A STUDY ON FINANCIAL PERFORMANCE OF SELECTED LIFE INSURANCE COMPANIES

Abstract

The performance of all life insurance companies is under a lot of pressure in this era of fierce competition because almost all of them work hard to keep their clients and grow their market share by improving their profitability and keeping their solvency and liquidity positions. Numerous methods can be used to evaluate the financial performance of life insurance firms, but ratio analysis is crucial for examining their performance in terms of profitability and liquidity. The fact that life insurance businesses play a large role in the nation's economic operations, it is increasingly important to evaluate their financial performance. As a result, it is projected that life insurance businesses will continue to be profitable without significantly compromising their liquidity and solvency. The study makes a modest effort to compare the financial performance of LIFE INSURANCE CORPORATION OF INDIA, SBI Life Insurance, ICICI Prudential Life Insurance Company, HDFC, and Max New York Life Insurance Company over a period of five years. To compare the financial performance of these five life insurance companies, current ratios, claim ratios, return on asset ratios and retention ratios have been taken into consideration.

Keywords: Current Ratio, Claim Ratio, ROA, Retention Ratio.

Author

EKA. Aruna Jyothirmai
Assistant Professor
TJPS College PG Courses
Guntur, India.
Durgajyothirmai@Gmail.Com

I. INTRODUCTION

Through an analysis of the factors that affect their profitability, the study sought to assess the financial performance of Indian life insurance businesses. Measuring the performance of insurance companies has become more important because they help to channel money in the right direction from surplus economic units to deficit economic units in order to support the investment activities in the economy. They also provide a mechanism for saving money and transferring risk. Companies' success can have an impact on the economy as a whole, thus evaluating performance requires empirical research. Financial ratios like the current ratio, return on asset ratio, claim ratio, and retention ratio have been calculated in this study to assess financial performance.

Financial Performance Measurement Financial ratios are a crucial tool for businesses to monitor their progress toward goals and to compete with other businesses in their sector. Tracking different ratios over time is a highly effective technique to spot trends. It demonstrates the connections between various business operations and market dynamics and performance. Financial ratios are divided into groups based on the business's financial element.

1. **Liquidity Evaluation:** The current ratio is a financial statistic that assesses a company's ability to cover short-term debt commitments as they become due. The corporation is better able to meet its obligations if its current ratio is higher. The standard is typically regarded as a current ratio of 2:1. A ratio below one indicates that the business might not have enough resources to pay down its short-term debt.

2. **Profitability Evaluation:** Return on assets is a profitability ratio that assesses how lucrative a business is in comparison to its total assets. The return on assets (ROA) reveals to the investor how well a business generates income from its assets. It reveals the percentage of profit the firm makes in relation to its entire resources and is a crucial measure of the overall productivity of the business. A corporation with a low ROA may not be using its capital effectively and may even have troubled management. A company with a negative ROA is one that spends a lot of money on production while earning little in return. Even with a low profit margin, the business can none the less have a good return on assets.

II. OBJECTIVES OF THE STUDY

The objectives of the current study are;

1. To evaluate the financial standing of life insurers operating in the Indian insurance market.
2. To assess the financial performance of specific life insurers over the study period.
3. To ascertain the effect of liquidity, and profitability of life insurers.

III. METHODOLOGY OF RESEARCH

According on the data that were available, the study included 5 life insurance companies. The study is supported by secondary data that was gathered from Money Control.Com. The study spans the years 2017–18 through 2021–22, or 5 fiscal years. Financial ratios such the current ratio, claim ratio, return on asset ratio, and retention are computed for each life insurer to determine their financial performance, taking into account the company's liquidity, profitability, leverage, and impact on the profitability of life insurers.

IV. DATA ANALYSIS AND INTERPRETATION

1. **Current Ratio:** The current ratio is a liquidity ratio that assesses an organization's capacity to settle short-term debts, or those that are due within a year. It explains to investors and analysts how a business can use the majority of the current assets listed on its balance sheet to pay down its outstanding debt and other payables.

Current Ratio					
Year / Insurer	**2022**	**2021**	**2020**	**2019**	**2018**
LIC	1.1	3.4	4.14	5	6.09
SBI Lifeinsurance	29.29	29.11	1.93	1.78	1.83
ICICI PRU	0.93	1.04	1.15	0.91	0.79
HDFC	0.9	0.78	0.87	3.09	3
Maxnewyorklife Insurance	1.03	2,109.36	189.47	28.41	26.04

If the current ratio is larger than 1, the company's current assets are sufficient to cover its current liabilities.

- The life insurance corporation's performance peaked in 2017–18 and declined in 2021–2022.
- SBI life insurance shows a peak in 2021–2022, and a trough in 2018–19
- The performance of ICICI Prudential Life Insurance is highest in 2019–2020 and lowest in 2017–2018.
- The top and lowest years for HDFC Life Insurance are 2018-2019 and 2020-2021, respectively.
- The MAXNEWYORK life insurance market shows a peak in 2020–2021 and a trough in 2021–2022.

*All businesses have enough liquid assets to cover their present obligations.

2. **Claim Ratio:** The claims ratio is the portion of claims expenses in relation to premium revenue. The premiums are not inexpensive, and the claims ratio is low, which together account for the business's profitability.

Claim Ratio					
Year / Insurer	**2022**	**2021**	**2020**	**2019**	**2018**
LIC	98.62	98.62	96.7	97.79	98.04
SBI Lifeinsurance	97.05	93.09	94.52	95.03	96.76
ICICI PRU	97.9	97.9	97.84	98.58	97.88
HDFC	98.66	98.01	99.07	97.15	97.8
Maxnewyorklife Insurance	99.34	99.35	99.22	98.74	98.26

A measure of their Credibility is their claim ratio. More dependable insurers have higher ratios.

- The life insurance corporation's ratios are greater in the years 2020–21 and 21–22 and lower in the years 2019–2020.
- SBI Life Insurance has higher ratios in 2021 and 2022 and lower ratios in 2020 and 2021.
- ICICI Pru. Insurance has highest ratio in 2019 and lowest in the 2018.
- HDFC showing highest ratio in 2020and lowest in 2018
- Max New York Life Insurance shows highest claimratio2021 and lowest ratio in 2020

* All Companies are Reliable in resolving their Claims.

3. **Return on Asset (ROA) Ratio:** A greater ROA shows that a corporation is more effective and efficient at managing its balance sheet to create profits, whilst a lower ROA suggests that potential for improvement exists.

Return on Asset Ratio					
Year Insurer	**2022**	**2021**	**2020**	**2019**	**2018**
LIC	0.89	1.16	1.1	1.21	1.17
SBI Lifeinsurance	0.55	0.64	0.85	0.9	0.94
ICICI PRU	0.31	0.44	0.68	0.69	1.14
HDFC	0.57	0.75	0.98	0.98	1
Maxnewyorklife Insurance	0.21	0.43	0.19	0.39	0.51

The return on assets is high. then the business manages its resources to generate profits.

- Life insurance companies reported high ROA ratios for the years 2017–2018 and 2021–2022, respectively.
- In the years 2017–2018 and 2021–2022, SBI Life Insurance had high ROA ratios.
- In the years 2017–2018 and 2021–2022, ICICI Pru Life Insurance displayed strong ROA.
- The years 2017–2018 and 2021–2022 saw HDFC Life Insurance's greatest ROA and lowest ROA, respectively.
- MAX Life Insurance's ROA is highest in the years 2017–2018 and lowest in 2021–2022, respectively.

*A higher ROA shows that the company is using its assets.

4. **Retention Ratio:** The percentage of profits held back in the company as retained profits is known as the retention ratio. The retention ratio is the proportion of net income that is maintained to grow the firm.

Retention Ratio					
Year Insurer	2022	2021	2020	2019	2018

LIC	0	85.26	84.04	85.9	84.41
SBI Life insurance	86.71	82.82	0	84.92	82.61
ICICI PRU	62.15	0	68.37	38.23	38.82
HDFC	69.21	0	0	74.26	75.32
Maxnewyork life Insurance	0	0	0	0	0

Retention ratio indicates the amount of profit that is retained back into the business for future growth of business.

- LIC showing high Retention ratio in the year 2019 and low Retention ratio in the year 2022
- SBI Life insurance showing High Retention ratio in the year 2022 and low in the year 2020
- ICICI Pru Life insurance showing high Retention ratio in the year 2020 and low in the year 2019
- HDFC Life insurance showing highest Retention Ratio in the year 2018 and low in the year 2020,2021
- MAX Life Insurance showing Retention Ratio is 0 means MAX never retained the profit they pay dividends to their share holders

  * Higher retention ratio indicates firm using its own funds in growth and expansion
  *Lower Retention Ratio indicates firm paying out more dividends

V. FINDINGS

1. Max new york company has highest Current Ratio and HDFC Life insurance company shows lowest current ratio .
2. All companies maintain standard current ratio means every company have adequate current assets to settle current liabilities
3. LIC,HDFC,MAX New york life insurance companies 98% settle their claims, SBI &HDFC Life insurance companies 97% settle their claims
4. All companies are reliable in Settle their claims
5. LIC, HDFC,SBI Life Insurance, ICICI, Max New York Life insurance companies are Top in manage its assets to earn profits. Respectively.
6. Return on Asset ratio good for all companies
7. LIC, SBI, HDFC,ICICI Life insurance companies retain their earnings for business development, but Max New york Life insurance Company never kept their earnings they pay dividends to shareholders.
8. High Retention ratio indicates growth and expansion and low retention ratio indicates firm pays more dividends.

VI. CONCLUSION

Thus, we may conclude that financial analysis has a wide range of applications in contemporary business. Financial studies provide a precise financial image of any corporate organization, allowing for the assessment of any business condition. It makes it easier to assess the organization's trend and state.

Financial analysis plays a significant role in decision-making for businesses of all sizes. It assists in future financial projections and the decision-making process of any business house because it helps to provide an idea about the financial situation.

Eventually, one can determine the significance of financial analysis in today's business world. It provides an accurate picture of the financial situation and aids in any organization's projection of the future.

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