

A Study on portfolio strategy in MetLife India insurance Co Ltd Bangalore



Commerce

KEYWORDS : Risk, Human attitude, Security protection, Collective Co-operation

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ABSTRACT

Life is full of uncertainty and surprises and also involvement of risk with it. To instinct for security against such risk is one of the basic motivating forces to determine the human attitude. As a sequel to this quest for security, the concept of life insurance must have been born. The urge to provide insurance or protection against the life of and property must have promoted people to some sort of sacrifice willingly in order to achieve security through "collective co-operation". In this sense, the story of insurance is probably as old as the story of mankind.

INTRODUCTION

Life Insurance in its modern form came to India from England as far back as in 1818. The first insurance company on India soil, namely the Oriental Life Insurance Company was started in Calcutta mainly by Europeans to help the widows of their community. It was through the efforts of Babu Muttylal Seal and Prince Dwarkanath Tagore, Rampanu Lahiri, and Rustomji Lahiri, and Rustomji Coeasji took an active part in the development of insurance business in this country in the early years. Life insurance is a contract providing its payment of a sum of money to the person assured or, failing him, to the person entitled to receive the same, on the happening of certain event. A family is generally dependent for its food, clothing and shelter on the income brought in at regular intervals by the breadwinner of the family. So long as he lives and the income is received steadily the family is secured; but should death suddenly intervene the family may be left in a very difficult situation and sometimes, in stark poverty. Uncertainty of death is inherent in human life. It is this uncertainty that is risk, which gives rise to the necessity for some form of protection against the financial loss arising from death. Insurance substitutes this uncertainty by certainty. Usually the contract provides for the payment of an amount on the date of maturity or at specified dates at periodic intervals or at unfortunate death, if it occurs earlier. Among other things, the contract also provides for the payment of premium periodically to the corporation by the assured. Life insurance is universally acknowledged to be an institution, which eliminates 'risk', substituting certainty for uncertainty and comes to the timely aid of the family in the unfortunate event of death of the breadwinner.

Statement of the problem:

In the current economic scenario interest rates are falling and fluctuation in the share market has put investors in confusion. One finds it difficult to take decision on investment. This is primarily, because investments are risky in nature and investors have to consider various factors before investing in investment avenues. Therefore the study aims to create awareness about portfolio schemes in form their risk, return & liquidity among the investors. Portfolio strategies are very useful to draw the conclusion so when the customer wants to know what are the portfolios contributing for the future growth of their fund and also wants to maintain the same in the longer run and also improve the profitability and liquidity of their investment plan.

Purpose of the study

A financial services sector plays a critical role in fulfilling the needs of growing and increasingly diverse economy, offering high quality services to business and individual alike. Though Indian insurance system registered commendable progress in terms of geographical and functional coverage, its performance in terms of operational efficiency and viability still leaves considerable room for improvement.

Objectives of study:

1. To find out Investment Schemes in respect of their risk, return and liquidity.
2. Analyzing the performance of Insurance Investment schemes.
3. Provide information about pros and cons of investing in

Mutual Funds

4. To offer valuable suggestions on the basis of findings

Scope of the study:

The area of study is limited to the **MetLife India insurance Co Ltd Bangalore**.

Methodology :

Keeping the objective in mind the study was based on the Net Asset Value of one month market data of schemes. The data used are the first hand information collected with newspaper and online trading .the second hand information also contains the net asset value of the schemes through companies' websites. The whole study can be termed as comparative study. It is also a desk research hence, there is no field work and collection of primary data for this research except information provided by fortune advisory services the business partner of MetLife which constantly prepares a wealth management plan for its clients and constantly updates its client's portfolio. The study centers on portfolio strategy in respect of their risk, return and liquidity. However, with the objective and scope of the study in mind, it was decided to base the study on return series of selected mutual fund schemes.

Tools for data collection

Data required for the study is collected through published statements of annual reports of **in MetLife India insurance Co Ltd** Such as profit and loss account and balance sheet. This is further supplemented by information gathered during the discussion with the branch manager.

Plan of Analysis

The analysis as been done with the help of statements comparison of past years tables and statements of the company.

Limitations of the study

1. The study is limited to the information provided by the company.
2. Since the Managers are busy with their daily schedules it is not possible for us to spend more time in interaction and discussion with them.
3. The information is not available at a proper time

Sources of Data

Primary data -The data has collected with observation of net asset value of each scheme and with online trading.

Secondary data - The data has collected with collected with company's websites, magazines and broacher.

PLAN OF ANALYSIS

Analyze the effectiveness with the help of annual reports of the company and I R D A.

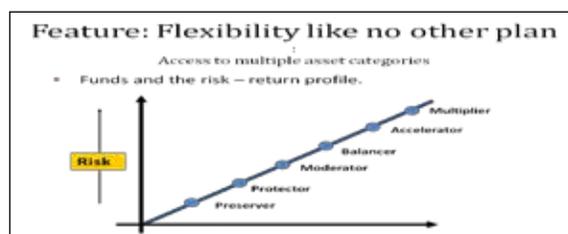
Own observation of various practices followed by the company.

ANALYSIS & INTERPRETATION

Assets allocation of Unit Linked Funds as on 30 September 2011		
Fund Name	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Preserver Fund		
Government & Govt. Guaranteed Securities	80%-100%	87%
Money Market Investments	0%-40%	13%
Preserver II Fund	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Government & Govt. Guaranteed Securities	60%-100%	90%
Money Market Investments	0%-40%	10%
Protector Fund	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Government & Govt. Guaranteed Securities	25%-90%	35%
Infrastructure / Social Sector Securities	0%-60%	25%
Long Term Bonds	10%-60%	32%
Short Term Bonds	0%-45%	0%
Money Market Investments	0%-40%	8%
Protector II Fund	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Government and other debt securities	60%-100%	77%
Money Market Investments	0%-40%	23%
Moderator Fund	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Government & Govt. Guaranteed Securities	10%-60%	19%
Infrastructure / Social Sector Securities	0%-60%	20%
Listed Equities	10%-30%	20%
Long Term Bonds	0%-60%	31%
Short Term Bonds	0%-35%	1%
Money Market Investments	0%-40%	9%
Balancer Fund	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Government & Govt. Guaranteed Securities	10%-60%	13%
Infrastructure / Social Sector Securities	0%-60%	11%
Listed Equities	35%-65%	48%
Long Term Bonds	0%-60%	18%
Short Term Bonds	0%-35%	0%
Money Market Investments	0%-40%	10%

Balancer II Fund	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Government and other debt securities	0%-60%	47%
Listed Equities	0%-60%	46%
Money Market Investments	0%-40%	7%
Accelerator Fund	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Government Securities (including Government guaranteed securities)	0%-40%	1%
Infrastructure / Social Sector Securities	0%-40%	7%
Listed Equities	60%-95%	77%
Long Term Bonds	0%-60%	9%
Short Term Bonds	0%-35%	0%

Money Market Investments	0%-40%	6%
Multiplier Fund	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Listed Equities	80%-100%	94%
Money Market Investments	0%-40%	6%
Multiplier II Fund	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Listed Equities	60%-100%	96%
Money Market Investments	0%-40%	4%
Virtue Fund	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Listed Equities - Companies promoting healthy life style and enhancing quality of life	60%-100%	96%
Money Market Investments	0%-40%	4%
Virtue II Fund	F&U Guidelines Min - Max % of funds to be invested in	Current Exposure
Listed Equities - Companies promoting healthy life style and enhancing quality of life	60%-100%	95%
Money Market Investments	0%-40%	5%



ANALYSIS: The above graph shows the allocation of MetLife preserver among equities of various sectors. in this case it is 28.49% in finance , 15.19%in technology , 15.14% in oil and gas , 8.13% in metal and minerals, 7.06% in capital goods, 6.97%in telecom, 5.65% in consumer goods, 9.57% in auto, 2.56% in EPC, 2.06% in infrastructure, 1.84% in cement, 1.10% in pharma and health care, 0.92% in others, 0.79% in media, 0.54% in real estate.

INTERPRETATION: The main objective of this fund is to generate a good mix of long term capital appreciation along with current income through investment in equity as well as fixed income instruments in appropriate proportion depending on market conditions prevalent from to time This fund provides a mix of debt as well as equity which can assure the investor guaranteed return.

FINDINGS:

* The MetLife life insurance funds are performing well taking the factors like risk and return.

* As compare to the bank returns MetLife life insurance funds are more profitable.

* The assets are allocated more in equity compared to debt and cash/ call market.

* The MetLife life insurance company invests its corpus only in those companies equity whose performance is good when compared to other companies.

*As it invests its assets in top performing companies like Infosys, Wipro and Ranbaxy etc. The investors are attracted towards MetLife insurance company.

*The investments in safety funds are more and it is almost proportionate to the age of respondents.

*Majority of the respondents expect 15 to 20% return which is higher than interest given by commercial banks.

SUGGESTIONS:

- Investors have to choose the best portfolio by using measures.
- While investing the money the investors should have knowledge about life insurance.
- Options like switching; premium holidays should be understood and utilized by the customer to have optimum return.
- Company should put its maximum efforts to communicate NAV's of port folio to its customers.
- The risk bearing capacity varies from investor to the investor but in general most of the investor would always expect more return.
- For the additional risk assumed by him while selecting the

optimal portfolio for an investor the risk adjusted return must be considered. In simple it refers to utility of portfolio for the investor in question.

CONCLUSION:

The insurance is the most suitable avenue of investment available for common man as it gives life protection and also offers. An opportunity to invest in a diversified, sector oriented professionally managed basket of securities at a relatively low cost. As against common belief investing in stock market is not a short run quick return game. While making an investment decision a proper understanding of risk and flow requirement must be done, it is examined that performance of MetLife life insurance Company funds are good some funds shows linear. Relationship of risk and return. Thus it is concluded that MetLife life insurance company funds are opportunity to earn more return with less risk.

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