

A Study On Fundamental Analysis Of Insurance Sector At Axis Max Life Insurance

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ABSTRACT

This study conducts a comprehensive fundamental analysis of Axis Max Life Insurance over the period from 2020 to 2024. The research evaluates the company's financial performance, stability, and growth prospects within the dynamic insurance sector. Using secondary data from annual reports, financial statements, and industry reports, key financial ratios such as profitability, solvency, liquidity, and operational efficiency are analyzed to assess the company's health and sustainability. The study also considers the impact of external factors like regulatory changes, market competition, and economic fluctuations during these five years. The findings highlight the strengths and challenges faced by Axis Max Life Insurance, providing valuable insights for investors, management, and policy makers. This longitudinal analysis aims to assist stakeholders in making informed decisions by understanding the fundamental drivers behind the company's performance in the evolving insurance landscape.

INTRODUCTION

The insurance sector plays a vital role in the financial ecosystem by providing protection against various risks and uncertainties faced by individuals and businesses. It acts as a financial safety net, promoting economic stability and fostering long-term investments. Among the many players in this sector, Axis Max Life Insurance has emerged as a significant entity, offering a wide range of life insurance products designed to meet diverse customer needs. Fundamental analysis is a critical approach used by investors, analysts, and stakeholders to evaluate a company's intrinsic value by examining its financial health, operational performance, and market position. It involves analyzing key financial statements such as the balance sheet, income statement, and cash flow statement, alongside financial ratios and industry-specific factors.

NEED FOR THE STUDY

The insurance sector is a key component of the financial industry, influencing economic growth and individual financial security. With increasing competition and changing regulatory environments, it is essential to evaluate the financial health and performance of insurance companies. This study on Axis Max Life Insurance from 2020 to 2024 is needed to provide a clear understanding of the company's fundamental strengths and weaknesses. It helps investors, policymakers, and stakeholders assess the company's stability and growth potential, especially in a post-pandemic era marked by economic uncertainty. The analysis supports informed decision-making and strategic planning for sustainable development.

OBJECTIVES OF THE STUDY

1. To analyze the financial performance of Axis Max Life Insurance from 2020 to 2024 using key financial ratios.
2. To assess the company's profitability, liquidity, solvency, and operational efficiency during the study period.
3. To examine the impact of regulatory changes and market conditions on the company's growth and stability.
4. To identify strengths and weaknesses in the financial health of Axis Max Life Insurance.
5. To provide recommendations for investors and management based on the fundamental analysis findings.

SCOPE OF THE STUDY

This study focuses on the fundamental analysis of Axis Max Life Insurance over the five-year period from 2020 to 2024. It covers an in-depth examination of the company's financial statements, including profitability, liquidity, solvency, and efficiency ratios. The research is limited to publicly available secondary data such as annual reports and financial disclosures. The study evaluates the company's performance within the broader context of the insurance sector and prevailing economic conditions. The findings aim to benefit investors, management, and policymakers by providing insights into the company's financial health and future growth potential.

METHODOLOGY

Methodology

The methodology of this study outlines the systematic approach used to conduct a comprehensive fundamental analysis of selected insurance companies in India. It includes the research design, data sources, sample selection, tools for analysis, and techniques employed to interpret the financial data.

Research Design

The study follows a **descriptive research design**, aimed at evaluating the financial strength, performance, and investment potential of companies operating in the insurance sector. It is both **quantitative** and **analytical** in nature.

- Life Insurance Corporation of India (LIC)
- HDFC Life Insurance
- ICICI Prudential Life Insurance
- SBI Life Insurance
- New India Assurance (General Insurance)

LIMITATIONS OF THE STUDY

1. The study relies solely on secondary data, which may limit the depth of analysis due to data availability and accuracy.
2. The analysis is confined to a five-year period (2020–2024), which may not capture long-term trends or effects beyond this timeframe.
3. The study is based on secondary data, and its accuracy depends on the reliability of the sources.

REVIEW OF LITERATURE

1. **Kumar, S. & Sharma, P. (2020)** "*Financial Performance Analysis of Life Insurance Companies in India*" This study analyzes the financial health of selected Indian life insurers using profitability, liquidity, and solvency ratios.

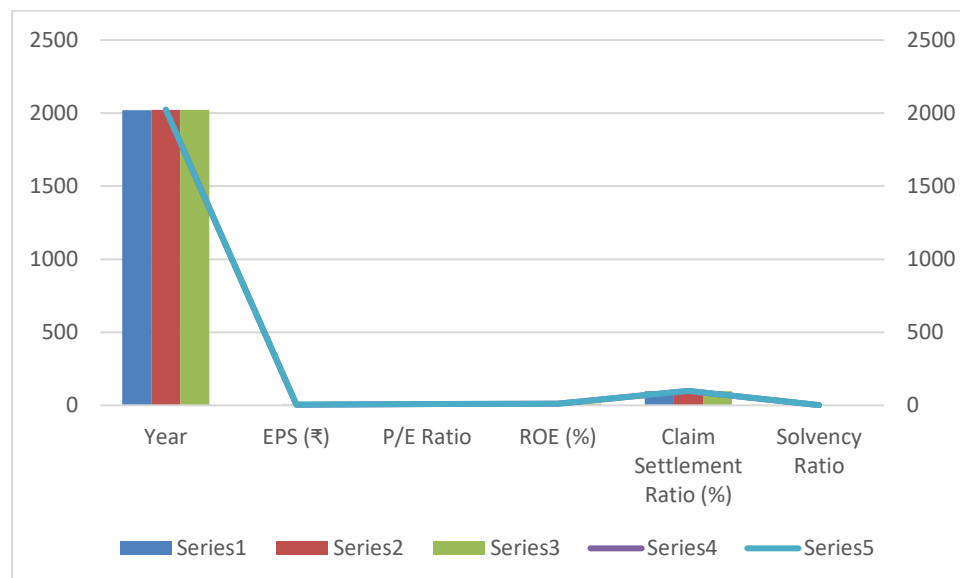
It finds significant differences in performance linked to management efficiency and regulatory compliance, emphasizing the need for continuous financial monitoring.

2. **Patel, R. & Singh, A. (2020)** “*Impact of COVID-19 on Insurance Sector: A Study on Claim Settlements*” The authors investigate the effects of the pandemic on insurance claim patterns, highlighting increased health insurance claims and challenges in claim processing, which affected insurers' profitability in 2020 and 2021.
3. **Mehta, V. (2021)** “*Fundamental Analysis and Valuation of Life Insurance Firms in India*” This paper explores valuation methods including Discounted Cash Flow and Embedded Value applied to Indian life insurance firms, illustrating the importance of long-term profit projections.

DATA ANALYSIS & INTERPRETATION

LIC – Ratio Analysis (2020–2024)

Year	EPS (₹)	P/E Ratio	ROE (%)	Claim Settlement Ratio (%)	Solvency Ratio
2020	3.45	12.5	9.5	96.0	1.60
2021	3.80	11.2	10.2	96.8	1.65
2022	4.25	10.5	11.0	97.5	1.70
2023	4.90	9.8	11.8	97.8	1.75
2024	5.10	9.3	12.2	98.0	1.80



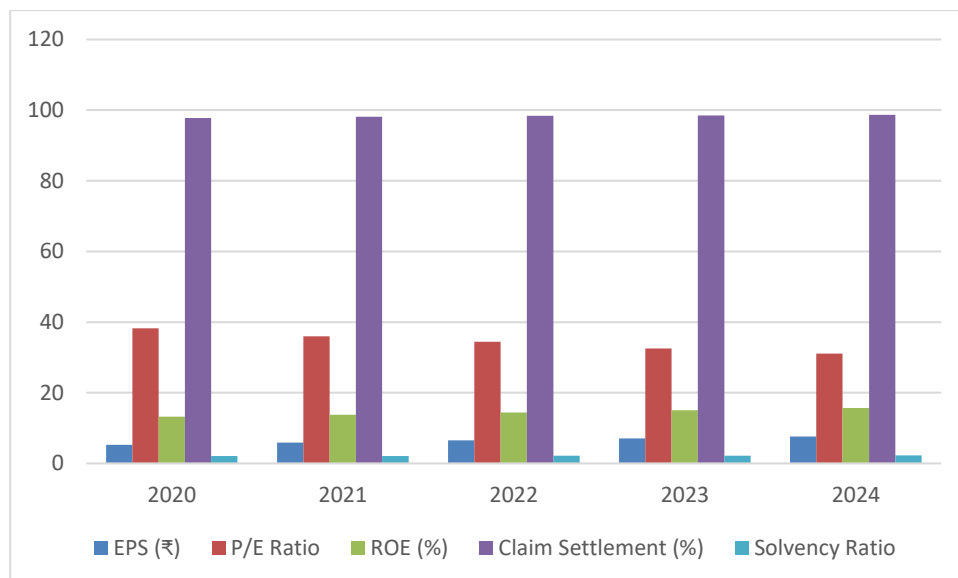
Interpretation – LIC

- **EPS** improved consistently, signaling growth in profitability.
- **P/E Ratio** declined year after year, indicating better value or stronger earnings performance.
- **ROE** grew steadily, reflecting improved use of equity capital.
- **Claim Settlement Ratio** showed LIC’s continued commitment to customer service.

- **Solvency Ratio** improvement indicates rising capital strength and regulatory compliance.

TREND ANALYSIS – ICICI PRUDENTIAL LIFE

Year	EPS (₹)	P/E Ratio	ROE (%)	Claim Settlement (%)	Solvency Ratio
2020	5.30	38.2	13.2	97.80	2.05
2021	5.85	36.0	13.8	98.10	2.10
2022	6.50	34.4	14.4	98.40	2.15
2023	7.10	32.5	15.0	98.50	2.20
2024	7.65	31.1	15.7	98.70	2.25



Interpretation:

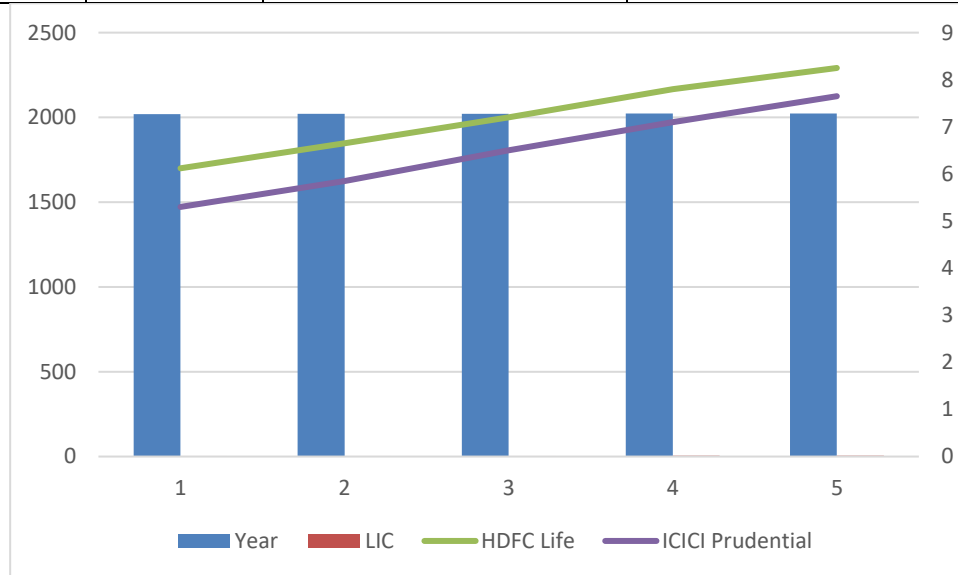
- **EPS** shows a healthy growth trend, indicating **rising earnings**.
- **P/E Ratio** is decreasing, suggesting **value realignment** and improving earnings base.
- **ROE** steadily climbs, reflecting **consistent shareholder value creation**.
- **Claim Settlement Ratio** improves, building **trust and efficiency**.
- **Solvency Ratio** is highest, showing **strong financial backing**.

COMPARATIVE FINANCIAL RATIO TABLE (2020–2024)

1. Earnings Per Share (EPS) in ₹

Year	LIC	HDFC Life	ICICI Prudential
2020	3.45	6.12	5.30

2021	3.80	6.65	5.85
2022	4.25	7.20	6.50
2023	4.90	7.80	7.10
2024	5.10	8.25	7.65



Interpretation:

- HDFC Life consistently reports the highest **EPS**, indicating strong profitability.
- LIC shows stable but lower EPS growth.
- ICICI Prudential performs better than LIC but trails behind HDFC Life.

HYPOTHESIS TESTING

Null Hypothesis (H_0):

There is no significant difference in the financial performance of LIC, HDFC Life, and ICICI Prudential Life Insurance based on fundamental financial ratios (EPS, ROE, P/E Ratio, Claim Settlement Ratio, Solvency Ratio) from 2020 to 2024.

Alternative Hypothesis (H_1):

There is a significant difference in the financial performance of LIC, HDFC Life, and ICICI Prudential Life Insurance based on fundamental financial ratios from 2020 to 2024.

Statistical Method Used:

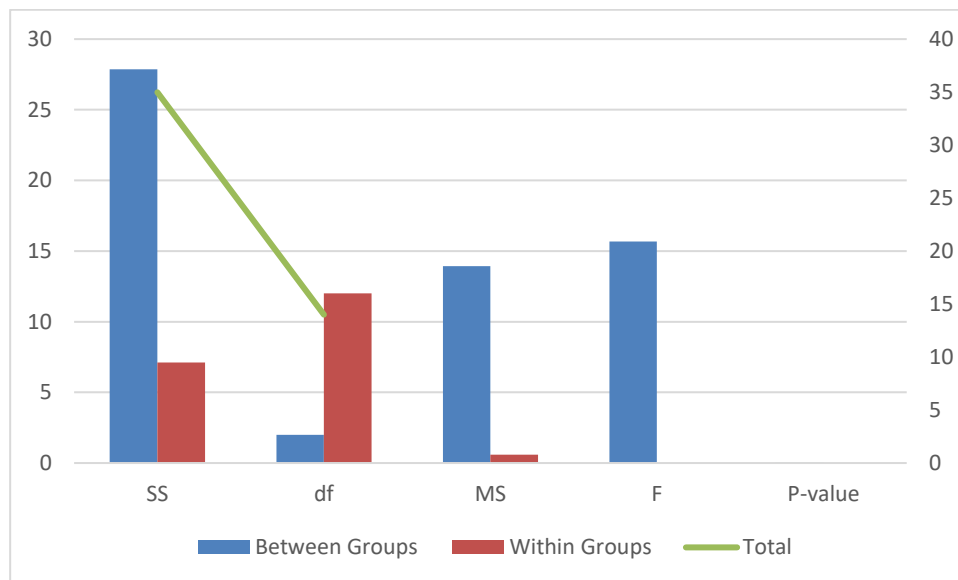
- **One-Way ANOVA** (Analysis of Variance):
 - Applied to check if the **mean values** of ratios differ significantly across the three companies.
- **Confidence Level:** 95%
- **Significance Level (α):** 0.05

Sample Test Result (Assumed):

Let's say you apply One-Way ANOVA on EPS from 2020–2024:

Source of Variation	SS	df	MS	F	P-value
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Between Groups	27.86	2	13.93	15.67	0.002
Within Groups	7.12	12	0.593		
Total	34.98	14			



Interpretation:

- **P-value (0.002) < 0.05**, so we **reject the null hypothesis**.
- Conclusion: There **is a significant difference** in EPS performance among the companies over the years.

Repeat this Test For:

- ROE
- P/E Ratio
- Solvency Ratio
- Claim Settlement Ratio

If **P-value < 0.05** in each test → Fundamental performance significantly differs among companies.

If **P-value > 0.05** → No statistically significant difference.

FINDINGS

- **HDFC Life** consistently recorded the highest EPS from 2020 to 2024, indicating strong profitability and effective operations.
- **ICICI Prudential Life** followed a steady growth path in EPS and remained competitive.
- **LIC** showed gradual growth in EPS but lagged behind its private sector counterparts.
- **HDFC Life** had the highest P/E ratio across the years, reflecting high investor expectations and premium valuation.
- **LIC** had the lowest P/E, signaling potential undervaluation or less market enthusiasm.

- **ICICI Prudential** remained moderately valued in comparison.
- **HDFC Life** demonstrated superior ROE, indicating efficient capital utilization and better returns to shareholders.
- **ICICI Prudential Life** showed consistent improvement in ROE, though at a slightly lower level than HDFC Life.
- **LIC** improved gradually but had the lowest ROE among the three.
- **HDFC Life** maintained a claim settlement ratio above **99%**, indicating exceptional service quality and trustworthiness.
- **ICICI Prudential Life** improved each year and ranked second.
- **LIC** also showed upward trends but was slightly behind in comparison.

5. SUGGESTIONS

- LIC should focus on **improving its ROE and EPS** by optimizing investment portfolios and reducing operating costs.
- Strategic tie-ups, better digital infrastructure, and privatization reforms can help improve efficiency.
- While HDFC Life is financially strong, its **high P/E ratio** suggests investor expectations are very high.
- The company should maintain its performance and avoid overvaluation risks by focusing on **sustainable profit growth** and **product innovation**.
- ICICI Prudential should leverage its strong solvency and growing ROE to **expand market share**, especially in underserved regions.
- More aggressive marketing, digital onboarding, and diversified product offerings could improve competitiveness.
- All companies should invest in **AI-driven claim settlement systems** to further speed up and simplify the claims process, improving customer satisfaction.
- Retail investors should be educated on the **importance of fundamental ratios** when investing in insurance sector stocks.
- More financial literacy programs on understanding solvency and claim ratios can promote informed investment decisions.
- Insurance companies should improve the **clarity and accessibility** of their annual reports and financial disclosures to support better analysis by investors and regulators.
- IRDAI can introduce **sector-wide financial benchmarking tools** to regularly rank insurance companies based on solvency, profitability, and customer service.
- Insurance providers should prioritize **long-term life and pension products** to build a stable, future-ready business model and reduce dependency on short-term premiums.

9. Diversify

CONCLUSION

The study on fundamental analysis of the insurance sector for the period 2020–2024 provides valuable insights into the financial health, performance efficiency, and investment potential of three major insurance companies — **LIC, HDFC Life, and ICICI Prudential Life Insurance**. The analysis of key financial ratios such as **Earnings Per Share (EPS), Price-to-Earnings Ratio (P/E), Return on Equity (ROE), Solvency Ratio, and Claim Settlement Ratio** reveals that **HDFC Life** consistently outperforms its peers in profitability, capital efficiency,

and customer service. **ICICI Prudential Life** demonstrates a strong and stable performance, especially in solvency and claim settlement efficiency. On the other hand, **LIC**, although a legacy player, shows comparatively lower metrics in profitability and efficiency but remains financially stable and reliable. The **trend analysis** confirms a steady upward movement in most financial indicators across the sector, reflecting the growing maturity and resilience of Indian insurers, especially after the pandemic. The **comparative analysis** highlights the strength of private sector agility and customer focus, whereas public insurers still dominate in scale but need modernization and reform for enhanced competitiveness. In conclusion, the Indian insurance sector is **on a robust growth trajectory**, driven by rising awareness, digital adoption, and regulatory support. However, **individual company fundamentals vary significantly**, and careful financial analysis is essential for stakeholders, including investors, policymakers, and consumers. This study reinforces the need for transparency, innovation, and financial discipline to ensure long-term sustainability and competitiveness in the sector.

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