

AN ANALYTICAL STUDY ON THE OPERATIONAL PERFORMANCE OF SBI LIFE INSURANCE

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ABSTRACT

SBI Life Insurance is amongst the top Life Insurance companies in India. It offers a variety of life insurance & pension products at reasonable prices and thus it has become a world-class life insurance company in India. In the past few years, many studies have been undertaken on the financial performance of various insurance companies but very less studies have been undertaken to study the comparative operational performance of SBI Life Insurance using various indicators like claim settlement ratio, total expense ratio, and persistency ratio as presented in this paper. In order to achieve the objective of the study, secondary data was collected from published annual reports of SBI Life Insurance for the study period of five years starting from 2015-16 to 2019-20. The study revealed that the claim settlement ratio of SBI Life insurance was found to be fluctuating whereas total expense ratio and persistency ratio were found to be sound during the study period. Further, the study suggested that the organization should maintain a proper combined ratio, otherwise its profits drain away by way of claims and management expenses and it must take necessary steps to control the management expenses and to improve the investments of the company to give a better position to the investment holders as well as policyholders market share.

Keywords: SBI (State Bank of India), Comparative Performance, Ratio Analysis, Life Insurance and Operational Performance Analysis.

Introduction

SBI Life Insurance is a joint venture life insurance company between State Bank of India (SBI), the largest state-owned banking and financial services company in India, and BNP Paribas Cardif. SBI owns 62.1% of the total capital and BNP Paribas Cardif 22% of the capital. Other investors are Value Line Pte. Ltd. and MacRitchie Investments Pte. Ltd., holding 1.95% of the total capital each and remaining 12% with Public.

SBI Life Insurance is the leading life insurance company. In the past few years, many studies have been undertaken on the performance of various insurance companies but very less studies have been undertaken to study the comparative operational performance of SBI Life Insurance as presented in this paper. Thus, this paper is an attempt to study the operational performance of SBI Life Insurance in detail. In order to evaluate the operational performance of SBI life insurance using ratio analysis, 3 indicators have been used in the paper i.e., Claim settlement ratio, Total expense ratio and Persistency ratio.

Research Methodology

Objective of the Study

- To study the operational performance of SBI Life Insurance in India.

Period of Study

In order to evaluate the operational performance of SBI Life insurance, the data was collected for a period of 5 years starting from 2015-16 to 2019-20.

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Collection of Data

This study is purely based on secondary data collected from authentic resources such as published annual reports of the selected companies, research periodicals, websites, and other published sources.

Tools for Analyzing Study

The Ratio Analysis technique has been applied to determine the financial performance of the SBI Life insurance company. The technique of graphic presentation is used to understand the trend of the data. Various tables and graphs are drawn for clear understanding and presentation.

Operational Performance of SBI Life Insurance

Operational performance is also an important parameter to measure the effective functioning of selected insurance companies. The operational performance of the company can be gauged in term of the number of products introduced over a period of time, ages of claims, year-wise settlement of grievances, etc. It refers to the process or manner of functioning or operating. It refers to the act of performing or doing something successfully using knowledge as distinguished from merely possessing it. It is outcome of any recognized accomplishment. Performance has to be evaluated in order to reach the final targets and goals. In the era of competition, performance evaluation has become significant in order to survive for a long period of time. It provides a base for checking and controlling the weak areas of the activity and also provides a ground for growth, expansion and diversification.

In the present research paper, an attempt has been made to analyse the operational performance of SBI Life insurance on the following parameter:

- Claim settlement ratio
- Total expense ratio
- Persistency Ratio

Claim Settlement Ratio

Claims Management is a very important aspect of the insurance business. At SBI Life, customer focus at claims stage is ensured by providing efficient services, striving to exceed the customer expectations by creating avenues for increasing self service facilities, including setting up of programs for effective resolution of customer grievances. This study covers claim settlement ratio of 5 years starting from 2015-16 to 2019-20.

Table 1

Years	Claim settlement ratio (%)
2015-16	95.77
2016-17	97.98
2017-18	96.76
2018-19	97.82
2019-20	97.04

Source: Computed from annual reports of SBI Life Insurance

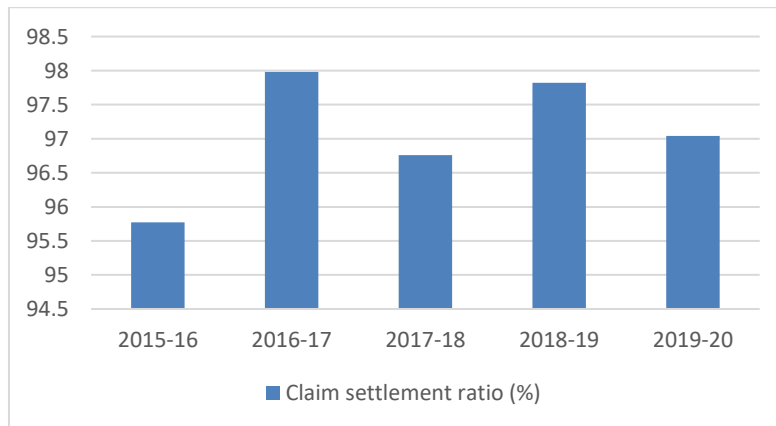


Figure 1

The above table shows the claim settlement ratio of SBI Life insurance from year 2015-16 to 2019-20. This interpret that how much claims of policies settled by company, claims stages ensured by providing efficient services by company. From 2015-16 the claim settlement ratio was 95.77% it increases to 97.98% in 2016-17. In 2017-18 the claim settlement ratio decreases to 96.76% but in 2018-19 it increases to 97.82%. In 2019-20 the claim settlement ratio is 97.04. In one year, the claim settlement ratio increases and in another year its percentage decreases.

Total Expense Ratio

The **total expense ratio (TER)** is a measure of the total cost of a fund to the investor. Total costs may include various fees (purchase, redemption, auditing) and other expenses. The TER, calculated by dividing the total annual cost by the fund's total assets averaged over that year, is denoted as a percentage. It will normally vary somewhat from year to year.

Total expense ratio= Total cost/ total asset

Table 2

Years	Total Expense Ratio
2015-16	13.72
2016-17	11.56
2017-18	11.20
2018-19	10.52
2019-20	9.94

Source: Computed from annual reports of SBI Life Insurance

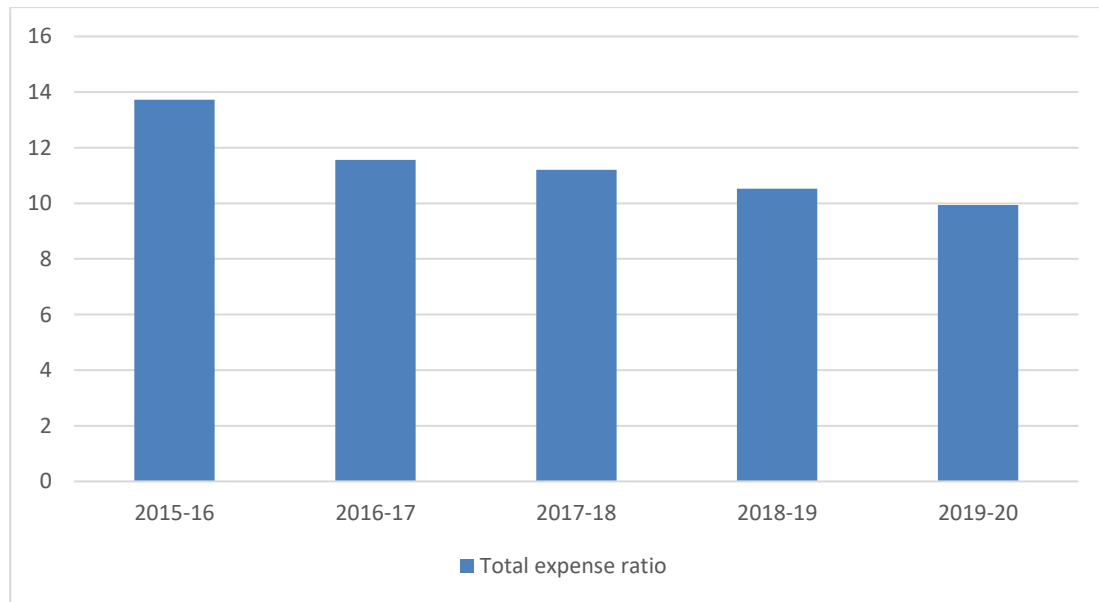


Figure 2

The above table shows the total expense ratio of 5 years from 2015-16 to 2019-20. This bar graph interprets that company's total cost over total asset which was decreasing as companies know how to management their expenses. In 2015-16 total expense ratio was 13.72 it decreases to 11.56 in 2016-17. In 2017-18 it decreases to 11.20 and it decreases to 10.52 in 2018-19. In 2019-20 the ratio of total expense was 9.94. So that implies that company efficiently managing their expenses so their ratio is decreasing ever year.

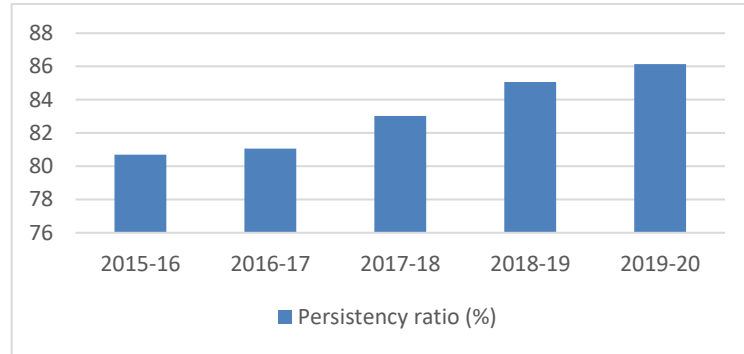
Persistency Ratio

Persistency ratio is the ratio of life insurance policies remaining in force to all policies issued in a fixed period. Persistency can be measured in terms of number of policies or in terms of premium. higher persistency ratio which is an indication that policyholders are satisfied with the company. It is calculated on the basis of the number of policyholders paying the premium divided by net active policyholders, multiplied by 100.

Table 3

Years	Persistency Ratio (%)
2015-16	80.69
2016-17	81.07
2017-18	83.03
2018-19	85.07
2019-20	86.14

Source: Computed from annual reports of SBI Life Insurance

**Figure 3**

The above table shows the persistency ratio of SBI Life insurance of 5 years starting from 2015-16 to 2019-20. Through bar graph we can see that the persistency ratio is increasing at increasing rate. Through this we can interpret that the policyholders are satisfied by the company and performance of the company in every aspect. In 2015-16 the ratio is 80.69 it increases to 81.07 in 2016-17. In 2017-18 the persistency ratio increases to 83.03 and it increases to 85.07 in 2018-19. In 2019-20 the ratio increases to 86.14%. So, company fulfilling their duty to satisfy their customer every year as showing in graph.

Findings

- It is found that the claim settlement ratio of SBI Life insurance was found to be fluctuating during the study period. In one year, it was low bit in another year it was increase than again it decreases and after that the ratio increases and in previous year the ratio decreases.
- It is noted that the total expense ratio of SBI Life insurance was found sound as the ratio is decreasing every year. The lower the ratio the better the performance of company.
- It is noted that the persistency ratio of SBI Life insurance was found to be good during the study period, which means that the company's customers are fully satisfied by the company.

Recommendations

- It is suggested to improve the investments of the company to give better position to the investment holders as well as policyholders.
- It is suggested to control the management expenses as it is a private organization for survival in the long run.
- The selected organization should maintain proper combined ratio, otherwise its profits drain away by way of claims and management expenses.
- It is suggested that the SBI Life should take necessary steps to improve the market share.
- SBI Life should take necessary steps to increase profits.

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