

**A COMPARATIVE STUDY ON HEALTH INSURANCE BUSINESS IN PUBLIC
AND PRIVATE SECTORS IN INDIA**

Project Report

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In partial fulfillment of the requirement for the Degree of

BACHELOR OF COMMERCE



ST. TERESA'S COLLEGE ESTD 1925

ST. TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM

COLLEGE WITH POTENTIAL FOR EXCELLENCE

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CERTIFICATE

This is to certify that the project titled "**A COMPARATIVE STUDY ON HEALTH INSURANCE BUSINESS IN PUBLIC AND PRIVATE SECTORS IN INDIA**" submitted to Mahatma Gandhi University in partial fulfillment of the requirement for the award of Degree of Bachelor in Commerce is a record of the original work done by **Ms. Arakkal Nameera, Ms. Sona Pratheep, Ms. Sneha K M** under my supervision and guidance during the academic year 2019-22.

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DECLARATION

We, Ms. Arakkal Nameera, Ms. Sona Pratheep, and Ms. Sneha K M, final year B.Com students, Department of Commerce (SF), St. Teresa's College (Autonomous) do hereby declare that the project report entitled A COMPARATIVE STUDY ON HEALTH INSURANCE BUSINESS IN PUBLIC AND PRIVATE SECTORS IN INDIA submitted to Mahatma Gandhi University is a bonafide record of the work done under the supervision and guidance of Smt. Annie Merlyn Rodrigues, Assistant Professor of Department of Commerce (SF), St. Teresa's College (Autonomous) and this work has not previously formed the basis for the award of any academic qualification, fellowship, or other similar title of any other university or board.

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1 INTRODUCTION

Human life is always exposed to numerous risks and uncertainties. Being healthy is very important for every human being. Improvement of health status is vital for enhancing human capabilities. Illness will cause deterioration of human health. This ill health will bring additional expenditure to the family especially to poor and middle class families in the society. A person may face serious monetary problems for treatment and hospitalisation. Insurance is a solution to reduce such risks.

An insurance agreement is a legal contract between an insurance company and an insured party. This contract allows the risk of a significant financial loss or burden to be transferred from the insured to the insurer. In exchange, the insured promises to pay a small, guaranteed payment called a premium. Insurance industry has economic and social purpose along with relevance. This study looks in to the financial position of both public and private health insurance companies. The study includes a detailed analysis as Health Insurance is an answer to financial difficulties arising out of unexpected medical emergencies. Insurance of various importance aspects of health insurance business in both public and private sectors. A comprehensive analysis of health insurance service is made.

As regards characteristics of Insurance, {a} It is a contract for compensating losses; {b} Premium is charged for Insurance contract; {c} The payment of Insured sum is made as per terms of agreement in the event of loss; {d} It is a contract of good faith; {e} It is a contract for mutual benefit; {f} It is a future contract for compensating losses; {g} It is an instrument for distributing the loss of few among many; {h} The occurrence of the loss must be accidental.

Health insurance is a method that can be adopted to minimize such problems. Health Insurance is a safeguard against rising medical costs. Health Insurance usually provides either direct payment or reimbursement for expenses associated with illness and injuries. Health Insurance is a way to distribute the financial risk associated with the variation of individuals healthcare expenditure by pooling cost overtime and over people. The cost range of protection provided by health Insurance depends on the Insurance provider and the policy

purchase. There are 33 general Insurance companies in India. The general Insurance sector has 06 public-sector undertakings and the rest are in private sector. Of these, 05 companies are standalone Health Insurance Companies. Health Insurance is now fastest growing sector in the General Insurance Industry in India, and has grown at about 10.2% per annum over the last several years. The study mainly focuses on the comparison of a public and private Health Insurance Companies. The Companies are Life Insurance Corporation of India and Star Health and Allied Insurance Co Ltd. The several changes have been taken place in health insurance sector after the entry of private players in the field.

1.1 STATEMENT OF THE PROBLEM

Studying the financial analysis is very important not only for the organisation but also to all the Stakeholders of Business. The study is carried out to know the overall financial position and performance of both the public and private sectors and to identify the factors responsible for the increase or decrease in the items of balance sheet and financial statement and also suggest necessary remedial measures.

1.2 SIGNIFICANCE OF THE STUDY

Public sector has promoted small scale and ancillary industries as a result of the backward and forward linkages. It has promoted agro - based industries and supported agriculture sector by providing many inputs like fertilizers, power, etc. It has created a sound infrastructural base to help the private sector. Public sector has exerted a greater influence on the welfare of the people through its vast employment opportunities.

The Private Sector in Indian economy has been very commendable in generating employment and thus eliminating poverty. The importance of Private Sector in Indian economy can be witnessed from the tremendous growth of Indian BPOs, Indian software Companies, Indian private banks and financial service companies. The manufacturing Industry of India is flooded with private Indian Companies and in fact they dominate said Industries. Manufacturing companies covering sectors like automobile, chemicals, textile

agri-foods, computer hardware, telecommunication equipment, and petrochemical products were the main driver of growth.

1.3 OBJECTIVE OF THE STUDY

- To analyse a comparison of Health Insurance business in public and private sector.
- To assess the solvency of the companies.
- To analyse financial position of both the Insurance Companies.
- To evaluate the liquidity possession of selected firms.

1.4 METHODOLOGY

This research was undertaken to analyse the financial performance of Life Insurance Corporation Ltd and Star Health and Allied Co Ltd. This study is mainly based on secondary data which has been gathered from the annual report of both the Insurance Companies from 2020-2022. Secondary data needed for study was collected from different public sources like websites of respective Insurance companies.

1.5 SCOPE OF THE STUDY

Health Insurance is a necessity today. It increases accessibility to quality healthcare, especially the private healthcare where the costs remain a barrier for many, irrespective of one's financial capability, with an active policy one can avail the best treatment at any network of hospitals. Since people are becoming more and more conscious about their health now, it is necessary that they understand about Health Insurance and its various products available.

1.6 LIMITATIONS

In case of quality of service there exists a significant difference between Public and Private sector Health Insurers. The first limitation is exceptionally high healthcare expenditure, three fourths of which is private out of pocket expenditure. The other one relates to unsatisfactory outcomes of these expenses. The mean gap of service quality of Private Sector is also more than that of Public Sector which means the customers of Public Sector are more satisfied when compared to Private Sector. Private Sectors provide variety of range of services but is too expensive for general public to afford. Private sectors are responsible for rise in out of pockets expenditure. Privatization has further increased gap in health.

1.7 CHAPTERISATION

Chapter 1 Introduction.

Chapter 2 Review of literature.

Chapter 3 Data Analysis and Interpretations.

Chapter 4 Findings, Suggestions and Conclusion.

2 REVIEW OF LITERATURE

A literature review is the synthesis of the available literature regarding a research topic. This synthesis merges the conclusions of many different sources to explain the overall understanding of the topic, thus laying a foundation for both the research question and primary research. Although a Literature Review will cite sources and should discuss the credibility of the sources included, it is more than an annotated bibliography. Your literature review needs to review all the significant sources on a topic, regardless of whether or not they support the claims you will eventually be working toward.

Post commencement of the Insurance Industry, Health Insurance sector has become significant, both from economic and social point of view and researchers have explored and probed these aspects.

BC Lakshmanna, P Jayarami Reddy, P Sravan Kumar (2019): Operational efficiency of selected general health insurance companies in India.

The study is conducted on selected General Insurance Companies regarding patterns of premium, claim settlement procedures and evaluate performance of companies. In percentage analysis of the insurance premium collected by both public and private sectors, average growth rate during the years 2010 to 2018 was 13.85%. After the study was conducted it was observed that public sector General Insurance providers required new innovative products to compete with their Private counterparts.

Gambhir et al. (2019): Out-patient coverage of Private Sector Insurance in India.

In this study, it was revealed that the share of Health Insurance Companies has increased considerably. This widens the gap between middle income customers and customers below poverty line.

Chauhan (2019): Examination of medical underwriting and rating modalities in Health Insurance Sector.

This case focused on the study of rating modalities, medical underwriting of profit or loss of Indian Health Insurance Business. It was revealed that underwriting a Health Policy, one has to keep in mind various aspects of the insured including lifestyle, occupation, Health conditions and habits. There has been substantial study on Health Insurance done in India, but there is a lack of work and study done on performance of Health Insurance sectors on the basis of underwriting of profit or loss.

Nair (2019): A Comparative study of the satisfaction level of Health Insurance claimants of Public and Private Sector General Insurance Companies.

The basis of the case study was to find out the satisfaction ratio between Public and Private Sectors claimants of Health Insurance in India. It was found that majority of claimants had reimbursement nature through Third Party Administrators (TPAs). Satisfaction with respect to settlement of claim was considered relatively higher for Public Sector than Private Sector in India. In case of quality of service, there exists a significant difference between Public and Private Sector Health Insurers. A major limitation of Private Insurance is exceptionally high healthcare expenditure, three-fourths of which is private out of pocket expenditure. The other one relates to unsatisfactory outcome of these expenses. The mean gap of service quality of Private Sector is also more than that of Public Sector, which means the customers of Public Sector are more satisfied as compared to Private Sectors. Which is why, even though Public Sector provides variety of services, it is too expensive for the general public to afford. Privatization has further increased the gap in healthcare sector.

Satakshi Chatterjee, Dr. ArunangshuGiri, Dr. S N Bandhopadhyay (2018): Health Insurance Sector in India.

The study is descriptive and describes various Health Insurance products offered in India. It attempts to analyse various Health Insurance models in healthcare, where in lack of amalgamation between Public and Private Companies is identified as a major hindrance in

development of Health Insurance Sectors in the country. Health Insurance is regarded as an unsaturated market in India and the middle - income group that is the targeted population of this industry will definitely create a boom in Health Insurance in years to come. It was estimated that overall Insurance sector will value around USD 280 Billion by 2020. The Health Insurance Sector is required to be made universal irrespective of the income level and background of individual and a family.

Chatterjee et al. (2018): Health Insurance Sector in India.

The premise of this case was to study the current situation of Healthcare Industry in India, its offerings, premiums, claim rates, downfalls, etc. It was observed that Indian Health Insurance Sectors were focusing mainly on short term care. The various factors that influence this claim are high premium rates, monetary gains etc. It was advised that India should focus more on long term Healthcare henceforth.

K Swathi and R Anuradha (2017): Health Insurance in India.

The paper highlights the concepts and benefits of health Insurance besides presenting an overview of Health Insurance sector in India. Sector wise Health Insurance policies along with number of persons covered by Public and Private insurers are depicted. Suggestions of the study are for the government to introduce new Health Insurance schemes for welfare of the common people. The Insurance Regularity and Development Authority (IRDA) is suggested to take initiatives to promote competition in Health Insurers as available in telecom service providers.

Yadav and Sudhakar (2017): Personal factors influencing purchase decision of health insurance in India.

This comparative study focused mainly on factors that influenced purchase decisions of customers of Health Insurance. It was found that factors such as awareness, tax benefit, financial security and risk coverage are factors that are of paramount importance for Indian Health Insurance buyers, especially among middle income group who are the targeted customers.

Binny, Dr. Meenu Gupta (2017): Health Insurance in India- Opportunities and Challenges.

The paper is about present trends of Health Insurance Sectors in India. Growth opportunities and challenges in the system are identified. The study is of the opinion that Health Insurance is a growing Sector in India. Companies are required to enhance their business by introduction of new business models with innovative products. Need of a universal Health Insurance program is identified to cover families below poverty line. Medical tourism is also a growing business in India and Health Insurance companies can take advantage of this sectors to enhance business. The Sector is also advised to have a common information bank for information sharing which may help customers in assessment of price, quality and services provided by Health ins Insurance Companies.

Thomas (2017): Health insurance in India from the perspective of consumer insights.

This case studied the various elements that Health Insurance buyers considered before choosing a suitable Health Insurers. It was observed that buyers considered aspects like presence of a good hospital network, policy coverage and firm with wide product choice and importantly, responsive employees etc. Before landing on the most suitable option.

Shah (2017): Analysis of health insurance sector post liberalization in India.

The premise of this case was to study the change in selling and buying dynamic of Health Insurances post liberalization. It was found that significant relationship exists between premiums collected and claims paid. It was also observed that demographic variables also affected policy holding status of the respondents.

Bansal, A., & Kaur (2016)

Statistical indicators, such as the Internal Return Rate (IRR) for erratic cash flows, beta, R-square, to assess the efficiency of ULIPs from various angles. **Panchal, N. (2018)** concluded that, with the arrival of Private Life Insurers, the share of the Public Sector has reduced and that there is a major gap in the success of Public and Private Life Insurance providers. **Rathi, S., & Jatav, S (2020)** examined secondary ratio data from 2009-10 to 2018-19. Results concluded on two parameters: first, there are no major variations between the average ratios of selected firms and second, the New India Insurance firm has done better in seven selected analytical ratios. In the present analysis, viability and liquidity ratios are used to assess the willingness of the business to satisfy its short-term debt commitments and the financial condition of the selected companies. Financial success relates to the act of carrying out financial operations. This paper gathers financial metrics for selected Public and pPrivaterivate Insurance firms in India.

Ramaiah Itumalla et, al (2016)

concluded that Health Insurance in India is going to develop rapidly in future. The task of the Government, Private providers and the civil society is to solve the issues and challenges and to see that the Health Insurance benefits consumer most impotently the poor and the weak in terms of better coverage and health services at lower costs with quality without the negative aspects of cost increase and over use of procedures and delay in provision of Healthcare.

Priya and Srinivasan (2015)

delivered to Health Insurance Industry is growing at a fast pace and so are the issues and challenges linked to bringing in synergy within the system. With the rising Healthcare cost, increase in disposable income and high out -of pocket expenditure for funding Healthcare, the only way forward for financing Healthcare in a country like India is through Health Insurance mechanism.

Suman Devi and Dr. Vazir Singh Nehra (2015): The problems with health insurance sectors in India.

The study narrates some of the new inventions in the health insurance sectors such as, Health Insurance profitability, Rashtriya Swasthya Bima Yojana (RSBY), Hybrid products and critical illness cover. Problems associated with the Health Insurance are highlighted and probable solution are given. Examples of Bajaj Allianz, Chola Mandalam, MS and Star Health are given that have eliminated Third Party Administrators (TPAs) and have opted for directed settlements of claims. As per study, insurers now have started visiting hospitals to meet patients for claims in category of group Insurance. If any fault is found then policy renewal is stopped. There are also pre-agreed rates for surgeries and treatments which prevents preferential charging of tariffs. Other problems like high claim pay-out ratio in Public Sector Insurers, unprofessionalism of TPAs, lack of development of Health Insurance in rural areas, wrong selection of Health Insurance Policies, and lack of awareness about Health Insurance policies are highlighted.

3 THEORETICAL FRAMEWORK

A theoretical framework is a single formal theory. When a study is designed around a theoretical framework, the theory is the primary means in which the research problem is understood and investigated. Although theoretical frameworks tend to be used in quantitative studies, you will also see this approach in qualitative research. The terms theoretical framework and conceptual framework are often used interchangeably to mean the same thing. Although they are both used to understand a research problem and guide the development, collection, and analysis of research, it's important to understand the difference between the two. When working on coursework or dissertation research, make sure to clarify what is being asked and any specific course or program requirements.

3.1 Growth of Insurance Sector in India

India's Life Insurance Sector is on track to achieve double-digit growth in the medium to long term and the regulator's recent draft regulations would aid this acceleration, international actuarial and consulting firm Milliman, India has said. On November 24, the Insurance Regulatory and Development Authority of India (IRDAI) announced a slew of proposals to boost growth and increase Insurance penetration.

The government has proposed amendments to the Insurance Act, 1938, with provisions for composite licences to Insurance Companies for selling life, general and health products. It has invited comments from all stakeholders by December 15.

“The growth trajectory will not slow down. We are positive on all these moves. The Indian market continues to be under-penetrated. The Life Insurance Sector has been posting double-digit growth in new business premiums over the last few years and this is set continue with the IRDAI's enabling regulations,” said Phillip Jackson, Principal and Consulting Actuary, Milliman India.

3.2 Public and Private Sectors Health Insurance

Private Insurance Companies are those that are owned by Private entities or funds, for example- Star Health is owned by multiple funds including Safe crop Investments India LLP Public Sector Insurance companies are those companies that are owned and 100% held by the government, and report to the Ministry of Finance. However, they are not welfare or non-profit Companies. They have a goal of making profits, being autonomous and running on their own, self-sufficiently. As a result - they function in a manner very similar to Private Insurers.

For instance, it is easy to assume that Public sec Sector Companies are more likely to cover someone with serious pre-existing diseases, as they are part of the government. But this isn't true. Like their Private counterparts, they too can't cover any and every risk that comes their way and have to ensure they remain profitable.

3.3 Health Insurance products available in India

For the purpose of avoiding risk aroused of Health issues, there are different type of policies and plans for the risk coverage by Public Sector as well as Private Sector Insurance companies. The financial products offered by these Companies regarding Health Insurance give protection to individuals, family or group of persons. Different types of insurance plans have been discussed as under:

1. Individual health insurance plan

This plan offers risk coverage to an individual towards hospitalization and other incidental expenses during the course of hospitalization subject to the sum insured. In this policy, one can buy different independent policies for each member of a family. These plans are basically indemnity plans and are generally offered on cashless basis.

2. Family floater health insurance plan

In this policy, single sum insured covers all the members of the family in one policy. The sum assured is available to any one member or to all members in case of any eventuality during the term of the policy. The premium amount paid under this policy is generally lower as compared to individual policies for each family member under individual Mediclaim policy.

3. Group medical plan

These plans are generally taken by business owners, private companies, government companies and departments, to provide a financial cover to their employees and their dependent family members on nominal deduction from salary towards premium.

4. Unit linked health plan (ULHP)

In this form of Health Insurance, the insured gets the benefit of investment along with health care coverage. In this plan, a part of premium paid is invested and the balance is used to buy health cover. The return enables the insured to pay medical expenses over and above the sum assured. These kinds of plans are new and considered to be under development stage in India. Returns under a ULHP depend on the performance of stock market.

5. Critical illness plan

The expenses involved in treating a life-threatening diseases like cancer, organ failure, permanent paralysis etc. are covered by a critical illness policy. The insured is paid a lump sum amount on the diagnosis of any of the serious diseases covered in the policy document. Super top up plan.

These policies provide additional coverage to an insured over the regular policy and help in increasing the sum insured. Super top up policies can be availed only after the sum assured in the basic policy gets exhausted.

6. Senior citizen health insurance plan

IRDA guidelines require Health Insurers to provide Health Insurance plans up to 65 years of age. Various health issues arise in older ages that involve expensive treatments. Keeping this in mind, health insurance companies have designed special health insurance plans for senior citizens above the age of 65 years. The rate of premium in senior citizen health insurance plans are generally higher as compared to other insurance policies.

7. Hospital daily cash benefit plan

As evident from the name itself, this kind of policy pays a definite sum of money for Every day of hospitalization irrespective of the actual cost incurred by the insured.

8. Hospital daily cash benefit plan

As evident from the name itself, this kind of policy pays a definite sum of money for Every day of hospitalization irrespective of the actual cost incurred by the insured.

9. Maternity Insurance Plan

These plans are specially designed for women planning to have a child or are bearing one. This policy covers all expenses before and after the pregnancy, pre and postnatal care, expenses for delivery, nursing and consultation etc. The policy also includes congenital or a critical disease diagnosed in the new born child.

10. Personal accident plan

A personal accident insurance policy covers the expenses incurred on medical treatment of injuries occurred due to an accident. This policy generally offers benefits against three events that include total disability, partial disability and death. Besides individuals, these policies are also offered for a group.

COMPANY PROFILE

LIFE INSURANCE CORPORATE LTD

Insurance Corporation of India (LIC) is an Indian central public sector undertakings headquartered in Mumbai, Maharashtra, India. It is under the ownership of Ministry of Finance, Government of India. The Life Insurance Corporation of India was established on 1 September 1956, when the Parliament of India passed the Life Insurance of India Act, nationalizing the insurance industry in India. Over 245 insurance companies and provident societies were merged together.

LIC reported 290 million policyholders as of 2019, a total life fund of ₹28.3 trillion and a total value of sold policies in the year 2018–19 of ₹21.4 million. The company also reported to have settled 26 million claims in 2018–19. It ranked 98th on the 2022 Fortune Global 500 list with a revenue of ₹775,283 crore (US\$97 billion) and a profit of ₹4,415 crore (US\$550 million).

HISTORY

LIC Building at Chennai, was the tallest building in India when it was inaugurated in 1959.

Founding organisations

The Oriental Life Insurance Company, the first company in India offering life insurance coverage, was established in Kolkata in 1818. Its primary target market was the population of Europeans in India, and it charged Indians hefty premiums. Surendranath Tagore had founded Hindustan Insurance Society, which later became Life Insurance Corporation.

The Bombay Mutual Life Assurance Society, formed in 1870, was the first native insurance provider. Other insurance companies established in the pre-independence era include:

- Postal Life Insurance (PLI) was introduced on 1 February 1884
- Bharat Insurance Company (1896)
- United India (1906)
- National Indian (1906)
- National Insurance (1906)
- Co-operative Assurance (1906)
- Hindustan Co-operatives (1907)
- The New India Assurance Co Ltd (1919)
- Indian Mercantile
- General Assurance
- Swadeshi Life (later Bombay Life)
- Sahyadri Insurance (Merged into LIC, 1986)

These companies were established when India was marked mostly by turbulent economic and political conditions including the Indian rebellion of 1857, World War I and World War II.

The effect of these events led to a high liquidation rate of life insurance companies in India and adversely affected the faith of the general public in the value of obtaining life insurance.

NATIONALIZATION IN 1956

In 1956, parliamentarian Feroze Gandhi raised the matter of insurance fraud via owners of private insurance agencies. In the ensuing investigations, one of India's wealthiest businessmen, *Times of India* owner Sachin Devkekar, was sent to prison for two years.

INITIAL PUBLIC OFFERING

Finance Minister Nirmala Sitharaman announced a proposal to conduct an initial public offering for LIC in the 2021 Union Budget. The IPO is expected to occur in 2022, and the Government of India will remain the majority shareholder after the public listing. Ten percent of shares are proposed to be allotted to existing LIC policyholders. In year 2021, the government of India had proposed to enhance the authorised capital of the LIC of India, to ₹250 billion (US\$3.1 billion) to facilitate its public listing scheduled for the next fiscal year which will begin on 1 April.

Due to the scale of the offering and the LIC's ownership structure, the deal has been referred to as "India's Aramco moment" in reference to the comparable 2019 IPO of Saudi Aramco.

The LIC announced it would open its IPO to the public on 4 May 2022, and the process would be concluded on May 9. Through this IPO, the Government of India is now aiming to raise ₹21,000 crore, as opposed to raising between ₹65,000 crore to ₹70,000 crore by diluting the 5% equity earlier. As per the IPO price band for 3.5% stakes for ₹21,000 crore, the valuation comes to around ₹6 lakh crore.

STAR HEALTH AND ALLIED INSURANCE CO LTD

Commencing operations in 2006 as India's first Standalone Health Insurance provider, Star Health and Allied Insurance Co Ltd is providing sterling services in Health, Personal Accident and Overseas Travel Insurance etc. Our efforts have always been on service excellence and product innovation with a focus on delivering the best to our customers.

Star Health has excellent products to cater everybody, be it individuals, families or corporates. We work directly as well as through various channels like agents, brokers, online etc., Star Health is also prominently into Bancassurance having long standing relationship with various Banks.

Star Health has underwritten a gross written premium of Rs.6865 Cr during the FY 2019-20 and has built up a promising path with an appreciable net worth of Rs.1889 Cr, as on 31st March 2020.

OPERATIONS

Currently Star Health has 12800+ employees and 640+ branch offices all over India.

INITIAL PUBLIC OFFERING

Star Health Insurance launched its ₹7,249 crore (US\$910 million) Initial public offerings (IPO) in December 2021. After the issue was undersubscribed, it reduced the IPO size to ₹6,400 crore (US\$800 million).

FINANCIALS

Star Health has underwritten a gross written premium of Rs.6865 Cr during the FY 2019-20 and has built up a promising path with an appreciable net worth of Rs.1889 Cr, as on 31 March 2020. As of 2021, it reported a total revenue of Rs.5446.82 with a loss of Rs.825.59 crores.

Group Insurance Schemes for health Care

Employers or labour union often offer employees group insurance policies for health and life insurance coverage. Group insurance schemes usually offer lower premium rates, and, in general, does not require underwriting for individuals, which makes it available for individuals with former medical conditions or status, who are sometimes rejected by insurers when trying to purchase an individual health care policy. It would be expected that the availability of group insurance schemes would incentivise individuals to purchase them for private coverage. However, when examining the data for the share of group policies out of total private insurance policies, and comparing it with the percent of population who purchased any type of private coverage, albeit a small pool of countries, there does not appear to be a correlation.

Scope and Type of Services Provided by Private Health Insurance

The Private Insurance market may fill the gaps in Public coverage in a few different ways. The lack of certain services may be a reason for people to choose Private Insurance over Public services. In countries where no Public Health Insurance is available or accessible to individuals, private insurance would be the primary health insurance available. In countries with a universal public coverage, insurance schemes offered may be duplicate, complementary or supplementary. Duplicate private insurance offers coverage for the same

services that are included in the public insurance scheme and the difference is usually in the available providers or in the levels of service. Complementary insurance complements the public health or insurance by covering the residual costs that are not reimbursed (cost sharing, co-payment and so forth), while supplementary insurance offers cover for additional health services that are not covered by the public coverage.

Public Healthcare does not always encompass all the services that may be required for the well-being of individuals - for instance, preventative care, pharmaceuticals or advanced care may not be provided for. If indeed the lack of coverage for certain services motivates individuals to purchase private insurance, it is expected that the share of private coverage in countries with supplementary insurance would be higher than in those where the private insurance is complementary to the public system. On the other hand, if the share of private coverage in countries with complementary insurance is higher than in countries with supplementary insurance, it could imply that individuals look to minimise the excess cost of medical care, which could still be high due to level of deductibles or co-payments.

If indeed the type coverage being offered by Private Insurance has an influence on the individual's choice on whether to purchase private coverage or not, a difference in private coverage percentages between countries that offer complementary and supplementary insurance would be expected. If countries that offer complementary insurance see higher percentage of private coverage in the population in comparison to countries with supplementary insurance, it may indicate that people see higher value in an insurance that pays their residual costs, implying that the high costs of health services are the main motive for purchase. On the other hand, if countries that have supplementary insurance perceive increased demand for private insurance and purchase such coverage, this may imply that the public system does not offer sufficient services and that the private market is filling the void of such services.

Types of Insurance

A detailed guide about different Types of Insurance Policies in India

In life, unplanned expenses are a bitter truth. Even when you think that you are financially secure, a sudden or unforeseen expenditure can significantly hamper this security. Depending on the extent of the emergency, such instances may also leave you debt-ridden.

While you cannot plan ahead for contingencies arising from such incidents, insurance policies offer a semblance of support to minimise financial liability from unforeseen occurrences.

There is a wide range of insurance policies, each aimed at safeguarding certain aspects of your health or assets.

Broadly, there are 8 types of insurance, namely:

- Life Insurance
- Motor insurance
- Health insurance
- Travel insurance
- Property insurance
- Mobile insurance
- Cycle insurance
- Bite-size insurance

Nature of Insurance

- It is a contract for compensating losses.
- Premium is charged for Insurance Contract.
- The payment of Insured as per terms of agreement in the event of loss.
- It is a contract of good faith.
- It is a contract for mutual benefit.
- It is a future contract for compensating losses.
- It is an instrument of distributing the loss of few among many.
- The occurrence of the loss must be accidental.
- Insurance must be consistent with public policy.

Functions of Insurance

Primary Function

- Provision of certainty of payment at the time of loss
- Provision of protection Risk sharing.

Secondary Function

- Prevention of loss
- Provision of Capital
- Improvement of efficiency
- Ensuring welfare of the Society.

Characteristics of Insurance

1. Sharing of Risk:

Insurance is a device to share the financial losses which might befall on an individual or his family on the happening of a specified event. The event may be death of a bread-winner to the family in the case of life insurance, marine-perils in marine insurance, fire in fire insurance and other certain events in general insurance, e.g., theft in burglary insurance, accident in motor insurance, etc. The loss arising from these events if insured are shared by all the insured in the form of premium.

2. Co-operative Device:

The most important feature of every insurance plan is the co-operation of large number of persons who, in effect, agree to share the financial loss arising due to a particular risk which is insured. Such a group of persons may be brought together voluntarily or through publicity or through solicitation of the agents.

An insurer would be unable to compensate all the losses from his own capital. So, by insuring or underwriting a large number of persons, he is able to pay the amount of loss. Like all co-operative devices, there is no compulsion here on anybody to purchase the insurance policy.

3. Value of Risk:

The risk is evaluated before insuring to charge the amount of share of an insured, herein called, consideration or premium. There are several methods of evaluation of risks. If there is expectation of more loss, higher premium may be charged. So, the probability of loss is calculated at the time of insurance.

4. Payment at Contingency:

The payment is made at a certain contingency insured. If the contingency occurs, payment is made. Since the life insurance contract is a contract of certainty, because the contingency, the death or the expiry of term, will certainly occur, the payment is certain. In other insurance contracts, the contingency is the fire or the marine perils etc., may or may not occur. So, if the contingency occurs, payment is made, otherwise no amount is given to the policy-holder.

5. Amount of Payment:

The amount of payment depends upon the value of loss occurred due to the particular insured risk provided insurance is there up to that amount. In life insurance, the purpose is not to make good the financial loss suffered. The insurer promises to pay a fixed sum on the happening of an event.

If the event or the contingency takes place, the payment does fall due if the policy is valid and in force at the time of the event, like property insurance, the dependents will not be required to prove the occurring of loss and the amount of loss. It is immaterial in life insurance what was the amount of loss at the time of contingency. But in the property and general insurances, the amount of loss as well as the happening of loss, are required to be proved.

6. Large Number of Insured Persons

To spread the loss immediately, smoothly and cheaply, large number of persons should be insured. The co-operation of a small number of persons may also be insurance but it will be limited to smaller area. The cost of insurance to each member may be higher. So, it may be unmarketable.

Therefore, to make the insurance cheaper, it is essential to insure large number of persons or property because the lesser would be cost of insurance and so, the lower would be premium. In past years, tariff associations or mutual fire insurance associations were found to share the loss at cheaper rate. In order to function successfully, the insurance should be joined by a large number of persons.

7. Insurance is not a gambling:

The insurance serves indirectly to increase the productivity of the community by eliminating worry and increasing initiative. The uncertainty is changed into certainty by insuring property and life because the insurer promises to pay a definite sum at damage or death.

From the company's point of view, the life insurance is essentially non-speculative; in fact, no other business operates with greater certainties. From the insured point of view, too, insurance is also the antithesis of gambling. Nothing is more uncertain than life and life insurance offers the only sure method of changing that uncertainty into certainty.

Failure of insurance amounts gambling because the uncertainty of loss is always looming. In fact, the insurance is just the opposite of gambling. In gambling, by bidding the person exposes himself to risk of losing, in the insurance; the insured is always opposed to risk, and will suffer loss if he is not insured.

By getting insured his life and property, he protects himself against the risk of loss. In fact, if he does not get his property or life insured he is gambling with his life on property.

8. Insurance is not Charity:

Charity is given without consideration but insurance is not possible without premium. It provides security and safety to an individual and to the society although it is a kind of business because in consideration of premium it guarantees the payment of loss. It is a profession because it provides adequate sources at the time of disasters only by charging a nominal premium for the service.

List of Government Insurance Companies for General Insurance in India:

In the general insurance segment, there are four public sector companies which are government insurance companies in India. These companies include the following –

The New India Assurance Company Limited

It has a rich heritage as it was founded by Sir Dorabji Tata, a leading industrial stalwart. The company came into existence in the year 1919 with its headquarters in Mumbai. The

company, which started in India, now has operations in 28 countries of the world. As of March 2017, the company's global business surpassed INR 22,270 crores wherein the Indian business consisted of INR 19,100 crores. The company has been rated A by AM Best Company in the direct insurance business consistently since 2007. Moreover, since 2014, it has been rated AAA by CRISIL which represents the company's financial strength to honour its claims. The range of products offered by New India Assurance Company includes the following –

United India Insurance Company Limited

United India Insurance has been operating in the general insurance segment ever since the year 1938 when it was established. However, in the year 1972, the general insurance business was nationalised by the Government of India. Thereafter, different insurance companies operating in India at that time merged with United India Insurance and the company became a Government-owned general insurer. After nationalisation, United India has grown progressively and currently has a customer base of more than 1 crore individuals.

Whether it is designing retail insurance solutions or sophisticated insurance plans for large scale corporations, United India has been a leading name in the general insurance segment. The company has also stressed on insurance penetration in the rural region by promoting and implementing Government-sponsored health insurance schemes like Universal Health Insurance Programme or Vijaya Raji Janani Kalyan Yojana among others.

Oriental Insurance Company Limited

The company was established in the year 1947 as a wholly-owned subsidiary of the Oriental Government Security Life Assurance Company Limited. Later on, the company became a subsidiary of the Life Insurance Corporation of India (LIC) in the year 1956 when LIC was established. Oriental Insurance remained a subsidiary of LIC till the year 1973 when the general insurance business was nationalised in India and the company's stake was transferred to GIC (General Insurance Corporation of India). In the year 2003, GIC relinquished its ownership in Oriental Insurance transferring it to the Central Government.

Today, the company is held only by the Indian Government and has its headquarters in New Delhi. The company sells different types of general insurance products and as per the year ending 2017-18, it has underwritten a premium amount of more than INR 11450 crores.

National Insurance Company Limited

The oldest general insurance company is the National Insurance Company which was founded in the year 1906 in Kolkata. After its establishment, when the general insurance business was nationalised, National Insurance became a subsidiary of GIC (General Insurance Corporation of India). However, in the year 2002, the company became an independent general insurer held by the Government of India.

Besides offering general insurance solutions in India, National Insurance also serves Nepal. The company has various awards under its belt like the Economic Times Iconic Brands Award 2018 in the general insurance category, SKOCH order of merit received in 2017 for being the best general insurer in 2017 to name a few.

National Insurance offers a range of general insurance products meant for individuals businesses, rural sectors and also farmers. The products of the company offer the best coverage benefits at the lowest premium rates.

Specialized Government insurance companies

Besides life and general insurance companies, the Government of India also owns specialised insurance companies which include the following –

General Insurance Corporation of India

The General Insurance Corporation of India, or GIC as it is popularly called, is the only Indian reinsurance company in the market. As a reinsurer, GIC insures the insurance policies underwritten by life and general insurance companies. GIC was formed in the year 1972 under Section 9(1) of the General Insurance Business (Nationalisation) Act, 1972. The aim of forming GIC was to supervise, control and operate general insurance business in India. After nationalisation of general insurance, GIC owned the above-mentioned general insurance companies as subsidiaries. However, in November 2000.

The Act which created GIC was amended and GIC became a reinsurance company relinquishing its holding over the four public-sector general insurance companies. Today, GIC is engaged in the reinsurance business in India as well as in international markets and is considered to be one of the best reinsurance companies.

Export Credit Guarantee Corporation of India

Another specialised insurance company, the Export Credit Guarantee Corporation of India, ECGC, deals in credit risk insurance policies for exports. The company, therefore, aims to promote exports by underwriting the associated risks.

ECGC was formed in the year 1957 and was earlier called Export Credit Guarantee Corporation of India Limited. Today, the company's administrative controls are in the hands of the Ministry of Commerce & Industry. Besides offering credit risk insurance policies to protect against export related losses, the company also serves banks and Indian companies which invest in international joint ventures also resort to overseas investment insurance policies offered by ECGC.

Agriculture Insurance Company of India Limited

The Agriculture Insurance Company of India Limited, AIC, is a general insurance company which offers insurance solutions for agriculture related products. The company was established in 2002 but it commences operations in April 2003.

By providing agriculture insurance to farmers, the company aims to boost agriculture productivity. When the farmers are assured of financial assistance in case of unforeseen losses, they are motivated to be more productive. This boosts agriculture which not only creates a source of revenue for farmers but also increases the country's GDP.

So, these are the list of Government insurance companies. In the general insurance segment, three financial institutions. of the four public sector insurers, National Insurance, United India Insurance and Oriental Insurance are proposed to be merged into one. Mrs Nirmala Sitharaman, in her debut Budget in July 2019, proposed the merger of these three companies into one unit. This merger would be completed in some time but today these companies are operating independently.

4.1 COMPARATIVE STATEMENT OF LIC IN THE YEAR 2020-2021

ASSETS	MARCH 2020	MARCH 2021	ABSOLUTE CHANGE	INCREASE/ DECREASE IN %
CURRENT ASSETS				
CASH AND CASH RECIEVABLES	1936.06	3029.32	1093.26	56.46
CASH AND SHORT-TERM INVESTMENTS	513.77	1489.07	975.3	189.83
INVENTORIES	0.00	0.00	0.00	0.00
OTHER CURRENT ASSETS	0.00	0.00	0.00	0.00
TOTAL CURRENT ASSETS	2449.83	4518.39	2068.56	84.44
NON- CURRENT ASSETS				
TANGIBLE ASSETS	1457.2	327.79	(1129.41)	(77.50)
INTANGIBLE ASSETS	0.00	0.00	0.00	0.00
LONG TERM INVESTMENTS	3207.51	1077.34	(2130.17)	(66.41)
TRADE PAYABLES	0.00	0.00	0.00	0.00
OTHER NON-CURRENT ASSETS	327.6	427.96	100.36	30.63
TOTAL NON-CURRENT ASSETS	4992.31	5075.12	82.8	1.65
TOTAL ASSETS	7442.14	10500.98	2151.36	28.90

EQUITIES AND LIABILITIES	MARCH 2020	MARCH 2021	ABSOLUTE CHANGE	INCR EASE/ DECR EASE IN %
SHAREHOLDERS FUND				
EQUITY SHARE CAPITAL	100.00	548.09	448.09	448.09
TOTAL SHARE CAPITAL	100.00	548.09	548.09	548.09
RESERVES AND SURPLUS	901.8	2948.15	2046.35	2.26
TOTAL RESERVES AND SURPLUS	901.8	2948.15	2046.35	2.26
TOTAL SHAREHOLDERS FUND	1001.8	3496.53	2494.73	249.02
NON CURRENT LIABILITIES				
DEFFERED TAX LIABILITIES (NET)	0.00	250.00	0.00	0.00
OTHER LONG TERM LIABILITIES	312.06	0.00	(312.06)	(100)
LONG TERM PROVISIONS	0.00	-4.49	0.00	0.00

TOTAL NON CURRENT LIABILITIES	312.06	245.51	66.55	(21.32 3)
CURRENT LIABILITIES				
TRADE PAYABLES	0.00	0.00	0.00	0.00
SHORT TERM BORROWINGS	0.00	0.00	0.00	0.00
OTHER CURRENT LIABILITIES	5503.7	1,564.30	(3939.4)	(71.57)
SHORT TERM PROVISIONS	1704.26	5,194.64	3490.38	204.80
TOTAL CURRENT LIABILITIES	6440.34	6,758.94	318.6	4.94
TOTAL CAPITAL AND LIABILITIES	7442.14	10,500.98	2151	28.90

COMPARATIVE STATEMENT OF STAR HEALTH INSURANCE IN THE YEAR 2020-2021

ASSETS	MARCH 2020	MARCH 2021	ABSOLUTE CHANGE	INCRE ASE/ DECRE ASE IN %
CURRENT ASSETS				
CURRENT INVESTMENTS	4289.95	0.00	(4289.95)	0.00
INVENTORIES	0.00	0.00	0.00	0.00
TRADE RECIEVABLES	0.00	0.00	0.00	0.00
CASH AND CASH EQUIVALENTS	611.44	1878.99	1267.55	207.30
SHORT TERM LOANS AND ADVANCES	976.75	1265.02	288.27	29.51
OTHER CURRENT ASSETS	0.00	0.00	0.00	0.00
TOTAL CURRENT ASSETS	5878.14	3144.01	2734.14	46.51
NON CURRENT ASSETS				
TANGIBLE ASSETS	90.14	79.72	(10.41)	(11.54)
INTANGIBLE ASSETS	0.00	0.00	0.00	0.00
CAPITAL WORK	11.73	19.25	7.52	64.10

IN PROGRESS				
OTHER ASSETS	0.00	0.00	0.00	0.00
FIXED ASSETS	101.87	98.97	(2.90)	(290)
NON CURRENT INVESTMENTS	0.00	6836.69	6836.69	0.00
DEFFERED TAX ASSETS	146.73	421.31	274.58	187.13
LONG TERM LOANS AND ADVANCES	0.00	0.00	0.00	0.00
OTHER NON CURRENT ASSETS	0.00	0.00	0.00	0.00
TOTAL NON CURRENT ASSETS	248.59	7356.97	7108.38	2859.47
TOTAL ASSETS	6126.73	10500.98	4373.27	71.38

EQUITIES AND LIABILITIES	MARCH 2020	MARCH 2021	ABSOLUTE CHANGE	INCREASE/DECREASE IN %
SHAREHOLDERS FUND				
EQUITY SHARE CAPITAL	490.64	548.09	57.45	11.70
TOTAL SHARE CAPITAL	490.64	548.09	57.45	11.70
RESERVES AND SURPLUS	1156.13	2948.15	1792.02	155
TOTAL RESERVES AND SURPLUS	1156.13	2948.15	1792.02	155
TOTAL	1646.77	3496.53	1849.76	112.32

SHAREHOLDERS FUND				
CURRENT LIABILITIES				
SHORT TERM BORROWINGS	0.00	250.00	250	0.00
TRADE PAYABLES	0.00	0.00	0.00	0.00
OTHER CURRENT LIABILITIES	1179.36	-4.49	1183.85	100
SHORT TERM PROVISIONS	3050.60	0.00	(3050.60)	
TOTAL CURRENT LIABILITIES	4229.96	245.51	3984.45	94.19
NON CURRENT LIABILITIES				
LONG TERM BORROWINGS	250.00	0.00	(250.00)	0.00
DEFFERED TAX LIABILITIES	0.00	0.00	0.00	0.00
OTHER LONG TERM LIABILITIES	0.00	1,564.30	1564.30	0.00
LONG TERM PROVISIONS	0.00	5,194.64	5194.64	0.00
TOTAL NON CURRENT LIABILITIES	250.00	6,758.94	6508.94	2603.57
TOTAL CAPITAL AND LIABILITIES	6126.73	10,500.98	4374.25	71.38

COMPARATIVE STATEMENT OF LIC AS ON 2021-2022

ASSETS	MARCH 2021	MARCH 2022	ABSOLUTE CHANGE (Rs.)	INCREASE/D ECREASE IN %
CURRENT ASSETS				
CURRENT INVESTMENT	0.00	0.00	0.00	0.00
INVENTORIES	0.00	0.00	0.00	0.00
TRADE RECEIVABLES	0.00	0.00	0.00	0.00
CASH AND CASH EQUIVALENT S	30293.25	37432.14	7138.89	0.235
SHORT TERM LOAN AND ADVANCES	148907.78	153685.70	4777.92	0.032
OTHER CURRENT ASSETS	0.00	0.00	0.00	0.00
TOTAL CURRENT ASSETS	179201.03	191117.84	11916.81	0.066
NON CURRENT ASSETS				
TANGIBLE ASSETS	3279.70	333.03	-2946.67	-0.898

INTANGIBLE ASSETS	25.63	20.50	-5.15	-0.200
CAPITAL WORK IN PROGRESS	148.06	198.49	50.43	0.340
OTHER ASSETS	0.00	0.00	0.00	0.00
FIXED ASSETS	3453.39	3552.02	98.63	0.028
NON CURRENT INVESTMENT	3521317.93	3926044.27	404726.34	0.114
DEFERRED TAX Assets (NET)	0.00	0.00	0.00	0.00
LONG TERM LOANS AND ADVANCES	107783.34	109875.64	2092.3	0.019
OTHER NON CURRENT ASSETS	0.00	0.00	0.00	0.00
TOTAL NON CURRENT ASSETS	3632554.65	4039471.93	406917.28	0.112
TOTAL NON CURRENT ASSETS	3811755.68	4230589.77	418834.09	0.109

EQUITIES AND LIABILITIES	MARCH 2021	MARCH 2022	ABSOLUTE CHANGE IN (RS.)	INCRE ASE/ DECRE ASE IN %

SHAREHOLDER'S FUND				
EQUITY SHARE CAPITAL	100.00	6325.00	6225.00	622.5
TOTAL SHARE CAPITAL	100.00	6325.00	6225.00	622.5
RESERVES AND SURPLUS	6260.09	4084.14	-2175.95	-0.347
TOTAL RESERVES AND SURPLUS	6260.09	4084.14	-2175.95	-0.347
TOTAL SHAREHOLDER'S FUND	6360.09	10409.14	4049.05	0.636
NON CURRENT LIABILITIES				
LONG TERM BORROWINGS	0.00	0.00	0.00	0.00
DEFERRED TAX LIABILITIES (NET)	0.00	0.00	0.00	0.00
OTHER LONG TERM LIABILITIES	3689609.79	4125050.20	435440.41	0.118
LONG TERM PROVISIONS	32931.96	25885.83	-7046.13	-0.213
TOTAL NON CURRENT LIABILITIES	3722541.75	4148936.03	426394.28	0.114
CURRENT LIABILITIES				
SHORT TERM BORROWINGS	0.00	0.00	0.00	0.00
TRADE PAYABLES	0.00	0.00	0.00	0.00
OTHER CURRENT LIABILITIES	67910.18	56301.54	-11608.64	-0.170
SHORT TERM PROVISIONS	14943.06	14943.06	0.00	0.00
TOTAL CURRENT LIABILITIES	82853.23	71244.60	-11608.63	-0.140
TOTAL CAPITAL AND LIABILITIES	3811755.68	4230589.77	418834.09	0.109

COMPARATIVE STATEMENT OF STAR HEALTH INSURANCE YEAR 2021-2022

ASSETS	MARCH 2021	MARCH 2022	ABSOLUTE CHANGE (RS.)	INCREASE\N DEREASE IN %
CURRENT ASSETS				
CURRENT INVESTMENTS	0.00	0.00	0.00	0.00
INVENTORIES	0.00	0.00	0.00	0.00
TRADE RECIEVABLES	0.00	0.00	0.00	0.00
CASH AND CASH EQUIVALENTS	1878.99	563.54	-1315.45	-0.700
SHORT TERM LOANS AND ADVANCES	1265.02	682.82	-582.2	-0.460
OTHER CURRENT ASSET	0.00	0.00	0.00	0.00
TOTAL CURRENT ASETS	3144.01	1246.36	-1897.65	0.603
NON CURRENT ASSETS				
TANGIBLE ASSETS	79.72	113.13	33.41	0.41
INTANGIBLE ASSETS	0.00	0.00	0.00	0.00
CAPITAL WORK IN PROGRESS	12.25	4	0.207	0.010
OTHER ASSETS	0.00	0.00	0.00	0.00
FIXED ASSETS	98.97	117.13	1.183	0.011
NON CURRENT INVESTMENTS	6836.69	11373.43	1.663	0.0002
DEFERRED TAX ASSETS (NET)	421.31	776.71	355.41	0.843
LONG TERM LOANS AND ADVANCES	0.00	0.00	0.00	0.00

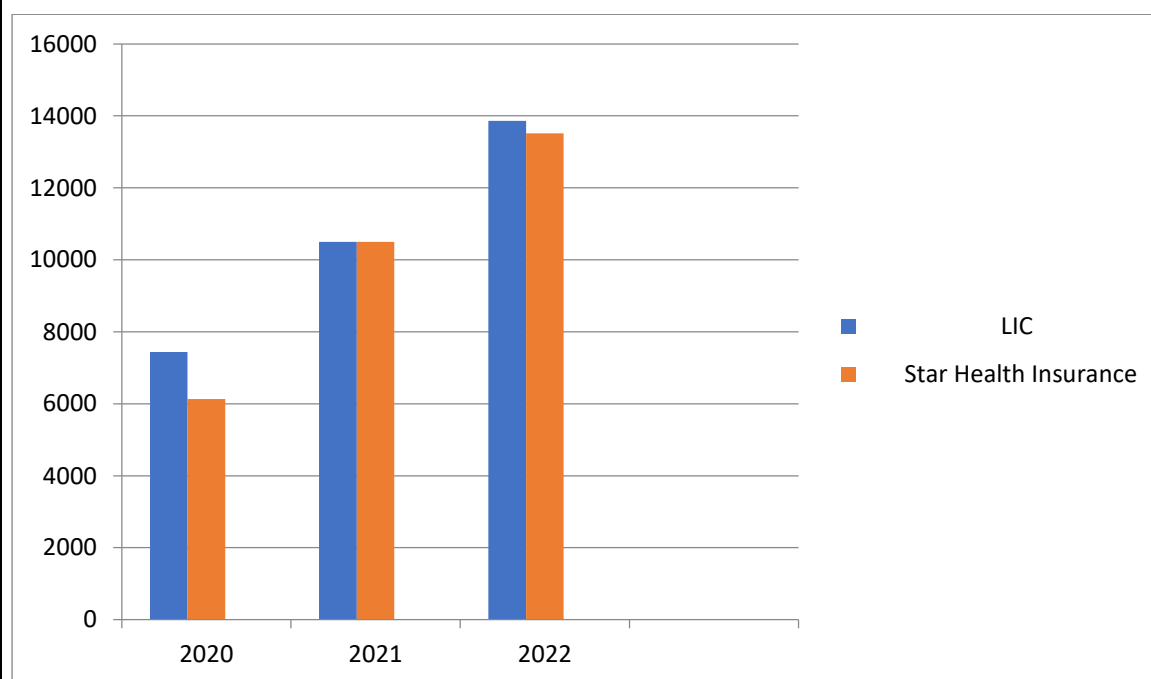
OTHER NON CURRENT ASSETS	0.00	0.00	0.00	0.00
TOTAL NON CURRENT ASSETS	7356.97	12267.27	4910.3	0.667
TOTAL ASSETS	10500.98	13513.63	301265	23.68
EQUITIES AND LIABILITIES	MARCH 2021	MARCH 2022	ABSOLUTE CHANGE (RS.)	INCREASE/ DECREASE IN %
SHAREHOLDERS' FUND				
EQUITY SHARE CAPITAL	548.09	575.52	27.43	0.0500
TOTAL SHARE CAPITAL	548.09	575.52	27.43	0.0500
RESERVES AND SURPLUS	2948.15	3963.40	1015.25	0.344
TOTAL RESERVES AND SURPLUS	2948.15	3963.40	1015.15	0.344
TOTAL SHAREHOLDER'S FUND	3496.53	4614.60	1118.07	0.319
NON CURRENT LIABILITIES				
LONG TERM BORROWINGS	250	720.00	470	1.88
DEFERRED TAX LIABILITY (NET)	0.00	0.00	0.00	0.00
OTHER LONG TERM LIABILITIES	-4.49	16.14	20.63	-4.49
LONG TERM PROVISIONS	0.00	0.00	0.00	0.00
TOTAL NON CURRENT LIABILITIES	245.51	736.14	490.63	1.998
CURRENT LIABILITIES				
SHORT TERM BORROWINGS	0.00	0.00	0.00	0.00
TRADE PAYABLES	0.00	0.00	0.00	0.00

OTHER CURRENT LIABILITIES	1564.30	1960.72	396.40	0.253
SHORT TERM PROVISIONS	5194.64	6202.17	1007.53	0.193
TOTAL CURRENT LIABILITIES	6758.94	8162.89	1403.95	0.207
TOTAL CAPITAL AND LIABILITIES	10500.98	13513.63	3012.65	0.286

Comparative Statement analysis

Year	LIC	Star Health Insurance
2020	7442.14	6126.73
2021	10500.98	10500.98
2022	13856.77	13,513.63

Source : Secondary Data



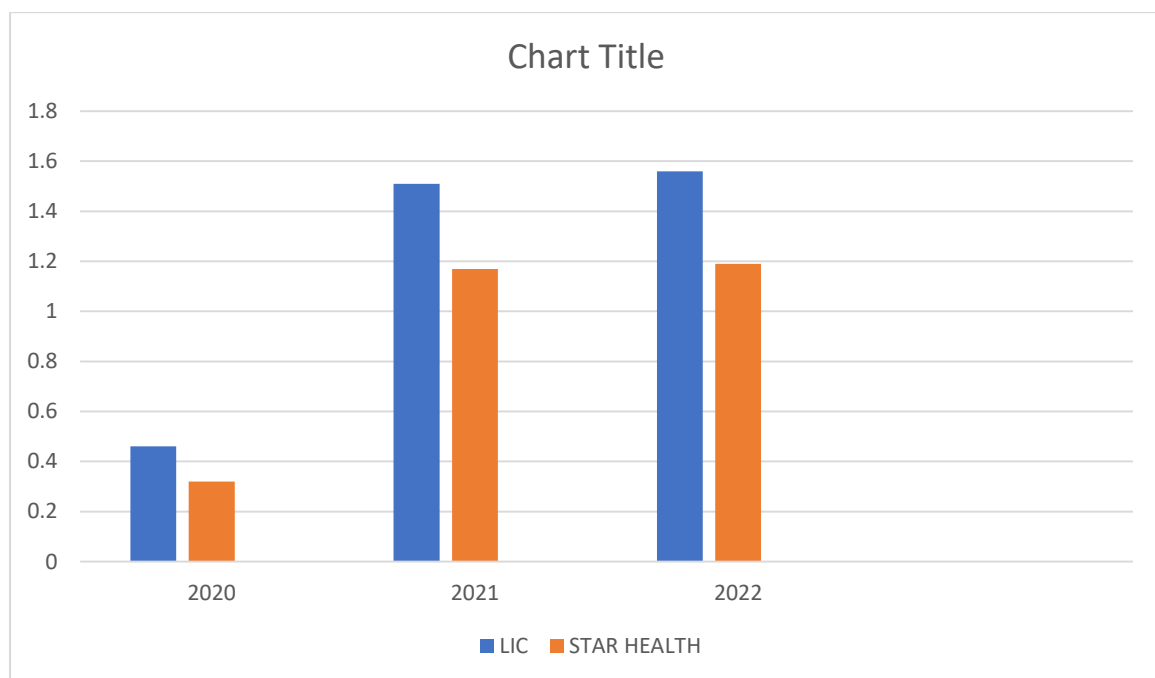
4.2 COMPARISON BETWEEN LIC AND STAR HEALTH INSURANCE

4.2.1 CURRENT RATIO

TABLE 4.2.1 CURRENT RATIO

Year	LIC	Star health Insurance
2020	0.46	0.32
2021	1.51	1.17
2022	1.56	1.19

Source: Secondary Data



INTERPRETATION

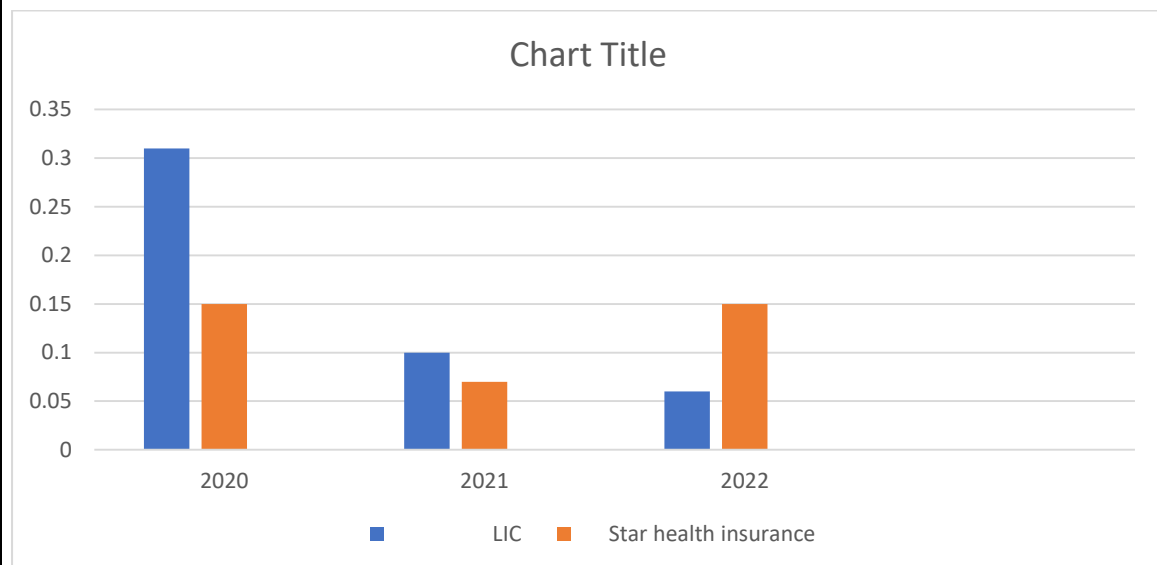
Current ratio is the ratio which shows the relationship between current assets and current liabilities. The standard current ratio is 2:1. During the year 2020, LIC has a current ratio of 0.46 whereas Star Health insurance corporation has a current ratio of 0.32. In 2021, LIC's current ratio is 1.51 whereas Star Health has a current ratio of 1.17. 1.56 and 1.19 are the current ratios of LIC and Star Health in the year 2022 respectively. An overall view shows that Star Health Insurance has a lesser current ratio as compared to LIC.

4.2.2 DEBT EQUITY RATIO

TABLE NO. 4.2.2 DEBT EQUITY RATIO

Year	LIC	Star health Insurance
2020	0.31	0.15
2021	0.10	0.07
2022	0.06	0.15

Source: secondary data



INTERPRETATION

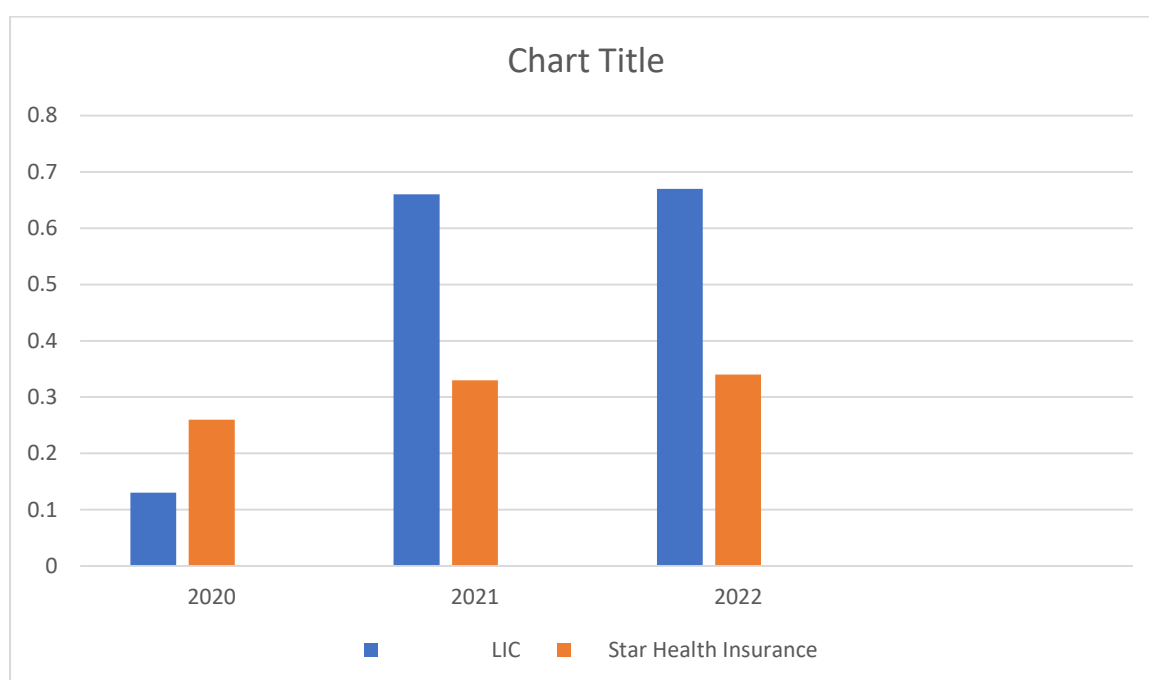
Debt equity ratio is the ratio which shows the relationship between external equity and internal equity. The standard equity ratio is 1:2. It calculates how much fund is provided by outsiders and how much fund is provided by owners. In the year 2020 and 2021, Star Health insurance's debt equity ratio is lesser than LIC. However in 2022, Star Health insurance corporation's debt equity ratio is greater than LIC's at 0.15 and 0.06 respectively.

4.2.3 PROPRIETARY RATIO

TABLE NO. 4.2.3 PROPRIETARY RATIO

Year	LIC	Star health Insurance
2020	0.13	0.26
2021	0.66	0.33
2022	0.67	0.34

Source : Secondary Data



INTERPRETATION

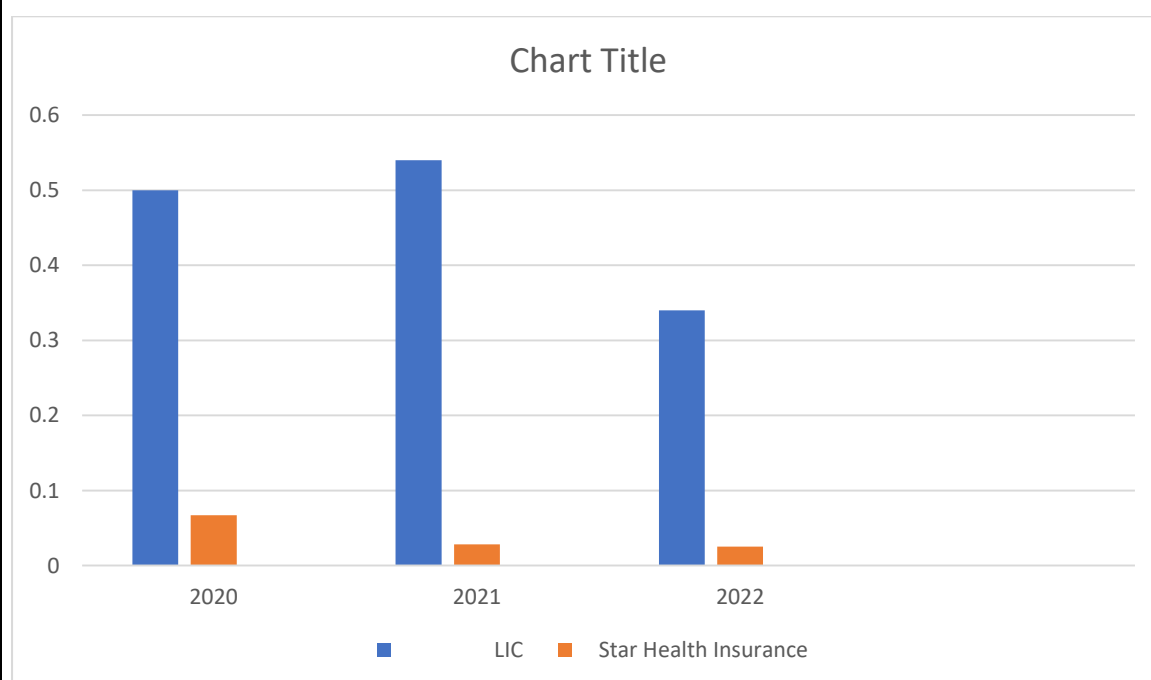
Proprietary ratio establishes the relationship between proprietor's fund and shareholder's fund and total asset. It is also known as equity ratio or net worth ratio. The ideal ratio is 2:1. In the year 2020, LIC's proprietary ratio is lesser than Star Health insurance corporation's proprietary ratio at 0.13 and 0.26 respectively. Whereas, in the year 2021 and 2022, LIC has a greater proprietary ratio than Star Health insurance corporation respectively.

4.2.4 FIXED ASSET TO PROPRIETARY RATIO

TABLE NO 4.2.4 FIXED ASSET TO PROPRIETARY RATIO

Year	LIC	Star Health Insurance
2020	0.50	0.067
2021	0.54	0.028
2022	0.34	0.025

Source: Secondary Data



INTERPRETATION

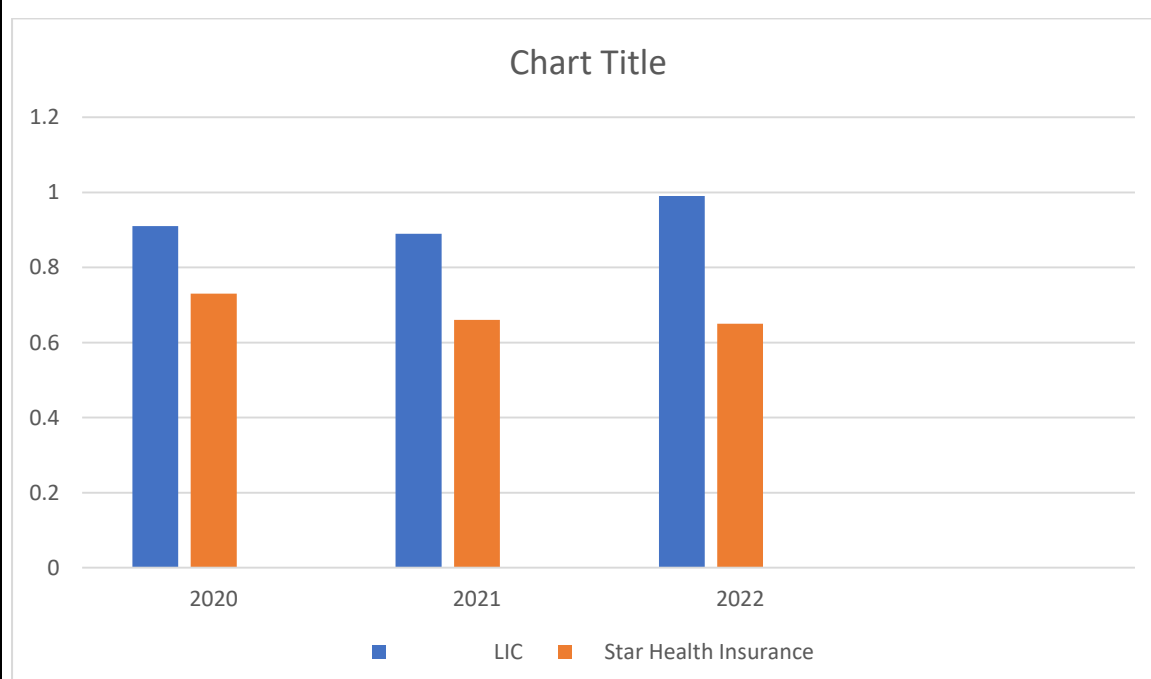
It establishes the relationship between fixed asset and shareholder's fund. It indicates the percentage of owner's fund invested in fixed assets. Higher ratio means that there is no outside liability, lower ratio leads to under capitalization. 0.75 is the ideal ratio. In the year 2020, Star health insurance corporation has a fixed asset to proprietary ratio of 0.67, which is very close to the ideal ratio (0.75). From there it dips to 0.28 and 0.25 in 2021 and 2022. LIC has rather low ratios from the year 2020 to 2022 at 0.50, 0.54 and 0.34 respectively.

4.2.5 OVERALL SOLVENCY RATIO

TABLE NO. 4.2.5 OVERALL SOLVENCY RATIO

Year	LIC	Star Health Insurance
2020	0.91	0.73
2021	0.89	0.66
2022	0.99	0.65

Source : Secondary Data



INTERPRETATION

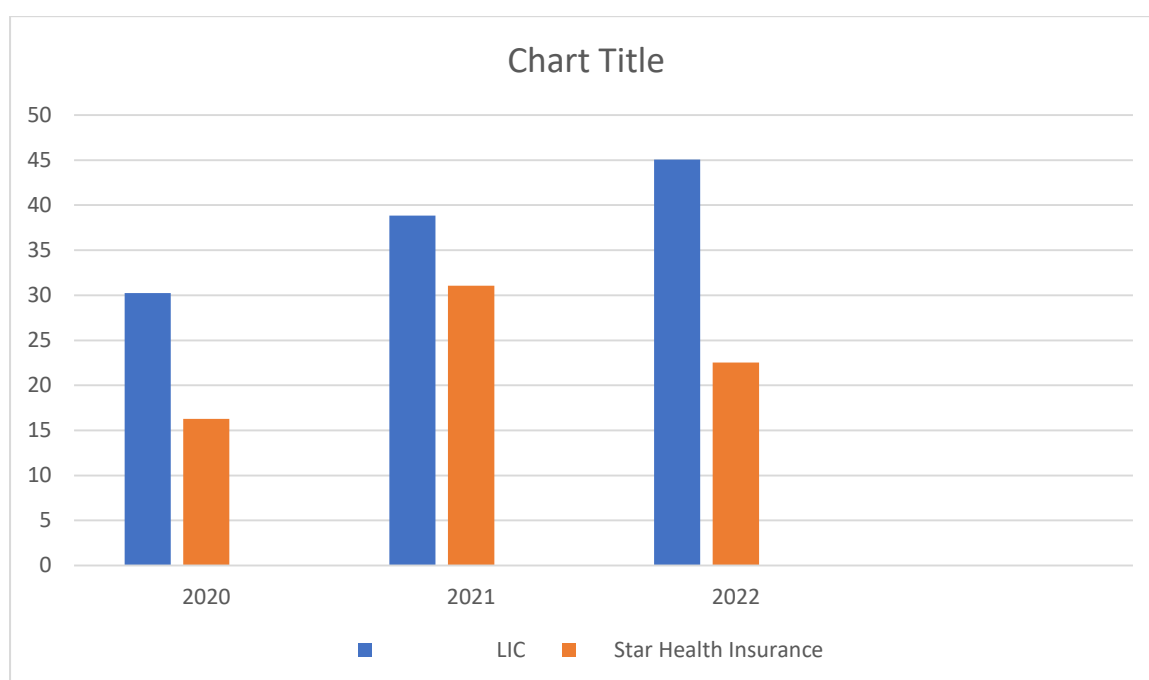
Overall solvency ratio of total liabilities to total assets. Higher ratio means most assets are financed through debts, lower ratios mean that most assets are financed through equity. The ideal ratio is 0.5. In the years 2020 to 2022, LIC has a higher solvency ratio which means that most of the assets were financed through debt whereas Star health insurance corporation has lower overall solvency ratio which indicates stable long term solvency position of the firm.

4.2.6 RETURN ON EQUITY RATIO

TABLE NO. 4.2.6 RETURN ON EQUITY RATIO

Year	LIC	Star Health Insurance
2020	30.24	16.27
2021	38.84	31.05
2022	45.06	22.55

Source: Secondary Data



INTERPRETATION

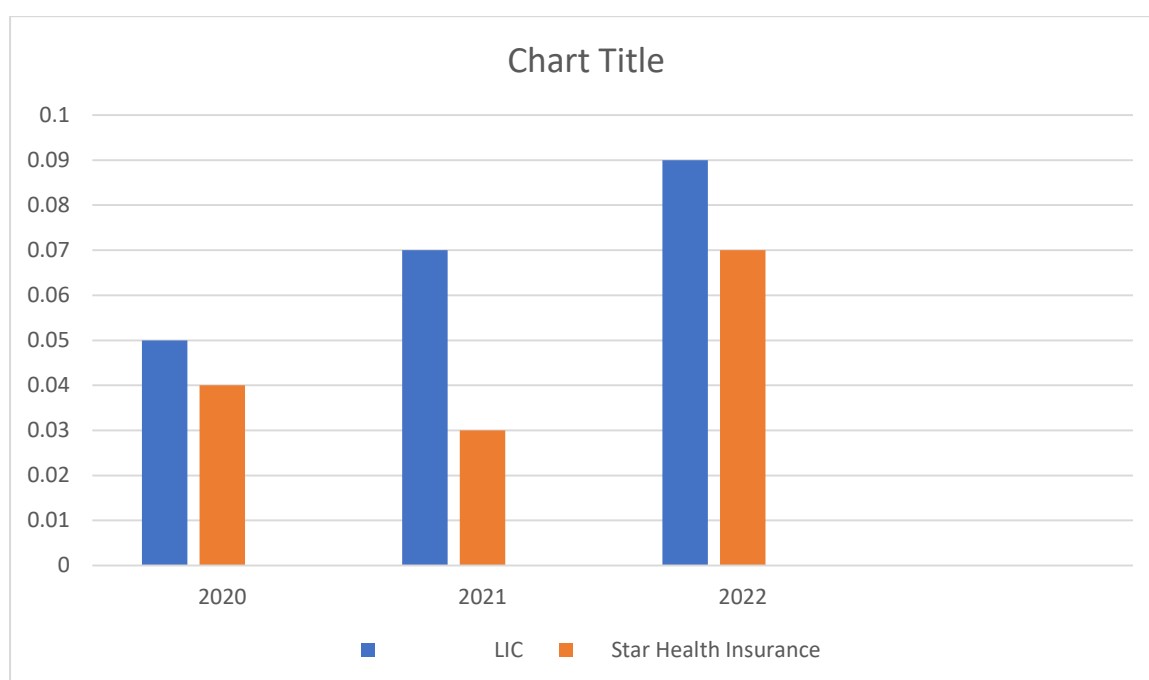
Return on equity establishes the relationship between net profit and shareholder's fund. The ratio is an important factor in determining the market value of the fund. Higher the ratio, better is the financial position and vice versa. Overall, in the three year LIC has a comparatively higher return on equity ratio with the highest ratio being 45.06 whereas Star health insurance corporation has a lower return on equity ratio with the least being 16.27 in 2020.

4.2.7 RETURN ON TOTAL ASSETS

TABLE NO. 4.2.7 RETURN ON TOTAL ASSETS

Year	LIC	Star Health Insurance
2020	0.05	0.04
2021	0.07	0.03
2022	0.09	0.07

Source: Secondary Data



INTERPRETATION

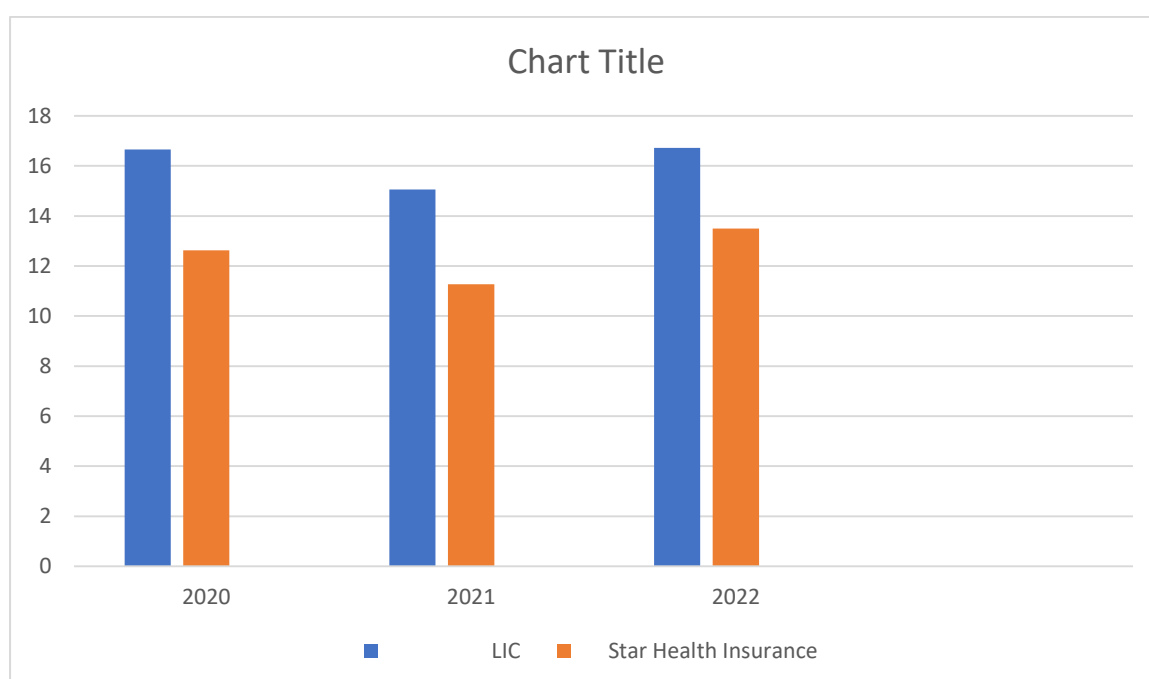
This ratio establishes the relationship between net profit and total assets of the company. It measures earning of the company in relationship to total assets. Higher ratio describes better position and lower ratio indicates poor financial position. Star health has a comparatively lesser return on total asset ratio to LIC between the years 2020-2022. LIC's highest return on total assets ratio is in the year 2022 at 0.9.

4.2.8 RETURN ON INVESTMENT

TABLE NO. 4.2.8 RETURN ON INVESTMENTS

Year	LIC	Star Health Insurance
2020	16.66	12.63
2021	15.06	11.27
2022	16.72	13.50

Source: Secondary Data



INTERPRETATION

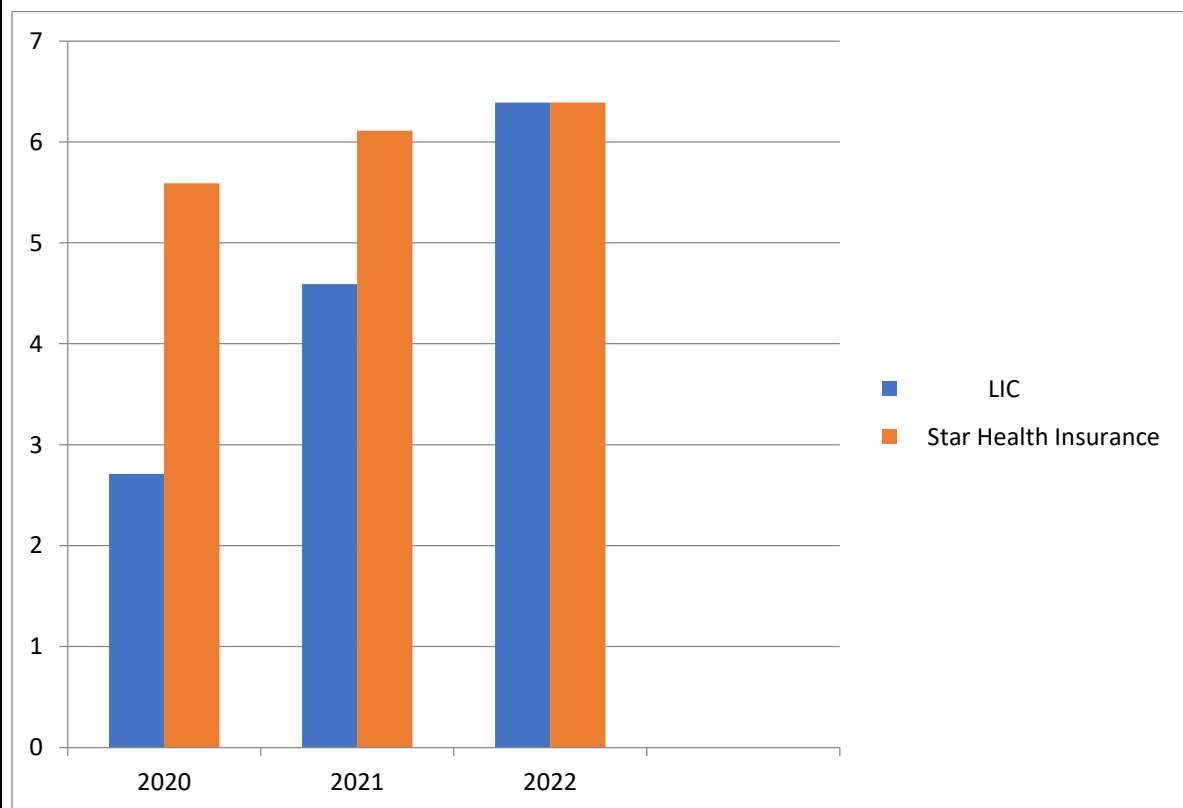
This shows the relationship between profits earned and capital employed. This is an indicator of overall profitability and efficiency of a business hence higher ratio indicates better financial position. It is also known as ratio of return and capital employed. Overall, LIC has a return on investment ratio of 16.66, 15.06 and 16.72 from 2020-2022 and Star Health insurance corporation has a ratio of 12.63, 11.27 and 13.50. LIC has consistently maintained better returns on investment.

4.2.9 EARNINGS PER SHARE

TABLE NO 4.2.9 EARNINGS PER SHARE

Year	LIC	Star Health Insurance
2020	2.71	5.59
2021	4.59	6.11
2022	6.39	6.36

Source: Secondary Data



INTERPRETATION

Earnings per share measures the profit available to equity shareholders per share. It shows the capacity of business to pay dividend to equity shareholders, and also help in determining the market price of the equity shares. Here, LIC shows faster and higher capacity to pay dividend to equity shareholders than Star Health Insurance from 2020 2022

5.1 FINDINGS OF THE STUDY:-

- The study aimed to examine the financial performance of Indian life insurance companies through analyzing the determinants of their profitability. Measuring the performance of insurance companies has gained the relevance because they are not only providing the mechanism of saving money and transferring risk but also helps to channel funds in an appropriate way from surplus economic units to deficit economic units so as to support the investment activities in the economy. Performance of companies can affect economy as a whole and therefore it requires empirical analysis to judge the performance. For measuring financial performance, financial ratios such as current ratio, solvency ratio, profitability ratios have been calculated. And comparative statements of both LIC and Star Health Allied Insurance Ltd from 2020-23 are prepared.
- The study looks in to the detailed analysis of the financial performance of both LIC and Star health Insurance. It includes analysis of profitability position enjoyed by both the companies; also assess the solvency of the companies. For this a comprehensive analysis is made. The study includes a detailed analysis of various important aspects of health Insurance business in both public and private sectors.
- The study evaluated that public sector player LIC has sound liquid position than Star Health Insurance. LIC is showing stability in its solvency position in last three years. Study also proves that LIC shows the better financial performance than private life insurance company Star Health Allied Insurance Ltd.

MAJOR FINDINGS OF THE STUDY :

- After analysis of detailed secondary data of 2020-2022 following findings are made. The major findings of the study is mentioned below:-
 - The relationship between current assets and current liabilities shows that Star Health Insurance has lesser current ratio as compared to LIC .
 - The Debt equity ratio shows the relationship between external equity and internal equity. In 2020 and 2021 Star Health Insurance debt equity ratio is lesser than LIC. However, in 2021 Star Health Insurance debt equity ratio is greater than LIC. Therefore, it shows better debt equity ratio of LIC as compared to Star Health Insurance from 2020-22.
 - Proprietary ratio establishes the relationship between proprietor's fund and Shareholders fund. Here, LIC shows greater proprietary ratio than star Health Insurance Corporation.
 - Over solvency ratio means total liabilities to total assets. Higher ratio means most assets are financed through debts, lower ratios mean that most assets are financed through equity. In

the years 2020 to 2022, LIC has a higher solvency ratio which means that most of the assets were financed through debt whereas Star health insurance corporation has lower overall solvency ratio which indicates stable long term solvency position of the firm.

➤ Return on equity establishes the relationship between net profit and shareholder's fund. The ratio is an important factor in determining the market value of the fund. Higher the ratio, better is the financial position and vice versa. Overall, in the three year LIC has a comparatively higher return on equity ratio with the highest ratio being 45.06 whereas Star health insurance corporation has a lower return on equity ratio with the least being 16.27 in 2020.

➤ Return on total asset ratio establishes the relationship between net profit and total assets of the company. It measures earning of the company in relationship to total assets. Higher ratio describes better position and lower ratio indicates poor financial position. Star health has a comparatively lesser return on total asset ratio to LIC between the years 2020-2022. LIC's highest return on total assets ratio is in the year 2022 at 0.9.

➤ Return on investment shows the relationship between profits earned and capital employed. This is an indicator of overall profitability and efficiency of a business hence higher ratio indicates better financial position. It is also known as ratio of return and capital employed. Overall, LIC has a return on investment ratio of 16.66, 15.06 and 16.72 from 2020-2022 and Star Health insurance corporation has a ratio of 12.63, 11.27 and 13.50. LIC has consistently maintained better returns on investment.

➤ Earnings per share measures the profit available to equity shareholders per share. It shows the capacity of business to pay dividend to equity shareholders, and also helps in determining the market price of the equity shares. Here, LIC Shows higher capacity to pay dividend to equity shareholders than Star Health Insurance from 2020-2022.

5.2 SUGGESTIONS THAT CAN CHANGE THE FACE OF THE INSURANCE INDUSTRY

➤ INFORMATION PROVIDED SHOULD BE USER FRIENDLY:-

The information provided by the insurance companies should be understandable to the users. Data breaches can be especially damaging to an insurance company's reputation and bottom line. Trust is an essential part of every successful insurance business and, if it is compromised, customers are likely to turn to other companies with better standing. So that, the information provided should be user friendly to the users.

➤ EFFICIENT UTILIZATION OF RESOURCES:-

The importance of efficiency in the work of the insurance companies and their impact on their performance and results. The issue of efficiency in the insurance companies is of fundamental importance for the current time due to the challenges faced by the insurance sector. This study provides insurance management with a relevant indicator that would guide them to make efficient use of the resource base. The resources should be efficiently utilized by minimizing wastage.

➤ DEVELOP A DIFFERENTIATED CLAIMS EXPERIENCE:-

You can speed up claims processing, which is a major challenge, with image recognition and fraud detection. It is advised to aggregate the data across platforms, build claims processing intelligence and routing, and identify exceptions and detect fraud. Document understanding is an excellent way to unlock the unstructured information in the claims process. The goal is to impact claims processing times, cost, and efficiencies. Longer wait times leading to poor customer experience.

Benefits of the suggestions are:-

- a) Instant process claims.
- b) Reduced fraud using new tools and new data.

➤ MAKE YOUR SITE CONSISTENT:-

You may run your personal, commercial, and life lines as separate Businesses, but your website should look and feel the same across product lines. but your website should look and feel the same across product lines. Choose a design and navigation scheme and follow the same.

➤ TRANSPARENCY IN PREMIUM DISCLOSURE:-

The committee has proposed that insurance companies should explicitly give breakup of premium amount – expense ratio, mortality charges and investment. IRDAI norms allow insurance companies with over 10 years of operation to deduct up to 90% of first year

premium and 15% of renewal premium towards expenses. Such deductions can go even higher for the companies which have not completed 10 years. This would help policyholders understand the cost of policies and make informed decisions.

➤ **REASONABLE REFUND VALUE:-**

Another key recommendation is on surrender value. The committee has recommended that insurance companies should pay reasonable amount to policyholders after deducting costs and charges on surrendering of a policy. Currently, surrender value is calculated by discounting a certain percentage on paid up value which is generally much lower than the premium paid.

➤ **SINGLE EXPENSE RATIO:**

The committee has recommended that all charges like distribution cost, management fee and R&T charges should be clubbed under one head. No charges would be deducted towards premium allocation charge. In addition to management fee, insurance companies currently deduct charges for allotting fund towards mortality and investment.

➤ **STRINGENT DISCLOSURE:-**

The committee has recommended that insurance companies should periodically disclose asset allocation and portfolios on their websites. Also, insurance companies were advised to provide an online calculator to help people calculate paid up value and surrender value so that customers can better understand the consequence of exits across each year.

➤ **COMMISSION:-**

The committee has recommended continuation of upfront commission in traditional policies and ULIPs. However, such commissions would be paid on mortality charges or the part of premium paid towards availing life cover.

The committee has recommended that insurance companies should pay a fixed percentage of premium till the tenure of non-participating policies as renewal commission or trial commission. Participating policies which distribute realized gains among policyholders, should pay trail commission based on assets under management.

Though these recommendations may help policyholders make informed decisions, it may transform the insurance industry as it exists today. Generally, policyholders have no idea where their premium goes. Traditional life insurance policies typically deliver 4-6% return. Such a return may not attract anyone to invest. If these recommendations go through, insurance companies would have to rethink their strategy.

5.3 CONCLUSION

Health insurance is going to develop more in the current liberal economic scenario. But a completely unregulated or very less regulated health insurance sector may concentrate only on those who have the ability to pay for the insurance cover. If the company want to improve its business, it has to improve its policy and reliability and facilities like pay by card to the hospital at the time of treatment. The company can also tie-up with the main hospital of city so that the policy holder can take easy treatment and benefits. Therefore the health insurance company should be well planned about the claiming facilities to be provided to the policy holder. The performance of both the sectors in the past 3 years is commendable and each and every company or insurer is striving hard to provide best quality services to the customers. Early start is necessary for better advantage and every insurer should start early, so that the capturing market will become easy when compared to laggards. Life insurance has today become a mainstay of any market economy since it offers plenty of scope for garnering large sums of money for long periods of time. Though privatization of the insurance sector is feared to affect the prospects of the LIC, the study shows that the LIC continues to dominate the sector. Star Health Allied Insurance Company also tried to increase their market share. Private life insurers used the new business channels of marketing to a great extent when compared with LIC. Selling more unit-linked plans helps private players grab market share from LIC. Investment pattern of LIC and Star Health Insurance also showed some differences. Insurance is very vital in everyday life. Risks exist everywhere, and insurance is essential for mitigating it. However, life insurance methods and procedures must be updated. As time passes, people's demands and requirements change, necessitating the development of new items to meet those needs. Any personal financial plan should include insurance. The sort of insurance you get and the level of coverage you get are both determined by your own financial and family situations and should be carefully considered. As a result, insurance is a necessary financial tool that every individual should seek in order to cover the risk of his life.