 percent, 12.15 percent and 10.18 percent. ICICI Lombard registered an average return on equity ratio of 9.03 percent. All the private sector insurers have shown a positive return on equity during all the years of the study.

Table 18 : Ho1.9: There is no significant difference in the ratio of Return on equity of selected Non-life insurance companies in India during the study period.

The ratio of Profit after tax to Net written Premium					
Source of Variation	SS	DF	MS	FCal.	Sig
Between Groups	222.196	4	55.549	1.174	.352
Within Groups	946.380	20	47.319		
Total	1168.576	24			

Since the p-value is more than .05 hence we accept the hypothesis which suggested that there is no significant difference found in the ratio of Profit after tax to net worth of selected Non-life insurance companies in India during the study period.

Conclusion

The present study has undertaken to gain insight into current financial performance of selected companies by using efficiency and profitability parameters of CARAMEL. The result will help the companies in formulating new financial strategies and policies related to risk management. Earning and profitability parameter of CRAMEL mainly focused on analysis of operational and non-operational income. For this analysis five ratios have been computed, the top three ratios reflect the key components of underwriting performance and the remaining ratios reflect the non-operational income and shareholder return. For positive and satisfying financial performance of the Non-life Insurance Company first three ratios should be minimal and these ratios reflect the positive correlation between underwriting efficiency and capital adequacy. These ratio includes Net claim incurred ratio, Expense ratio and Combined ratio. These ratios reveal that every single rupee which is earned from premium is demanding in the form of claim and cost. However, due to price

war the profit margin from profitable segments of insurers seems to be decreasing and prevailing bearish capital market. Therefore, insurers have to take cautions while choosing profitable business otherwise their funds may get lost.

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