FINANCIAL PERFORMANCE OF SBI LIFE INSURANCE COMPANY AND PNB METLIFE INSURANCE COMPANY: A COMPARATIVE ASSESSMENT

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Abstract: One of the fundamental 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 Entry barrier has been withdrawn as a result private players entered into the market in huge number thereby eroding the market share of all the companies in operation. The Insurance Regulatory and Development Authority (IRDA) was set up as a regulatory and monitoring body to overview the tasks of the insurance companies. Since then numerous private companies in the Indian Insurance industry has been increasing which pose a great threat to each and every life insurance companies. Huge competition among the companies pose a challenge to survive in the market with a sound financial health. The paper makes an attempt to compare the financial performance of SBI Life Insurance Company and PNB MetLife Insurance Company from 2008-2009 to 2013-2014 on the basis of certain parameters relating to profitability, solvency and liquidity.

Index terms: Profitability, Liquidity, Solvency, Average Net Premium, Long term funds.

I. INTRODUCTION

Insurance is the backbone in managing the risk of the country (Bawa and Chatta, 2013). Communities subscribe to a common pool or fund which is collected by insurer to indemnify the loss arising out of risk (Pathak, 2014). A well developed and evolved insurance industry is a boon for economic development as it provides long-term funds for infrastructure development of every economy (Charumathi, 2012). With the introduction of Liberalization and privatization of the Indian economy, several private players entered in the Indian life insurance industry (Dey, et.al., 2015). Hence, to ensure progress of the economy, Insurance Regulatory and Development Authority (IRDA) was enacted in order to promote healthy competition among the private as well as public sector companies. It was set up as a regulatory and monitoring body to overview the tasks of the insurance companies and to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market (Charumathi, 2012). Life Insurance companies widen their hands to secure the life of the people by collecting premiums and channelizing them into productive investments. In order to do so the insurance companies is expected to be financially solvent and strong though being profitable. In this context, need for determining their strength, performance of the life insurance companies have to be measured. So the present paper makes an attempt to measure and compare the financial performance of SBI Life Insurance Company and PNB MetLife Insurance Company during 2008-2009 to 2013-2014.

II. REVIEW OF LITERATURE

Rajendra & Natarajan (2009) found that the total business of LIC always had an increasing trend, and LPG influenced positively on its performance. Gour and Gupta (2012) concluded that among the various companies the performance of ICICI was best and solvency of Life Insurance depends on return received from interest rate investible funds. Chilumuri (2013) revealed that life insurance companies had negative growth but SBI life insurance had an increasing market share among private sector companies. Kumar & Chanbhasa (2014) showed that out of 24 only seven industries were in profit and new policies were more in case of private sector but over the period of study insurance industry showed a declining trend in terms of premium. Jha & Roy (2015) revealed that growth rate of number of offices, policies and investment of LIC declined due to cut throat competition from private sector but its market share increased. Roopa & Ramanarayan (2016) discovered that despite the entry of private sector business of LIC was not effected but its market share was reduced.

III. OBJECTIVES OF THE STUDY

The main objective of the study is to assess the financial performance of SBI Life Insurance Company and PNB MetLife Insurance Company during 2008-2009 to 2013-2014. Further, comparison of financial performance has also been made in the study.

IV. DATA SOURCE AND METHODOLOGY

The present study has been conducted with secondary data which have been collected from IRDA Handbook, annual reports of the companies and journals. The study period is 6 years i.e., from 2008-2009 to 2013-2014. Two life insurance companies i.e., SBI Life Insurance Company and PNB MetLife Insurance Company have been selected out of 23 number of private Life Insurance companies operating in India by using Stratified Random Sampling method.

In order to select these two private sector life insurance companies, total net premium of all the companies have been calculated from IRDA report for the period of six years from 2008-2009 to 2013-2014 and their ranks have been determined based on average net premium during the period of study.

Thus, average net premium has been considered to be a determinant of the size of companies and accordingly SBI Life Insurance Company from large size and PNB MetLife Insurance from small size companies have been selected for comparing the financial performance of these two companies. However, for analyzing the data a number of financial ratios and statistical tools, such as, mean and standard deviation have been used.

Table 1: Details of Sample Insurance Companies

Insurers	Foreign Partners	Registration No.	Year of Registration	Year of Entry in Indian Market
SBI Life Insurance Co.	BNP Paribas, France	111	2001	2001-2002
PNB MetLife Insurance Co.	MetLife International Holdings. Inc, USA	117	2001	2001-2002

Source: Annual Reports of the respective insurance companies

The Government of India has opened the door for the private players into the life insurance industry since 2000. So many private insurance companies have entered into the sector. SBI Life Insurance Co. and PNB MetLife Insurance Co. both entered the Indian market from 2001-2002.

V. SCOPE OF THE STUDY

The scope of the study is based on analyzing the financial performance of two private sector life insurance companies for a period of 6 years i.e., from 2008-2009 to 2013-2014. Financial ratios relating to profitability, solvency and liquidity have been used to attain the objectives of the study.

VI. LIMITATIONS OF THE STUDY

1. The data has been taken for a period of six years only i.e., from 2008-2009 to 2013-2014 for analysis and interpretation.
2. The study is based on very few parameters relating to profitability, solvency and liquidity and as such interpretation relating to financial performance of the two companies selected for the study is subject to select parameters only.

VII. RESULT AND DISCUSSION

Table 2 depicts the mean and standard deviation (SD) of Return on Assets (ROA) of the two life insurance companies. Among them, SBI Life Insurance has higher mean while PNB MetLife Insurance has lower mean. This is due to the reason that PNB MetLife Insurance has very low return in all years of study. However, SBI Life Insurance shows negative return in the first year only and then it shows positive return in the remaining years.

Table 2: Return on Assets of select Life Insurance Companies

Year	SBI Life Insurance	PNB MetLife Insurance
2008-2009	-0.002	0.004
2009-2010	0.009	0.004
2010-2011	0.009	0.003
2011-2012	0.012	0.004
2012-2013	0.012	0.005
2013-2014	0.012	0.004
Mean	0.009	0.004
SD	0.005	0.001

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

In terms of standard deviation (SD) for Return on Assets (ROA), the value is lower in case of PNB MetLife Insurance which implies that there is minimum dispersion of the values of ROA during the study period from the mean return. So the consistency of the data has been found in case of PNB MetLife Insurance. SBI Life Insurance has higher SD which means that the value of this company is more scattered in comparison to PNB MetLife Insurance during the six years of the study. Thus the values of standard deviation of ROA of the two life insurance companies suggest that volatility is more in case of SBI Life Insurance while consistency has been more pronounced in case of PNB MetLife Insurance.

Table 3 portrays the mean and standard deviation of Current ratio i.e., Current Assets to Current Liabilities of the two life insurance companies selected for the study for a period of six years. Since the ratio depicts the liquidity position of a company, SBI Life Insurance has been found to be more liquid as compared to PNB MetLife Insurance as the mean value has been found to be higher in SBI Life Insurance.

Table 3: Current Ratio of select Life Insurance Companies

Year	SBI Life Insurance	PNB MetLife Insurance
2008-2009	0.399	0.723
2009-2010	0.448	0.534
2010-2011	0.465	0.650
2011-2012	2.415	0.774
2012-2013	2.399	0.876
2013-2014	2.504	0.990
Mean	1.438	0.758
SD	1.097	0.162

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

Standard deviation has been found to be higher in case of SBI Life Insurance which shows that the values have been scattered unevenly over the years of study. So more volatility can be found in case of SBI Life Insurance. However, the values are more concentrated in case of PNB MetLife Insurance as compared to SBI Life Insurance.

Table 4 shows the mean and standard deviation for Equity Ratio i.e., Shareholders Fund to Total Assets of the select companies. During the study period, mean has been found higher in case of PNB MetLife Insurance as compared to SBI Life Insurance. This ratio shows that PNB MetLife Insurance has better long term solvency in comparison to SBI Life Insurance.

Table 4: Equity ratio of select Life Insurance Companies

Year	SBI Life Insurance	PNB MetLife Insurance
2008-2009	0.067	0.525
2009-2010	0.043	0.312
2010-2011	0.040	0.244
2011-2012	0.045	0.211
2012-2013	0.054	0.194
2013-2014	0.055	0.181
Mean	0.050	0.278
SD	0.010	0.130

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

The value of Standard Deviation is more in case of PNB MetLife Insurance which implies that the values of different years are dispersed from its mean value and so the volatility is more. SBI Life Insurance shows consistency since the value of standard deviation of equity ratio for this company is lower as compared to PNB MetLife Insurance.

VIII. SUMMARY AND CONCLUSION

1. In terms of profitability, the performance of SBI Life Insurance is better than PNB MetLife Insurance as revealed by Return on Assets (ROA) of the two life insurance companies during the period of study. However, the consistency in profitability is more in case of PNB MetLife Insurance during the study period.
2. The current ratio i.e., Current Assets to Current Liabilities is higher in case of SBI Life Insurance as compared to PNB MetLife Insurance. But the volatility in the performance of SBI Life Insurance during the period of study cannot be neglected.
3. The equity ratio i.e., ratio of Shareholders Fund to Total Assets is more in case of PNB MetLife Insurance as compared to SBI Life Insurance. But the inconsistency in the performance of PNB MetLife Insurance during the period of study in terms of Equity ratio cannot be ignored.

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