“A STUDY ON THE ANALYSIS OF FINANCIAL PERFORMANCE OF STAR HEALTH AND ALLIED INSURANCE CO. LTD.”

Dissertation submitted to

MAHATMA GANDHI UNIVERSITY, KOTTAYAM

In partial fulfilment of the requirement for the

Degree of Bachelor of Business Administration

SUBMITTED BY

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(AFFILIATED TO MAHATMA GANDHI UNIVERSITY, KOTTAYAM)

BONAFIDE CERTIFICATE

This is to certify that the study report entitled “A STUDY ON THE ANALYSIS OF FINANCIAL PERFORMANCE OF STAR HEALTH AND ALLIED INSURANCE CO. LTD.” is a record of original work done by **ANAGHA SAJEEV** (Registration no:210021079985), in partial fulfilment of the requirement for the degree of Bachelor of Business Administration under the guidance of **MS. MANJU MALATHY** ASSISTANT PROFESSOR, DEPARTMENT OF BACHELOR OF BUSINESS ADMINISTRATION. This work has not been submitted for the award of any other degree or titled of recognition earlier.

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DECLARATION

This is to declare that this Bonafede record of the project work done by me entitled **"A STUDY ON THE ANALYSIS OF FINANCIAL PERFORMANCE OF STAR HEALTH AND ALLIED INSURANCE CO. LTD."** in partial fulfilment of the BBA Programme of Mahatma Gandhi University under the guidance of **Assistant Professor MS. Manju Malathy**, and that the report has not found the basis for the award of any Degree/Diploma or other similar titles to any candidate of any other university.

Place:

Date:

ANAGHA SAJEEV

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First and foremost, we thank **GOD ALMIGHTY** who helped us to complete this project successfully.

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INTRODUCTION

1.1INTRODUCTION

Insurance is a type of financial loss protection when a party agrees to pay another party's costs in the event of a certain loss, damage, or injury in exchange for a fee. It's a type of risk management that's mostly used to guard against the possibility of an unforeseen or contingent loss. Insurance companies are middlemen in the financial sector that provide direct insurance or reinsurance services to safeguard customer's finances against potential risks. In accordance with the terms of the policy, the insurance company agrees to pay the policyholder's losses in the case of a predetermined occurrence in exchange for a premium.

The fundamental idea of any insurance arrangement is that the insured would rather make periodic small financial investments than risk suffering a significant unanticipated loss. In order to cover damages that only a subset of insureds may experience, insurance entails pooling money from numerous insured companies, or "exposures." As a result, the insured entities are shielded from risk in exchange for a cost, which varies according on how frequently and severely the incident occurs. The risk that is insured against needs to meet specific requirements in order to be considered an insurable risk. Insurance, as a financial intermediary, is not only a business and a major part of the banking and finance sector, but it also enables people and organisations to self-insure by putting money aside for future losses.

TYPES OF INSURANCE

There are two types of insurance:

- Life Insurance
- General Insurance

GENERAL INSURANCE

General insurance, also known as non-life insurance, is a type of insurance that provides financial protection against losses and damages to assets, properties, or liabilities other than those covered by life insurance. Unlike life insurance, which primarily covers the risk of loss of life, general insurance covers a wide range of risks that individuals, businesses, or organizations may face in their daily lives or operations.

- Coverage: General insurance policies offer coverage for various types of risks, including but not limited to:

- Property: Coverage for damages or losses to property such as homes, vehicles, and other assets due to events like fire, theft, natural disasters, or accidents.
- Liability: Protection against legal liabilities arising from injuries to other people or damage to their property. This includes public liability, product liability, and professional liability insurance.
- Health: Coverage for medical expenses incurred due to illnesses, accidents, or hospitalization.
- Travel: Protection against risks such as trip cancellations, lost luggage, medical emergencies, and other travel-related incidents.
- Motor: Insurance for vehicles against damages, theft, or third-party liabilities.
- Premiums: Policyholders pay a premium to the insurance company in exchange for coverage. The premium amount depends on various factors such as the type of coverage, the insured value of the asset, the level of risk, the policyholder's age, and any additional coverage options chosen.
- Deductibles and Excess: Some general insurance policies include deductibles or excess, which are the amounts that the policyholder must pay out of pocket before the insurance coverage kicks in. Higher deductibles usually result in lower premiums, while lower deductibles lead to higher premiums.
- Policy Terms: General insurance policies have specific terms and conditions that outline the coverage, exclusions, limitations, and obligations of both the insured and the insurer. It's essential for policyholders to understand these terms before purchasing a policy.
- Claims Process: In the event of a covered loss or damage, the policyholder can file a claim with the insurance company. The insurer assesses the claim and compensates the policyholder according to the terms of the policy.
- Regulation: General insurance is regulated by government authorities to ensure that insurance companies operate fairly, transparently, and in compliance with relevant laws and regulations. This oversight helps protect consumers and maintain the stability of the insurance industry.

LIFE INSURANCE

Life insurance is a contract between an individual (the policyholder) and an insurance company, where the insurer agrees to pay a designated beneficiary a sum of money (the death benefit) upon the death of the insured person. In exchange, the policyholder pays regular premiums to the insurance company, either over a specified period or as a lump sum.

Life insurance provides financial protection and peace of mind by ensuring that loved ones are financially secure in the event of the insured person's death. It can serve as a vital component of a comprehensive financial plan, helping to protect against the financial impact of premature death, provide for survivors, and achieve long-term financial goals.

- Term Life Insurance
- Unit-Linked Insurance Plans
- Whole Life Insurance
- Endowment Plans
- Child Plan for Educations
- Retirement Plans

HEALTH INSURANCE

Health insurance is a type of insurance coverage that pays for medical and surgical expenses incurred by the insured individual. It provides financial protection against the high costs of healthcare services, including doctor visits, hospitalization, prescription drugs, medical tests, and other treatments. Health insurance can be obtained through private insurance companies, government programs, or employer-sponsored plans.

Health insurance plays a critical role in helping individuals and families access necessary medical care while providing financial protection against unexpected healthcare expenses. It promotes overall health and well-being by enabling timely access to preventive services and necessary treatments, reducing the financial barriers to healthcare services, and providing peace of mind during times of illness or injury.

The insurance provider will reimburse your medical costs in one of two ways:

- Cashless Treatment: In this case, the network hospital should receive no payment from the insurer. Since the hospital is paid directly by the insurance provider.
- Reimbursement: In this case, the policyholder must pay for their medical bills out of pocket before requesting reimbursement from the insurance provider.

Everyone avoids getting a health insurance plan until they realise how important they are. Understanding the many advantages of a health insurance plan is essential before purchasing one, as medical problems can strike at any time and leave you with a sizable financial hole. As a result, it is best to purchase health insurance from a young age, when premiums are low and comprehensive coverage is available, along with the benefit of tax deductions for premium payments.

TYPES OF HEALTH INSURANCE PLANS

Individual or self-plan and family floater policies are the two main categories of health insurance policies. An individual policy would, as its name implies, solely cover and benefit the primary policyholder. In contrast, a family floater plan only offers coverage for the complete family, including the spouse, dependent children, parents, parent-in-laws, and dependent siblings.

- Individual or Self plan

An individual health insurance policy is issued in the name of a single policyholder, meaning that the benefits and total insured coverage are solely intended for the insured and do not extend to third parties. Here, the policy is purchased by the individual to protect their own health, which in turn offers financial support in the event of an emergency relating to their own health.

- Family floater plan

One policy that attempts to offer amount insured coverage to an individual as well as his family members is family floater health insurance. The family health insurance plan serves as a cover for the entire family, making it a preferable choice than purchasing individual policies for each member.

- Critical Illness Insurance

This is a plan which provides the insured insurance coverage for life-threatening illnesses by providing a lump sum payment. The pre-selected health issues are covered at the time of purchase, and you are eligible to make an insurance claim if you are impacted by any of the conditions.

- Senior Citizen Health Insurance

As the name suggests, individuals 65 years of age and above are covered by these kinds of health insurance in India. Whether your medical expenses are related to an accident or a health problem, the Senior Citizen Health Insurance will cover them. Both hospitalisation and post-treatment expenditures are covered. In addition, additional benefits including psychiatric and ambulatory hospitalisation are also covered.

- Personal Accident Insurance

Because there are now more road accident cases than ever before, India's residents are protected by specialised health insurance plans. As a result, some people pass away or become incapacitated, and having to pay for their medical care can be emotionally taxing. Therefore, it makes sense to purchase a personal accident insurance coverage. The victim or his or her family receives help in the form of a lump sum payment under this policy.

- Group Health Insurance

Group health insurance is now one of the newer and most popular types of health insurance coverage offered. This insurance plan may be purchased by staff members of several big and medium-sized companies. This type of health insurance is purchased by the company's employer for its employees.

IMPORTANCE OF HEALTH INSURANCE IN INDIA

- Offers Safety and Security to People and Businesses: Insurance lowers uncertainty and offers financial support to people and businesses at every stage of their lives. It offers the best risk mitigation strategy against occurrences that can put people or enterprises in financial jeopardy.
- Produces Long-Term Financial Resources: Millions of policyholders pay premiums to the insurance industry, which provides funding. These funds are invested in the construction of long-term infrastructure assets (such as ports, power plants, highways, dams, etc.) that are important to the development of a nation because of their long-term nature. Large investments create more job prospects by forming capital in the economy.
- Encourages Economic Growth: By bringing in domestic savings, the insurance industry has a major effect on the economy as a whole. Insurance makes saved money into profitable ventures. In addition, insurance facilitates financial stability, loss reduction, and trade and commerce, all of which lead to long-term, sustainable economic growth and development. Consequently, insurance is essential to an economy's ability to grow sustainably.
- Spreads Risk: Insurance makes it easier for the insured person to transfer their risk of any loss incured to the insurer. The distribution of risk among many individuals is the fundamental tenet of insurance. A substantial portion of the populace gets insurance

coverage and pays premiums to the insurer. The money contributed by millions of policyholders is utilised to compensate the impacted parties in each loss.

- Creates enduring wealth: Results in Extended For asset insurance, especially life insurance, an extended agreement is customary. Life insurance policies might be in effect for over thirty years. During this time, they will accumulate a sizeable amount of wealth that, should they survive, will be given back to the investor. If not, the money is inherited by their relatives.
- Supports long-term objectives: The ability to save and increase your money is one of the life insurance's most significant advantages. This sum can be used to achieve a variety of long-term objectives, such as beginning a business, saving for your child's college education or wedding, and more.

FINANCIAL PERFORMANCE ANALYSIS

Analysing and analysing a company's financial data to determine its general well-being, productivity, and profitability is known as financial performance analysis. It entails tracking a variety of financial ratios, measures, and trends over time to learn more about the operational effectiveness, liquidity, solvency, and profitability of the business. Stakeholders including creditors, investors, management, and regulators may make well-informed judgements regarding the firm with the assistance of the study.

The financial success of a corporation may give investors insight into its general health. Along with future possibilities like the possibility of operations and profits growth and the forecast for the company's stock, it gives a summary of the business's financial health and management performance.

The following are the various steps involved in financial performance analysis:

1.Financial Statements:

- Income Statement (Profit and Loss Statement): This statement provides information about a company's revenues, expenses, and profits over a specific period.
- Balance Sheet: It presents the company's assets, liabilities, and shareholders' equity at a specific point in time, providing insights into its financial position.
- Cash Flow Statement: This statement outlines the cash inflows and outflows from operating, investing, and financing activities, helping assess the company's ability to generate cash.

2.Key Financial Ratios:

- Liquidity Ratios: These ratios assess a company's ability to meet its short-term obligations. Examples include the current ratio and the quick ratio.
- Solvency Ratios: These ratios evaluate a company's ability to meet its long-term obligations. Examples include the debt-to-equity ratio and interest coverage ratio.
- Profitability Ratios: These ratios measure a company's ability to generate profits relative to its revenue, assets, or equity. Examples include the gross profit margin, net profit margin, and return on equity.
- Efficiency Ratios: These ratios analyze how effectively a company utilizes its resources to generate sales or profits. Examples include inventory turnover ratio and asset turnover ratio.

3.Trend Analysis: Comparing financial data over multiple periods (usually several years) helps identify patterns and trends. It allows analysts to assess whether the company's financial performance is improving, deteriorating, or remaining stable over time.

4.Benchmarking: Comparing a company's financial ratios and performance metrics to those of its competitors or industry averages provides context for evaluation. It helps identify areas where the company may be outperforming or underperforming relative to its peers.

5.Qualitative Analysis: Beyond the numbers, understanding the qualitative factors impacting a company's financial performance is crucial. Factors such as industry dynamics, market conditions, management quality, competitive positioning, and regulatory environment can significantly influence financial outcomes.

6.Financial Forecasting: Using historical financial data and trends, analysts may develop forecasts and projections to anticipate future financial performance. This involves making assumptions about future economic conditions, industry trends, and company-specific factors.

7.Interpretation and Reporting: After conducting the analysis, it's essential to interpret the findings and prepare a comprehensive report summarizing the company's financial performance, strengths, weaknesses, and areas for improvement. The report should be tailored to the needs of different stakeholders, providing actionable insights and recommendations.

The dynamic process of financial performance analysis calls for a blend of critical thinking, industry knowledge, and mathematical abilities. It makes it possible for stakeholders to decide on investments, loans, risk management, and strategic planning with knowledge.

Here the financial performance of star health is analysed using ratio analysis.

Ratio Analysis

Ratio analysis is a fundamental technique used in financial analysis to evaluate various aspects of a company's performance and financial health. It involves calculating and interpreting financial ratios derived from data in a company's financial statements. These ratios provide insights into different aspects of the company's operations, profitability, liquidity, solvency, and efficiency. Ratio analysis is crucial for stakeholders such as investors, creditors, management, and analysts to assess the company's strengths, weaknesses, and overall financial condition.

1.Liquidity Ratios:

Liquidity ratios measure a company's ability to meet its short-term obligations and manage its short-term liquidity risk. Common liquidity ratios include:

- Current Ratio: Calculated by dividing current assets by current liabilities. It indicates the company's ability to cover its short-term liabilities with its short-term assets.
- Quick Ratio (or Acid-Test Ratio): Similar to the current ratio but excludes inventory from current assets since inventory may not be easily converted to cash in the short term.

2.Solvency Ratios:

Solvency ratios assess a company's ability to meet its long-term debt obligations and maintain financial stability.

- Debt-to-Equity Ratio: Calculated by dividing total debt by total equity. It measures the proportion of financing provided by debt relative to equity.
- Interest Coverage Ratio: Calculated by dividing earnings before interest and taxes (EBIT) by interest expense. It indicates the company's ability to cover interest payments with its operating income.

3.Profitability Ratios:

Profitability ratios measure a company's ability to generate profits relative to its revenue, assets, or equity. Common profitability ratios include:

- Gross Profit Margin: Calculated by dividing gross profit by revenue. It shows the percentage of revenue that exceeds the cost of goods sold.

- Net Profit Margin: Calculated by dividing net income by revenue. It indicates the percentage of revenue that translates into net income after all expenses have been deducted.

4.Efficiency Ratios:

Efficiency ratios evaluate how effectively a company utilizes its assets and resources to generate sales or profits. Examples of efficiency ratios include:

- Inventory Turnover Ratio: Calculated by dividing the cost of goods sold by average inventory. It measures how many times inventory is sold and replaced during a specific period.
- Asset Turnover Ratio: Calculated by dividing revenue by average total assets. It indicates how efficiently the company uses its assets to generate revenue.

5.Market Ratios:

Market ratios assess the market's perception of a company's performance and valuation. Common market ratios include:

- Price-to-Earnings (P/E) Ratio: Calculated by dividing the market price per share by earnings per share. It compares the company's stock price to its earnings per share, providing insights into its valuation.
- Price-to-Book (P/B) Ratio: Calculated by dividing the market price per share by the book value per share. It compares the market value of a company's equity to its book value, indicating whether the stock is overvalued or undervalued.

1.2 PROBLEM DEFINITION

This project aims to analyse the financial performance of Star Health insurance over a specified period to provide stakeholders with insights into its operational efficiency, liquidity, solvency, profitability, and overall financial health. By conducting comprehensive financial statement analysis, ratio calculation, trend assessment, and qualitative evaluation, the project seeks to assist investors, creditors, management, regulators, and analysts in making informed decisions regarding investment, lending, strategic planning, and risk management. The project will involve collecting financial statements, performing horizontal and vertical analysis, calculating key financial ratios, conducting comparative and trend analysis, and considering qualitative factors impacting the company's performance.

- Cost price level variations are not taken into account in the financial analysis.
- Without prior awareness of changes in an enterprise's accounting method, the financial analysis may be unclear.
- It is only an examination of the company's reports is called financial analysis.
- In financial analysis, non-monetary aspects are disregarded and only monetary data is taken into consideration.
- Since the financial statements are based on accounting principles, they do not accurately reflect the situation as it stands today.

1.3 OBJECTIVES OF THE STUDY

The primary objective of the study is:

- To understand the financial soundness and performance of Star Health insurance.

The secondary objective of the study includes:

- To analyse the liquidity position of the company.
- To analyse the solvency position of the firm.
- To analyse the profitability position of the firm.

1.4 SCOPE OF THE STUDY

The study is conducted to analyse the financial performance of Star Health insurance. For this secondary data from the institution is collected and the analysis is done.

- This study aims to understand and examine the financial soundness of the institution.
- It provides an insight on the quantitative data using ratio analysis.
- It will also help in understanding the various factors that affect the financial performance of the institution and how it can be improved.

1.5 LIMITATIONS OF THE STUDY

- The financial performance of the company is analysed on the data of the past three years
- Only the financial performance of the institution is analysed.
- The limited time constraints can affect adversely on the conducted study.

CHAPTER 2

LITERATURE REVIEW

1.Kataria, H. (2021) stated that, based on their successes and financial reports, the insurance business has been increasing and rising in recent years, and has the ability of repaying its short-term borrowings when they become due. SBI Life Insurance's current ratio demonstrates that its current liabilities are smaller than its current assets, implying that it can meet its short-term financial commitments if they fall due

2. Bawa, S. K., & Chattha, S. (2013) stated that the company's performance is crucial to the development of the sector, which in turn contributes to the overall prosperity of the economy.

3. Maroofi, F., Ardalan, A. G., & Tabarzadi, J. (2017) stated that the financial performance of insurance firms is significantly influenced by their sales methods. The findings revealed a substantial association between the types of insurance companies' sales techniques (direct performance (customer satisfaction and return on total assets) with revenues (direct and indirect).

4. Oscar Akotey, J., Sackey, F. G., Amoah, L., & Frimpong Manso, R. (2013) According to the statistics, gross written premiums are negatively associated with earnings from investments but positively associated with insurers' sales efficiency. The research also found that overtrading along with price discounting resulted in large underwriting losses for life insurers.

5. Kokobe, S. A., & Gemechu, D. (2016) states that instead of improving financial performance Banks, risk management has primarily been focused on controlling and regulatory compliance [8]. However, as risk management helps the organisation control expenses and comply with regulations, it frequently results in improved financial performance.

6. Lament, M., & Bukowski, S. (2021) claimed that the study's findings provided evidence supporting the notion that insurance companies' business models affect their financial performance.

7. Ansari, V. A., & Fola, W. (2014) stated that results from the caramel model show that, for the most part, Indian life insurance businesses have been reasonably financially sound.

8. Nagaraja, B. (2015) stated that the relationship between the performance of the insurance business and economic development is supported by a wealth of empirical evidence. Despite this, there is a lack of empirical research and a lack of analytical studies, particularly in

emerging nations like India where insurance penetration and density are extremely low in comparison to global levels.

9. Bhatia, A., & Mahendru, M. (2022) stated that according to the empirical findings, life insurance companies in India could only make 34.4% of the revenue they were projected to given the same inputs. The majority of Indian life insurance businesses run at declining return to scale (DRS).

10. Kumari, T. H. (2002) stated that while the aforementioned successes are undeniably admirable, it is critical for the life insurance business to continue developing by providing efficient and effective service to clients. The life insurance industry as a whole expanded significantly during privatisation, although a significant proportion of Indians still lack insurance.

11. Suvvari, A., & Goyari, P. (2019) stated that the primary benefit of two-stage relational DEA is that it helps the company/decision-making unit (DMU) focus on the inefficient step of the process, if many stages are involved, in order to increase efficiency.

12. Suvvari, A., & Goyari, P. (2019) stated that the key finding is that the financial performance of Indian life insurance businesses is significantly influenced by PR that have negative values.

13. Bodla, S., Tandon, D., & Bodla, B. S. (2017) stated that the results of this study show that with the arrival of private companies, the life insurance business experienced a dramatic rise in premiums.

14. Sood, K., Seth, N., & Grima, S. (2022) stated that a well-balanced product range is needed to meet the various customer needs. For natural disasters like floods, earthquakes, landslides, tsunamis, and the emergence of new pandemics like COVID- the insurance firms required to set up distinct portfolios and provide separate policies.

15. Mandal, S., & Dastidar, S. G. (2014) stated that while the public sector enterprises showed relatively less fluctuation in performance levels, the global economic slowdown had a significant impact on their performance.

16. Daare, W. J. (2016) stated that General insurance firms are essential to a nation's development. However, both internal and external factors do have an impact on the profitability of such businesses.

17. Srijanani, D., & Rao, R. S. (2019) stated that although the industry is showing symptoms of stress, there is good news. The insurance sector is on the verge of beginning a steady and profitable growth. The majority of participants are currently working to reevaluate every aspect of the business model, including the product, pricing, risk management, attracting rural clients, distribution, claims administration, and fraud management.

18. Chakraborty, J. (2018) stated that claimed that the observed public sector general insurers displayed higher mean technical efficiency and scale efficiency scores than the sampled privately owned general insurers when "net premiums earned" and "income from investments" were taken into account as results signs covering all the years of the study period, both under the assumptions of constant returns to scale and varying returns to scale.

19. Murigu, J. W. (2014) stated that according to research, leverage, equity capital, and the managerial competency index all have a positive and significant impact on general insurers' profitability in Kenya.

20. Chakraborty, J. (2016) stated that concerns concerning the operational efficiency and productivity growth of the country's state-owned general insurers have been raised as a result of the sharp decrease in market share and sudden increase in foot traffic from private operators.

21. Muthulakshmi, P. (2018) stated that the public non-life general insurance companies operate in competition with one another as well as with the private players in the same business, which lowers processing costs and promotes innovation of various policy types across national boundaries.

22. Singh, M., & Kumar, R. (2011) stated that the market position of state insurance firms in India has lately been endangered by a variety of causes, including Internet decentralisation, aggressive advertising by new rivals, financial services deregulation, pressure to comply, and competition from alternative investment vehicles.

23. Batool, A., & Sahi, A. (2019) stated that the USA insurance business has a strong correlation between internal parameters such as company size, debt, and asset turnover and the profitability metrics of ROA and ROE. The internal factor liquidity and the profitability metrics ROA and ROE are positively associated, according to the UK insurance sector.

24. Goswami, Y., Asokan, K., & Arunasalam, K. (2022) stated that this particular analysis has made an effort to examine the relationship between internal fraud, policyholder fraud, and intermediary fraud.

25. Devi, P., & Kumar, S. (2022) stated that the present research aims to investigate the correlation among internal misconduct, client fraud, and middleman fraud. Drawing from the aforementioned study, it can be inferred that there exists a propensity for fluctuations in the gross direct premium indices for UIICL, NIACL, and NICL. OICL, on the other hand, starts off with a forward-looking trend and then tends downward over the next four years.

26. Tank, R. (2020) stated that According to a general review of this research, the profitability of the insurance industry is only very marginally important. In contrast to the large number of private sector organisations, there are very few government- controlled businesses working in this area.

27. Bandhu Jena, A. (2014) stated that In so far as India is concerned, Indian life insurance businesses continue to play a crucial role in helping to promote socio- economic development, standard of living, poverty alleviation, employment problems, etc. There is a chance and a lot of hope that Indian life insurance businesses would create a stable and unmovable place for themselves in India's service-providing industrial landscape and in the developing global market.

28. Joo, B. A. (2013) stated that According to the ISI standard, the examination of solvency margins shows that public insurers have an advantage over private insurers. However, if the situation is closely watched, it becomes clear that the sector's pre-liberalization era reserves have contributed to its relative financial strength.

29. Raval, B. R., & Joshi, A. V. (2022) stated that The success of the economy as a whole is a result of the company's implementation, which makes a substantial contribution to the industry's growth. To evaluate it, many financial ratios that take into account the liquidity, solvency, profitability, and leverage of the insurance players have been developed.

30. Thirupathi, T., & Subhashini, S. (2022) stated that Globalisation and liberalisation opened the door for several new businesses in numerous industries across the nation. One significant step in this direction is the privatisation of the life insurance industry. The dominant monopoly LIC dominated the Indian life insurance sector for more than 40 years. The prevalence of insurance rose with the entry of numerous private life insurance businesses.

31. Manokaran, K., Ramakrishnan, S., Hishan, S., & Soehod, K. (2018) stated that said that the area of corporate social responsibility, or CSR, has grown astronomically during the last 10

years. There is constant debate over the role of companies in the community and whether or not optimising wealth should be the exclusive goal of all firms.

32. Tarsono, O., Ardheta, P. A., & Amriyani, R. (2020, March) stated that financial performance is not greatly impacted by Net Premium Growth or Claim Ratio. ROA, a measure of life insurance's financial performance, is negatively impacted by risk- based capital. The three ratios of Net Premium Growth, Claim Ratio, and Risk Based Capital have an impact on life insurance businesses' financial performance simultaneously, as measured by ROA.

33. Tomar, P., & Sainy, M. (2017) stated that in order for the general insurance companies in the private sector to be able to make money, they should be forced to issue more and more policies. Additional single premiums each time. Companies should have to focus more on their expenses if they want to achieve a better degree of profitability.

34. Mitra, S., & Ghosh, A. K. (2012) stated that Based on economic optimism and expectations, the LI sector in India as a whole is quite optimistic about the future, but there has been very little genuine effort to stop agent and frontline employee turnover, which has a direct impact on the growth and company financial information.

35. Joji Rao, T., & Pandey, K. K. (2013) stated that an empirical finding of the study demonstrates the existence of a relationship between the public and private sector types and the fire, marine, and other segments of insurance. A claim projection model is also recommended by the study for general insurance players.

36. Srinivasa Reddy, K., Nangia, V. K., & Agrawal, R. (2013) stated that The chosen Indian M&A cases demonstrate greater performance in the industrial and services sectors following the merger, as well as long-term improvement in balance sheets.

37. Ilyas, A. M., & Rajasekaran, S. (2019) stated that The non-life insurance market in India has a modest level of technical, scale, cost, and allocative efficiency, and there is a significant room for improvement, according to the bootstrapped DEA results. Additionally, the findings show that public insurers are more cost-effective than private insurance. It is also clear that increasing returns to scale apply to all insurers, regardless of size or ownership structure.

38. Ray, S., Thakur, V., & Bandyopadhyay, K. (2020) stated that claimed that in recent years, the insurance sector in India has grown quickly. Despite the implementation of several measures aimed at accelerating the sector's expansion, a significant amount of work remains as its share of the global insurance market remains pitifully tiny.

39. Sinha, T. (2007). stated that In 2003, India's insurance market was the world's nineteenth-largest. It is one of the future markets with the potential to be the largest due to its robust economic growth over the past 10 years and population of over one billion.

40. Mulchandani, K., Sitlani, M., & Mulchandani, K. (2018) stated that Sound financial performance in the insurance industry is necessary for an effective risk management strategy. Knowing the internal elements that have an impact on the profitability is crucial because the financial performance of the insurance sector depends on various internal factors.

CHAPTER 3

INDUSTRY PROFILE

3.1 HISTORY OF INSURANCE INDUSTRY

The origins of insurance can be traced to the Code of Hammurabi, which was engraved by the Babylonians into many clay tablets and a stone monument circa 1750 B.C. A type of bottomry wherein a ship's cargo is pledged in return for a loan is described in the code. Shipping between the New and Old Worlds was only getting started in the late 1600s as colonies were being founded and unusual commodities were being transported back. In the same London coffee shops that served as the unofficial stock exchange for the British Empire, underwriting as a profession first appeared. A coffee shop that Edward Lloyd, later of Lloyd's of London, held served as the main gathering spot for ship owners, merchants, and other insurance seekers. A rudimentary framework for financing New World expeditions was devised. Initially, businesses and merchants would look to the venture capitalists of the day for funding. They would then buy supplies for the journey and assist in locating potential colonists, who were mostly from London's more impoverished neighbourhoods. Venture capitalists secured a voyage, and the merchants and ship owners proceeded to Lloyd's to turn over a copy of the cargo manifest so the underwriters and investors could peruse it. Underwriting refers to the signing of those who were willing to assume the risk beneath the figure on the manifest that indicated the portion of the cargo they were responsible for. This allowed for the participation of various underwriters on a single voyage, who attempted to diversify their own risk by taking positions on a number of different voyages. In 1654, Pierre de Fermat, a fellow Frenchman, and Blaise Pascal—the guy who invented the calculator—discovered a means to represent probabilities and comprehend risk levels more fully. This innovation led to the formalisation of the underwriting process and decreased the cost of insurance.

In Europe, insurance firms prospered, particularly following the Industrial Revolution. America's side of the Atlantic saw a completely different situation. The lives of colonists were full of risks that no insurance provider would ever deal with. Ultimately, the insurance industry in America took almost a century to gain traction. When it did, it was in the 1750s or thereabouts, and with it the development of European practices and policies that matured at the same time. Founded in 1676, Hamburger Feuerkasse is regarded as the world's oldest insurance firm. With a 25% deductible, its initial coverage covered fire damage up to 15,000 marks in market value to building owners located inside Hamburg's city limits. The history of insurance is extensive, intricate, and has changed dramatically throughout time. Even though it might be costly, insurance has historically protected people's finances and kept businesses and individuals from experiencing financial loss.

Insurance is a means of protection from financial loss in which, in exchange for a fee, a party agrees to compensate another party in the event of a certain loss, damage, or injury. It is a form of risk management, primarily used to protect against the risk of a contingent or uncertain loss.

An insurer, insurance firm, insurance carrier, or underwriter is a business that offers insurance. A person or business that purchases insurance is referred to as a policyholder, while the person or entity that is protected by the policy is referred to as an insured. In exchange for the insurer's pledge to pay the insured in the case of a covered loss, the policyholder assumes a guaranteed, known, and relatively small loss in the form of premium payments to the insurer. The loss must be comprehensible in monetary terms, even if it is not monetary in nature. Moreover, it typically concerns a matter in which the insured has a pre-existing relationship, ownership, or other insurable interest.

The insurance sector offers monetary security against potential hazards like disease, injury, and property loss. In order to receive coverage against specific risks, insurance firms require premium payments from people or businesses. Risks are evaluated, premiums are determined, and claims are paid out as needed by insurers. Life, health, vehicle, property, and liability insurance are among the several kinds of insurance. In contemporary economies, the industry is essential to the management and distribution of risk.

INSURANCE INDUSTRY IN INDIA

The evolution of the insurance industry in India has been a multifaceted journey marked by distinct phases, each characterized by significant developments and reforms.

During the pre-independence era, insurance in India primarily revolved around marine trade, with rudimentary risk transfer agreements in place. The British colonial rule saw the establishment of the first insurance companies in India, primarily catering to marine risks. The emergence of the Oriental Life Insurance Company in Kolkata in 1818 marked the formal beginning of the insurance industry in India, initially serving the needs of European expatriates.

Post-independence, the Indian government embarked on a path of nationalization to align the insurance sector with its social and economic objectives. The landmark event was the formation of the Life Insurance Corporation of India (LIC) in 1956, which amalgamated numerous insurance companies and provident societies. This move aimed to extend insurance services to rural areas, increase penetration, and safeguard policyholders' interests. Subsequently, in 1972, the General Insurance Corporation of India (GIC) was established to oversee the general insurance business in the country.

The liberalization phase, which commenced in 1991, headstarted a new era for the insurance industry in India. Economic reforms opened up various sectors, including insurance, to private and foreign participation. The Malhotra Committee, constituted in 1993, recommended liberalization and privatization to introduce competition and enhance efficiency. In 1999, the Insurance Regulatory and Development Authority (IRDA) Act was enacted, establishing IRDA as an autonomous regulatory body. This paved the way for the entry of private players into the insurance market, breaking the monopoly of LIC and GIC. With the introduction of private insurers like ICICI Prudential, HDFC Life, and Max Life, the industry witnessed increased competition and innovation in products and services.

In the modernization phase, post-liberalization, the insurance sector underwent significant transformation driven by technological advancements and changing consumer preferences. Insurers leveraged technology to offer online sales, policy issuance, and claims processing, enhancing operational efficiency and customer experience. Innovative products such as term insurance, unit-linked insurance plans (ULIPs), health insurance, and pension plans catered to diverse customer needs. Regulatory reforms focused on consumer protection, standardization of products, and stringent norms for insurers, fostering market stability and trust.

Recent developments in the insurance industry continue to reflect a dynamic landscape shaped by digitalization, data analytics, and regulatory initiatives. The government's schemes like Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Ayushman Bharat aim to extend insurance coverage to the underprivileged sections of society. Insurers are exploring new avenues such as microinsurance, cyber insurance, and climate risk insurance to address emerging risks and societal needs. Overall, the history of the insurance industry in India underscores a journey of adaptation, innovation, and resilience, driven by changing socioeconomic dynamics and regulatory imperatives.

Over the years, India's insurance market has seen tremendous expansion and change. It is essential to the nation's financial sector since it shields people and companies from a range of hazards. The insurance industry saw changes as a result of the economy's liberalisation in the early 1990s, which allowed for the introduction of private companies in addition to state-owned insurers. Innovation, product diversification, and enhanced customer service have all been boosted by this rivalry. The Insurance Regulatory and Development Authority of India (IRDAI) oversees the sector, ensuring stability, fair practices, and consumer protection.

The industry is growing despite obstacles like low insurance penetration and awareness because of factors including rising income levels, growing knowledge of the need for insurance, and technology improvements that allow for more efficiency and reach. All things considered, the Indian insurance market is well-positioned to continue expanding and changing, providing a wealth of options for both insurers and policyholders.

3.2 INDUSTRIAL PERFORMANCE

The Insurance Regulatory and Development Authority of India (IRDAI) predicts that in ten years, India's insurance industry will surpass that of Germany, Canada, Italy, and South Korea to become the sixth largest among them. Additional expansion would be facilitated by the regulatory developments. As evidenced by the current epidemic, health insurance is essential to efforts to fortify the healthcare system and to improve healthcare outcomes for the economy.

By 2026, the Indian insurance market is predicted to grow to US$ 222 billion. Insurance will see a significant rise in the use of robotic process automation (RPA) and artificial intelligence (AI), thanks to improved data processing capabilities, novel data channels, and AI algorithm developments. In order to automate policy servicing and claims management for quicker and more individualised customer care, bots are taking a commonplace in both the front and back offices. The Life Insurance Corporation (LIC) of India conducted India's largest-ever initial offering of shares (IPO) and ranked sixth internationally in 2022. More than one-third of the money raised in primary stock market till November 2022 had come out of the IPO of LIC.

By comparison, the insurance sector in India grew at a quiet 7.9% in FY 2021, but it grew at a robust 10.3% in FY 2022. The adaptable way in which the Indian insurance sector has embraced digitization in both operations and distribution, along with its strong risk management foundation based on the primary value of prioritising consumers, have strengthened the industry's resilience.

It is often acknowledged that the insurance industry plays a pivotal role in restoring economic stability during uncertain times. In all, Indian insurance providers have spent over USD 700 billion as of March 2022. Insurance firms contribute significantly to the strengthening of capital markets by investing a significant portion of their portfolio (>50%) in the markets for debt and equity. Because of the size of its financial investment, the insurance industry is crucial to maintaining the mood of the market during a crisis. Important elements influencing this performance consist of:

- Growth in premium income: Rising disposable income, growing product awareness, and government campaigns to encourage insurance coverage have all contributed to the insurance industry's consistent growth in premium income in India.
- Expansion of distribution channels: Insurance companies have been increasing the number of distribution channels that they offer, such as digital platforms, agency networks, bancassurance, and joint ventures with outside distributors. Because of this, insurance products are now more widely available, particularly in rural and semi-urban areas.
- Product innovation: Innovative insurance products, such health insurance, term insurance, and unit-linked insurance plans (ULIPs), have been launched by insurers to meet the needs of different segments of the population. This diversity has aided in drawing in a larger clientele.
- Regulatory reforms: The insurance industry has been significantly shaped by the regulatory environment. The Insurance Regulatory and Development Authority of India (IRDAI) Act, among other reforms, has ensured consumer protection, stimulated competition, and maintained market stability, all of which have contributed to the sector's expansion.
- Penetration and density: Although India's insurance density and penetration are still low by international standards, things have been getting better over time. Aims are being made to improve distribution networks, incentivize insurance coverage, and raise the penetration of insurance through financial literacy programmes.
- Digital transformation: With insurers using technology for customer acquisition, underwriting, claims processing, and customer support, the insurance sector has experienced a digital revolution. This has enhanced customer satisfaction, reduced costs, and increased operational efficiency.
- Challenges and opportunities: The insurance sector faces difficulties like fierce competition, regulatory compliance, fraud control, and changing consumer expectations despite its promising development potential. Nonetheless, these obstacles also offer chances for insurers to innovate, work together, and increase their market share.

Overall, the insurance sector's industrial performance in India shows a good trajectory characterised by expansion, innovation, and regulatory support; nevertheless, more work is still required to resolve issues and realise potential.

3.3 CHALLENGES FACED BY INSURANCE INDUSTRY

The insurance industry is one of the biggest in the world, with a global market value that greatly exceeds the gross domestic product of many countries. The insurance sector is vital to the world economy because it offers stability and security against risk to both individuals and companies. But there are a lot of obstacles facing insurers nowadays that are affecting their relevance, growth, profitability, sustainability, and client pleasure. These are largely related to evolving consumer expectations and the state of technology. It includes the following:

- Regulatory Compliance: Insurance companies operate within a highly regulated environment. Compliance with various regulations and standards, such as Solvency II in Europe or NAIC regulations in the United States, requires significant resources and can sometimes limit innovation and flexibility.
- Cybersecurity Risks: With the increasing digitization of processes and data, insurance companies are becoming more vulnerable to cyber threats. Data breaches can lead to significant financial losses, damage to reputation, and regulatory penalties.
- Changing Customer Expectations: Customers' expectations regarding insurance products and services are evolving rapidly. They demand more personalized experiences, faster claims processing, and seamless interactions across different channels. Meeting these expectations requires investment in technology and customer service.
- Technological Disruption: Emerging technologies such as artificial intelligence (AI), blockchain, and Internet of Things (IoT) are reshaping the insurance landscape. While these technologies offer opportunities for improving operational efficiency and developing innovative products, they also pose challenges in terms of integration, data security, and talent acquisition.
- Data Management and Analytics: Insurance companies deal with vast amounts of data, including customer information, claims data, and risk models. Effectively managing and analyzing this data to extract actionable insights can be challenging, especially considering privacy concerns and regulatory requirements.
- Competition from Insurtech Startups: Insurtech startups are disrupting the traditional insurance market by offering innovative solutions, such as peer-to-peer insurance, usage-based insurance, and automated underwriting. Established insurers must adapt to this changing landscape to remain competitive.

- Climate Change and Natural Disasters: Climate change is leading to an increase in the frequency and severity of natural disasters, such as hurricanes, floods, and wildfires. Insurers face challenges in accurately assessing and pricing these risks, as well as managing their exposure to catastrophic events.
- Aging Population and Longevity Risk: As the population ages, insurers face the challenge of providing affordable and sustainable retirement and healthcare solutions. Longevity risk, the risk of policyholders living longer than expected, can have significant implications for insurers' liabilities and capital requirements.
- Fraudulent Activities: Insurance fraud, including both fraudulent claims and policyholder misrepresentation, remains a significant challenge for insurers. Detecting and preventing fraud requires advanced analytics tools and collaboration with law enforcement agencies.
- Political and Economic Uncertainty: Political instability, economic downturns, and regulatory changes can impact insurers' investment portfolios, underwriting profitability, and overall business performance. Insurers must carefully monitor macroeconomic trends and adjust their strategies accordingly to mitigate risks.

CHAPTER 4

COMPANY PROFILE

4.1 STAR HEALTH AND ALLIED INSURANCE Co. Ltd.

Embodied in 2006, Star Health and Allied Insurance Co. Ltd. was the first business in India to concentrate solely on health insurance, liability insurance, and international travel insurance. The company tailors its policies to meet the unique and changing needs of its clients. These services are provided via a variety of channels, including brokers, agents, and internet platforms. With consecutive agreements with 14862 hospitals across India as of March 31, 2023, Star Health is well-known for its prompt and considerate service. In addition to internal claims management, the company provides free additional medical opinions as needed and assurance visits to hospitals to support consumer interests. As a publicly traded company on the Bombay Stock Exchange, Star Health is permitted to trade on both platforms.

Specialised skills in actuarial science, risk assessment and management, claims processing, finance, marketing, information technology, human resource management, distribution, and administration make up Star Health's workforce. The editorial board of Exchange for Media and Impact presented Star Health and Allied Insurance Co. Ltd. with the "e4m Pride of India – The Best of Bharat Awards 2022" during the Pride of India Conference & Awards, which took place in Mumbai in April 2022.

Star Health is not your typical private health insurance provider. It has led the way. It has developed into a standard. It leads the market. Changing into a recognisable brand recall: "It has to be safe if it's Star Health." Star Health is the first independent health insurance provider in India who acknowledged the importance of discipline in business. The Company established guidelines for behaviour in both public and private spaces putting the needs of the consumer ahead of oneself and putting accountability above financial gain.

With the assistance of 835 branches, Star Health operates in 25 States and five Union Territories. The company's pan-India presence was demonstrated by the fact that by the conclusion of FY 22–23, 39% of its revenues came from South India, 22% from West India, 30% from North India, and 8% from East India.

The biggest health insurance provider privately provider in India, Star Health holds a commanding market share in the retail sector. In the health insurance industry, the company benefits from having one of the biggest distribution networks in all of India. The company's comprehensive risk management insight and domain experience (proprietary claims management, medical expertise, and hospital network participation) are the driving forces behind its excellent claims settlement ratio and service. When it comes to the implementation of progressive procedures and technologies, the organisation has been ahead of the curve. Through steady and secure investment income, the company has strengthened the sustainability of its operations and safeguarded its cash. Business visionaries, seasoned managers, subject matter specialists, and a youthful customer interface make up the company's talent capital.

Star Health is still dedicated to reducing energy use and lowering our carbon footprint by advancing to the use of environmentally friendly fuels and effective waste management Star Health & Allied Insurance Co Ltd Annual Report 2022–2023 28. As a result, we have embraced digitalization in all areas, including customer onboarding, commute reduction through virtual meetings, and paperless processes.

For more than fifteen years, Star Health has been the most reputable private health insurance provider in India. Health insurance now goes by "Star Health" due to the company's well-known and highly regarded "caring" and "personalised" qualities, which have earned it a strong referral value and first preference from current clients. Star Health is inexpensive, readily available, and reachable. One way to contact the business is via an omni-channel that includes face-to-face interaction, business associates, or digital channels. Throughout 25 States and 5 Union Territories, the firm maintains 835 offices. Products from the company are offered, and its total cost-value proposition is regarded as a benchmark for the industry. In an industry where there is a lot of text, terminology, and jargon, Star Health promotes simplicity. The business has clear communication, and its policies are tailored to suit different demands, age groups, and socioeconomic statuses. The business enhances recall as a friend, philosopher, and mentor by handling claims quickly and sensitively.

As evidenced by the following, Star Health has led the Indian retail health niche: persistent superiority, representing one-third of the retail gross written premiums in the general insurance market in India, and having some of the greatest persistency rates in the country.

Board of Directors of Star Health and Allied Insurance Co. Ltd.

- Anand Roy: Managing Director and CEO
- Aneesh Srivastava: Chief Investment Officer
- Anisha Motwani: Independent Director
- Bergis Desai: Independent Director
- Rohit Bhasin: Independent Director Rajeev Agarwal: Independent Director
- Rajni Sekhri Sibal: Independent Director

- Chandrashekar Dwivedi: Actuary
- V Jayaprakash: Chief Compliance Officer
- Nilesh Kambli: Chief Financial Officer
- Dr. Sriharsha Anant Achar: Chief Human Resource Officer
- Aneesh Srivastava: Chief Investment Officer
- Kapil Punwani: Chief Risk Officer
- Jayashree Sethuraman: Co. Secretary & Compl. Officer
- Sumir Chadha: Nominee Director
- Utpal Sheth: Nominee Director
- Deepak Ramineedi: Nominee Director

4.2 MISSION AND VISION STATEMENT

Mission Statement:

- To come up with a large selection of cutting-edge goods and services.
- To give clients pleasant, efficient, and high-quality service.
- Utilising cutting-edge technology to enhance client satisfaction. to implement optimum management practices in the way that businesses run.

Vision Statement:

- To grow as India's biggest and most favoured health insurance provider.
- To offer monetary stability for healthcare administration.

4.3 BUSINESS PROCESS OF THE ORGANISATION: PRODUCT PROFILE

The organisation focuses on four categories of products which are as follows:

Retail Health Products:

- Addressing multiple customers including individuals, families, students, and the elderly folks in the large middle market category, as well as those with past medical issues.
- Consists of family-oriented plans like Family Health Optima Insurance Plan which includes plans designed with families in mind, such as the Family Health Optima Insurance Plan. The whole family is covered by a single coverage amount (via quarterly, bi-annual, and annual premium).
- Comprises individual products like the Medi Classic Insurance Policy (Individual) and the Accident Care Individual Insurance Policy offering the insurance Policy to cater to the unique requirements of each customer.
- Comprises specialised products like Senior Citizens Red Carpet Health Insurance Policy, Diabetes Safe Insurance Policy and Star Cardiac Care Insurance Policy for people with pre-existing medical conditions.

Group Health Products:

The products offer coverage as employee benefits that may require co-payments from employees to corporate employees, including SMEs. While some group health insurance plans are promoted in conjunction with corporate agent banks and online channel partners, these products are typically sold through corporate agents and brokers.

Personal Accident Products:

These provide a variety of products which provide coverage for personal accidents to the policy holders.

Travel Insurance Policies:

It includes coverage for foreign travel assistance under health insurance. Plans accessible to corporate leaders travelling abroad for business between the ages of 18 and 70, students studying overseas, and permanent residents of India.

4.4 STRATEGIES FOLLOWED BY THE ORGANIZATION

RoCE Centric Approach:

- Minimal running expenses, sustainable over market cycles.
- Attraction to pertinent and profitable insurance goods.
- Awareness of health trends and a calibrated risk assessment.

Revenue Growth:

- Expand the channels of distribution and create omnichannel choices.
- Concentrate on SME Group sales.
- Partnerships with insurance and fintech firms.

Multiple Revenue Engines:

- Wide-ranging goods and modest dependence on a small number of goods.
- Utilising the Star Health brand to its full potential.
- Research producing timely product additions and value-added services

Technology Used:

- Digitalization to improve service and efficiency.
- Hyper-individualization by use of artificial intelligence and analytics.
- Investments in automation, cloud computing, and process optimisation

Branding:

- Make use of the brand's “caring recall”.
- Put money into developing your brand over time.
- Concentrate on the health sector and increase specialisation.

Accrual Driven Growth:

- Growth in the business is fuelled by accruals and shareholder capital.
- Net value increased in FY 22–23 from H4,513 crore to H5,430 crore.

Service

- Increased emphasis on cashless and technologically enabled disbursal.
- Focus on prompt and supportive assistance when a policy needs to be serviced.

- Timely resolution viewed as a powerful brand builder leading to referrals.

Responsible:

- High levels of compliance.
- Investment in the moderation of carbon footprint.
- Publicly records and disseminates compliance standards.

4.5 SWOT ANALYSIS

According to health GWP (gross written premium), the firm is the biggest retailer and private health insurance provider in India. CRISIL Research estimates that in F21, Star Health will hold a 15.8% market share in health insurance and a 31.3 percent market share in retail health insurance.

Strengths:

- Strong market presence: With a substantial market share, Star Health Insurance has made a name for itself as one of India's top suppliers of health insurance.
- Wide range of products: The company provides a wide range of health insurance solutions to meet the demands of different clientele, including individual, family, and group plans as well as policies tailored to senior individuals and those with critical conditions.
- Robust network: Star Health Insurance offers policy holders' convenient access to high-quality healthcare services through its vast network of hospitals and healthcare professionals.
- Innovative features: In order to increase client happiness and loyalty, the business consistently adds cutting-edge elements to its policies, such as cashless hospitalisation, telemedicine services, and health check-ups.
- Customer centric approach: Star Health Insurance places a high priority on client happiness and offers top-notch customer support via a variety of channels, including as internet portals, hotlines, and specialised customer care centres.

Weakness:

- Limited geographic presence: Although Star Health Insurance is well-established in some parts of India, its reach may be more constrained than that of some of its rivals.

- Dependency on reinsurers: Similar to numerous insurance firms, Star Health Insurance depends on reinsurance as a risk management strategy, which may result in higher expenses and a reliance on outside parties.
- Complex claim process: The long procedures and documentation requirements that some customers have reported as part of the claims process can have a detrimental effect on the overall customer experience.

Opportunities:

- Expansion into untapped market: Star Health Insurance has the chance to increase its market share in underdeveloped or unexplored regions of India, particularly in rural areas where the need and awareness for health insurance are rising.
- Innovative partnerships: The business can look at forming alliances with technology firms, healthcare providers, or other interested parties in order to provide cutting-edge goods and services like wellness initiatives or digital health solutions.
- Focus on preventive health care: By raising policyholders' knowledge of preventive healthcare practices, Star Health Insurance can create programmes and policies that encourage wellness and illness prevention.

Threats:

- Regulatory changes: The operations, pricing tactics, and product offerings of the organisation may be affected by modifications to government legislation or policies pertaining to the insurance sector.
- Competition: In the health insurance industry, Star Health Insurance faces fierce competition from both long-standing competitors and recent arrivals, which could put pressure on margins and market share.
- Healthcare inflation: The company's finances and premiums may be impacted by rising healthcare expenses and medical inflation, which could result in policyholder premium increases or worse profitability.
- Pandemics: Pandemics and disease outbreaks, like the COVID-19 pandemic, can complicate operations and raise claims for health insurance providers like Star Health Insurance.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 STATEMENT OF THE PROBLEM

Any organization's performance and financial health are critical determinants of its long-term viability and success. Given this importance, a thorough financial analysis is necessary to comprehend many aspects of a company's financial situation, pinpoint its strong and weak points, and help guide decision-making that will promote expansion and profitability in the future. The company's financial statements for the last four years, including the income statement, balance sheet, and cash flow statement, will be carefully examined as part of the financial analysis.

In the study the financial statements of the Star Health and Allied Insurance Co. Ltd are analysed so as to conduct the financial analysis and to understand the financial position of the organization.

5.2 DATA COLLECTION DESIGN

5.2.1 DATA SOURCES

This project makes use of secondary data. The major sources of data are from the official website of Star Health and Allied Insurance Co. Ltd. The financial statements were obtained from the annual reports of the organization which are published for every financial year. The data were also collected from the magazines, brochures and various articles circulated by the organisation.

5.2.2 DATA ANALYSIS TOOLS

For analysing the data, the ratio analysis is used. Ratio analysis is a mathematical technique that examines financial accounts like the income statement and balance sheet to provide insight into a company's liquidity, operational effectiveness, and profitability. A key component of fundamental equity analysis is ratio analysis.

Here from the data collected, ratio analysis is performed to understand the financial position and condition of the organization. A key instrument in financial analysis for assessing a company's financial health and performance is ATIO analysis. It entails the computation and interpretation of a number of ratios taken from the income statement, balance sheet, and cash flow statement of the business's financial statements. A company's prosperity, reliability, performance, and general stability in finances may all be learned through ratio analysis.

CHAPTER 6

DATA INTERPRETATION AND ANALYSIS

6.1 LIQUIDITY RATIOS

Financial measures called liquidity ratios are used to evaluate a company's capacity to pay its short-term debts using its current assets. These measures shed light on the company's liquidity situation and its capacity to pay short-term obligations without straining its finances or needing outside funding. In this study two liquidity ratios are used:

CURRENT RATIO

The current ratio can be calculated by the formula given below

Current Ratio= Current Asset/Current Liability

The current ratio of the organization for the past four years is given below:

Year	Ratio
2020	0.42
2021	0.47
2022	0.15
2023	0.12

Table 1

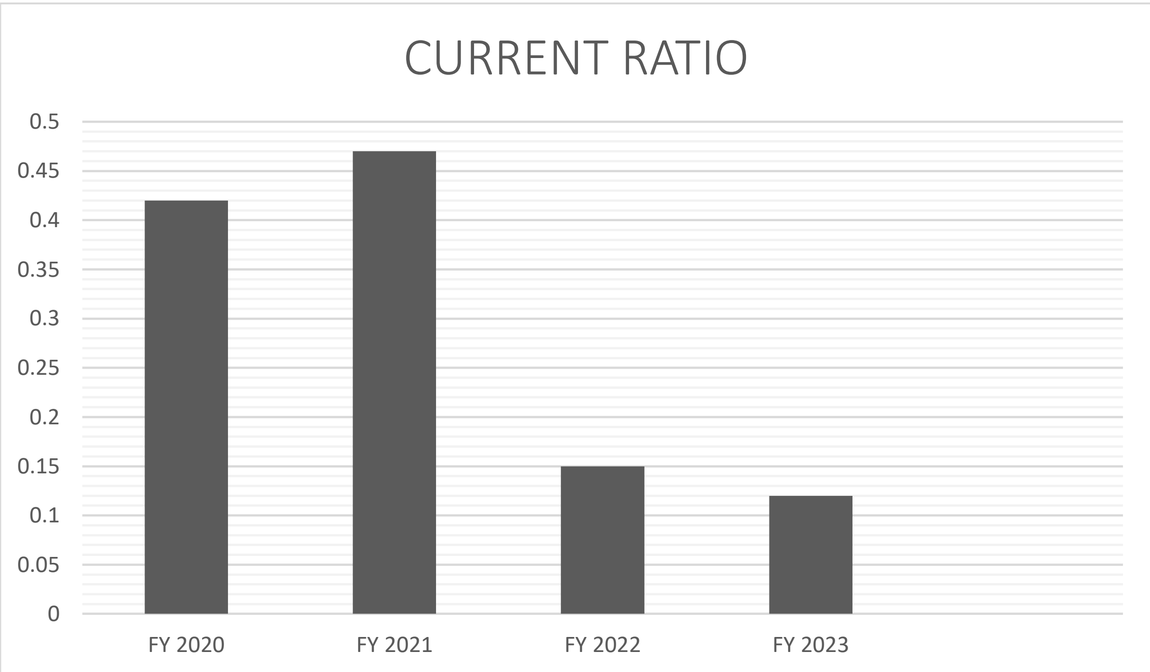

Figure 1

Interpretation

This ratio measures the company's ability to pay off its short-term liabilities (due within one year) using its short-term assets. A current ratio greater than 1 indicates that the company has more current assets than current liabilities, implying a stronger liquidity position. However, excessively high current ratios may suggest an inefficient use of resources. In the case of the insurance company:

- In 2020, the current ratio was 0.42, indicating that the company's liquid assets were less than its short-term liabilities.
- In 2021, the current ratio improved to 0.47, but still below 1, suggesting the company's liquidity position is still not optimal.
- In 2022, the current ratio decreased significantly to 0.15, indicating a deterioration in liquidity. This could raise concerns about the company's ability to meet its short-term obligations.
- In 2023, the current ratio further decreased to 0.12, indicating the deterioration in the organizations ability to meet short term liabilities.

QUICK RATIO

The quick ratio can be calculated using the formula given below:

Quick Ratio=Quick Assets/Current Liabilities

A company's ability to pay its present liabilities without having to sell its inventory or secure extra funding is gauged by the fast ratio. A company's liquidity and financial health are indicated by a higher ratio result; a lower ratio indicates a greater likelihood of debt repayment difficulties. Only assets that can be quickly turned into cash are taken into account by the quick ratio.

The quick ratio of the organization for the past four years is given below:

Year	Quick Ratio
2020	0.42
2021	0.47

2022	0.15
2023	0.12

Table 2

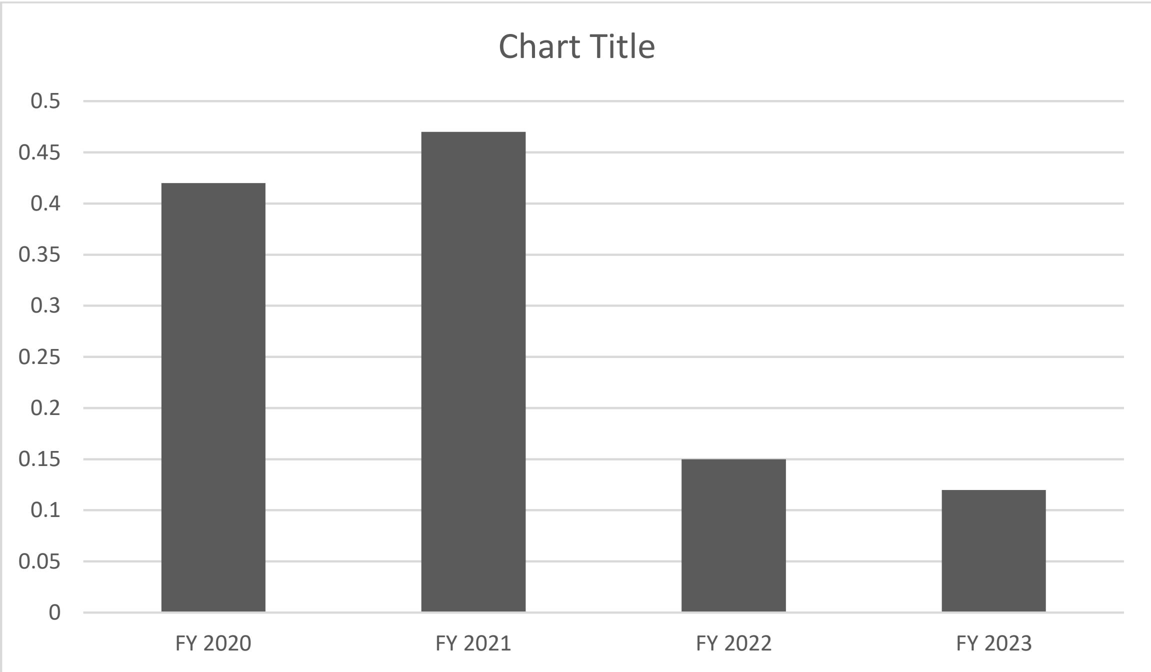

Figure 2

Interpretation:

The current ratio measures a company's ability to meet its short-term liabilities with its short-term assets. A ratio below 1 indicates that the company may have difficulty meeting its short-term obligations.

Looking at the trend of the current ratio for the insurance company:

- In 2020 and 2021, the ratios are 0.42 and 0.47 respectively, both below 1 but showing an improvement from 2020 to 2021.
- However, in 2022 and 2023, the ratios drop significantly to 0.15 and 0.12 respectively, indicating a substantial decline in liquidity.

6.2 SOLVENCY RATIO

Solvency ratios are financial metrics used to assess a company's ability to meet its long-term financial obligations and remain solvent over an extended period. These ratios provide insight into the company's financial structure, leverage levels, and its capacity to repay debts over time. The solvency ratio can be calculated using the formula given below

Solvency Ratio=Available Capital/Required Capital

The solvency ratio of the organization for the past four years is given below:

Year	Ratio
2020	1.88
2021	2.22
2022	1.61
2023	2.14

Table 3

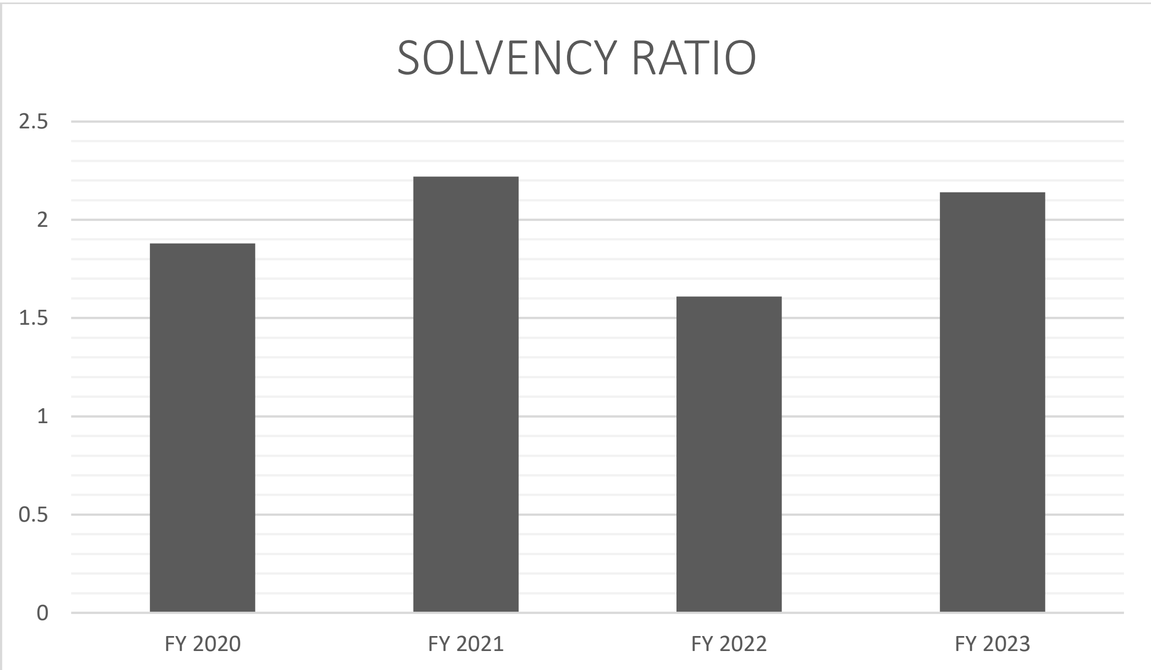

Figure 3

Interpretation

The solvency ratio demonstrates the capacity of an insurance provider to fulfil its long-term commitments.A ratio above 1 indicates that the company's assets exceed its liabilities, which is generally considered as a good sign.

Based on the provided solvency ratios:

- The ratio increased from 2020 (1.88) to 2021 (2.22), indicating that the financial stability of the organisation has increased.
- There was a decrease in 2022 (1.67), which might show a potential concern about the company's ability to cover its long-term obligations.
- However, the ratio came back to 2.14 in 2023, suggesting a recovery in financial strength of the organisation.

6.3 PROFITABILITY RATIO

Profitability ratios are financial metrics used to evaluate a company's ability to generate profits relative to its revenue, assets, equity, and other factors. These ratios measure the company's efficiency in generating earnings from its operations and are essential for assessing its financial performance, profitability trends, and overall business health.The profitability ratio that is used here is net profit ratio.

The net profit ratio can be calculated using the below given formula

Net Profit Ratio= (Net profit/Revenue from Operation) *100

The net profit ratio of the organization for the past four years is given below:

Year	Ratio
2020	79.71
2021	73.30
2022	65.78
2023	87.61

Table 4

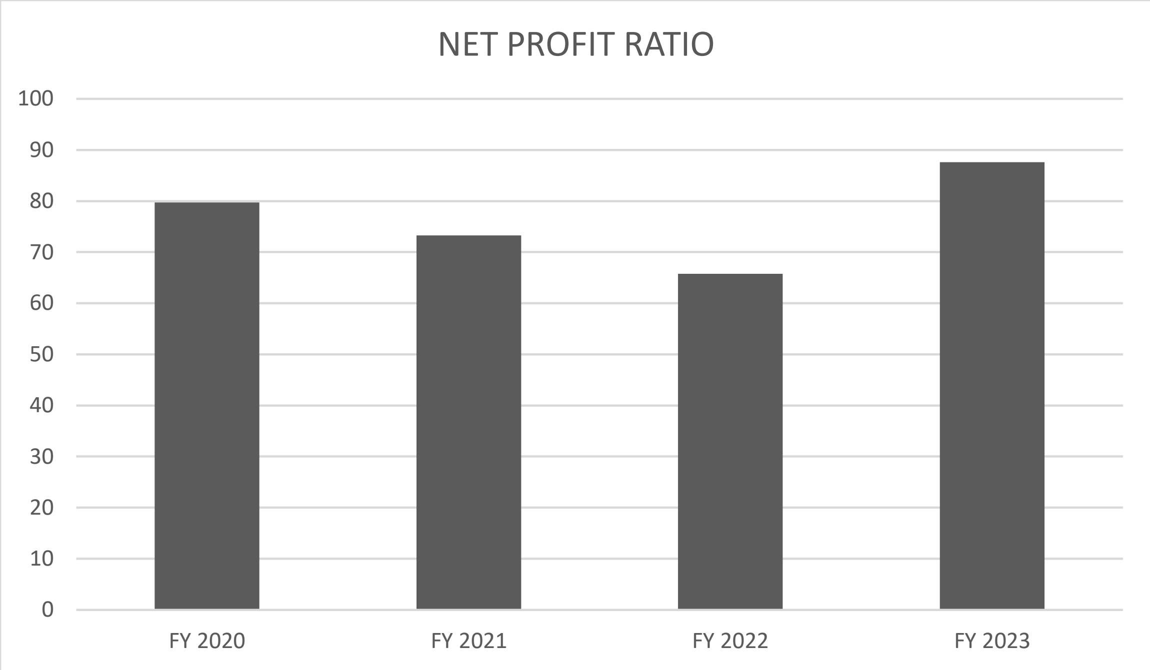

Figure 4

Interpretation

The net profit ratio is a measure of the profitability of an organization.

- The net profit ratio has decreased from 79.71 in 2020 to 73.30 in 2021.
- The ratio further decreased to 65.78 in 2021.
- The ratio saw a recovery in 2023 as it increased to 87.61 showing the increased profitability of the organisation.

6.4 COMBINED RATIO

An insurance firm uses the combined ratio, also known as "the combined ratio after policyholder dividends ratio," as a measure of profitability to assess how well it is doing on a day-to-day basis. The combined ratio can be calculated using the formula given below:

Combined Ratio= (Claim-Related Losses + Expenses) / Earned Premium

The combined ratio (in %) of the organization for the past four years is given below:

Year	Ratio (in %)
2020	93.43
2021	112.14
2022	117.87

2023	95.33

Table 5

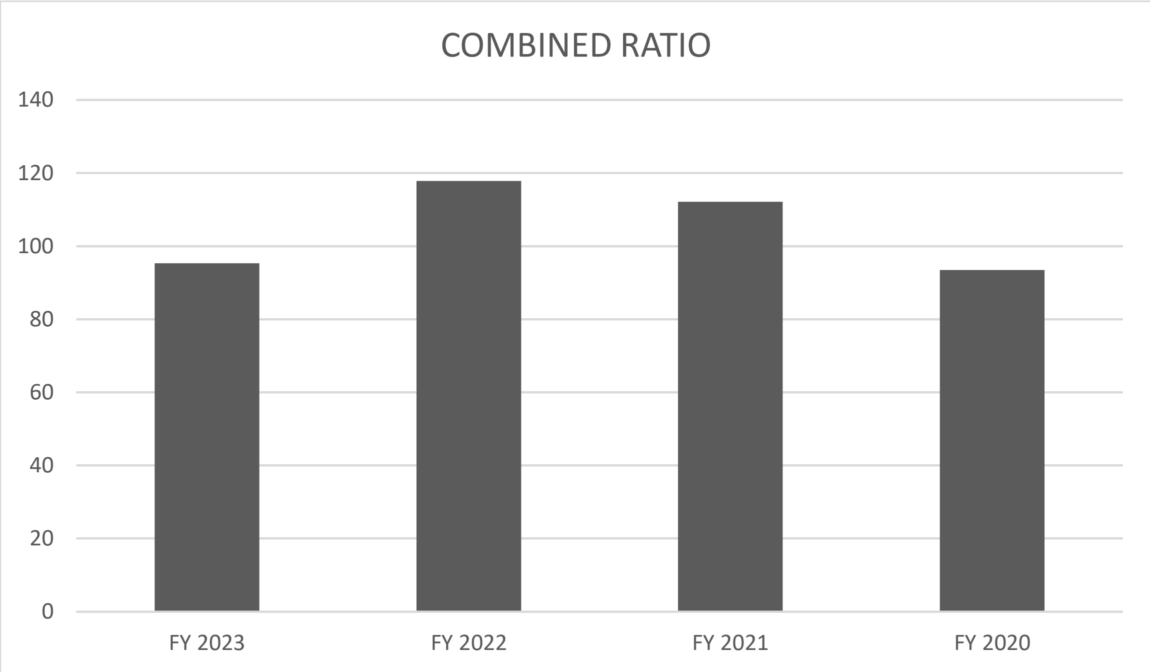

Figure 5

Interpretation

The combined ratio is a measure used in the insurance industry to assess the profitability of underwriting activities. It represents the ratio of incurred losses and expenses to earned premiums. A ratio below 100 indicates that the company is making an underwriting profit, while a ratio above 100 suggests an underwriting loss.

- In 2020 the Combined ratio (93.43) of the company had a profitable underwriting year, indicating that it earned more in premiums than it paid out in losses and expenses.
- In 2021 the Combined ratio (112.4) of the company suggests that the company experienced an underwriting loss for the year, as the ratio is above 100.
- In 2022 the combined ratio (117.87) further worsened compared to the previous year, indicating an even higher underwriting loss.
- In 2023 the Combined ratio (95.33) of the company improved its underwriting performance compared to 2022 and it earned more in premiums than it paid out in losses and expenses.

6.5 RETURN ON CAPITAL EMPLOYED(RoCE)

It can be calculated using the formula given below:

RoCE stands for Return on Capital Employed. It is a financial metric used to evaluate the efficiency and profitability of a company in generating returns from the capital it has employed in its business operations.

RoCE= EBIT/Capital Employed

The RoCE of the organization for the past four years is given below:

Year	Ratio
2023	11.4
2022	23.1
2021	31.2
2020	13.9

Table 6

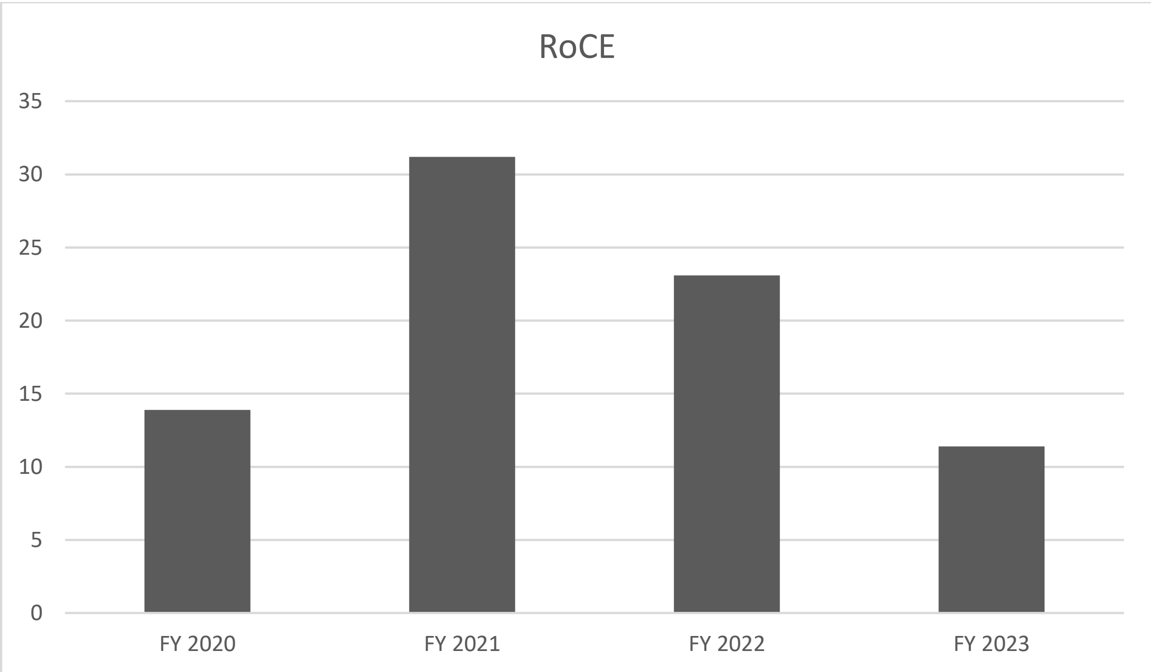

Figure 6

Interpretation

Return on Capital Employed (RoCE) is a key financial metric used to evaluate the efficiency with which a company generates profits from its capital employed.

- In 2020, the RoCE was 13.9, suggesting that for every unit of capital employed, the company generated a return of 13.9%.
- It increased to 31.2% in 2021, indicating improved efficiency or increased profitability.

- However, in 2022, there was a decrease in RoCE to 23.1%, which could signal either a decrease in profitability or changes in capital structure.
- The RoCE further decreased to 11.4% in 2023, which might indicate challenges or inefficiencies in utilizing capital effectively.

CHAPTER 7

FINDINGS, SUGGESTIONS AND CONCLUSION

7.1 FINDINGS

- The liquidity ratios, the current ratio and quick ratio, has been decreasing from 2020 to 2023. It has decreased from 0.42 in 2023 to 0.12 in 2020. It is indicating the deterioration in the organizations ability to meet short term liabilities. Overall, the trend shows a decline in liquidity over the years, which could indicate potential financial difficulties for the insurance company in meeting its short-term obligations.
- A solvency ratio looks at a company's capacity to pay off its long-term debts. A crucial part of the financial analysis that determines whether a business has enough cash flow to meet its debt commitments on time is the calculation of solvency ratios. The solvency ratio of the company has been increasing from 2020 to 2023. The ratio has increased from 1.88 in 2023 to 2.14 in 2023.
- The profitability ratio used in the study is net profit ratio. One kind of accounting ratio that aids in assessing the financial success of a company at the conclusion of an accounting period is the profitability ratio. The ability of a business to turn a profit from its operations is demonstrated by profitability ratios. The net profit ratio has decreased first and then increased. The highest ratio was recorded in 2023 with the net profit ratio being 87.61 which indicates that the firm the insurance company appears to be performing well financially.
- An insurance firm uses the combined ratio, also known as "the combined ratio after policyholder dividends ratio," as a measure of profitability to assess how well it is doing on a day-to-day basis. Overall, the company had a mixed performance over the four years, with two years of underwriting profit (2020, 2023) and two years of underwriting loss (2021, 2022). It's essential for the company to consistently aim for a net combined ratio below 100 to ensure profitability in its underwriting activities.
- Return on capital employed, sometimes known as the "primary ratio," is a financial ratio that's used to assess a company's profitability and capital allocation efficiency. The RoCE has also fluctuated a bit. It had a growth from 2021 to 2022 but it is now declining. It indicates that the capital employed is not being used efficiently.

7.2 CONCLUSIONS

Incorporated in 2006, Star Health and Allied Insurance Co. Ltd. was the first business in India to concentrate solely on health insurance, liability insurance, and international travel insurance. The company tailors its policies to meet the unique and changing needs of its clients. These services are provided via a variety of channels, including brokers, agents, and internet platforms. With consecutive agreements with 14862 hospitals across India as of March 31, 2023, Star Health is well-known for its prompt and considerate service. In addition to internal claims management, the company provides free additional medical opinions as needed and assurance visits to hospitals to support consumer interests. As a publicly traded company on the Bombay Stock Exchange, Star Health is permitted to trade on both platforms.

Analysing and analysing a company's financial data to determine its general well-being, productivity, and profitability is known as financial performance analysis. It entails tracking a variety of financial ratios, measures, and trends over time to learn more about the operational effectiveness, liquidity, solvency, and profitability of the business. Stakeholders including creditors, investors, management, and regulators may make well-informed judgements regarding the firm with the assistance of the study.The financial success of a corporation may give investors insight into its general health. Along with future possibilities like the possibility of operations and profits growth and the forecast for the company's stock, it gives a summary of the business's financial health and management performance:

The ratios used in this study are as follows:

- Liquidity Ratio
- Profitability Ratio
- Solvency Ratio
- Combined Ratio
- RoCE

The liquidity ratios used in the study are current ratio and quick ratio. Both the ratios increased from 0.42 in 2020 to 0.47 in 2021. It then started to decline. In 2022 the liquidity ratio was 0.15 and it further decreased to 0.12 in 2023. Overall, the trend shows a decline in liquidity over the years, which could indicate potential financial difficulties for the insurance company in meeting its short-term obligations. It may indicate potential financial challenges in meeting short-term obligations, which could require attention and strategic management to improve liquidity in the coming years.

The profitability ratio used in the study is net profit ratio. The net profit ratio has decreased from 79.71 in 2020 to 73.30 in 2021 to 65.78 in 2022. The ratio then saw a growth and has reached a value of 87.61 in 2023. So the firm is currently profitable financially. The net profit ratio seems to be increasing over the years, which indicates improving profitability. The company might be managing its expenses effectively or experiencing growth in revenue. The net profit ratio values are relatively high, especially in 2020 and 2023, suggesting that the company is generating significant profits in comparison to its revenue.

The solvency ratio increased from 2020 (1.88) to 2021 (2.22), indicating improved financial stability. There was a decrease in 2022 (1.67), which might show a potential concern about the company's ability to cover its long-term obligations. However, the ratio came back in 2023 (2.14), suggesting a recovery in financial strength. Overall, the company's solvency ratios show fluctuations, but it seems to maintain a generally healthy financial position.

In 2020 the Combined ratio (93.43) of the company had a profitable underwriting year, indicating that it earned more in premiums than it paid out in losses and expenses. In 2021 the Combined ratio (112.4) of the company suggests that the company experienced an underwriting loss for the year, as the ratio is above 100. In 2022 the combined ratio (117.87) further worsened compared to the previous year, indicating an even higher underwriting loss. In 2023 the Combined ratio (95.33) of the company improved its underwriting performance compared to 2022 and it earned more in premiums than it paid out in losses and expenses.

Overall, the company had a mixed performance over the four years, with two years of underwriting profit (2020, 2023) and two years of underwriting loss (2021, 2022). It's essential for the company to consistently aim for a net combined ratio below 100 to ensure profitability in its underwriting activities.

Return on Capital Employed (RoCE) is a key financial metric used to evaluate the efficiency with which a company generates profits from its capital employed. In 2020, the RoCE was 13.9, suggesting that for every unit of capital employed, the company generated a return of 13.9%. It increased significantly to 31.2% in 2021, indicating improved efficiency or increased profitability. However, in 2022, there was a decrease in RoCE to 23.1%, which could signal either a decrease in profitability or changes in capital structure. The RoCE further decreased to 11.4% in 2023, which might indicate challenges or inefficiencies in utilizing capital effectively.

Overall, the insurance company, Star Health and Allied Insurance Co. Ltd. is in a profitable state. The net profit ratio of the organisation has increased indicating that the profitability of the company has been increasing. The solvency as well as the combined ratio of the organisation has also increased indicating the financial strength of the organisation.

So, in conclusion the organisation Star Health and Allied Insurance Co. Ltd. is performing well financially and is in a financially sound position.

7.3 SUGGESTIONS

- There is a continuous decline in the liquidity ratio of the organisation. So, the necessary measures must be taken to increase the liquidity ratios.
- There is also a continuous decline in the RoCE of the organisation. So, the organisation must ensure that the capital employed is being used efficiently.
- The organisation can also look into cost optimisation. It should look into areas where the costs can be reduced without affecting the quality of service.
- The various organisation can also undergo a digital transformation and invest in various technology to enhance the customer's experience.

ANNEXURE

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