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Financial performance of selected private sector life insurance companies

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Abstract

Insurance is a legal agreement between two parties i.e. the insurance company (insurer) and the individual (insured). Insurance is a means of protection from financial loss. Insurance has been an important part of the Indian financial system. Future is associated with uncertainty. Uncertainty is a universal risk for the mankind. Such type of uncertainty is to be controlled or avoided by everybody through investment in Life Insurance. Many type of risk management techniques are there. Insurance is one of the best risk financing techniques. Indian life insurance companies continue to play a vital role in solving as well as increasing the socio-economic development, standard of living, poverty alleviation, employment problem, etc. as far as India is concerned. There is a strong hope that Indian life insurance companies would establish for themselves a permanent and unshakable position in the service providing industrial map of India and also in the emerging international market. The present article highlights the financial performance of selected five Private sector life insurance companies.

Keywords: Insurance, liquidity, ratio, financial statement, IRDA

Introduction

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. The company pools clients' risks to make payments more affordable for the insured. Insurance policies are used to hedge against the risk of financial losses, both big and small, that may result from damage to the insured or her property, or from liability for damage or injury caused to a third party. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium, and can be thought of as a guaranteed small loss to prevent a large, possibly devastating loss. An insurer is a company selling the insurance; an insured is the person or entity buying the insurance. The insurance rate is a factor used to determine the amount to be charged for a certain amount of insurance coverage, called the premium. Apart from helping as a protective cover, insurance acts as a flexible money-saving scheme, which empowers to build up wealth. Insurance also triples up as a perfect tax-saving scheme. Life Insurance service is a professional service provided to the customers as per their needs. The products provided by these companies are tailor made and are providing good opportunities for investment.

Before 1999, there was monopoly of the state run Life Insurance Corporation of India catering to the Life Insurance Business. Today many Private companies have entered in the Indian Market and are trying to compete with Life Insurance Corporation of India. In this study an attempt would be made to evaluate the performance of selected five Private Sector Life Insurance Companies in India.

Brief Profile of Sample Companies

Bajaj Allianz Life Insurance Company Limited

Bajaj Allianz Life Insurance Company Limited is a joint venture between Bajaj Finserv Limited (formerly part of Bajaj Auto Limited) owned by the Bajaj Group of India and Allianz SE, a European financial services company. Being one of the private life insurance companies in India, it offers insurance products for financial planning and Security.

Kotak Mahindra Life Insurance Company Limited

Kotak Mahindra Life Insurance Company Limited is a private Life Insurance company in India. The company was founded in 2001. It caters to 15 million customers with 232 branches in around 167 cities and towns in India with 99,275 agents. Under the umbrella, the company offers various protection plans, savings and investment plans, child plans and retirement plans.

PNB MetLife India Insurance Company Limited

PNB MetLife India Insurance Company Limited (PNB MetLife) is one of the leading life insurance companies in India. PNB MetLife has as its shareholders MetLife International Holdings LLC (MIHL), Punjab National Bank Limited (PNB), Jammu & Kashmir Bank Limited (JKB), M. Pallonji and Company Private Limited and other private investors, MIHL and PNB being the majority shareholders. PNB MetLife has been present in India since 2001.

Exide Life Insurance Company Limited

Exide Life Insurance Company Limited, an established and profitable life insurance company, commenced operations in 2001-02 and is head quartered in Bengaluru. The company is 100% owned by Exide Industries Limited. The company serves over 15 lakh customers and manages assets of over INR 15,000 Crores. During the financial year 2018-19, the company achieved Total Premium Income of over INR 2,800 crores.

Reliance Nippon Life Insurance Company Limited

Reliance Nippon Life Insurance Company is amongst the leading private sector life insurance companies in India in terms of individual WRP (weighted received premium) and new business WRP. The company is one of the largest non-bank supported private life insurers with over 10 million policyholders, a strong distribution network of 717 branches and 63,016 advisors as on March 31, 2020. The company holds Claim Settlement Ratio of 98.1% as on March 31, 2020.

Review of literature

Tripathi. S (2009) [2] in his dissertation report mentioned that Private companies are giving direct competition to LIC, LIC is a dominating player even after privatization and abundance scope of insurance expansion in the Indian market, LIC is having huge customer base being an old giant are some of the main findings of this study. He concluded that LIC is a most popular and leading brand but with aggressive marketing approach; private companies are giving direct competition to LIC.

Paramita Chatterjee (2009) [1] evidently quoted that private insurers recorded 62% growth rate in April-December 2008 against 45% in the same period of last fiscal. ICICI Prudential, HDFC Standard, SBI Life and Bajaj Allianz are the dominant players of the life Insurance sector. LIC, a market leader, recorded a decline of 28% and experts said the Industry has witnessed a reasonable growth despite the tight financial conditions.

C.Barathi, C. D. Balaji and Ch. Ibohal Meithei (2011) [3], in the research paper entitled "Innovative Strategies to Catalyse Growth of Indian Life Insurance Sector- an Analytical Review" have clearly discussed about the impact of global recession on the fastest growing Indian insurance market. They revealed that the entry of many private

companies has created a paradigm shift in insurance marketing in India in terms of products, tariffs; customer service etc.

M. Selva Kumar and J Vimal Priyan (2012) [4] concluded that LIC continues to dominate the insurance sector. Private sector insurance companies also tried to increase their market share. 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. The study compared premium, policies and market shares of companies.

Piyali Chandra Khan and Mitra D (2014) [5] analyzed that the overall position of LIC was quite satisfactory as the profit after tax improved by 270% in the last 12 years. It had strong liquidity position. The company had sufficient current assets to meet the current liabilities. This evidently stresses on the fact that LIC is quite capable to earn superior return in this competitive environment.

Research Methodology

Objective: The study will be carried out with the following objectives

- To study and Compare the financial performance of Selected Private Life Insurance companies in India.
- To analyse and interpret the trends as revealed by various ratios in particular.
- To analyse the solvency position.
- To study the changes in the asset trends of the sample life insurance companies.

Data Collection: The present study utilises and relies upon secondary data. The Secondary data are collected from secondary sources i.e. internet, IRDA, Annual reports of Selected Private Life Insurance companies in India, journals, books published and other government information.

Sampling: Insurance sector is important service sector in India. Following companies have been selected for reviewing performance: Bajaj Allianz Life, Kotak Mahindra Life, PNB MetLife, Exide Life and Reliance Nippon Life.

Period of the Study: The study would consider five financial years (i.e. 2015-2019) for evaluating financial performance of selected private sector life insurance companies.

Tools and Technique: For analyzing the data and to draw a meaningful conclusion, numbers of statistical and financial tools are used for any research work. Here, a few financial techniques have mainly been used for proper analysis and drawing meaningful conclusions. These are trend analysis and ratio analysis i.e. current, liquidity and absolute liquidity ratios.

Significance: Life insurance is a very significant factor in human life. The present study would give perfect knowledge with respect to the performance of private sector life insurance companies. Life insurance is an important form of social security and its absence may put human life to great risks.

Limitation: The present study is not free from the following limitations

- The secondary data has to be collected from many sources.
- The data has been taken for a period of 5 years i.e. from 2015 to 2019.
- The present study has been taken for 5 private sector life insurance companies. Other private life insurance companies have been excluded from the present study. So, it is very difficult to generalize the findings of the study.
- The financial techniques undertaken in the present study like ratio analysis and trend analysis have their own limitation.

Analysis and interpretation of data

In this section, an attempt has been made to analyze, interpret and draw conclusions by considering financial performance of the sample life insurance companies. Further, to analyze the data, appropriate financial tools have been used to derive meaningful conclusion. The following pages deal with the financial performance of the sample life insurance companies.

Table 1: Current Ratio of Bajaj Allianz Life Insurance Company (Rs. '000)

Year	Current Assets	Current Liabilities	Current Ratio
2015	16,631,938	15,245,299	1.09
2016	15,498,637	12,268,921	1.26
2017	25,485,066	18,017,703	1.41
2018	27,876,998	19,763,902	1.41
2019	30,984,197	15,536,312	1.99

Source: Bajaj Allianz Life Annual Reports

Table 1 accommodates the current assets and current liabilities of Bajaj Allianz Life Insurance Company. It is observed from the table that the company has not maintained appropriate working capital for the various financial years undertaken for study to pay off the current liabilities. It is suggested that there should be more investment of funds into current assets.

Table 2: Current Ratio of Kotak Mahindra Life Insurance Company (Rs. '000)

Year	Current Assets	Current Liabilities	Current Ratio
2015	4,875,225	5,614,986	0.86
2016	6,009,875	8,485,428	0.70
2017	8,055,091	9,748,840	0.83
2018	10,632,564	12,680,636	0.83
2019	13,239,532	13,076,745	1.01

Source: Kotak Mahindra Life Annual Reports

It is observed from the table 2 that the current ratios of various years are not satisfactory and short-term solvency position is not good. It is safely suggested that there should be appropriate investment of fund into current assets to pay off the current liabilities in due time.

Table 3: Current Ratio of PNB MetLife India Insurance Company (Rs. '000)

Year	Current Assets	Current Liabilities	Current Ratio
2015	5,109,374	5,714,333	0.89
2016	5,909,679	7,186,017	0.82
2017	9,294,058	7,562,177	1.23
2018	11,140,408	9,361,349	1.19
2019	11,762,125	9,133,006	1.29

Source: PNB MetLife Annual Reports

It is observed from the table 3 that the current ratios are not satisfactory according to the rule of thumb i.e.2:1 and short-term liquidity position has been affected. It is suggested that adequate working capital should be maintained.

Table 4: Current Ratio of Exide Life Insurance Company (Rs. '000)

Year	Current Assets	Current Liabilities	Current Ratio
2015	6,210,023	3,904,960	1.59
2016	5,467,870	3,811,632	1.43
2017	7,677,585	3,906,300	1.97
2018	7,690,175	4,320,844	1.78
2019	9,032,224	4,685,208	1.93

Source: Exide Life Annual Reports

It has been concluded from table 4 that the company has not maintained appropriate working capital for the various financial years undertaken for study to pay off the current liabilities. It is suggested that there should be more investment of funds into current assets.

Table 5: Current Ratio of Reliance Nippon Life Insurance Company (Rs. '000)

Year	Current Assets	Current Liabilities	Current Ratio
2015	10,792,755	13,237,246	0.82
2016	8,667,871	12,153,357	0.71
2017	11,954,508	9,598,120	1.24
2018	14,072,865	13,401,419	1.05
2019	12,297,349	10,131,303	1.21

Source: Reliance Nippon Life Annual Reports

It is observed from the table 5 that the current ratios of various years are not satisfactory and short-term solvency position is not good. It is safely suggested that there should be appropriate investment of fund into current assets to pay off the current liabilities in due time.

Table 6: Liquid Ratio of Bajaj Allianz Life Insurance Company (Rs. '000)

Year	Liquid Assets	Current Liabilities	Liquid Ratio
2015	4,523,360	15,245,299	0.30
2016	3,397,183	12,268,921	0.28
2017	6,145,345	18,017,703	0.34
2018	5,019,695	19,763,902	0.25
2019	7,417,203	15,536,312	0.48

Source: Bajaj Allianz Life Annual Reports

Table 6 accommodates the liquid assets and current liabilities of Bajaj Allianz Life Insurance Company. It is observed from the table that the liquid ratios are not satisfactory. It is safely suggested that there should be more investment of funds into liquid assets which will be helpful to pay off the current liabilities.

Table 7: Liquid Ratio of Kotak Mahindra Life Insurance Company (Rs. '000)

Year	Liquid Assets	Current Liabilities	Liquid Ratio
2015	2,025,464	5,614,986	0.36
2016	2,216,363	8,485,428	0.26
2017	3,240,195	9,748,840	0.33
2018	4,347,302	12,680,636	0.34
2019	4,620,031	13,076,745	0.35

Source: Kotak Mahindra Life Annual Reports

It is concluded from the table 7 that the liquid ratios are not satisfactory which may lead towards the short term financial crisis. It is safely suggested that there should be more investment of funds into liquid assets for better short term solvency position.

Table 8: Liquid Ratio of PNB MetLife India Insurance Company (Rs. '000)

Year	Liquid Assets	Current Liabilities	Liquid Ratio
2015	1,715,335	5,714,333	0.30
2016	2,224,867	7,186,017	0.30
2017	2,625,062	7,562,177	0.35
2018	2,898,191	9,361,349	0.31
2019	2,723,771	9,133,006	0.30

Source: PNB MetLife Annual Reports

It observed from the table 8 that for PNB MetLife India Insurance Company the liquid ratios are not satisfactory which may lead towards the short term financial crisis. It is suggested that there should be more investment of fund into liquid assets to have a good financial psychological feeling.

Table 9: Liquid Ratio of Exide Life Insurance Company (Rs. '000)

Year	Liquid Assets	Current Liabilities	Liquid Ratio
2015	1,695,759	3,904,960	0.43
2016	2,029,328	3,811,632	0.53
2017	2,857,109	3,906,300	0.73
2018	2,099,244	4,320,844	0.49
2019	3,095,115	4,685,208	0.66

Source: Exide Life Annual Reports

It is concluded from the table 9 that the liquid ratios are not satisfactory which may lead towards the short term financial crisis. It is safely suggested that there should be more investment of funds into liquid assets for better short term solvency position.

Table 10: Liquid Ratio of Reliance Nippon Life Insurance Company (Rs. '000)

Year	Liquid Assets	Current Liabilities	Liquid Ratio
2015	3,607,185	13,237,246	0.27
2016	3,605,204	12,153,357	0.30
2017	1,883,699	9,598,120	0.20
2018	2,668,045	13,401,419	0.20
2019	2,849,636	10,131,303	0.28

Source: Reliance Nippon Life Annual Reports

It observed from the table 10 that liquid ratios are not satisfactory. It is safely suggested that there should be more investment of funds into liquid assets which will be helpful to pay off the current liabilities.

Table 11: Absolute Liquidity Ratio of Bajaj Allianz Life Insurance Company (Rs. '000)

Year	Absolute Liquidity Assets	Current Liabilities	Absolute Liquidity Ratio
2015	4,523,360	15,245,299	0.30
2016	3,397,183	12,268,921	0.28
2017	6,145,345	18,017,703	0.34
2018	5,019,695	19,763,902	0.25
2019	7,417,203	15,536,312	0.48

Source: Bajaj Allianz Life Annual Reports

Table 11 accommodates the cash, bank, marketable securities and current liabilities of Bajaj Allianz Life Insurance Company. It is concluded from the table that the absolute liquidity ratios are not satisfactory. It is suggested that there should be more investment of funds into most liquid current assets.

Table 12: Absolute Liquidity Ratio of Kotak Mahindra Old Mutual Life Insurance (Rs. '000)

Year	Absolute Liquidity Assets	Current Liabilities	Absolute Liquidity Ratio
2015	2,025,464	5,614,986	0.36
2016	2,216,363	8,485,428	0.26
2017	3,240,195	9,748,840	0.33
2018	4,347,302	12,680,636	0.34
2019	4,620,031	13,076,745	0.35

Source: Kotak Mahindra Life Annual Reports

It is concluded from the table 12 that the absolute liquidity ratios in case of Kotak Mahindra Life Insurance are not satisfactory which may affect the short-term solvency position. It is suggested that there should be appropriate and adequate investment of funds into short-term marketable assets.

Table 13: Absolute Liquidity Ratio of PNB MetLife India Insurance Company (Rs. '000)

Year	Absolute Liquidity Assets	Current Liabilities	Absolute Liquidity Ratio
2015	1,715,335	5,714,333	0.30
2016	2,224,867	7,186,017	0.30
2017	2,625,062	7,562,177	0.35
2018	2,898,191	9,361,349	0.31
2019	2,723,771	9,133,006	0.30

Source: PNB MetLife Annual Reports

It is revealed from the table 13 that the absolute liquidity assets for PNB MetLife India Insurance Company are inadequate to pay the current liabilities in time. It is suggested that there should be more investment of funds into most liquid current assets.

Table 14: Absolute Liquidity Ratio of Exide Life Insurance Company (Rs. '000)

Year	Absolute Liquidity Assets	Current Liabilities	Absolute Liquidity Ratio
2015	1,695,759	3,904,960	0.43
2016	2,029,328	3,811,632	0.53
2017	2,857,109	3,906,300	0.73
2018	2,099,244	4,320,844	0.49
2019	3,095,115	4,685,208	0.66

Source: Exide Life Annual Reports

It is concluded from the table 14 that the absolute liquidity ratios in case of Exide Life Insurance Company are satisfactory except for financial year 2015 and 2018. It is suggested that there should be appropriate and adequate investment of funds into short-term marketable assets for financial year 2015 and 2018.

Table 15: Absolute Liquidity Ratio of Reliance Nippon Life Insurance Company (Rs. '000)

Year	Absolute Liquidity Assets	Current Liabilities	Absolute Liquidity Ratio
2015	3,607,185	13,237,246	0.27
2016	3,605,204	12,153,357	0.30
2017	1,883,699	9,598,120	0.20
2018	2,668,045	13,401,419	0.20
2019	2,849,636	10,131,303	0.28

Source: Reliance Nippon Life Annual Reports

It is observed from the table 15 that the absolute liquidity assets in case of Reliance Nippon Life Insurance Company

are not satisfactory. It is suggested that there should be more investment of funds into most liquid current assets.

Table 16: Trend Percentages of Assets [Base Year 2015-100] (Rs. '000)

Year	Bajaj Allianz Life		Kotak Mahindra Life		PNB MetLife		Exide Life		Reliance Nippon Life	
	Amount (Rs.)	Trend %age	Amount (Rs.)	Trend %age	Amount (Rs.)	Trend %age	Amount (Rs.)	Trend %age	Amount (Rs.)	Trend %age
2015	4523360	100.00	2025464	100.00	1715335	100.00	1695759	100.00	3607185	100.00
2016	3397183	75.10	2216363	109.42	2224867	129.70	2029328	119.67	3605204	99.95
2017	6145345	135.86	3240195	159.97	2625062	153.03	2857109	168.49	1883699	52.22
2018	5019695	110.97	4347302	214.63	2898191	168.96	2099244	123.79	2668045	73.96
2019	7417203	163.98	4620031	228.10	2723771	158.79	3095115	182.52	2849636	79.00

Source: Selected Insurance Companies Annual Reports

Table 16 depicts the asset trends of the sample life insurance companies. It is concluded from the table 16 that the investment into assets has resulted in increasing business as compared to the base year 2015. But, in case of Reliance Nippon life and Bajaj Allianz Life Insurance (during the year 2016) Companies investment into assets has decreased. Analysis of the financial performance of the sample insurance companies has been carried out with the appropriate financial tools. The major findings have been summarized and presented below:-

Findings

1. Selected Life Insurance Company's current ratios of various years are not satisfactory and short-term solvency position is not good.
2. Selected Life Insurance Company's liquid ratios are not satisfactory.
3. The absolute liquidity ratios of Exide Life Insurance Company are satisfactory except for financial year 2015 and 2018.
4. Absolute liquidity ratios of Bajaj Allianz Life Insurance, Kotak Mahindra Life Insurance, PNB MetLife Insurance and Reliance Nippon Life Insurance Companies are not satisfactory which may affect the short-term financial solvency position of the companies.
5. The investment into assets of Reliance Nippon Life Insurance and Bajaj Allianz Life Insurance (during the year 2016) Companies has declined as shown in the Table 16.

Suggestion

The following important suggestions have been forwarded to improve the short term as well as long-term solvency financial position of the sample life insurance companies:

1. Selected Life Insurance Companies should invest appropriate and adequate funds into current assets.
2. Selected Life Insurance Companies should maintain proper liquid assets which will be helpful to pay off the current liabilities.
3. Selected Life Insurance Companies should maintain adequate and perfect liquid assets so as to ensure

investment of fund into short-term marketable assets for better liquidity to pay off the current liabilities.

Conclusion

Insurance is a vital component of the financial service industries in all modern societies and plays an essential and dramatic role in building all national economies. Insurance allows individual and business to cope with risk and substitutes certainty for uncertainty as regards the economic cost of loss producing events. The insurance industry is highly competitive in India. Several private insurance companies are emerging in insurance sector in India. From the present study it has been shown that the financial performance of Selected Life Insurance Companies should invest appropriate and adequate funds into current assets and maintains proper liquid assets which will be helpful to pay off the current liabilities.

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