

# **Financial Performance Of Icici Prudential Life Insurance Company And Idbi Federal Life Insurance Company: A Comparative Study**

**Ranjit Roy<sup>1</sup>, Dr. Kingshuk Adhikari<sup>2</sup>**

<sup>1</sup>Research Scholar, Department of Commerce, Assam University, Silchar.

<sup>2</sup>Assistant Professor, Department of Commerce, Assam University, Silchar.

---

## **ABSTRACT**

Financial performance of an insurance company plays a crucial role towards the growth of the economy as a whole. Assessment of financial performance of insurance companies has gained significance as insurance companies not only provide a mechanism for saving and investment of money but also helps to channelize funds from surplus units to deficit units in order to cater to the needs of the economy. Thus, insurance companies are expected to be not only profitable in their operation but also should have sound liquidity without compromising much on the solvency front. The study makes an attempt to compare the financial performance of ICICI Prudential Life Insurance Company and IDBI Federal Life Insurance Company for a period of six years and in this pursuit selected ratios have been considered for comparing the performance of both the companies in the sphere of profitability, liquidity and solvency.

**KEYWORDS:** Profitability, Solvency, Liquidity

## **INTRODUCTION**

Financial analysis of a company is extremely important because decision-making on underwriting and investment activities of the insurance company is dependent upon its financial position. The financial performance of insurance companies is also relevant within the macroeconomic context since the insurance industry is one of the financial systems' components, fostering economic growth and stability (Burca and Batrinca, 2014). Insurance is the backbone in managing the risk of the country. The insurance providers offer diversity of products to business, providing protection from risk thereby ensuring financial security (Bawa and Chatta, 2013). One of the important changes experienced by the life insurance companies in India is the New Economic Policy Reform. Liberalization, Privatization and Globalization brought significant changes in the economy of the country. Entry barrier has been withdrawn as a result private players entered into the market in huge number thereby eroding the market share of all the companies in operation (Adhikari and Ghosh, 2018). To survive in such competitive environment, the life insurance companies need to focus more on their profitability and maintain sound financial position (Adhikari and Ghosh, 2018). The present study attempts

to compare the financial performance of ICICI Prudential Life Insurance Company and IDBI Federal Life Insurance Company.

## **REVIEW OF LITERATURE**

Kumari, H. T. (2013) studied on the financial performance of insurance industry both public and private sector, its market share, growth in post liberalization period for period of 2001 to 2010. Total assets to earned premium ratio, investment income to earned premium ratio, investment income to total investment ratio, current ratio have been used in this study. The study revealed that Total assets to earned premium ratio, investment income to earned premium ratio, investment income to total investment ratio, current ratio increasing year by year it indicates the growth in performance of insurance companies in India.

Charumathi, B. (2012) studied on the factors that determines the profitability of Indian life insurers taking the return on assets as the dependent variable for the period of 3 years from 2008-09 to 2010-11. The firm specific characteristics such as leverage, size, premium growth, liquidity, underwriting risk and equity capital are regressed against return on assets. Mean, standard deviation, ANOVA have been used. The study found that the profitability is positively and significantly influenced by size and liquidity and negatively influenced by leverage, premium growth and equity capital.

Naidu, C. K. and Paramasivam, C. (2015) studied on the perception of customers in terms of service quality and analyze the performance of public and private life insurance companies for the period of 5 years from 2010 to 2014. Ratios like current ratio, liquid ratio, solvency ratio, return on assets ratio, insurance leverage ratio have been used. Percentages, growth rate, regression analysis, coefficient of variables have been used. The study found that LIC has better financial performance than private insurers and it also shows that profitability has positive relationship with size and liquidity, and there is negative relationship between profitability and capital.

Dey, N. B. et.al., (2015) studied on the profitability of life insurance companies in India for the period of 10 years from 2003-04 to 2012-13 by Using statistical tools like Average, standard deviation, correlation, ANOVA and post-hoc ANOVA. Ratios such as underwriting income to net premium, operating expenses to net premium, benefits paid to net premium, change in life policy liabilities to net premium, profit before tax to net premium have been used. The study revealed that except profit before tax to net premium and operating expenses to net premium ratio, there is no significant difference across the life insurance companies in case of other ratios selected for the study.

Dar, S. A. and Bhat, J. A. (2015) studied a comparative evaluation of financial performance and soundness of selected public and private life insurers in India for the period 2005-06 to 2012-13. Three parameters taken from CAMEL model have been used to analyze and evaluate the financial performance and soundness. The three indicators are capital adequacy, earnings and profitability and liquidity. The study revealed that the capital adequacy level of

selected private life insurers is far better than the mean capital adequacy of public life insurer. However, in terms of earnings and profitability, the public life insurers have outperformed the private life insurers during the study period.

Rao, D. P. (2015) studied the overall impact of liberalization on Life Insurance business for the period of 2001 to 2010. The analyses are done in terms of total premium income, total income, market share and number of policies and other aspects. The study revealed that after 1991, the Indian Life Insurance industry has geared up in all aspects, as well as it being forced to face a lot of healthy competition from many national as well as international private insurance players. In post liberalization period, the Life insurance industry of India witnessed a marvelous growth and touched its historical heights.

### **OBJECTIVES OF THE STUDY**

1. To compare the profitability of ICICI Prudential Life Insurance Company and IDBI Federal Life Insurance Company.
2. To compare the liquidity of ICICI Prudential Life Insurance Company and IDBI Federal Life Insurance Company.
3. To compare the solvency of ICICI Prudential Life Insurance Company and IDBI Federal Life Insurance Company.

### **RESEARCH METHODOLOGY**

The data for the present study has been collected from IRDA Handbook. The period of study is six years ranging from financial year 2008-2009 to 2013-2014. The data has been collected from two select life insurance companies. For analyzing the data and to draw the meaningful conclusions, ratio analysis and statistical tools are used to attain the objectives of the study.

### **SCOPE OF THE STUDY**

- The present study is confined to a period of six years from 2008-09 to 2013-14.
- Only three financial ratios are considered for the study.

### **LIMITATIONS OF THE STUDY**

- The data has been taken for a limited period of 6 years only.
- Only three ratios have been used to analyze the profitability, solvency and liquidity position of the selected companies.

### **RESULT AND ANALYSIS**

**Table 1: Ratio of Benefits Paid Net Premium of Select Life Insurance companies.**

<b>Year</b>	<b>ICICI Prudential</b>	<b>IDBI Federal</b>
2008-09	0.1440	0.0024
2009-10	0.4376	0.0062
2010-11	0.5944	0.0095

2011-12	0.6070	0.1161
2012-13	0.9904	0.3719
2013-14	0.9830	0.4274
Average	0.626	0.156
SD	0.325373	0.194614

Source: Hand Book of Indian Insurance Statistics, IRDA, 2013-2014

Table 1 depicts average and standard deviation of underwriting risk of select private sector life insurance companies. The average performance is better in case of ICICI Prudential Life Insurance Company as compared to IDBI Federal Life Insurance Company over the period of study. The value of standard deviation for underwriting risk is higher in case of ICICI Prudential Life Insurance Company as compared to IDBI Federal Life Insurance Company which implies that value of underwriting risk of IDBI Federal Life Insurance Company during different years of study has been more concentrated as compared to ICICI Prudential Life Insurance Company.

**Table 2: Ratio of Shareholders' Fund to Total Assets of Select Life Insurance Companies**

Years	ICICI Prudential	IDBI Federal
2008-09	0.1456	0.7285
2009-10	0.0843	0.4010
2010-11	0.0711	0.3500
2011-12	0.0709	0.3153
2012-13	0.0661	0.2687
2013-14	0.0626	0.2264
Average	0.0834	0.3817
SD	0.0313	0.1805

Source: Hand Book of Indian Insurance Statistics, IRDA, 2013-2014

Table 2 reveals the average and standard deviation for ratio of shareholders fund to total assets. During the period of study average is higher in case of IDBI Federal Life Insurance Company as compared to ICICI Prudential Life Insurance Company. Although IDBI Federal Life Insurance Company reveals better performance in terms of average of solvency position represented by shareholders fund to total assets ratio, its performance is not consistent over the years of study as compared to ICICI Prudential Life Insurance Company. The value of standard deviation for shareholders fund to total assets is higher in case of IDBI Federal Life Insurance Company as compared to ICICI Prudential Life Insurance Company. The lower value of standard deviation for shareholder fund to total assets of ICICI Prudential implies that during the study period its values are relatively less scattered as compared to IDBI Federal Life Insurance Company.

**Table 3: Ratio of Current Assets to Current Liabilities of select Life Insurance Companies**

Year	ICICI Prudential	IDBI Federal
2008-09	0.574	1.025
2009-10	0.376	1.002
2010-11	0.417	1.026
2011-12	0.535	1.408
2012-13	0.649	1.479
2013-14	0.587	1.829
Average	0.523	1.295
SD	0.105382	0.335476

Source: Hand Book of Indian Insurance Statistics, IRDA, 2013-2014

Table 3 reveals the average and standard deviation of current ratio of two life insurance companies for a period of six years. In case of average performance of current ratio, IDBI Federal Life Insurance Company has been much better as compared to ICICI prudential Life Insurance Company. Liquidity position of IDBI Federals Life Insurance Company has been growing continuously over the period of study. The value of standard deviation for this ratio has been found to be lower in case of ICICI Prudential Life Insurance Company as compared to IDBI Federals Life Insurance Company which means that the value of current ratio of ICICI Prudential Life Insurance Company during different years of study has been more concentrated as compared to IDBI Federal Life Insurance Company. Hence the values of standard deviation of current ratio suggest that the volatility is higher in case of IDBI Federal Life Insurance Company as compared to ICICI Prudential Life Insurance Company.

## CONCLUSION

In terms of profitability, the performance of ICICI Prudential Life Insurance Company is better than IDBI Federal Life Insurance Company as Ratio of Benefits Paid Net Premium is higher in case of ICICI Prudential Life Insurance Company as compared to IDBI Federal Life Insurance Company. However, the consistency in profitability is more in case of IDBI Federal Life Insurance Company during the study period. The solvency position represented by ratio of Shareholders Fund to Total Assets in case of IDBI Federal Life Insurance Company has been much better as compared to ICICI Prudential Life Insurance Company. But the volatility is higher in case of IDBI Federal Life Insurance Company as compared to ICICI Prudential Life Insurance Company. The liquidity position represented by ratio of Current Assets to Current Liabilities is more in case of IDBI Federal Life Insurance Company as compared to ICICI Prudential Life Insurance Company. But the inconsistency in the performance of IDBI Federal Life Insurance Company during the period of study in terms of current ratio cannot be ignored.

## REFERENCES

Adhikari, K and Ghosh, A (2018) "Financial Performance of SBI Life Insurance Company and PNB Met life Insurance Company: A Comparative Assessment". Journal of Emerging Technologies and Innovative Research (JETIR), Vol-5, Issue-3, Pp. 88-90.

Adhikari, K and Ghosh, A (2018) “Financial Performance of SBI Life Insurance Company and Shriram Life Insurance Company: A Comparative Study”. *International Journal of Creative Research Thoughts (IJCRT)*, Vol-6, Issue-1, Pp. 1668-1674.

Bawa, S and Chattha, S (2013) “Financial Performance of Life Insurers in Indian Insurance Industry”. *Pacific Business Review International*, Vol-6, Issue-5, Pp. 44–52

Burca, A and Batrinca, G (2014) “The Determinants of Financial Performance in the Romanian Insurance Market”. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, Vol-4, Issue-1, Pp. 299–308.

Charumathi, B (2012) “A study on the determinants of profitability of life insurers- An Empirical Study”. *Proceedings of the World Congress on Engineering*, Vol-1 WCE 2012, July 4-6, 2012, London, UK.

Dar, S. A and Bhat, J. A (2015) “A Study on Comparative Evaluation of Financial Performance and Soundness on Selected Public and Private Life Insurers in India”. *Pacific Business Review International*, Vol-7, Issue-10, Pp. 55-64.

Dey, N. B, Adhikari, K and Bardhan, M. B (2015) “A Study on Profitability of Life Insurance Companies in India”. *The Indian Journal of Commerce*, Vol.68 No 1, Pp. 79 – 86.

Kumari, H. T (2013) “A study on Performance Evaluation of Indian Life Insurance Industry in Post Liberalization”. *International Journal of Social Sciences Arts and Humanities*, Vol-1, No-1, Pp.7-14.

Naidu,C. K and paramasivam.C (2015) “A comparative study of public and private life insurance companies in India”. *International Journal of Multidisciplinary Research Review*, Vol-1, Issue-07, Pp.15-18.

Rao, D. P (2015) “A comparative study of LIC and private players in post Liberalization era”. *International Journal of Academic Research*, Vol-2, Issue-2(3), Pp-1-8