

# Evaluating the Growth and Performance of Bajaj Allianz Life Insurance Company Ltd since Privatization

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## Abstract

*Change is an eternal law of nature. Everything change according to the need and time. Economic growth and social development in present scenario is due to the sudden change in the industrial policy and economic planning. Liberalization, Privatization and Globalization became the basic mantra after 1991. In the row of privatization of life Insurance industry, Bajaj Allianz Life Insurance Company Ltd. was one of the pioneer private life insurance company commenced its business in India in the year 2001 and was a joint venture between Bajaj Finserv Ltd. and Allianz SE.*

*This paper is aimed at understanding the growth and financial performance of Bajaj Allianz Life Insurance Co.Ltd.as this is the one of the leading private insurance companies amongst the many which have become an integral part of private service system and recognized as a corner stone of a country's financial health and symbol of progress since privatization.*

**Keywords :** Insurance, Liberalization, Privatization, Globalization, Joint Venture

## I. INTRODUCTION

India's rapid rate of economic growth over the past decade has been one of the significant development in the global economy. This development has its root in the introduction of economic reforms in the early 1990's, which allowed India to exploit its economic potential and raised the population's standard of living. Opening up of the financial seats for private companies was one of the financial reforms which the Government was to implement as an integral part structural reforms and stabilization process of the economy. Therefore, it is equally evident to focus upon the impact of private sector insurance company i.e. Bajaj Allianz life Insurance company on the insurance business and also to understand its insurance penetration.

**Table 1: List Of Registered Private Life Insurance Companies Since Privatization :**

S. No.	Life Insurers	Regn. No.	Date of Registration	Year of Operation
1	Life Insurance Corporation of India	512	01.09.1956	1956-57
2	HDFC Standard	101	23.10.2000	2000-01
3	Max New York	104	15.11.2000	2000-01
4	ICICI- Prudential	105	24.11.2000	2000-01
5	Kotak Mahindra Old Mutual	107	10.01.2001	2001-02
6	Birla Sun Life	109	31.01.2001	2000-01
7	TATA-AIG	110	12.02.2001	2001-02
8	SBI Life	111	29.03.2001	2001-02
9	ING Vysya	114	02.08.2001	2001-2002

10	Bajaj Allianz Life	116	03.08.2001	2001-2002
11	Metlife India	117	06.08.2001	2001-2002
12	Reliance	121	03.01.2002	2001-2002
13	Aviva	122	14.05.2002	2002-03
14	Sahara India	127	06.02.2004	2003-04
15	Shriram	128	17.11.2005	2005-06
16	Bharti AXA	130	14.07.2006	2006-07
17	Future General India	133	04.09.2007	2007-08
18	IDBI Fortis	135	19.12.2007	2007-08
19	Canara HSBC	136	16.01.2011	2011-12
20	AegonReligare	138	27.06.2008	2008-09
21	DLF Pramerica	140	27.06.2008	2008-09
22	Star Union Dai-ichi	142	09.07.2010	2010-11
23	India First	143	05.11.2009	2009-10
24	Edelweiss Tokya	147	10.05.2011	2011-12

Source: Secondary data from Annual Reports of IRDA

#### A. Background of bajajallianz Life Insurance Company ltd.:

Bajaj Allianz Life Insurance Co. Ltd. was incorporated on 12th March 2001 as a company under the Companies Act 1956. The company obtained a license from the Insurance Regulatory and Development Authority (IRDA) for carrying on the business of life insurance on 3<sup>rd</sup> August 2001. It is a joint venture between Bajaj Finserv Ltd. (formally part of Bajaj Auto Ltd.) owned by the Bajaj group of India and Allianz SE, an European Financial service company.

The joint venture incorporates global expertise with local experience. The comprehensive, innovative solutions combined the technical expertise and experience of Allianz SE and in-depth market knowledge and goodwill of Bajaj brand in India.

#### II. PROBLEM OF THE STUDY

To analyze the growth and financial performance of Bajaj Allianz Life Insurance Co. Ltd. Since privatization.

##### A. Objectives

1. To know the various plans and services offered by Bajaj Allianz Life Insurance Co. Ltd.
2. To evaluate the growth of business of Bajaj Allianz Life Insurance Co. Ltd.
3. To evaluate the financial performance of Bajaj Allianz Life Insurance Co. Ltd. for the period of 6 yrs.(2007-08 to 2012-13).
4. To make suggestions on the basis of findings.

#### III. RESEARCH METHODOLOGY

##### A. Data Collection

The present study is based on secondary data. Data and information have been extracted from Annual Reports of IRDA and Bajaj Allianz Life Insurance Co.

Ltd. It is also supported by various journals and articles on Bajaj Allianz Life Insurance Co. Ltd.

### **B. Period of Study**

The period of study is from 2007-08 to 2012-13 i.e. 6yrs.

### **C. Tools and Techniques of the Study**

The tools and techniques are used according to need and type of study. The classification, tabulation, graphical representation and analysis of information is done as per the objective of the study. Percentages and ratios are applied for evaluating the business growth of the company.

### **D. Significance of the Study**

Life insurance is a very significant factor in the life of human. After the ending of LIC of India's monopoly from life insurance market, existence of private life insurance companies came into being. Therefore, it is significant to study the growth and performance of private life insurance companies as they are contributing in the economic growth of our country. Bajaj Allianz Life Insurance Co. Ltd. is taken as a sample unit to understand the impact of privatization on life insurance industry.

### **E. Hypothesis of the Study**

H<sub>0</sub> :There is no significant growth in the business of Bajaj Allianz Life Insurance Co. Ltd. since privatization.

H<sub>a</sub> :There is a significant growth in the business of Bajaj Allianz Life Insurance Co. Ltd. since privatization.

### **F. Limitations of the Study**

1. This study is limited to Bajaj Allianz Life Insurance Co. Ltd.
2. It is to be taken into account that the suggestions and conclusion viewed here would be as per the data collected by the researcher.

## **IV. REVIEW OF LITTERATURE**

The researcher is fortunate to get the opportunity to work on the one of the leading private life insurance companies i.e. Bajaj Allianz Life Insurance Co. Ltd. Since not much work is done on this company till now, so, it's an initiation from the researcher's side. To obtain the idea of the paper some literature is taken out from the journals and analyzed and converted into the respective field.

1. Sudarsan Reddy, Mohan Reddy, Sivarami Reddy (2004), in their study "Liberalization of Insurance : Opportunities and challenges", observed that there is anenormous potential in the Indian market, It is for the insurers to come out with new

products, better packaging and improve customer service. Product innovation and channel diversification will gain momentum in line with global trend of financial service convergence.

2. G.V. Rao (2006) states that globalization in the insurance community in every country is becoming an integral part of the financial reforms, There is a greater need to examine and understand how the developed markets have deal with the problems that are likely to arise in our national markets.
3. Savera (2007)indicated that government of India liberalized the insurance sector in March'2000, which lifted the entry restriction of private life insurance companies. It helped in spreading and keeping the operations in the Indian Life Insurance Sector, which in turned results in restructuring and revitalizing of public sector companies.

### **A. Products of Bajaj Allianz Life Insurance co. Ltd.**

Product portfolios of the company are reviewed on a regular basis and products are introduced keeping in mind customer requirement and market conditions.

The company has a basket of 51 products comprising of 34 individual products and 17 group products till 31 march 2013. Some of the ongoing products of the companies are as follows:

- 1) **Term Insurance Plans –**
  - I secure
  - I secure more
  - I secure loan
- 2) **Saving Solutions-**
  - Save Assure
  - Guarantee Assure
- 3) **Investment Solutions-**
  - Fortune grain
  - Future grain
- 4) **Child Insurance Plans-**
  - Life Long Assure
  - Young Assure
- 5) **Group Insurance-**
  - Group income protection
  - Group term Life Insurance
- 6) **Riders-**
  - Individual Riders
  - Group Rider
- 7) **CSC BachatPlans-**
  - CSCBachat Plus
- 8) **Micro Insurance-**
  - BimaDhanSurakshaYojna
  - BimasanchayYojna

**V. CUSTOMER SERVICES**

1. The company has simplified customer relationship management by standardizing most frequent customer queries in the form of script based frequently asked questions.
2. As a part of customer engagement facilities, the company has introduced a mobile phone application for activation of auto-mailer for account statement, income tax certificate and to seek nearest branch location.
3. It maintains communication to policy holders during the different stages of life cycle of a policy viz., advance renewal intimation, grace period notification, upon lapsation, before revival ending period and discontinuance. This communication includes sending letters notifying through SMS and E-mails, automated calls and tele calling to customers. The communication letters are sent in English, Hindi and 12 other languages as per customer preference.

4. Revival campaigns are conducted in order to increase persistency every year.
5. Claim settlement at nominees door step is another crucial service provided by the company.

**VI. GROWTH OF BAJAJ ALLIANZ LIFE INSURANCE CO.LTD. SINCE PRIVATIZATION**

**A. Growth in First Year Premium of Bajaj Allianz Life Insurance co. Ltd.:**

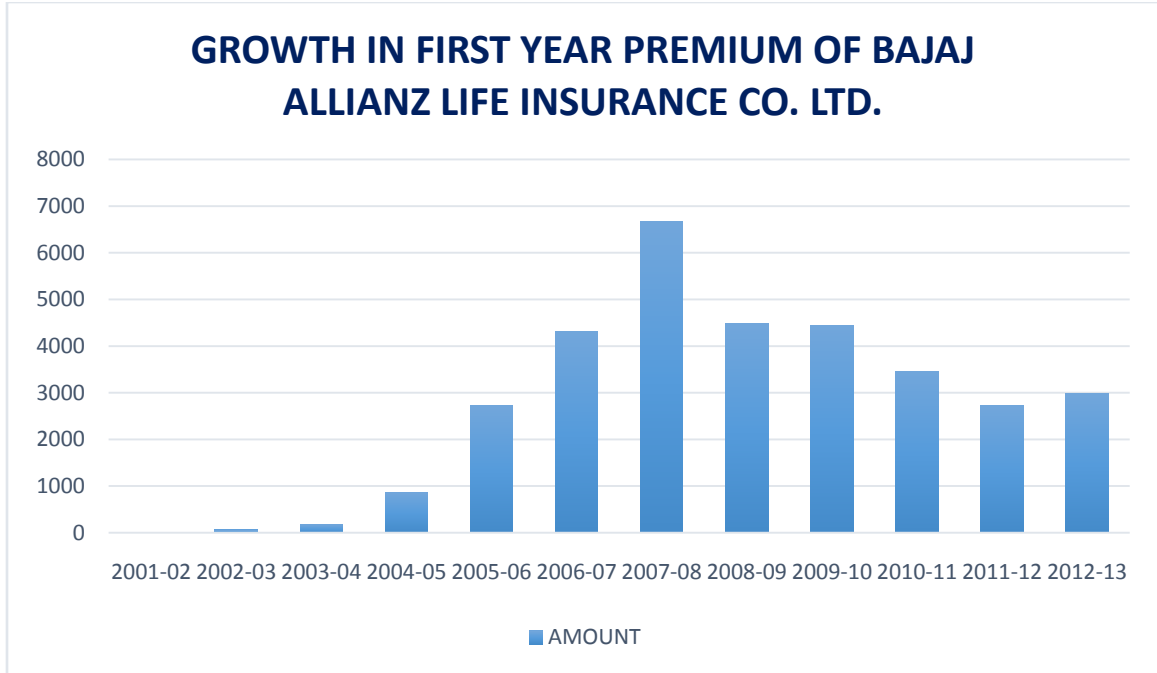
First year premium (including single premium) is the one of the most important parameters of judgement of any insurance company’s business growth. It depicts that Bajaj Allianz Life Insurance Company Ltd., has grown substantially well during the period of study but has also witnessed some down fall due to change in the household savings, economic and market conditions of the country.

**Table 2**

(In crores)

S.NO.	YEAR	AMOUNT
1	2001-02	7.14
2	2002-03	63.39
3	2003-04	179.55
4	2004-05	857.45
5	2005-06	2716.77
6	2006-07	4302.74
7	2007-08	6674.48
8	2008-09	4491.43
9	2009-10	4451.10
10	2010-11	3465.82
11	2011-12	2717.31
12	2012-13	2987.90

Source: Secondary data from Annual Reports of IRDA



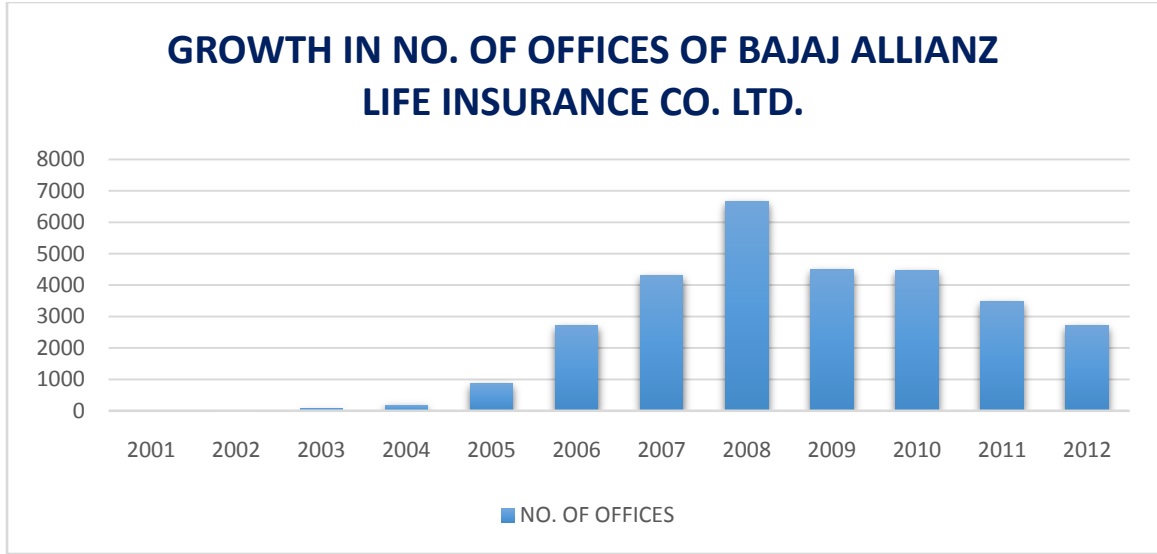
**B. Growth in no. Of offices of Bajaj Allianz life insurance co. Ltd.:**

With the opening of insurance market, after the economic reforms in the year 2000, the private life insurance companies started expanding themselves by opening new offices in the different areas of the country. In this row Bajaj Allianz Life Insurance Company Ltd., started with 01 office in year 2001, just after commencing its business and added 1044 offices till 2012-13 which is one- seventh of the total life insurance offices of private life insurers. It shows a remarkable increase during the period of study.

**Table 3**

S.NO.	YEAR	NO. OF OFFICES
1	2001	1
2	2002	7
3	2003	33
4	2004	49
5	2005	153
6	2006	567
7	2007	877
8	2008	1007
9	2009	1164
10	2010	1151
11	2011	1090
12	2012	1044

Source: Secondary data from Annual Reports of IRDA



**C. Financial Performance**

Financial ratios of Bajaj Allianz Life Insurance Co. Ltd.:

Financial ratio act as one of the major parameters to know the financial status of any company. So we have involved some of the ratios to study the financial performance of Bajaj Allianz Life Insurance Co. Ltd. These ratios are calculated on NAIC guidelines and IRDA.

**Table 4 : Total Assets to Earned Premium Ratio.**

(In 000)

YEAR	TOTAL ASSETS	TOTAL PREMIUM	RATIO
2007-08	13,13,87,754	9,72,53,110	1.351
2008-09	17,01,82,268	10,62,45,213	1.602
2009-10	33,02,66,220	11,41,97,137	2.892
2010-11	39,27,49,002	9,60,99,487	4.086
2011-12	39,44,85,970	7,48,37,954	5.271
2012-13	38,33,73,816	6,89,26,995	5.562

Source: Secondary data from Annual Reports of Bajaj Allianz various issues

This ratio is calculated as a percentage of total assets to earned premium. This indicates how efficiently the organization’s assets are utilized to increase the business. High ratio shows high level of performance. In case of Bajaj Allianz Life Insurance Co. Ltd. this ratio is constantly increasing which is 5.562 in 2012-13 as compared to 1.351 in year 2007-08. It shows that company is using its assets to the optimum level to increase its business.

**Table 5 : Investment Income to Earned Premium Ratio:**

(In 000)

YEAR	INVESTMENT INCOME	TOTAL PREMIUM	RATIO
2007-08	70,01,918	9,72,53,110	0.072
2008-09	3,11,48,700	10,62,45,213	0.293
2009-10	9,93,02,163	11,41,97,137	0.870
2010-11	3,91,23,659	9,60,99,487	0.407
2011-12	3,94,473	7,48,37,954	0.005
2012-13	3,02,57,807	6,89,26,995	0.443

Source: Secondary data from Annual Reports of Bajaj Allianz various issues

This ratio reflects the investment performance and how efficiently the organization’s assets are invested and accordingly how much premium earned. Higher the ratio, Higher the performance. The highest ratio obtained in the year 2009-10 but leads to a sudden fall in the year 2011-12, yet, again gained its pace the next very year.

**Table 6 : Current Ratio**

(In 000)

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2007-08	50,98,800	1,02,44,729	0.498
2008-09	53,81,386	80,52,356	0.668
2009-10	52,98,538	1,05,18,711	0.500
2010-11	82,17,555	95,00,915	0.865
2011-12	97,46,988	1,06,54,854	0.915
2012-13	1,64,40,913	1,39,16,619	1.181

Source: Secondary data from Annual Reports of Bajaj Allianz various issues

This ratio indicates the ability to pay liabilities inclusive of operating expenses and payment for losses and benefits. Standard ratio is 2:1 which means two share of current assets are available to meet one share of current liabilities. In Bajaj Allianz Life Insurance Co. Ltd. in the year 2012-13 it reached to more than one. It shows an improvement in the liability handling capability of the company and is a positive indication.

**Table 7 : New Business Premium Growth Ratio:**

(In Bn.)

YEAR	CURRENT YEAR BUSINESS PREMIUM	PREVIOUS YEAR BUSINESS PREMIUM	RATIO
2007-08	66.7	43.02	1.550
2008-09	44.9	66.7	0.673
2009-10	44.5	44.9	0.991
2010-11	34.7	44.5	0.780
2011-12	27.2	34.7	0.784
2012-13	29.9	27.2	1.009

Source: Secondary data from Annual Reports of Bajaj Allianz various issues

It is obtained from dividing current year's new business premium from previous year's business premium. It indicates the increase or decrease in the premium earned from new contracts in a given financial year. Since the year 2007-08, it is showing an up-n-down trend due to the inconsistent percentage of household savings in the sector but finally showed a positive result as it increased to 1.099 in the year 2012-13

**Table 8 : Net Retention Ratio**

(In 000)

YEAR	NET PREMIUM	TOTAL PREMIUM	RATIO
2007-08	9,71,20,392	9,72,53,110	0.999
2008-09	10,60,10,710	10,62,45,213	0.998
2009-10	11,39,13,657	11,41,97,137	0.998
2010-11	9,57,51,789	9,60,99,487	0.996
2011-12	7,43,36,163	7,48,37,954	0.993
2012-13	6,83,50,575	6,89,26,995	0.992

Source: Secondary data from Annual Reports of Bajaj Allianz various issues

It is referred as a plough-back ratio, is the amount of retained earning relative to earnings. The company that retains the large portion of its net income will anticipate high growth or opportunities to expand its business .It was 0.999 in the year 2007-08 and till 2012-13 it showed a somewhat constant move, which is neither positive nor negative.

**VII.FINDINGS**

1. The company has been constantly opening the new office with the aim of increasing its customer base.
2. The company is offering different products to cater the needs of different segment of people.
3. First year premium which is considered as a benchmark for actual growth is increased from 7.149 crore (in 2001) to 2987.90 crore till 2013.
4. The investment income to earn premium ratio shows stability in the performance of the company.

5. Current ratio shows that company is in position to meet its current obligations.

[6] Website of Bajaj Allianz Life Insurance Co. Ltd.

6. Despite of the up-n-down trend, it showed a positive result as it increased to 1.099 in the year 2013.

7. Net retention ratio showed neither positive nor negative result but the company needs to focus on retaining its earnings.

8. Analysis of hypothesis: Based on secondary data analysis it has been proved that Bajaj Allianz Life Insurance Co. Ltd. it has been growing respectfully in terms of business since privatization.

### **VIII. SUGGESTIONS**

1. India is a vast country with 70% people living in rural areas and 40% below poverty line (approx.) require risk averting social schemes of good quality so, life insurance industry including both public and private should work on better penetration of life insurance.
2. The main purposes of privatization were to make the insurance sector more competitive, customer oriented and better service oriented so Bajaj Allianz Life Insurance Co. Ltd should also come up with some more attractive plans for the people.
3. Transparency in working of private industry should be improved to win the trust of the people in their companies.
4. The companies should work upon efficient and effective grievance redressal scheme and after sale services.

### **IX. CONCLUSION**

In this competitive scenario, a key difference will be customer experience that each life insurance company can offer in terms of quality of advice on product choice along with policy service and settlement of claims. All the achievements of Bajaj Allianz Life Insurance Co. Ltd. during the study period in terms of growth and financial performances are no doubt appreciable, but for the sustained growth, the company should ensure efficient and effective services to the policyholders and more efforts should be made on improving the customer base by tapping the unexploited areas of the insurable population.

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