

# Profitability Pattern and Value Creation: A Study of the Life Insurance Industry in India

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## Abstract

*It is due to globalization, deregulation, natural disasters and terrorist attacks that the insurance industry is undergoing a massive change and the metamorphosis has been noteworthy in the last few decades. Value creation through management of profitability is more and more used and useful in modern affairs of insurance companies. Some of the factors which are taken into consideration play a very important role with regard to the performance of the company and affect the shareholders wealth. The study analyzed investment income, claims incurred, market share, firm size & board of directors and endeavors to find out whether they generate any shareholders wealth or not, whether it adds to the value of the company or not.*

## Introduction

Never before in the history of the world financial markets has there been so much interest in corporate governance, investment income, market size, claims incurred & firm size. It is due to globalization, deregulation, natural disasters and also terrorist attacks; that the insurance industry is undergoing a massive change and the metamorphosis has been noteworthy in the last few decades. The need to understand the importance of corporate governance, investment income, market size, claims incurred & firm size among insurance firms stems from the important function these firms play in the economy. This paper examines relation between board compositions, investment income, market size, claims incurred, firm size with performance of life insurance firms in India and estimates value created by 15 life insurance companies from the year 2000-01 to 2008-09 and draws final conclusions.

## Review of Literature

### International

**Hancock, Huber and Koch (2001)** have shown that how a careful analysis of the fundamental economic principles underlying the insurance business can be helpful in identifying the mechanisms by which insurance companies can create value. It is not the investment activities of an insurance company but their business origination skills and efficient capital costs management that ultimately enable them to create value for their shareholders.

**Alberto Floreani and Silvia Rigamonti, [2003]** examines the stock market valuation of mergers in the insurance industry between 1996 and 2000 in Europe and in the US. In the Sample of 56 deals of listed acquiring company concluded that insurance company's mergers enhance value for bidder shareholders. In the opinion of **J. Thomas Connelly, Piman Limpaphayom, [2004]** one key

## Keywords

*Value Creation,  
Shareholders' Wealth,  
Profitability Management*

element of corporate governance is the role of board of directors in overseeing management. This study examines the relation between board characteristics and firm performance among life insurance companies in Thailand and suggested that managerial oversight is needed because managers have their own preferences and may not always act on behalf of the shareholders. Prior research also suggests that boards of directors play a critical role in monitoring non-financial companies in Thailand.

**Limpaphayom and Polwitoon, [2004]** measured that weak corporate governance is one of the major contributors to the crisis. This study find empirical evidence of a positive relation between bank equity ownership and short-term bank loans among non-financial firms listed in the Stock Exchange of Thailand during 1990-1996.

**Simpson and Damoah [2005]** alleged that assessing financial soundness in the insurance industry is a complex task since the overall financial position of an insurance company depends on many factors, some of which are difficult to quantify. This study shed light on the contention regarding ascertaining the financial soundness of non-life insurance companies using a developing country as the context.

### National

**Tapen Sinha, [2005]** quoted that with over a billion people, India is growing rapidly towards a global economic power. With a relatively youthful population, India will become an attractive insurance market over the next decades. The study explores the current state of development in India's insurance market and enumerates the opportunities and challenges offered by this exciting market. He concluded that how the recent privatization is playing out in the Indian market. Based on recent economic estimates, his study provided projections of segments of the market for 2025.

**Arindom Gupta and Debashish Kundu (2008)** analysed the impact of enhancing profitability on shareholders wealth through merger of ICICI bank. The study used the profitability measuring variables like market capitalization, total capital employed, yield, relative profitability, return on net worth, etc. to analyse the impact on EVA (Economic Value added), MVA (Market Value Added) and shareholder wealth. Study concluded that merger's effect on profitability is less satisfactory but shown robust growth over the 7-year period and able to generate wealth for its shareholders both from an economic as well as from market perspective.

**Ashraf and Faiz (2008)** analysed India's insurance sector in post privatisation period and emphasized on need of privatization in insurance sector both in life and general insurance. The study found low insurance penetration and density in life insurance as well as general insurance in India. The study raised different issues like cost efficiency and development of insurance business.

**Dr. Amlan Ghosh (2011)** attempted to study the relationship between life insurance sector reforms in India

and the growth of life insurance business by constructing an index to measure the reforms using VAR-VECM model to find out long run relationship. He concludes with the help of Granger causality test that the relationship between the insurance sector reforms and development of life insurance sector in India is bi-directional which denote the huge potentiality of the life insurance market which is still under served and is an untapped market.

### **Objective Of The Study**

The main objective of the study is to evaluate and measure the role of profitability in value creation find out which factor of profitability is highly responsible for value creation in insurance industry. Therefore, it manages in a right way sustainable growth and safeguards the industry from financial crisis and economic downturn.

### **Data And Methodology**

The present study is analytical in nature and based upon secondary data wherein 15 Life insurance companies which are listed on IRDA (Insurance Regulatory and Development Authority) have been covered. The period of the study is from the year 2000-01 to 2008-09. Data have been collected from the financial statements of life insurance companies provided by IRDA website.

### **Evaluation of Profitability Health of Insurance Companies Using Correlation Matrix**

The study examines profitability aspects of firm performance for determining the value creation. Study further sets down profitability with the help of five PROFIT measures, defined as operating return on assets (basic earning power), return on assets (net income), return on premium, return on equity, and return on investments. Operating return on assets (OROA) is the ratio between earnings before interest and tax divided by book value of total assets. Return on assets (ROA) is net income divided by book value of total assets. The return on premium (ROP) measure captures the return that a firm earns on its insurance underwriting business alone. This measure is calculated by dividing underwriting profit or loss by income from net written premiums. Return on equity (ROE) is net income divided by the book value of equity. The return on investments (ROI) measure is designed to show a firm's investment prowess, measuring the return from its investments alone. It is calculated by dividing net investment and other income by investments. The two COST measures are the expense ratio and the ratio of commissions paid to net premiums has been taken. Consequently, a negative relation will provide support for the contention that factors do not add to the shareholders wealth.

### **Hypotheses**

The key hypotheses to be tested in this study are

**H<sub>01</sub>:** The board compositions, investment income, market size, claims incurred & firm size have significant impact on profitability performance of the firm and add to shareholder wealth.

$H_{a1}$ : The board compositions, investment income, market size, claims incurred & firm size have no significant impact on profitability performance of the firm and do not add to shareholder wealth.

If the study shows the positive relationship of any one factor with the firm performance we accept the null hypothesis and if it shows negative relationship then we reject the null hypothesis and accept alternate hypothesis.

## Evaluation of Profitability Health of Insurance Companies

### A. Correlation Matrix and Results for Life Insurance Companies

The study analyzes investment income, claims incurred, market share, firm size & board of directors and tries to find out whether they generate any shareholders wealth or not, whether it adds to the value of the company or not, by taking into consideration OROA, ROA, ROE, ROP, ROI, expense ratio & commission ratio. Reason

behind taking these factors into consideration is that they reflect the profitability performance of the company.

#### A.1- Investment Income and Correlation Results:

Investment income means income coming from interest payments, dividends, capital gains collected upon the sale of a security or other assets, and any other profit that is made through an investment vehicle of any kind.

Table A.1 reflects relationship of investment income with the factors taken into consideration. Bajaj Allianz Life Insurance Company Limited, ICICI Prudential Life Insurance Co. Ltd, ING Vysya Life Insurance Company Ltd & Met Life India Insurance Company Ltd have reflected negative relationship of OROA, ROA, ROE & ROP with investment income, while the remaining life insurance companies have generated positive relationship. Expense & commission ratio have symbolized negative bond which is a very good sign excluding Life Insurance Corporation of India which has shown a strong positive relationship which indicates that expenses and commissions move together with investment income thereby decreasing the investment income and affecting the performance.

**Table-A.1:**  
**Correlation Matrix for Investment Income of Life Insurance Companies**

Life Insurance Companies	ORO A	ROA	ROP	ROE	ROI	Total Assets	Expense Ratio	Commission
Bajaj Allianz	-0.36	-0.36	-0.11	-0.13	1.00	-0.41	0.12	-0.22
HDFC Standard	0.36	0.36	-0.03	0.35	0.98	-0.39	-0.04	-0.45
ICICI	-0.03	-0.02	-0.05	-0.10	0.98	-0.05	0.04	-0.13
ING Vysya	-0.12	-0.12	-0.04	-0.19	0.99	-0.31	0.05	-0.18
LIC	0.40	0.40	0.14	0.84	0.48	0.79	0.42	0.96
Met Life	-0.20	-0.20	-0.09	-0.18	0.99	-0.63	0.13	-0.63
SBI	0.20	0.20	-0.05	0.24	0.98	-0.48	0.12	-0.51
Reliance	0.19	0.18	0.09	0.68	0.99	-0.66	0.14	-0.91
Aviva	0.42	0.42	0.02	0.27	0.97	-0.08	0.02	0.02
Shriram	0.28	0.32	-0.09	0.66	1.00	0.84	0.08	0.84
Bharti AXA	0.49	0.49	-0.03	0.58	1.00	-0.92	0.00	-0.98
IDBI Fortis	0.81	0.81	0.04	0.87	1.00	-0.94	-0.31	-1.00
Canara HSBC	1.00	1.00	1.00	1.00	1.00	-1.00	-1.00	-1.00
AEGON Religare	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
DLF Pramerica	-1.00	-1.00	-1.00	-1.00	1.00	1.00	1.00	1.00

**Source: Calculated from financial statements of the insurance companies (2000-2009)**

As far as growth of new companies is concerned Shriram Life Insurance Co. Ltd & Bharti AXA Life Insurance Company Ltd have shown positive link for all the factors concerned excluding ROP. While Canara HSBC Oriental Bank of Commerce, Life Insurance Company Ltd, AEGON Religare Life Insurance Company Limited & IDBI Fortis Life Insurance has indicated ideal positive correlation.

**A.2- Claims Incurred and Correlation Results:** Claims represents claims paid during the policy year plus the claim reserves as of the end of the policy year, minus the corresponding reserves as of the beginning of the policy year. The difference between the year end and beginning of the year claim reserves is called the increase in reserves and may be added directly to the paid claims to produce the incurred claims.

Table A.2 reflects the results obtained with reference to the claims incurred. For HDFC Standard Life Insurance Co. Ltd, Life Insurance Corporation of India, Reliance Life Insurance Company Limited & Aviva Life Insurance Company India Limited, which have symbolized weaker linear relationship of OROA & ROA with claims incurred. Rests of the life insurance companies have reflected weaker positive relationship. ROP with claims incurred have shown weaker positive bond, but for this Reliance Life Insurance Co. Ltd has remained as exclusion which has generated weaker negative relationship.

As far as relationship of claims incurred with ROE is concerned ING Vysya Life Insurance Company Ltd, Met Life India Insurance Company Ltd, & SBI Life Insurance Co. Ltd have reflected puny advanced association. ROI & expense ratio with claims incurred of all Life insurance companies have exposed weaker off-putting connection. Likewise commissions of Life insurance companies with claims incurred have shown strong encouraging relationship.

**Table- A.2:**  
**Correlation Matrix for Claims Incurred of Life Insurance Companies**

Life Insurance Companies	OROA	ROA	ROP	ROE	ROI	Total Assets	Expense Ratio	Commission
Bajaj Allianz	0.28	0.28	0.26	-0.48	-0.73	0.81	-0.27	0.79
HDFC Standard	-0.08	-0.08	0.24	-0.38	-0.53	0.95	-0.24	0.97
ICICI	0.15	0.09	0.29	-0.55	-0.63	0.78	-0.23	0.83
ING Vysya	0.01	0.01	0.28	0.05	-0.61	0.68	-0.32	0.78
LIC	-0.06	-0.06	-0.29	0.57	-0.09	0.86	-0.18	0.77
Met Life	0.36	0.36	0.22	0.34	-0.77	0.95	-0.30	0.96
SBI	0.32	0.32	0.39	0.26	-0.63	0.87	-0.38	0.97
Reliance	-0.20	-0.19	-0.13	-0.80	-0.96	0.83	-0.21	0.99
Aviva	-0.22	-0.22	0.24	-0.36	-0.57	0.80	-0.23	0.72
Shriram	0.28	0.33	-0.11	0.69	0.98	0.91	0.09	0.90
Bharti AXA	-0.51	-0.51	0.03	-0.59	-1.00	0.93	0.00	0.99
IDBI Fortis	-0.81	-0.81	-0.04	-0.87	-1.00	0.94	0.31	1.00
Canara HSBC	-1.00	-1.00	-1.00	-1.00	-1.00	1.00	1.00	1.00
AEGON Religare	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
DLF Pramerica	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**Source: Calculated from financial statements of the insurance companies (2000-2009)**

As far as new Life insurance companies are concerned they have reflected unconstructive relationship excluding Shriram Life Insurance Co, Ltd & AEGON Religare Life Insurance Company Limited which is presenting positive connection with good growth in future.

**A.3- Market share and Correlation Results:** Market share is the portion or percentage of sales of a particular product or service in a given region that are controlled by a company. Increasing market liability is one of the most important objectives used in business. The main advantage of using market share is that it abstracts from industry-wide macro environmental variables such as the state of the economy, or changes in tax policy. According to the national environment, the respective share of different companies changes and hence this causes change in the share market values; the reason can be political ups and downs, any disaster, any happening or mis-happening. Other objectives include return on investment (ROI), return on assets (ROA), and target rate of profit.

Relationship of market share is reflected in Table A.3. ICICI Prudential Life Insurance Co. Ltd, ING Vysya Life Insurance Company Ltd, Met Life India Insurance Company Ltd & SBI Life Insurance Co. Ltd (including Life Insurance Corporation of India) is reflecting optimistic correlation of OROA & ROA with market share. Rest other companies are showing inverse rapport. Relationship of ROP with market share has highlighted weedy activist affiliation excluding Reliance Life Insurance Company Ltd where it is negative. Excluding Met Life India Insurance Company Ltd & SBI Life Insurance Co. Ltd which has shown positive relationship of ROE with market share, as rest all the companies have shown negative bond. ROI & expense ratio has revealed off-putting link. Whereas the commission ratio has reflected strong positive correlation, which should be taken care of as commission is an outflow to the company.

**Table-A.3:**  
**Correlation Matrix for Market Share of Life Insurance Companies**

Life Insurance Companies	OROA	ROA	ROP	ROE	ROI	Total Assets	Expense Ratio	Commission
<b>Bajaj Allianz</b>	0.17	0.17	0.48	-0.81	-0.05	0.87	-0.50	0.77
<b>HDFC Standard</b>	-0.16	-0.16	0.51	-0.64	-0.05	0.85	-0.41	0.83
<b>ICICI</b>	0.31	0.26	0.55	-0.46	0.09	0.85	-0.42	0.86
<b>ING Vysya</b>	0.25	0.25	0.55	-0.44	0.00	0.94	-0.59	0.73
<b>LIC</b>	0.11	0.11	0.00	0.31	0.43	0.34	0.51	0.56
<b>Met Life</b>	0.15	0.15	0.30	0.12	-0.61	0.99	-0.42	0.98
<b>SBI</b>	0.43	0.43	0.49	0.35	-0.34	0.96	-0.49	0.97
<b>Reliance</b>	-0.20	-0.20	-0.20	-0.87	-0.79	0.96	-0.30	0.97
<b>Aviva</b>	-0.21	-0.21	0.35	-0.66	0.31	0.80	-0.31	0.87
<b>Shriram</b>	0.58	0.61	-0.02	0.91	0.84	0.99	0.15	1.00
<b>Bharti AXA</b>	-0.64	-0.64	-0.01	-0.72	-0.96	0.98	0.05	1.00
<b>IDBI Fortis</b>	-0.83	-0.83	-0.07	-0.89	-1.00	0.95	0.34	1.00
<b>Canara HSBC</b>	-1.00	-1.00	-1.00	-1.00	-1.00	1.00	1.00	1.00
<b>AEGON Religare</b>	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>DLF Pramerica</b>	-1.00	-1.00	-1.00	-1.00	1.00	1.00	1.00	1.00

*Source: Calculated from financial statements of the insurance companies (2000-2009)*

If we look at the newly started life insurance companies we observe that AEGON Religare Life Insurance Company Limited has specified perfect constructive link for all the factors taken into consideration. Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd & DLF Pramerica Life Insurance Co. Ltd have given perfect negative relationship excluding for expense & commission ratio where it has given away perfect positive correlation. This indicates that these companies are reflecting fluctuating results and need to improve in order to give better performance in future. Bharti AXA Life Insurance Company Ltd & IDBI Fortis Life Insurance have reflected depressing link of OROA, ROA, ROE, ROI & ROP but negative relationship of expense & the commission ratio which means that expenses and commission outflow is not having any impact on market share. Shriram Life Insurance Co, Ltd has publicized perfect positive correlation for all the factors taken into consideration excluding ROP with negative relationship.

**A.4- Firm Size and Correlation Results:** Firm size is measured by the book value of total assets (natural logarithm). The ideal firm size is the theoretically most competitive size for any company, in a given industry, at a given time; which should ideally correspond with the highest possible per-unit profit.

When we look at Table **A.4** we conclude that HDFC Standard Life Insurance Co. Ltd, Reliance Life Insurance Company Limited & Aviva Life Insurance Company India Limited has publicized unenthusiastic relationship of OROA & ROA. While rest of the companies, have shown positive relationship. Excluding the relationship of Reliance Life Insurance Company Limited & Life Insurance Corporation of India which has given inverse results, rest all the companies have shown positive results in case of ROP. ROI, ROE and expense ratio have symbolized negative relationship with the firm size. On the other hand commission ratios have presented strong positive bond.



Table-A.4:

## Correlation Matrix for Firm Size of Life Insurance Companies

Life Insurance Companies	OROA	ROA	ROP	ROE	ROI	Total Assets	Expense Ratio	Commission
Bajaj Allianz	0.25	0.25	0.41	-0.75	-0.36	1.00	-0.42	0.93
HDFC Standard	-0.07	-0.07	0.33	-0.46	-0.33	1.00	-0.31	1.00
ICICI	0.22	0.15	0.40	-0.75	-0.03	1.00	-0.31	0.99
ING Vysya	0.17	0.17	0.51	-0.37	-0.23	1.00	-0.55	0.86
LIC	0.00	0.00	-0.19	0.69	0.03	1.00	0.03	0.88
Met Life	0.26	0.26	0.26	0.23	-0.59	1.00	-0.36	0.99
SBI	0.44	0.44	0.52	0.37	-0.34	1.00	-0.46	0.92
Reliance	-0.13	-0.13	-0.06	-0.81	-0.68	1.00	-0.15	0.90
Aviva	-0.05	-0.05	0.32	-0.39	0.02	1.00	-0.28	0.97
Shriram	0.57	0.61	0.05	0.88	0.86	1.00	0.23	0.99
Bharti AXA	-0.76	-0.76	-0.15	-0.83	-0.91	1.00	0.18	0.97
IDBI Fortis	-0.96	-0.96	-0.37	-0.99	-0.94	1.00	0.61	0.95
Canara HSBC	-1.00	-1.00	-1.00	-1.00	-1.00	1.00	1.00	1.00
AEGON Religare	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
DLF Pramerica	-1.00	-1.00	-1.00	-1.00	1.00	1.00	1.00	1.00

Source: Calculated from financial statements of the insurance companies (2000-2009)

If we look at the newly started life insurance companies we observe that AEGON Religare Life Insurance Company Limited has specified just the helpful relationship for all the factors taken into consideration. Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd have given ideal negative relationship excluding for expense & commission ratio where it has revealed perfect positive rapport. DLF Pramerica Life Insurance Co. Ltd is charting perfect inverse relation of OROA, ROA, ROE & ROP and perfect positive relationship for the rest of factors. Bharti AXA Life Insurance Co. Ltd & IDBI Fortis Life Insurance have reflected downbeat bond of OROA, ROA, ROE, ROI & ROP but inverse bond of expense & the

commission ratio also. Shriram Life Insurance Co. Ltd has given away ideal positive relationship for all the factors taken into consideration excluding ROP with inverse link.

**A.5- Composition of Board of Directors and Correlation Results:** A board of directors is a body of elected or appointed members who jointly oversee the activities of a company or organization. The body sometimes has a different name, such as board of trustees, board of governors, board of managers, or executive board. It is often simply referred to as "the board."

Table- A.5: Correlation Matrix for BOD of Life Insurance Companies

Life Insurance Companies	OROA	ROA	ROP	ROE	ROI	Total Assets	Expense Ratio	Commission
Bajaj Allianz	-0.19	-0.19	-0.15	-0.25	-0.28	0.81	-0.29	0.79
HDFC Standard	-0.30	-0.30	-0.25	0.07	-0.59	-0.50	0.33	-0.42
ICICI	-0.12	-0.09	-0.20	0.18	0.88	-0.41	0.16	-0.49
ING Vysya	0.15	0.15	0.41	-0.40	-0.24	0.41	-0.29	0.23
LIC	0.78	0.78	0.65	0.86	0.88	0.44	0.89	0.76
Met Life	0.23	0.23	-0.05	0.24	0.35	-0.28	0.13	-0.23
SBI	-0.23	-0.22	-0.23	-0.23	0.07	0.43	0.07	0.35
Reliance	-0.37	-0.36	-0.18	-0.63	-0.20	0.53	-0.20	0.44
Aviva	-0.50	-0.50	-0.23	-0.60	0.07	0.34	0.26	0.35
Shriram	0.71	0.73	0.46	0.69	0.47	0.66	0.55	0.64
Bharti AXA	-0.79	-0.79	-0.53	-0.79	-0.42	0.66	0.55	0.51
IDBI Fortis	-0.74	-0.74	-0.58	-0.71	-0.50	0.66	0.69	0.51
Canara HSBC	-0.66	-0.66	-0.66	-0.66	-0.66	0.66	0.66	0.66
AEGON Religare	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66
DLF Pramerica	-0.66	-0.66	-0.66	-0.66	0.66	0.66	0.66	0.66

Source: Calculated from financial statements of the insurance companies (2000-2009)

Relationship of all the factors concern (OROA, ROA, ROE, ROP, ROI, Expense & Commission ratio) with the BOD is quite a matter of concern as it has symbolized a negative relationship as reflected in Table A.5. Not only old Life insurance, existing companies but, also newly started Life insurance companies. Where all the Life insurance companies, have shown negative result Life Insurance Corporation of India has remained exclusion for this by giving positive result.

## A. Correlation Matrix Results for Life Insurance Industry

Table B.1 reveals that OROA, ROA & ROP have negative relationship with investment income and expense and commission ratio move together with investment income, which reflects strong relationship of these factors with investment income, so does not add to the wealth of the life insurance companies.

**Table-B.1:  
Correlation Matrix for Life Insurance Sector**

	OROA	ROA	ROP	ROE	ROI	Total Assets	Expense Ratio	Commission
<b>INVT INCOME</b>	-0.10	-0.11	-0.03	0.03	0.67	-0.61	0.70	0.75
<b>CLAIMS INCURRED</b>	-0.84	-0.84	-0.76	-0.63	-0.24	0.29	0.33	0.75
<b>FIRM SIZE</b>	0.77	0.77	0.70	0.53	0.10	-0.19	-0.80	-0.94
<b>MKT SHARE</b>	0.55	0.55	0.61	0.66	0.17	-0.35	-0.68	-0.74
<b>BOD</b>	0.85	0.86	0.80	0.64	0.05	-0.09	-0.72	-0.94

**Source: Calculated from financial statements of the insurance companies (2000-2009).**

Looking at the claims incurred we observe that it plays an important role in increasing the shareholders wealth. As the claims incurred are the expense to the company and OROA, ROA, ROP, ROE & ROI, which measures the performance of the company does not move with the claims incurred. On the other side results have come up with the fact that market share, BOD & firm size play an important role in increasing shareholders wealth and adding value to the company. Results show that OROA, ROA, ROP, ROE & ROI, which measure the performance of the company do move along with the factors, and symbolize strong positive relationship with them. Looking at expense & commission ratio, they have presented negative relationship with market share, BOD & firm size.

### Findings

Table C.1 symbolizes list of the life insurance companies which have generated shareholders wealth in accordance to the respective factor taken into consideration. Table C.1 shows that Board composition negatively affects the profitability of life insurance firms. In all cases, the size

of the board does not have any relation to profitability performance for life insurers in India. So in this case we reject our null hypothesis and accept the alternate hypothesis that BOD does not enhance the shareholders wealth. But Life Insurance Corporation of India has remained exclusion to this and it has proved that BOD generates the shareholders wealth to it. For the companies which are included in Table C.1 under their respective heads we accept our null hypothesis that investment income, claims incurred, market share and firm size generate shareholders wealth.

Taking newly started insurance companies into consideration investment income and claims incurred have generated shareholders wealth but market share and firm size have generated shareholders wealth only for Shriram Life Insurance Co, Ltd. & AEGON Religare Life Insurance Company Limited. All life insurance companies have added value to shareholders wealth by taking one or the other factor into consideration but DLF Pramerica Life Insurance Co. Ltd. & Canara HSBC have not added to shareholders wealth.

**Table-C.1:  
List of Insurance Companies Creating Shareholders Wealth**

	Investment Income	Claims Incurred	Market Share	Firm Size	BOD
L I F E  I N S U R A N C E	HDFC Standard Life Insurance Co. Ltd	HDFC Standard Life Insurance Co. Ltd	Bajaj Allianz Life Insurance Co. Ltd.	Bajaj Allianz Life Insurance Co. Ltd.	
	Aviva Life Insurance Co. India Ltd	Aviva Life Insurance Co. India Ltd.	ICICI Prudential Life Insurance Co. Ltd.	ICICI Prudential Life Insurance Co. Ltd.	
	Life Insurance Corporation of India	Life Insurance Corporation of India	Life Insurance Corporation of India	Life Insurance Corporation of India	Life Insurance Corporation of India
	SBI Life Insurance Co. Ltd		SBI Life Insurance Co. Ltd	SBI Life Insurance Co. Ltd	
	Reliance Life Insurance Co. Ltd	Reliance Life Insurance Co. Ltd	Met Life India Insurance Co. Ltd	Met Life India Insurance Co. Ltd	
	Bharti AXA Life Insurance Co. Ltd	Bharti AXA Life Insurance Co. Ltd	ING VVSYA Life Insurance Co. Ltd.	ING VVSYA Life Insurance Co. Ltd.	
	IDBI Fortis Life Insurance	IDBI Fortis Life Insurance			
	Canara HSBC Oriental Bank of Commerce	Canada HSBC Oriental Bank of Commerce			
	Sriram Life Insurance Co. Ltd		Sriram Life Insurance Co. Ltd	Sriram Life Insurance Co. Ltd	
AEGON Religare Life Insurance Co.		AEGON Religare Life Insurance Co.	AEGON Religare Life Insurance Co.		

## Conclusion

In profitability factors, investment income is performing better than other factors of life insurance industry as per the results predicted by correlation matrix. Public sector companies are performing better than Private sector companies. Newly started life insurance companies have not performed up to the mark. Canara HSBC & DLF Pramerica Life Insurance Co. Ltd. have not generated any shareholders wealth. Public sector life insurance companies have generated shareholders wealth with regard to board of directors. Board of directors does not generate any shareholders wealth in case of Private sector life insurance companies. By examining the relation between investment income, claims incurred, market share, board of directors & firm size with firm performance this study sets out to examine the effectiveness of a monitoring mechanism generally believed to help alleviate incentive problems. The results add insight into corporate governance practices and the connections to the performance and behavior of insurance firms. The findings from India, with financial markets similar to other Asian markets, will have significant implications for other financial markets. Further studies should examine similar relations in other emerging markets in order to gain in-depth understanding of the issue.

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