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A COMPARATIVE ANALYSIS OF SHORT TERM FINANCIAL POSITION OF BAJAJ ALLIANZ GENERAL INSURANCE CO.LTD AND ICICI LOMBARD GENERAL INSURANCE CO. LTD

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ABSTRACT
Since inception the Indian Insurance industry passed through many hurdles and hindrances in order to attain the present status. However, the income earning capacity, eagerness and awareness of the general public are the key determinants of the growth of any insurance industry. In the Indian context, the insurance habits among the general public during the independence decade was rare but there was a remarkable improvement in the Indian insurance industry soon after the economic reform era (1991) due to healthy competition from many national as well as private insurance players.

The present paper is an attempt to study the comparative analysis of Short term Financial Position of two major players in Indian Private Non-life insurance scenario i.e. Bajaj Allianz general insurance co.ltd and ICICI Lombard general insurance co*. ltd* in the light of changes mentioned above. The analysis has been done on the basis of their liquidity ratios and graphical analysis. At the last concluding remark has been given of the basis of test of significance. The study examines the liquidity and put forward suggestions for enhancement.

KEYWORDS: Liquidity Analysis, Standard Deviation and t-test

INTRODUCTION
Insurance is a means of protection from financial loss. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. An entity which provides insurance is known as an insurer, insurance company, or insurance carrier. A person or entity who buys insurance is known as an insured or policyholder. The insurance transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate the insured in the event of a covered loss. The loss may or may not be financial, but it must be reducible to financial terms, and must involve something in which the insured has an insurable interest established by ownership, possession, or preexisting relationship. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated. The amount of money charged by the insurer to the insured for the coverage set forth in the insurance policy is called the premium. If the insured experience a loss which is potentially covered by the insurance policy, the insured submits a claim to the insurer for processing by a claim. The insurance sector has been divided into two:

1 .Life Insurance
Life Insurance is a contract providing for payment of a sum of money to the person assured or, following him to the person entitled to receive the same, on the happening of a certain event. It is a good method to protect your family financially, in case of death, by providing funds for the loss of income.

2. General Insurance
Life Insurance is a contract providing for payment of a sum of money on the happening of the event insured. General Insurance can be fire insurance, accident insurance & marine insurance.

INDIAN INSURANCE INDUSTRY
The insurance industry of India consists of 53 insurance companies of which 24 are in life insurance business and 29 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

Out of 29 non-life insurance companies, five private sector insurers are registered to underwrite policies exclusively in health, personal accident and travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specialized insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance.

MARKET SIZE

India's life insurance sector is the biggest in the world with about 360 million policies which are expected to increase at a compound annual growth rate (CAGR) of 12-15 per cent over the next five years. The insurance industry plans to hike penetration levels to five per cent by 2020.The country's insurance market is expected to quadruple in size over the next 10 years from its current size of US$ 60 billion. During this period, the life insurance market is slated to cross US$ 160 billion. The general insurance business in India is currently at Rs 78,000 crore (US$ 11.7 billion) premium per annum industry and is growing at a healthy rate of 17 per cent. The Indian insurance market is a huge business opportunity waiting to be harnessed. India currently accounts for less than 1.5 percent of the world's total insurance premiums and about 2 per cent of the world's life insurance premiums despite being the second most populous nation. The country is the fifteenth largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially in the coming years.

ROAD AHEAD

India's insurable population is anticipated to touch 750 million in 2020, with life expectancy reaching 74 years. Furthermore, life insurance is projected to comprise 35 per cent of total savings by the end of this decade, as against 26 per cent in 2009-10.The future looks promising for the life insurance industry with several changes in regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers. Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian life insurance.

References: Media Reports, Press Releases, IRDA Journal

Top Players in private Non- life insurance sector:

- Bajaj Allianz General Insurance Co. Ltd.
- ICICI Lombard General Insurance Co. Ltd.
- IFFCO-Tokio General Insurance Co. Ltd.
- Reliance General Insurance Co. Ltd.
- Royal Sundaram Alliance Insurance Co. Ltd.
- TATA AIG General Insurance Co. Ltd.
- Cholamandalam General Insurance Co. Ltd.

We have selected as the sample of the study the top two private players of Non -Life insurance Sector:

1. ICICI LOMBARD GENERAL INSURANCE COMPANY LTD.
2. BAJAJ ALLIANZ GENERAL INSURANCE COMPANY LTD.

ICICI LOMBARD GENERAL INSURANCE COMPANY LTD.

Established in 2001, ICICI Lombard General Insurance Company is a joint venture between ICICI Bank- India's second largest bank and Fairfax Financial Holdings Limited- a financial services company based in Toronto. ICICI bank has 64% stake in the venture while Fairfax has 35% in the joint venture. ICICI Lombard General Insurance is the largest private sector general insurance company in India.

BAJAJ ALLIANZ GENERAL INSURANCE COMPANY LTD

It is a joint venture between Bajaj Finserv Limited (recently demerged from Bajaj Auto Limited) and Allianz SE. Both enjoy a reputation of expertise, stability and strength. Bajaj Allianz received the Insurance Regulatory and Development Authority (IRDA) certificate of Registration on 2nd May, 2001 to conduct various businesses (including Health Insurance business) in India. The Company has an authorized and paid up capital of Rs 110 crores. Bajaj Finserv Limited holds 74% and the remaining 26% is held by Allianz, SE.As on 31st March 2016, Bajaj Allianz continues to be one of the most financially robust insurers in the industry by maintaining its growth as well as profitability. The company has made a profit before tax of Rs. 771 crore and emerged as the most profitable insurer recording a profit after tax of Rs.564 crore. The company reported a GWP of Rs. 5901 crore, which has grown by 11.3% compared to the last fiscal, despite claims post Chennai Floods.

OBJECTIVE OF THE STUDY

To find out the comparative liquidity position of Bajaj Allianz general insurance co.ltd and ICICI Lombard general insurance co. *ltd.*

HYPOTHESIS

Ho: There is no significant difference between the liquidity position of Bajaj Allianz general insurance co.ltd and ICICI Lombard general insurance co. *ltd.*

Ha: There is significant difference between the liquidity position of Bajaj Allianz general insurance co.ltd and ICICI Lombard general insurance co. *ltd.*

RESEARCH METHODOLOGY

This study is done with special reference to the two most preferred and trusted Indian private sector non-life insurance companies they are Bajaj Allianz general insurance co.ltd and ICICI Lombard general insurance co. *ltd.* For this purpose exploratory method has been adopted as it helps to investigate any problem with suitable hypothesis and it is also important for the clarification of the concept. The study is based on secondary data and the comparison has been made on the liquidity position of both the companies.

RESEARCH TOOL

In this study, for interpreting the results modern financial analysis have been carried out which minutely evaluates and examine relevant components for companies smooth functioning like liquidity analysis in which current ratio , liquidity ratio and cash ratio are tested. The research tool applied to prove the assumption is the test of significance. After judicious evaluation of all performance parameters companies are ranked according to their performance. The outcome of the study depends on the selected period by the researchers which may differ from other analysis.

DATA COLLECTION

The researcher has collected information from various internet sources, published reports, magazines, annual reports and the websites of the companies. The study examines the financial statements Revenue Account, Profit and Loss Account and Balance Sheet of last Ten years of the respective corporations i.e. from 2005-15.

REVIEW OF LITERATURE

A Study conducted by **Ravi Parkas, S., Satyanarayana Chary, T. and Shyamsunder, C. (2003)** article "Globalization - It's Impact on Insurance Industry" Indian journal of marketing revealed that the size of the existing insurance market is very large. It is also growing at the rate of 10% per year. The estimated potentiality of the Indian insurance market in terms of premium is around $80 billion in 1999 only.

Krishnamurthy, S. (2005) in his article entitled insurance sector challenges of competition and future scenario concludes that the limited availability of data on policyholders, the low awareness among policyholders the inadequate infrastructure and technology are the major problems of the insurance industry in marketing its products.

Namasivayam, Ganesan, S. and Rajendran, S. (2006) examined the socioeconomic factors that are responsible for purchase of life insurance policies and the preference of the policyholders towards various types of policies of Company. From the analysis, it was found that factors such as age, educational level and sex of the policyholders are insignificant, but income level, occupation and family size are significant factors for the purchase of LIC products.

A study conducted by **Rajesham, Ch. and Rajender, K. (2006)** article "Changing Scenario of Insurance Sector" Indian Journal of marketing revealed that insurance companies of India are required to come up with multi-benefit policies including tax benefits with quality based timely customer services and need to focus on health insurance which is one of the untapped areas of insurance including services through innovative products, smart marketing and aggressive distribution with internet facility with much individual attention transparency and flexibility to increase the quality and volume of insurance business. Today, the focus is on selling more products to existing customers to improve profitability, therefore customer – focused strategies require an effective CRM ensuring insurance firms monitor the ebb and flow of customer behavior, giving them a holistic 360-degree view for their customers.

A study conducted by **Raman, N. and Gayathri, C. (2006)** article "A Study on Customer's Awareness towards New Insurance Companies", Indian journal of Marketing revealed that customers are now looking at insurance as complete financial solutions offering stable returns coupled with total protection. Companies will need to constantly innovate in terms of product development to meet over changing consumer needs. Understanding the customer better will enable insurance companies to design appropriate products, determine price correctly and increase profitability. In the present scenario a key differentiated would be professional customer service in terms of quality of advice on enhancing the customer convenience.

A study conducted by **Bodla, B.S. and Sushma Rani Verma (2007)** article "Life Insurance Policies in Rural Area and Understanding Buyer Behavior", ICFAI University revealed that insurance sector plays a very important role in the development of any economy and it provides long-term funds for infrastructure Development and at the same time strengthens the risk taking ability.

A study conducted by **Tanmay Chary, Harshita Mishra and Venkataseshaiah, S. (2007)** article "Customer Preferences in Insurance Industry in India". The ICFAI journal of marketing services revealed that the purchasing decision of the consumer depends on quality, accessibility, company type, recommendations and promptness of service. India is poised to experience major changes in its insurance markets as insurers operate in an increasingly deregulated and liberalize environment. For consumers, opening up of the insurance sector will mean new products, better packaging and improved customer service.

Patil, P.B. and Thakkar, P.N. (2007) article "Impact of Disinvestment on Banking and Insurance Sector" revealed that a strong competition among the insurance companies has led to better services being provided by customer satisfaction can be known from the customer retention ratio. Now most of the companies are customer centric approach, rather than product centric approach which is leading to customer-retention ratio.

A study conducted by **Keerthi, P. and Vijayalakshmi, R. (2009)** "A Study on the Expectations and Perceptions of the Services in Private Life Insurance Companies" reveals that the policyholders' expectations are well met in the case of certain factors reacting to service quality. But in the case of other variables, there exists a significant gap which means that policyholders have experienced low levels of service as against their expectations. If all the players in the Life insurance industry focus on the effective delivery of services, they can win the hearts of customers and anticipate their increased market share.

A study conducted by **Sunayna Khurana (2008)** article "Customer Preferences in Life Insurance Industry in India", revealed that the insurance sector plays a very important role in the development of any economy. It is necessary for the economic and overall development of any country. In today's competitive economy, the business, finance and insurance sector plays a very important role. More and more job opportunities are available in these sectors.

A study conducted by **Raja, S. and Gurupandi, M. (2009)** in their article "Analysis of the Socio Economic Background and Attitude of the Policyholders towards Life Insurance Corporation of India", Smart Journal of Business Management Studies revealed that the study was of great help to the policyholders, as it was aimed at finding the attitude towards the services of Life Insurance Company. Hence the prospective customers, who propose to buy the insurance products and avail of the services of an insurance company for the first time, can get benefited by the best service provider.

A study conducted by **Varaprasad, V. and Murali Krishna, B. (2009)** article "Insurance sector: Strategies for Intermediation and Marketing", Smart Journal of Business Management studies revealed that the suggestions brought forward by this study are mixed. The contribution of insurance sector to economic development hardly affects financial intermediation. He concluded that in order to make insurance sector significant component of financial intermediation process, complete deregulation and increase in face of reforms are essential at the same time, by adopting proper segmentation capture significant share in the market for the overall benefit of organizations.

Praveen Sanu, Gaurav Jaiswal and Vijay Kumar Panday (2009) in their article, "A Study of Buying Behaviour of Consumers towards Life Insurance Company", Prestige institute of Management and Research, Gwalior, revealed that in present Indian market, the investment habits of Indian consumers are changing very frequently. The individuals have their own perception towards various types of investment plans.

Selvavinayagam, K. and Mathivanan, R. (2010) article has revealed that the competitive climate in the Indian insurance market has changed dramatically over the last few years. At the same time, changes have been taking place in the government regulations and technology. The expectations of policyholders are also changing. The existing insurance companies have to introduce many new products in the market, which have competitive advantage over the products of life insurance companies.

ANALYSIS OF SHORT TERM FINANCIAL POSITION:

Liquidity

The analysis of the liquidity position means primarily the comparison of liquid assets and short-term liabilities (due within one year).The most frequently used liquidity ratio compares the total current assets (as liquid assets) to short-term liabilities. Consequently, the liquidity ratio (liquidity ratio) is:

$$\text{Liquidity ratio} = \frac{\text{Current assets}}{\text{Short-term liabilities}}$$

This indicator shows how many times the current assets classified as liquid assets are higher than short-term liabilities. In terms of liquidity, the composition of current assets is a major factor, and therefore the category of liquid assets can be expressed in several ways (the concept of current assets can be reduced). In the financial analyses, the *liquidity quick ratio* is also often calculated with the liquidity ratio. In the calculation of the liquidity quick ratio, the inventories are not included in the current assets. (Contrary to the generally applied views, it is not primarily because the inventories are the least liquid components of current assets, but because the company needs them in order to continue its business activities.)

$$\text{Liquidity quick ratio} = \frac{\text{Current assets} - \text{Inventories}}{\text{Short-term liabilities}}$$

There may be a need for further sophistication of the liquidity ratio, by eliminating the apparently immobile inventories and doubtful trade receivables, etc. from the current assets.

The most strictly interpreted liquidity ratio calculates only the liquid assets as the coverage of short-term liabilities.

$$\text{Liquid assets} - \text{Liquidity} = \frac{\text{Liquid assets}}{\text{Short-term liabilities}}$$

A high ratio could be misleading, because contrary to a favorable situation it often indicates that the company has too much free cash that has not been fixed, and therefore it does not generate any yield at all, or only very little. Liquid assets are required only to cover that part of the short-term liabilities which are the so-called immediately due liabilities.

T-TEST

The t test (also called Student's T Test) compares two averages (means) and tells if they are different from each other. The t test also tells you how significant the differences are; In other words it lets you know if those differences could have happened by chance. The following formula to calculate the t-score:

$$t = \frac{(\sum D)/N}{\sqrt{\dfrac{\sum D^2 - \left(\dfrac{(\sum D)^2}{N}\right)}{(N-1)(N)}}}$$

ΣD: Sum of the differences (Sum of X-Y)

ΣD^2: Sum of the squared differences

$(\Sigma D)^2$: Sum of the differences, squared.

Compare your t-table value from to your calculated t-value. The calculated t-value is greater than the table value at an alpha level of .05. The p-value is less than the alpha level: $p < .05$. We can reject the null hypothesis that there is a difference between means.

DATA ANALYSIS:

Current Assets and Current Liability of Selected Private Sector Non-Life Insurance Companies of India (Period from 2005-06 to 2014-15) (Rs. In Lacs)

Year	Bajaj Allianz		ICICI Lombard	
	C.A.	C.L.	C.A.	C.L.
2005-06	26461	78655	67972	122231
2006-07	33787	128449	114432	202375
2007-08	57312	197792	126530	273610
2008-09	82953	249456	223703	395586
2009-10	100972	293959	297449	489382
2010-11	93925	361096	312798	628470
2011-12	126763	442027	406577	901732
2012-13	149,932	528,194	391,547	993,346
2013-14	143,543	610,946	380,501	1,105,002
2014-15	156722	667637	295,901	1,047,691

Source: Annual Report of Accounts of respective companies from IRDA

Ratio of Current Assets and Current Liability of Selected Private Sector Non-Life Insurance Companies of India (Period from 2005-06 to 2014-15)(In Percentage)

Year	Bajaj Allianz	ICICI Lombard
2005-06	33.64	55.61
2006-07	26.30	56.54
2007-08	28.98	46.24
2008-09	33.25	56.55
2009-10	34.35	60.78
2010-11	26.01	49.77
2011-12	28.68	45.09
2012-13	28.39	39.42
2013-14	23.50	34.43
2014-15	23.47	28.24

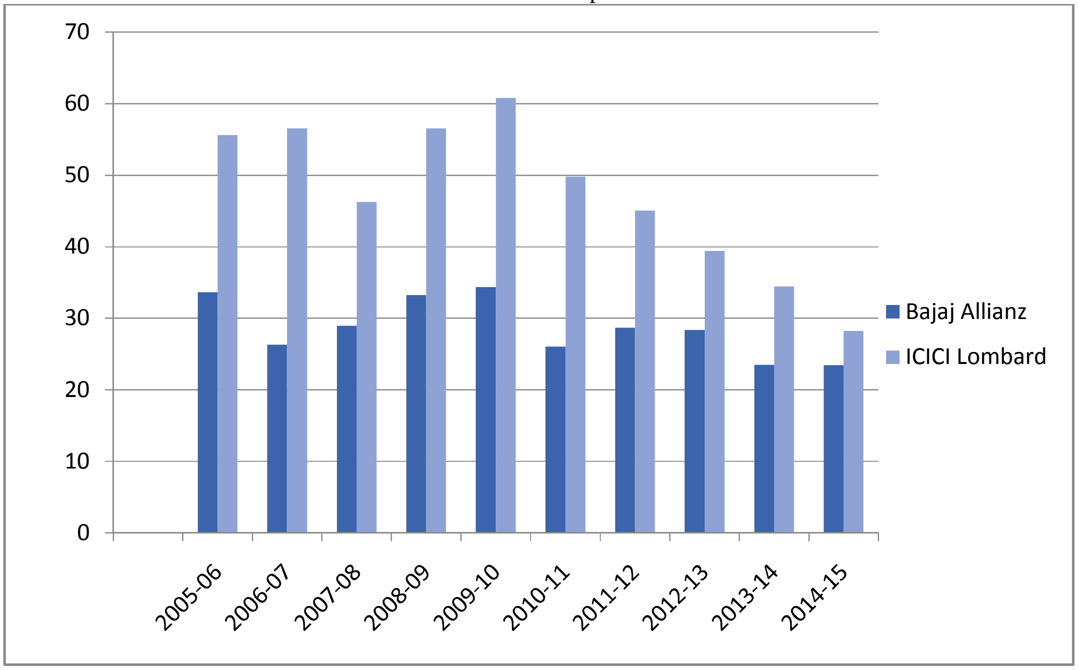
Ratio =Current Assets/ Current Liabilities * 100

Analysis for calculated ratio for selected private sector Non-life Insurance Companies

Analysis of Liquidity by considering Current Ratio indicates working capital management. The standard current ratio of any industry for liquidity analysis is 2:1 or 200%. By observation of the above table indicates that average current ratios of the selected private sector insurers also show below 100% during the research period. BAJAJ shows the ratio ranging between 26.01% (2010-11) to 34.35% (2009-10).The Current ratio of Bajaj Allianz has decreased to 23.47 % in 2014-15. ICICI shows the ratio ranging between 45.08 % (2011-12) to 60.78 % (2009-10).But the ratio has also come down to 28.24 % in 2014-15. From the observation of the ratio of selected private sector, non-life insurer, it has also not proper liquidity management during the research period.

GRAPHICAL ANALYSIS:

Graphs for Ratio of Current Assets and Current Liability of Selected Private Sector Non-Life Insurance Companies of India



By observation of the graph of selected private sector non-life insurance company the position of working capital becomes clear. Graph of All the selected private sector non-life insurers shows average below 80 **percentages during the research period**. But by analysis it's clear that ICICI LOMBARD has performed well as compared to Bajaj Allianz in liquidity position. **A standard norm for liquidity management for current ratio is 2:1 or 200%, but the entire selected non-life insurer shows below 100% during the research period.**

STATISTICAL ANALYSIS:

T-Test for Ratio of Current Assets and Current Liability of Selected Private Sector Non-Life Insurance Companies of India

	Bajaj Allianz	**ICICI Lombard**
Mean	28.657	47.267
Variance	16.06378	113.8688011
Observations	10	10
Hypothesized Mean Difference	0	
df	11	
t Stat	-5.16282	
P(T<=t) one-tail	0.000156	
t Critical one-tail	1.795885	
P(T<=t) two-tail	0.000312	
t Critical two-tail	2.200985	

In the analysis, an alpha of **0.05** is used as the cutoff for **significance**. If the **p**-value is less than **0.05**, we reject the null hypothesis that there's no difference between the means and conclude that a **significant** difference does exist. The t-value is -5.16282 and p-value is .000065. We may conclude the result is significant at p<.05. .Hence Null Hypothesis is rejected and Alternative Hypothesis is accepted that **there is significant difference between the** liquidity position of Bajaj Allianz general insurance co.ltd and ICICI Lombard general insurance co. *ltd.*

CONCLUSION

The basic function of the liquidity ratio is to measure a company's capability to settle all current debt with all current available assets. The stability and financial health, or lack thereof, of a company and its efficiency in paying off debt is indicated by liquidity ratios and is of great importance to market analysts, creditors and potential investors. The analysis of ratios, graph and statistical analysis for current assets with current liability indicates that the selected private non-life insurer shows average ratio below to 50% during research period which indicates that both selected private sector non-life insurer are not having better working capital management norms during research period with reference to current assets to current liability norms. Both the companies must take measures to increase their liquidity position to ensure future success.

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