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Financial Performance of Selected Indian Life Insurance Companies: An Analysis

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Abstract

Finance is the life blood of every business. It is the financial lubricant and engine which will drive the business for the ultimate achievement of business goal as well as satisfy to its stakeholders. Without effective financial management, a company cannot compete in this competitive world. An efficient and effective financial manager has to formulate the proper and perfect the short term as well as long term financial policy for the business for the accomplishment of business goal. Almost all the business activities, directly or indirectly, involve the acquisition and use of funds. The finance function of rising and using money although has a significant effect on other functions, yet it needs not necessarily limit or constraints the general running of the business. Indian life insurance companies continue to play in the vital role to solve as well as increase in the socio-economic development, standard of living, poverty alleviation, employment problem, etc. so far as India is concerned. There is the possibility and lots of hopes 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 Indian life insurance companies.

Keywords: *LIC, Liquidity, Ratio, Financial Statement, liberalization, IRDA.*

Introduction

All of us know, finance is the life blood of every business. Without effective financial management, a business undertaking cannot compete in the competitive business world in the present era of Liberalization, Privatization and Globalization (LPG). Financial statement is a set of financial data organized according to logical and consistent accounting procedures. It shows a positional statement as well as an income statement. The end products of any business transactions are the financial statements i.e. positional statements, or income statement and other statements to take the sound financial decision. Financial statements are the basis for decision making by the management as well as all other stakeholders who are interested to know the financial affairs of the firm such as investors, creditors, customers, suppliers, financial institutions, employees, potential investors, governments and the general public at large. Almost all business activity, directly or indirectly, involve the acquisition and use of funds. A company is having tight financial position will, of course, give more weightage to financial considerations and devises its marketing and production strategies in the light of the financial constraints. Thus, the term financial statement generally refers to the income and positional statement, a statement of retained earnings, a statement of changes in financial position i.e. comparative statement, common-size statement, ratio analysis, trend analysis, etc. which are mostly used to know the existing financial health position as well as to take decision for the coming financial years.

Evolution of Life Insurance Business in India

Life insurance may be defined as ‘the contract, whereby the insurer in consideration of a premium undertakes to pay a certain sum of money either on the death or on the expiry of a fixed period’. Life insurance is based on the following main features period of coverage generally more than one year except for travel policy, rider of a short-term policy, object coverage, human spirit and human physical, covering risk, death, disability, medical expenses, generating revenue, etc. Life insurance is based on some basic principles i.e. indemnity, utmost good faith, insurable interest, cause proxima, risk, migration of loss, subrogation and contribution.

The early history of insurance in India is somewhat obscure. The earliest references are traceable to the days of the East India Company when the policies on the life its officers were issued by some British Offices in starting currencies. However, the first organized effort to establish a life insurance office in India was made in 1870 with the formation of Bombay Mutual Assurance Society Ltd. Between 1870 and 1905 many insurance companies were established. The Swedish Movement of 1950 provided for the impetus to the formation of many Indian based companies, such as, Hindustan, Bombay Life, the National and the Asian. In 1912, the Indian Assurance Companies Act and the Provident Insurance Society Act were passed. Later on the Insurance Act, 1938 was passed and Department of Insurance under Authority of Superintendent of Insurance was established for the administration of the Act. The Government of India took the first step towards nationalization of life insurance business in Indian in 19th January 1956 by promulgating an ordinance vesting the management and control of life insurance business of 154 Indian, 16 non-Indian insurers and 75 provident societies operating in the country with a capital contribution of Rs 5 crores from the Govt. of India. The Union Government passed an Act in the Parliament known as Life Insurance Corporation (LIC) Act, 1956.

The Insurance Regulatory and Development Authority (IRDA)

Reforms in the insurance sector were initiated with the passage of the IRDA Bill in Parliament in December, 1999. The IRDA since its incorporation as Statuary Body in April, 2000 has fastidiously stuck to its schedule of framing regulations and registering the private sector insurance undertakings. Since being set up as an independent Statutory Body, the IRDA has put in a framework of globally compatible regulations. The Government's only concrete move so far has been a move towards setting up the independent Insurance Regulatory and Development Authority (IRDA), which has given to formulate guidelines for private and foreign entry into the Indian insurance sector. The private companies are in the process of identifying niches and conducting profitability studies in each segment to gauge the potential.

Objective of the Study

The main objective of the present study is to study the financial performance of selected Indian life insurance companies. The other objectives of the present study are the followings.

I. To analyze the financial stability and overall performance of sample life insurance companies in general.
II. To analyze and interpret the trends as revealed by various ratios in particular.
III. To analyze the solvency position.
IV. To study the changes in the assets trend of the sample life insurance companies.

Scope of the Study

The Scope of the present studies is the followings.

1. Five Indian life insurance companies have been included. One is the public sector life insurance company i.e. LIC of India and other four private life insurance companies are namely ICICI Prudential, HDFC, Birla Sun and SBI Life Insurance Companies.
2. Non-life Indian insurance companies have been excluded.
3. 5 years financial data from the financial year 2008 to 2012 have been taken for the analysis and interpretation of collected data.

Research Methodology

Research methodology is an important aspect of any research or investigation. It enables the investigator to look at the problem in a systematic, meaningful and orderly way. Research methodology comprises the nature of data, data sources, tools and technique, period of study for the study. These elements of research methodology have been discussed in briefly given below.

i) Nature of Data of the Study

The data is must for any research work. The data may be quantitative or qualitative, financial and non-financial to a research work. Here, the financial data of various years of the sample life insurance companies has been taken for proper analysis and interpretation of data to get conclusion as well as to forward the suggestions for the greater interest of the stakeholders. The non-financial data has been excluded.

ii) Sources of Data of the Study

The sources of data are primary and secondary. The data for the present study has been collected mainly from secondary sources i.e. internet, journals, business magazines, daily business papers, annual reports of sample insurance companies and IRDA and information on the topic concerned.

iii) Tools and Technique of the Study

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

iv) Period of the Study

The period of study has been covered only 5 years that is from the financial year 2008 to 2012. The significance of choosing the financial year 2008 as the base year is that most of the private life insurance companies have already been established into Indian insurance market after liberalization. The year 2012 has been taken as terminal year of the study because a period of 5 years is essential to provide better insight into the financial performance and pattern of growth of sample life insurance companies. Besides, the Government of India has started the economic liberalization programme since the early part of 1990s.

Review of Literature

The existing studies on *"Financial Performance of Selected Indian Life Insurance Companies: An Analysis"* occasionally, a few research articles are found in research journals and reports in this area. In spite of its significance, it could not attract much attention to researchers in India as it deserves. However, in this section, an attempt has been made to review the studies made by researchers in this area. The findings of such research studies are presented in the following paragraphs.

Kundu S., (2003) has studied on "*What's Next in India's Insurance Market"* with regard to various issues of insurance industry after the entry of new players into Indian insurance market. Despite of having huge population, India has still a low insurance penetration. Today, people are increasingly looking not just at products but at integrated financial solutions that can offer stability of returns along with total protection. Technology will play a vital role in aiding design and launching the innovative products for customers as well as in efforts to build long-term customer relationships.

Kapse S. and Kodwanid G., (2003) have carried out an extensive study on "*Insurance as an Investment Option*". It is argued that in the changing scenario for the insurance sector after liberalization of Indian insurance sector, it's a good opportunities for insurance sector to expand its market base. Finally, their study has suggested for improving and modifying the features the products to make them more liquid or short term schemes

Krishnamurthy S, Mony S.V., Jhaveri N., Bakhshi S, Bhat S and Dixit M.R., (2005) have made a study on *"Insurance Industry in India: Structure, Performance and Future Challenges".* Their study has clearly discussed the status and growth of Indian insurance industry after liberalization and future challenges and opportunities with regard to insurance. The future growth of this sector will depend on how effectively the insurers are meeting the expectations of their customers and able to change the perceptions of the Indian consumers and make them aware of the insurable risks. The process of reforms has enhanced competition, provided number of alternatives to the customers and improved the efficiency level of the industry. The insurers have responsibilities not only to social sector but also to rural sectors.

Rastogi S., and Sarkar R., (2006) their study has dealt with enhancing competitiveness among the Indian life insurers. The Govt of India has identified the root of causes. Finally, Govt of India has adopted and completed the liberalization process in 2000 with the sole motive is to par with international insurance standard. Despite of huge population and abundance growth opportunity, India is one of the least insured countries compared to the other developed nations in the world. Opening of this sector for private players, it was aimed at fostering competition and innovation through launching the variety of products. Finally, their study has suggested for formulating the alternative strategies that can facilitate the development of sound policies and practices leading to a globally competitive insurance industry.

C. Barathi, Balaji C. D. and Meithei Ch. Ibohal (2011) have made a study on *"Innovative Strategies to Catalyse Growth of Indian Life Insurance Sector-An Analytical Review".* Their study has clearly examined about the impact of global recession on the fastest growing Indian insurance market. This study also discusses the strategic options that can be effectively implemented by the insurers to improve the coverage and penetration of life insurance into untapped areas. The suggestions of the study are to focus and launch new and innovative products to target new segments and to implement innovative strategies to achieve sustainable growth and development and ensuring profitability of business.

Murthy R. Babu and Ansari D., (2009) have made a study on "*The Performance of Life Insurance Corporation of India"*. Due to globalization of financial services and liberalization of economy, LIC is facing the intensive competition from the new life insurance players. The objectives of the study are to analyze the growth and development of LIC business before and after liberalization. There is no doubt that Indian life insurance industry has grown significantly after the entry of private players in the mean time the market share of LIC has declined gradually over a period of years. The study has suggested that LIC should adopt:

- an effective marketing strategy with innovative products,
- the better customer services to satisfy existing policyholders,
- should attract new customers to increase insurance-density and penetration levels in order to fulfil customer needs, and

- Should be reachable their expectations of the Indian insurance market.

Chatterjee P., (2009) has made a study on "*Private Insurers Command Majority Share of Life Insurance Market"*. Her study revealed that private insurers has recorded and achieved 62 per cent growth rate in between the month of April-December, 2008 against 45 percent in the same period of last financial year. ICICI Prudential, HDFC Standard, SBI and Bajaj Allianz life insurance companies are the key and dominant players in Indian insurance market. LIC is being a market leader but LIC has recorded a decline of 28 per cent growth rate. The eminent financial experts have opined that the Indian insurance industry has witnessed a reasonable growth despite both tight regional and global financial crisis. The study has suggested enhancing the service quality with regard to reliability, assurance, tangibility, empathy and responsiveness (RATER).

Tripathi S. (2009) has made a study on "*A Comparative Analysis of LIC and Private Insurance Companies"*. The main objective of the study is to compare the financial performance of LIC and private life insurance companies. Comparison was made on the basis of size, growth, productivity and grievances handling mechanism. The study was concluded that LIC is having huge customer base being an old giant, having with leading brand but is not having with an aggressive and superior marketing approach.

Limitation of the Study

The researcher has his/her own limitations in each study and the present study is not free from the following limitations.

1. Generally, the secondary data has been collected from many sources. The gap of non-availability of data from one source has been fulfilled by referring to other sources. The limitation of the secondary data is found to be present in the study.
2. The data has been taken for a period of 5 years i.e. from 2008 to 2012 for analysis and interpretation. However, it has been restricted to lesser period because of non availability of relevant data. Thus, uniformity in the analysis of the sample companies cannot be made.
3. The present study has been taken only 5 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.
4. The financial techniques mainly a few i.e. ratio analysis and trend analysis have been used in this study. These techniques have their own limitations.
5. Last but not the least, the time and resources are other limiting factors.

Therefore, the users of the study should take utmost care and keep these said limitations in mind while using the findings and suggestions judiciously.

Brief Profile of Sample Companies

Life Insurance Corporation (LIC) of India

LIC of India is the state-owned where Government of India has 100 percent stake. It was established in 1956 with the merger of 245 insurance companies and provident societies. It has headquarter in Mumbai, 8 zonal offices and 113 divisional offices, around 3500 servicing offices including 2048 branches, 54 customer zones, 25 metro area service hubs and a number of satellite offices located in different cities in India . It has also a wide network of 13, 37,064 individual agents, 242 corporate agents, 79 referral agents, 98 brokers and 42 banks (as on 31.3.2011) for soliciting life insurance business.

ICICI Prudential Life Insurance Company

ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank and Prudential PLC of United Kingdom. ICICI Prudential is the amongst the first private sector insurance companies to begin its operations in December 2000. ICICI and Prudential plc are holding 74% and 26% stake respectively.

HDFC Standard Life Insurance Company

HDFC Life (HDFC Standard Life Insurance Company) is an Indian private life insurance company. It is a joint venture between HDFC and Standard Life PLC of UK. HDFC holds 74% while Standard Life holds 26% of the equity.

Birla Sun Life Insurance Company Limited

Established in 2000, Birla Sun Life Insurance Company Limited (BSLI) is a joint venture between the Aditya Birla Group and Sun Life

Financial Inc. of Canada. Birla holds 74% while Sun Life holds 26% of the equity.

SBI Life Insurance Company

SBI Life Insurance is a joint between State Bank of India (SBI), the largest state-owned banking and financial services company in India, and BNP Paribas Assurance. SBI owns 74% and BNP Paribas Assurance owns the remaining 26% of the capital.

Analysis and Interpretation of Data

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

Table 4.1 Current Ratio of LIC of India (*Rs. In Lakhs)*

Year	Current Assets	Current Liabilities	Current Ratio
2008	4279503	631520	06.78
2009	4871467	371805	13.10
2010	7977810	592822	01.34
2011	6134494	39711	154.4
2012	9927675	1593401	06.23
Source: IDRA Annual Reports			

Table-4.1 accommodates the current assets and current liabilities of LIC. It is observed from the table that the current ratio in the financial year of 2010 is 1.34 which is below the standard norm. The short term solvency position of business has been affected. Similarly, LIC has made more investment into current assets in the financial year of 2011 which may be an idle investment. The rest of the financial year current ratios are satisfactory. It is suggested that there should not be more investment of fund into current assets.

Table 4.2 Current Ratio of ICICI Prudential Life Insurance *Company* *(Rs. in Lakhs)*

Year	Current Assets	Current Liabilities	Current Ratio
2008	107114	160819	0.67
2009	71743	113037	0.63
2010	62200	157170	0.38
2011	66505	158967	0.42
2012	95408	164640	0.58
Source: IDRA Annual Reports			

It is observed from the table-4.2 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 4.3 Current Ratio of SBI Life Insurance *Company* *(Rs. in Lakhs)*

Year	Current Assets	Current Liabilities	Current Ratio
2008	28433	44286	0.64
2009	40534	100712	0.40
2010	79554	143039	0.85
2011	133575	170652	0.78
2012	319756	125364	2.55
Source: IDRA Annual Reports			

It is observed from the table-4.3 that the current ratios are not satisfactory expect the financial year 2012. It is suggested that there should be adequate investment of fund into current assets to pay off the current liabilities when these will be due.

Table 4.4 Current Ratio of HDFC Standard Life Insurance Company *(Rs. in Lakhs)*			
Year	Current Assets	Current Liabilities	Current Ratio
2008	85757	61291	1.39
2009	95374	88202	1.08
2010	77442	122816	0.63
2011	106076	130376	0.81
2012	129092	150027	0.86
Source: IDRA Annual Reports			

It is observed from the table-4.4 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 there should maintain adequate working capital.

Table 4.5 Current Ratio of Birla Sun Life Insurance Company *(Rs. in Lakhs)*			
Year	Current Assets	Current Liabilities	Current Ratio
2008	48273	53860	0.89
2009	62340	73996	0.84
2010	69134	81135	0.85
2011	72569	80083	0.91
2012	87852	96176	0.91
Source: IDRA Annual Reports			

It has been concluded from table-4.5 that the company has not maintained appropriate working capital for the various financial years to pay off the current liabilities. It is suggested that there should be more investment of fund into current assets.

Table 4.6 Liquid Ratio of LIC of India *(Rs. in Lakhs)*			
Year	Liquid Assets	Current Liabilities	Liquid Ratio
2008	731549	631520	1.16
2009	1729264	371805	04.65
2010	1445893	592822	02.44
2011	2327286	39711	58.60
2012	4603316	1593401	02.89
Source: IDRA Annual Reports			

It observed from the table 4.6 that the liquid ratios are satisfactory. In the financial year 2011, the LIC's liquid ratio is too high & unnecessary more investment funds into liquid asset which may not generate revenue. It is suggested that there should not be more investment of fund in liquid assets.

Table 4.7 Liquid Ratio of ICICI Prudential Life Insurance Company *(Rs. in Lakhs)*			
Year	Liquid Assets	Current Liabilities	Liquid Ratio
2008	16185	160819	0.10
2009	1729264	113037	15.30
2010	51897	157170	0.33
2011	33032	158967	0.21
2012	28406	164640	0.17
Source: IDRA Annual Reports			

Table 4.7 accommodates the liquid assets and current liabilities of ICICI Prudential Life Insurance Company. It is concluded from the table that liquid ratios are not satisfactory except the financial year 2009. It is safely suggested that there should be more investment of funds into liquid assets which will be helpful to pay the current liabilities.

Table 4.8 Liquid Ratio of SBI Life insurance Company *(Rs. in Lakhs)*			
Year	Liquid Assets	Current Liabilities	Liquid Ratio
2008	28433	44286	0.64
2009	12806	100712	0.18
2010	46312	143039	0.32
2011	27067	170652	0.16
2012	230340	125364	1.84
Source: IDRA Annual Reports			

It has been concluded from the table 4.8 that the liquid ratios are not satisfactory expect the financial year 2012. It is suggested that the company should maintain the proper liquid assets to pay its current liabilities.

Table 4.9 Liquid Ratio of HDFC Standard Life Insurance Company *(Rs. in Lakhs)*			
Year	Liquid Assets	Current Liabilities	Liquid Ratio
2008	4107	61291	0.07
2009	41087	88202	0.46
2010	28264	122816	0.23
2011	38373	130376	0.29
2012	54756	150027	0.36
Source: IDRA Annual Reports			

It is concluded from the table 4.9 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 4.10 Liquid Ratio of Birla Sun Life Insurance Company *(Rs. in Lakhs)*			
Year	Liquid Assets	Current Liabilities	Liquid Ratio
2008	34245	53860	0.63
2009	51897	73996	0.70
2010	56980	81135	0.70
2011	58852	80083	0.73
2012	64047	96176	0.66
Source: IDRA Annual Reports			

Table-4.10 accommodates the liquid assets and current liabilities of Birla Sun Life Insurance Company. It is concluded from the table that 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 4.11 **Absolute Liquidity Ratio of LIC of India** *(Rs. in Lakhs)*			
Year	Absolute Liquidity Assets	Current Liabilities	Absolute Liquidity Ratio
2008	1773977	631520	02.80
2009	1729264	371805	04.65
2010	1415893	592822	02.39
2011	2327286	39711	58.60
2012	4603316	1593401	02.89
Source: IDRA Annual Reports			

Table 4.11 accommodates the cash, bank, marketable securities and current liabilities of LIC of India. It is concluded from the table that the absolute liquidity ratios are satisfactory. But, in the year 2011, LIC has invested more into short-term marketable securities. It is suggested that there should not be more investment of fund in these assets.

Table 4.12Absolute Liquidity Ratio ICICI Prudential Life Insurance Company *(Rs. in Lakhs)*			
Year	Absolute Liquid Assets	Current Liabilities	Absolute Liquidity Ratio
2008	61651	160819	0.38
2009	35588	113037	0.31
2010	30540	157170	0.19
2011	33032	158967	0.21
2012	28406	164640	0.17
Source: IDRA Annual Reports			

Table 4.12 accommodates the cash, bank, marketable securities and current liabilities of ICICI Prudential Life Insurance Company. It is concluded that the absolute liquidity ratios are not satisfactory which may affect the short-term solvency position. It is suggested that there should be the appropriate and adequate investment of funds into like short-term marketable assets.

Table 4.13 Absolute Liquidity Ratio of SBI Life Insurance Company *(Rs. in Lakhs)*			
Year	Absolute Liquid Assets	Current Liabilities	Absolute Liquidity Ratio
2008	11690	44286	0.26
2009	12806	100712	0.13
2010	46312	143039	0.32
2011	80321	170652	0.47
2012	230340	125364	1.84
Source: IDRA Annual Reports			

Table-4.13 accommodates the cash, bank, marketable securities and current liabilities of SBI Life Insurance Company. It is concluded that the absolute liquidity ratios are not satisfactory expect the financial year 2012. It is safely suggested that there should be proper investment of fund into the short term marketable securities.

Table 4.14 Absolute Liquidity Ratio HDFC Standard Life Insurance *(Rs. in Lakhs)*			
Year	Absolute Liquid Assets	Current Liabilities	Absolute Liquidity Ratio
2008	44932	61291	0.73
2009	41087	88202	0.46
2010	28264	122816	0.23
2011	38373	130376	0.29
2012	54756	150027	0.36
Source: IDRA Annual Reports			

It is revealed from the table 4.14 that the absolute liquidity assets are inadequate to pay the current liabilities in time except the financial year 2008 and 2009. It is suggested that there should be more investment of funds into most liquid current assets.

Table 4.15 Absolute Liquidity Ratio of Birla Sun Life Insurance Company *(Rs. in Lakhs)*			
Year	Absolute Liquid Assets	Current Liabilities	Absolute Liquidity Ratio
2008	41259	53860	0.77
2009	51897	73996	0.70
2010	56980	81135	0.70
2011	58852	80083	0.73
2012	64047	96176	0.66
Source: IDRA Annual Reports			

It is observed from the table 4.15 that the absolute liquidity assets are satisfactory and sufficient to pay the current liabilities in due time.

Table 4.16 D/E Ratio of LIC of India *(Rs. in Lakhs)*			
Year	Outsiders' Funds	Shareholders' Funds	D/E Ratio
2008	30785	61445776	0.501
2009	33608	72223613	0.047
2010	36587	839748142	0.043
2011	40374	98539206	0.041
2012	53057	114818381	0.046
Source: IDRA Annual Reports			

Table 4.16 accommodates the outsiders' and shareholders' funds of LIC. A high D/E ratio may be unfavorable from the point of view of that the firm may not able to get credit without paying very high rate of interest and without accepting undue pressures and conditions of the creditors. It is concluded that LIC has financed more internal equities than the external equities without taking more financial risks.

Table 4.17 D/E Ratio ICICI Prudential Life Insurance Company *(Rs. in Lakhs)*			
Year	Outsiders' Funds	Shareholders' Funds	D/E Ratio
2008	377543	289244	1.30
2009	47811	371604	0.13
2010	478622	482175	0.99
2011	479577	685975	0.73
2012	495198	909722	0.54
Source: IDRA Annual Reports			

It is observed from the above table 4.17 that the D/E ratios are little more and less in the financial year 2008 as compared to the rest of the years. In the financial year 2009, 10, 11 and 12, there is more finance in business in the form of outsider's funds.

Table 4.18 D/E Ratio SBI Life Insurance Company *(Rs. in Lakhs)*			
Year	Outsiders' Funds	Shareholders' Funds	D/E Ratio
2008	100677	371234	0.27
2009	100000	625028	0.16
2010	126523	969324	0.13
2011	162970	1335461	0.12
2012	215565	1831028	0.01
Source: IDRA Annual Reports			

It is observed from the table 4.18 that the D/E ratios are not satisfactory i.e. below the rule of thumb of D/E ratio i.e.1:1/2:1. It is concluded that there is more investment out of the internal equities into the business and they will have more claims on assets. It is suggested that there should be more financing between outsider ownership funds.

Table 4.19 D/E Ratio HDFC Standard Life Insurance Company *(Rs. in Lakhs)*			
Year	Outsider's Funds	Proprietor's Funds	D/E Ratio
2008	132631	246137	0.54
2009	184335	302108	0.61
2010	204173	402217	0.51
2011	221552	557056	0.40
2012	220980	784687	0.28
Source: IDRA Annual Reports			

It is observed from the table 4.19 that the D/E ratios are satisfactory for the various financial years except the year 2011 and 2012. The business has used more the ownership capital into business in these two years. The purpose is to get an idea of the cushion available to outsider on the liquidation of the business. It is safely suggested that the company should maintain the appropriate mix of owners' and outsiders' funds in financing pattern of the firm's assets.

Table-4.20 D/E Ratio Birla Sun Life Insurance *(Rs. in Lakhs)*			
Year	Outsider's Funds	Proprietor's Funds	D/E Ratio
2008	127451	21472	5.93
2009	199952	52890	3.78
2010	244953	108450	2.26
2011	244950	151783	1.61
2012	244950	182777	1.34
Source: IDRA Annual Reports			

It is observed from the table 4.20 that the D/ E ratios are satisfactory all the financial years. But, the company has used more outsiders' finds as compared to ownership's funds in the year 2008 and 2009. It is suggested that there should be investment into business through appropriate financing the outsiders' and shareholders' funds.

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Table 4.21 Trend Percentages of Assets [Base Year 2008-100] *(Rs. in lakhs)*

Year	**LIC**		**ICICI Prudential**		**SBI Life**		**HBFC Standard**		**Birla Sun Life**	
	Amount *(Rs.)*	Trend %age	Amount *(Rs.)*	Trend %age	Amount *(Rs.)*	Trend %age	Amount *(Rs.)*	Trend %age	Amount *(Rs.)*	Trend %age
2008	1773977	100.00	61651	100	11690	100.00	44932	100.00	41259	100.00
2009	1729264	97.48	35588	57.72	12806	109.54	41087	91.44	51897	125.78
2010	1415893	78.81	30540	49.54	46312	396.17	28264	62.90	56980	138.10
2011	2327286	131.20	33032	53.58	80321	687.09	38373	85.40	58852	142.64
2012	4603316	260.05	28406	46.07	230340	1970.40	54756	121.86	64047	155.23

Source: IDRA Annual Reports

The Table 4.21 shows the assets trends of the sample life insurance companies. It is concluded from the table 4.21 that the investment into assets into business increasing as compared to the base year 2008. But, the LIC, ICICI Prudential, HDFC Standard Life Insurance Companies' investment into assets has been decreased for the financial year 2010 respectively as compared to the financial year 2009.

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 given below.

Findings of the Study

1. LIC has made investment more into current assets in the financial year 2011.
2. ICICI Prudential Life Insurance Company's current ratios of various years are not satisfactory and short-term solvency position is not good.
3. SBI Life Insurance Company's current ratio is satisfactory only for the financial year 2012.
4. HDFC Standard Life Insurance Company's current ratios are not satisfactory for all the financial years.
5. Birla Sun Life Insurance Company has not maintained appropriate working capital for the various financial years and its current ratios are not satisfactory.
6. LIC's liquid ratios are too high and unnecessary investment more in liquid asset in the year 2011 shown in the Table 4.6.
7. ICICI Prudential Life Insurance Company's liquid ratios are not satisfactory except the financial year 2009.
8. SBI Insurance Life Company's liquid ratios are not satisfactory expect the financial year 2012 shown in the Table 4.8.
9. The HDFC Standard Life Insurance Company's liquid ratios are not satisfactory.
10. The Birla Sun Life Insurance Company's liquid ratios are not satisfactory.
11. The absolute liquidity ratios of LIC are satisfactory. But, in the year 2011, LIC has invested more into the marketable securities.
12. Absolute liquidity ratios of ICICI Prudential Life Insurance Company are not satisfactory which may affect the short-term financial solvency position.
13. The absolute liquidity ratios of SBI Life Insurance Company are not satisfactory expect the financial year 2012.
14. HDFC Standard Life Insurance Company's absolute liquidity assets are inadequate to pay the current liabilities in time except the financial year 2008.
15. The absolute liquidity assets are sufficient to pay the current liabilities in due time by Birla Sun Life Insurance Company.
16. LIC has invested more out of its internal equities than the external equities.
17. For the financial year 2009, 10, 11 and 12, there is more finance into business in the form of outsiders' funds by ICICI Prudential Life Insurance Company.
18. There is more investment out of the internal equities into the business by SBI Life Insurance Company.
19. HDFC Life Insurance Company has used more the ownership capital into business than the outsiders, funds.
20. The D/R ratios of Birla Sun Life Insurance Company are satisfactory all the financial

years except for the financial year of 2008 and 2009.

21. The investment into assets of the LIC, ICICI Prudential, HDFC Standard Life Insurance Companies has been decreased for the year 2010 as compared to the financial year 2009 shown in the Table 4.21.

Suggestion of the Study

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. LIC should not be more investment of fund into current assets as well as into liquid assets.
2. ICICI prudential, HDFC, Birla Sun and SBI Life Insurance Companies should invest the appropriate and adequate funds into current assets.
3. ICICI Prudential, HDFC, Birla Sun and SBI Life Company should maintain the proper liquid assets which will be helpful to pay off the current liabilities.
4. ICICI Prudential, HDFC Standard and SBI Life Insurance Company should maintain the adequate and perfect most liquid assets i.e. investment of fund into short-term marketable assets for better liquidity to pay off the current liabilities.
5. Similarly, LIC, ICICI Prudential, HDFC Standard, HDFC and SBI Life Insurance Company should finance by proper mix of both ownership and outsiders' fund.

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