Financial Performance of Life Insurers in Indian Insurance Industry

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Abstract

The performance of the company plays a leading role towards the growth of the industry which ultimately leads to the overall success of the economy. The present study attempts to examine the financial performance of Indian life insurers on the basis of various parameters. For measuring it, various financial ratios have been calculated taking into consideration liquidity, solvency, profitability and leverage of the insurance players. Generally, performance can be estimated by measuring the profitability of firm and insurers. In order to accomplish the aim, the study determines the impact of liquidity, solvency, leverage, size and equity capital on the profitability of life insurers in India. The sample for this study includes 18 Indian life insurers (including 1 public and 17 private) and it analyses the data of 5 years from 2007-08 to 2011-12. The study uses multiple linear regression model to measure the extent to which these determinants exert impact on life insurers profitability. The results of the study reveal that profitability of life insurers is positively influenced by liquidity and size and negatively related with capital. Profitability does not show any relationship with solvency and insurance leverage.

Keywords:

Life Insurance, Financial Performance, Profitability, Liquidity, Solvency, Leverage.

Introduction

Insurance is the backbone in managing the risk of the country. The insurance providers offer diversity of products to business, providing protection from risk thereby ensuring financial security. It helps individual and organization to minimize the consequences of risk which impart significant cause on the growth and development of insurance industry. Indian insurance industry is facing major challenges in reaching out willing customers, providing them services, acquiring and retaining players, product and distribution innovation etc. Apart from addressing the challenges of customers, improving the performance to achieve profitable growth is another big challenge faced by Indian life insurers. To sustain the profitable growth, private companies are struggling in spreading awareness about need of insurance, developing brand strength, meeting regulatory demands, establishing wide network of distribution channels and setting infrastructure. Life insurance sector anticipate different segments of customers with different needs thereby raising the importance of new and competitive dynamics. To emerge as winners they reconsider strategies which help them to have a sustainable and profitable business. According to Mckinsey and Company (2012), consumer rank life insurance higher than any other investment options because of its ease and

convenience in investing, tax benefits, and tax protection. Among all investments options in India, life insurance products enjoy high popularity and demand.

Growth of Life Insurance Industry

At the time of opening of the insurance sector in India there was no cut throat competition in the market. Till 2000, there was only one life insurance company operating in India i.e. Life Insurance Corporation (LIC) in the public sector. Indian government allowed privatization in insurance industry in 1999 setting up Insurance Regulatory Development Authority (IRDA) to regulate and develop insurance industry. IRDA issued licenses and has opened life insurance market to private companies. As a result, insurance sector in India has grown at a rapid rate after liberalization in 1999 and private players have been allowed to enter in life insurance market in India. The Indian Life insurance industry expanded tremendously from 2000 onwards in terms of premium income, new business policies, number of offices, agents, products, riders etc. Insurance industry in India is moving through a phase of high growth which is led by players who tries to change the dynamics of market through modernization and improvement. Presently in 2012-13 there are 23 private life insurers and 1 public life insurers operating in India. According to McKinsey study 2007, it was estimated that India is likely to emerge as the fifth largest market in the world by 2025.

Table 1 - Business Performance

Indicators to measure performance	Life insurers	2007-08	2008-09	2009-10	2010-11	2011-12
Premium income (% growth over previous year)	LIC	(17.19)	(5.01)	(18.30)	(9.35)	(-0.29)
	Private sector	(82.50)	(25.09)	(23.06)	(11.08)	(-4.52)
Market share (%)	LIC	74.39	70.92	70.10	69.77	70.68
	Private sector	25.61	29.08	29.90	30.23	29.32
Number of offices	LIC	2522	3030	3250	3371	3455
	Private sector	6391	8785	8768	8175	7712

Above table showed the various parameters that measures the business performance of life insurers. The LIC is registering a negative growth of 0.29 per cent in premium income in 2011-12 as against 17.19 percent in 2007-08. While private insurers posted 4.52 percent decline in 2011-12 as against accounted for 82.5 percent and 25.09 percent in 2008 and 2009 respectively. As far as new business underwritten is concerned LIC accounted for 74.29% for market share and private insurers accounted for 25.71% market share in period of 2011-12. Life insurance offices owned by LIC showed upward trend in five years. It has increased from 3030 in 2007-08 to 3455 in 2011-12 whereas offices of private insurers decreased from 8768 in 2009-10 to 7712 in 2011-12.

Review of Literature

Kasturi (2006) highlighted that the performance was assessed by maintaining the balance between all the measures in order to achieve success. The study evaluated that financial performance was measured by various financial ratios while non-financial measures include indicators like orientation of customers, growth, and value to the societies. The measures revealed both short-term and long-run achievements of a company. Malik (2011) determined the relationship of profitability and internal factors of insurance companies in Pakistan. For determining specific factors, multiple regression model was applied where profitability taken as dependent variable while age, size of company, volume of capital, leverage and loss ratio as independent variables. The study covered the time period from 2005 to 2009. The findings suggested that there was no relationship of profitability with age, but significant positive relationship with size and volume of capital, and significantly negative relationship with loss ratio and leverage. Chaudhary and Kiran (2011) observed current scenario of life insurance industry in light of some changes and regulation of IRDA. By studying different variables the result showed that life insurance industry expanded tremendously from 2000 onwards in terms of number of offices, number of agents, new business policies, products, premium income etc. Gulati and Jain (2011) analysed business performance of all life insurers in industry on the basis of various indicators. The study indicated that even after the entry of private sector, the growth of public sector undertaking had not resulted in downfall even after facing various opportunities and challenges. Gour and Gupta (2012) determined the solvency ratio of Indian Life insurance companies for the period of 3 years from 2009-10 to 2011-12. It analyzed whether performance of different companies was similar or there was any significant difference. On the basis of solvency ratio, ranks were assigned to different companies which showed that ICICI found the best among selected companies of industry followed by Birla Sun Life, SBI, HDFC and LIC. The paper also observed that solvency of life insures depend on returns received from total investible funds and

interest rate. Neelaveni (2012) evaluated the performance of five life insurance companies at the time period of 2002-03 in terms of various plans and policies on the basis of annual growth rate. The study concluded that life insurance Company being the public sector, was lagging behind due to competition faced by private insurers whereas private life insurance companies had performed well in terms of financial aspects. Charumathi (2012) studied the factors that determine the profitability of life insurers operating in India. The sample for the study included 1 public and 22 private players and period of three years i.e. 2008-09 to 2010-11 was studied. For achieving the purpose, regression analysis was performed which resulted that profitability of life insurers was positively affected by size and liquidity but negatively influenced by leverage, premium growth and equity capital. Biker (2012) investigated the competition and efficiency in Dutch life insurance market by estimating unused scale economies and measuring efficiency market share dynamics during 1995 to 2010. The result of the study showed that economies significantly decrease with size of insurer and unused economies of scale did not exist under strong competition. Kumari (2013) analysed the financial performance of both public and private life insurance industry. For this purpose various parameters such as number of life insurance companies, private sector offices, insurance penetration and density, growth in premium income, size of insurance market were discussed. Financial performance was observed by calculating various financial ratios. The study resulted that there had been a significant increase in the overall business performance of Indian life insurance industry after privatization.

Objectives of the Study

The present study made an attempt to examine the financial performance of life insurers in Indian insurance industry.

➢ To measure the financial performance of selected life insurers during time period taken under the study.

➢ To determine the impact of liquidity, solvency, leverage, size and equity capital on the profitability of life insurers.

Research Methodology

The study has taken 18 life insurers depending upon the availability of data. The study is based upon secondary data which has been collected from annual reports of IRDA. Besides, a few websites have been consulted. The study covers the time period of 5 financial years i.e. 2007-08 to 2011-12. For determining the financial performance, financial ratios like current ratio, solvency ratio, return on asset ratio and leverage ratio is calculated for each life insurers taking into consideration liquidity, solvency, profitability and leverage of the company. The study uses multiple linear regression model to measure the extent to which these determinants exert impact on life insurers profitability. For this purpose, the firm characteristics such as liquidity ratio, solvency ratio, leverage ratio, size and equity share capital are regressed against Return on Assets. The assumptions of regression analysis like normality, stationarity and auto correlation have been checked. The growth rate of life insurers is calculated by taking natural log of variable year wise and thereby examining beta value. Software E-Views 6 has been used for obtaining regression results.

Variables chosen and their formulas:

Variables	Formulas
Return on Assets (ROA)	Net Income before Taxes / Total Assets
Current Ratio (CR)	Current Assets / Current Liabilities
Solvency ratio (SR)	Available Solvency Margin / Required Solvency Margin
Insurance Leverage (IL)	Mathematical Reserves / (Capital + Surplus)
Size	Log of total assets
Equity Capital	Log of Equity Capital

Compiled on the basis of earlier studies

Measuring Financial Performance

Financial ratios are important tool for the business to measure the progress towards reaching goal as well as competing with other companies within the industry. Tracking various ratios over the time is powerful way to identify trends. It illustrates relationship between different aspects of a company's operation in relation to market conditions and performance. Financial ratios are categorized according to financial aspect of the business.

Liquidity Analysis

Current ratio is a financial ratio that measures whether a company has the adequate resources to pay off short-term debt obligations as they fall due. The higher the current ratio is, the more capable the company is to pay its obligations. A current ratio of 2:1 is usually considered the benchmark. A ratio less than one suggest that the company may not have sufficient resources to settle its short-term debt.

Table 2- Current Ratio

PRIVATE LIFE INSURERS	2008	2009	2010	2011	2012
AVIVA	1.03	0.73	1.00	0.64	0.60
BAJAJ ALLIANZ	0.48	0.63	0.47	0.77	0.81
BHARTI AXA	0.45	0.84	0.84	1.04	0.79
BIRLA SUN LIFE	0.85	0.81	0.81	0.85	0.86
FUTURE GENERALI	1.53	0.78	1.06	1.21	1.39

HDFC STANDARD	1.37	1.06	0.62	0.80	0.85
ICICI PRUDENTIAL	0.59	0.57	0.37	0.41	0.53
IDBI FEDERAL	1.77	1.02	1.00	1.02	1.25
ING VSYA	0.87	0.97	0.83	0.97	1.08
KOTAK MAHINDRA	0.92	0.90	0.69	0.80	0.66
MAX LIFE	0.63	0.82	0.69	0.62	0.62
MET LIFE	0.62	0.72	0.53	0.65	0.77
RELIANCE	0.83	0.84	0.85	0.79	0.74
SAHARA	1.11	2.04	1.69	1.81	1.87
SBI LIFE	0.60	0.39	0.55	0.77	2.41
SHRIRAM	0.98	0.93	0.66	1.05	1.44
TATA AIA	0.62	0.77	0.61	0.66	0.70
Growth Rate (%)	83.1				
Public life insurer LIC	1.93	2.48	2.25	3.72	3.08
Growth Rate (%)	78.6				

Computed from the information available in IRDA Annual reports

The table 1 depicts that the ratio is fluctuating over the period of time. Among all life insurers, LIC gives the evidence of sound liquidity position. As far as private players are concerned Companies like Future Generali, IDBI, Sahara, Shri Ram and SBI life have sound liquidity position. From 2008 to 2012 the growth rate of private insurers is 83.1% and of LIC is 78.6% in case of current ratio.

Solvency analysis

Solvency ratio is the ability of a company to meet its long-term fixed expenses and to accomplish long-term expansion and growth. A solvency ratio of greater than 20% is considered financially healthy. The higher the ratio, the better equipped a company is to pay off its debts and survive in the long term. It has to be maintained by all the Insurance Companies in India whether it is Private or Public sector. As per the IRDA (Assets, Liabilities, and Solvency Margin of Insurers) Rules 2000, both life and general insurance companies need to maintain solvency margins.

Table 3 - Solvency Ratio

PRIVATE LIFE INSURERS	2008	2009	2010	2011	2012
AVIVA	4.29	5.91	5.12	5.40	5.15
BAJAJ ALLIANZ	2.34	2.62	2.68	3.66	5.15
BHARTI AXA	2.73	2.07	1.68	2.14	2.34
BIRLA SUN LIFE	2.37	2.44	2.11	2.89	2.99
FUTURE GENERALI	2.94	3.17	2.34	2.21	3.86
HDFC STANDARD	2.38	2.58	1.80	1.72	1.88
ICICI PRUDENTIAL	1.74	2.31	2.90	3.27	3.71
IDBI FEDERAL	3.45	6.11	4.05	6.60	6.61
ING VSYA	2.36	2.26	1.79	3.00	2.16
KOTAK MAHINDRA	2.41	2.69	2.79	2.67	3.06
MAX LIFE	2.25	3.04	3.22	3.65	5.34
MET LIFE	1.70	2.27	1.65	1.69	1.65
RELIANCE	1.65	2.5	1.86	1.66	3.53
SAHARA	4.32	3.6	4.50	4.82	5.28
SBI LIFE	3.30	2.92	2.17	2.04	5.34
SHRIRAM	2.85	3.05	2.69	3.96	4.99
TATA AIA	2.50	2.51	2.11	2.16	2.84
Growth Rate (%)	97.2				
Public life insurer LIC	1.52	1.54	1.54	1.54	1.54
Growth Rate (%)	70.7				

Computed from the information available in IRDA Annual reports

The private insurers showed growth rate of 97.2% in five years and public insurer showed growth rate of 70.7% in their solvency position. Examining individually, private life insurers like Aviva, Bajaj Allianz, IDBI, Max Life, Sahara and SBI life insurance have good solvency position. Public life insurer is showing stability in its solvency position in five years.

Profitability Analysis

Return on assets is a profitability ratio which measures how far a company is profitable in relation to its total assets. ROA tells the investor how well a company uses its assets to generate income. It is a key indicator of the overall productivity of the company, and shows the percentage of profit, company earns in relative to its total resources. A negative ROA suggests that a company is not properly utilizing its capital, and may have disputed management. A company with negative ROA, means it is investing a high amount of capital into its production and simultaneously receiving little income. The company can have a high return on assets even if it is bearing low profit margin.

Table 4 – Return on Assets Ratio

PRIVATE LIFE INSURERS	2008	2009	2010	2011	2012
AVIVA	-0.53	-1.84	-0.99	1.2	0.24
BAJAJ ALLIANZ	-0.34	-1.00	0.78	1.09	1.12
BHARTI AXA	-2.88	-2.43	-3.01	-2.3	-1.34
BIRLA SUN LIFE	-0.80	-0.99	-0.57	0.39	0.50
FUTURE GENERALI	-0.86	-1.79	-2.86	-2.64	-0.79
HDFC STANDARD	-0.24	-0.45	-0.30	-0.07	0.17
ICICI PRUDENTIAL	-1.10	-0.83	0.03	0.96	1.24
IDBI FEDERAL	-0.55	-0.82	-0.49	-0.57	-0.23
ING VSYA	-0.73	-0.58	-0.54	-0.26	-0.10
KOTAK MAHINDRA	-0.27	0.05	0.27	0.27	0.63
MAX LIFE	-0.34	-0.49	-0.02	0.23	0.48
MET LIFE	0.07	0.03	0.07	0.08	0.07
RELIANCE	-1.17	-1.73	-0.4	-0.26	0.74
SAHARA	0.13	-0.40	0.72	0.44	0.30
SBI LIFE	0.10	-0.05	0.26	0.22	0.16
SHRIRAM	0.09	0.11	0.19	0.13	0.26
TATA AIA	-0.97	-1.01	-0.88	0.11	0.59
Growth rate (%)	78.6				
Public life insurer LIC	0.01	0.01	0.02	0.01	0.01
Growth rate (%)	0.00				

Computed from the information available in IRDA Annual reports

The table showed that ROA measure of Bajaj Allianz and ICICI prudential sounds good. The companies like Bharti Axa, HDFC, ING Vysya, Reliance, Max Life, TATA AIA shows negative ROA ratio in respective years. The return on assets ratio is stable and presents a healthy picture of public insurer. The private insurers showed growth rate of 78.6 in five years and public insurer showed negligible growth rate of in their profitability.

Leverage Analysis

Leverage ratio measures the extent to which a company utilizes its debt to finance the assets. A company with significantly having more debt than equity is considered to be highly leveraged. The financial leverage measures the ability of insurance companies to manage their conditions related with unexpected losses of market. Leverage ratios can also provide an indication of a company's long-term solvency. In order to increase the leverage of the company, the company should have more insurance policies, policies of reinsurance and make use of debt.

Table 5 – Leverage Ratio

PRIVATE LIFE INSURERS	2008	2009	2010	2011	2012
AVIVA	1.14	0.61	1.36	0.44	0.04
BAJAJ ALLIANZ	0.32	0.60	1.01	0.36	0.50
BHARTI AXA	0.13	0.20	0.47	0.33	0.16
BIRLA SUN LIFE	2.15	1.06	2.78	1.29	0.44
FUTURE GENERALI	0.00	0.25	0.53	0.52	0.35

HDFC STANDARD	2.85	0.72	4.70	2.88	2.40
ICICI PRUDENTIAL	3.17	0.88	4.78	2.12	0.34
IDBI FEDERAL	0.05	0.65	1.36	1.07	0.63
ING VSYA	1.10	0.63	1.92	0.66	0.30
KOTAK MAHINDRA	0.24	0.31	0.38	0.41	0.46
MAX LIFE	1.60	0.98	3.19	1.56	1.12
MET LIFE	1.27	0.69	1.68	0.98	0.47
RELIANCE	1.63	0.85	2.45	1.32	0.10
SAHARA	0.12	0.18	0.26	0.18	0.21
SBI LIFE	4.81	4.02	8.65	6.83	3.26
SHRIRAM	0.12	0.09	0.31	0.44	0.30
TATA AIA	0.53	0.41	0.33	0.34	0.40
Growth Rate (%)	85.7				
PUBLIC LIFE INSURER LIC	290.90	320.66	320.39	364.83	304.95
Growth Rate (%)	41.2				

Computed from the information available in IRDA Annual reports

Among all life insurers, leverage position of LIC is far better than that of private players. Viewing private players, ratio is changeable over the period of time but leverage position of HDFC Standard, Max Life and SBI Life sounds good. The private life insurers show growth rate of 85.7% and public life insurer demonstrates 41.2% growth rate in five years.

Determining Impact of Variables on Profitability Through Regression Analysis

The regression analysis is used to examine the relationship between the profitability of Indian life insurance companies and explanatory variables. Regression is basically a statistical technique that predicts the value of dependent variable based on one or more independent variables. To measure the profitability of life insurance companies, multiple linear regression model has been developed for the study

$$ROA = \alpha + \beta1\ CR + \beta2\ SR + \beta3\ LEV + \beta\ LNSIZE + \beta\ LN\ EQ + \varepsilon i$$

Hypothesis Framed

To achieve the objectives, the study tested the following null hypotheses:

H01: There is no significant relationship between liquidity and return on assets.

H02: There is no significant relationship between solvency and return on assets.

H03: There is no significant relationship between insurance leverage and return on assets.

H04: There is no significant relationship between size and return on assets.

H05: There is no significant relationship between equity capital and return on assets

Descriptive statistics

The descriptive statistics explores and presents an overview of all variables used in the analysis.

Table 6- **Descriptive statistics**

Variables	Mean	Minimum	Maximum	Std Dev	Jarque Bera Prob	ADF test at level
Return on asset	-1.71	-11.96	1.65	3.51	0.00	0.25
Current Ratio	4.43	2.47	8.52	1.37	0.00	0.06
Solvency Ratio	15.8	8.96	26.82	5.36	0.03	0.05
Insurance Leverage	0.95	0.00	4.52	1.30	0.04	0.00
Log (Size)	12.40	10.28	17.76	1.50	0.00	0.04
Log (Capital)	8.11	4.78	9.10	1.17	0.01	0.61

Results computed from EViews 6

Viewing the table, mean value of all variables ranges from minimum -1.71 for ROA to a maximum 12.40 for size. The standard deviation for ROA is 3.51. The mean of current ratio is 4.43 and standard deviation is 1.37. It means that there exist moderate differences. In regard to solvency the mean value is 15.8 and there exists significant variations as value of standard deviation is 5.36. The mean value of leverage is 0.95 and the value of standard deviation is 1.30. The mean value of size is 12.40 and there is big differences reason that standard deviation is 1.50. The mean value of volume of capital is 8.11 and there were moderate differences between the values of volume of capital because the standard deviation is 1.17.

For testing normality Jarque bera probability value has been considered. The variables are considered normal at 5% significance level. In this case variables i.e. return on asset ratio, current ratio, solvency ratio, insurance leverage ratio are normal at 5 % significance level. But variables size and capital are made normal by taking log of variables. Stationarity is determined through unit root test thereby examining Augmented Dickey–Fuller test value. The return on asset ratio and capital are not stationary at level but made stationary at first difference and 5% significance level, rest of variables are stationary at level. For testing auto correlation, value of the Durbin-Watson has been taken which usually ranges from 0 to 4. The Durbin-Watson statistic for this problem is 1.89 which means there is no auto correlation.

Table 7 - Correlation matrix

	ROA	CR	SR	IL	SIZE	CAPITAL
ROA	1.00	-0.07	0.17	0.29	0.19	-0.15
CR	-0.07	1.00	0.43	-0.40	-0.55	-0.14
SR	0.17	0.43	1.00	-0.08	-0.32	-0.06
IL	0.29	-0.40	-0.08	1.00	0.14	-0.05
SIZE	0.19	-0.55	-0.32	0.14	1.00	-0.37
CAPITAL	-0.15	-0.14	-0.06	-0.05	-0.37	1.00

Results obtained by using E View 6

The table Correlation matrix measures the degree to which these variables are correlated. It ranges in value from 0 to 1. Higher the value, greater will be the correlation. As value is less than 0.5, it depicts that dependent variable has no significant correlation with independent variables. The table of correlation matrix shows that variables have very low and negative correlation with each other.

Table 8 - Regression analysis

Independent Variables	Dependent variable	Beta coefficient	Std Error	T- Stats	Sig. value
C	ROA	42.61	0.57	1.90	0.08
D(CR)		1.49	0.82	1.80	0.09
SR		-0.23	0.26	-0.87	0.39
IL		1.40	0.92	1.53	0.15
SIZE		3.32	1.71	1.93	0.07
D(CAPITAL)		-1.65	0.84	-1.95	0.07
R squared					0.46
Adjusted R squared					0.39
F statistics					1.36
Prob (F stats)					0.03
Durbin Watson Stats					1.89

Results computed by using E Views 6

The table shows model summary of the regression for the life insurers. It identifies the relationship between the dependent variable (ROA) of insurance companies and independent variables (current ratio, solvency ratio, leverage ratio, size of the company and equity capital).The value of adjusted R square is 39% and R-Square of the model 46%. This means that 46 % change in the dependent variable i.e. Return on Assets (ROA) is due to the variations in the independent variables used in this model. R square is the percentage of variance in dependent variable which is explained by independent variables, can be increased simply by adding more variables.

Result shows that the values of variables (current ratio, size and capital) are statistically significant at 10% level it means that there is significant relationship of profitability with current ratio, capital and size of the companies. There is significantly positive relationship between ROA and current ratio. Also there is significantly positive relationship between ROA and size but there is significantly negative relationship between ROA and capital. As the variables, solvency ratio and insurance leverage are not statistically significant at any level, it means there is no significant relationship of ROA with solvency ratio and insurance leverage.

The value of probability F test of the model is equal to 0.03 and is significant. If the value of F is statistically significant at 5%, this suggests a linear relationship among the variables. It do not count constant among independent variables.

The table gives the values of regression coefficients and the constant, which is the expected value of the dependent variable when the value of the independent variables is equal to zero. Regression coefficient of current ratio at 1.49 indicates that when current ratio increases by 1% then the ROA will increase by 149%. It means the companies having sound liquidity position have more return on assets. Regression coefficient of solvency ratio at -0.23 indicates that when firm size increases by 1% the ROA will decrease by 23%. Regression coefficient of insurance leverage at 1.40 indicates that when firm size increases by 1% the ROA will increase by 140%. Regression coefficient of size at 3.32 indicates that when firm size increases by 1% the ROA will increase by 332%. Regression coefficient of capital at -1.65 indicates that when equity capital of life insurers increases by 1% then the ROA will decrease by 165%.

Limitations of the Study

The data collected for the study depends on published financial statements of the companies which may incorporate some drawbacks. The horizon of the study merely confined to very less number of variables as the determinants of insurance company's profitability and measuring financial performance without considering any overall performance measurement tool.

Conclusion of the Study

The study has aimed to examine the financial performance of Indian life insurance companies through analyzing the determinants of their profitability. Measuring the performance of insurance companies has gained the relevance because they are not only providing the mechanism of saving money and transferring risk but also helps to channel funds in an appropriate way from surplus economic units to deficit economic units so as to support the investment activities in the economy. Performance of companies can affect economy as a whole and therefore it requires empirical analysis to judge the performance. For measuring financial performance, financial ratios such as current ratio, solvency ratio, return on assets ratio and insurance leverage ratio have been calculated. The study evaluated that public sector player LIC has sound liquidity position among all life insurers. As far as private players are concerned Companies like Future Generali, IDBI, Sahara, Shri Ram and SBI life have sound liquidity position. In case of solvency position, life insurers like Aviva, Bajaj Allianz, IDBI, Max Life, Sahara and SBI life insurance have higher solvency ratio as compared to others. Public life insurer is showing stability in its solvency position in five years. Return on asset

measure of Bajaj Allianz and ICICI prudential sounds good. The ratio is stable and presents a healthy picture of public insurer. As far as leverage analysis is concerned the performance of LIC is far better than that of private players. Regression analysis of the study shows that profitability has significant positive relationship with liquidity and size. On the other hand there is significantly negatively relationship between profitability and capital. The result also illustrates that profitability has no significant relationship with solvency and insurance leverage. It is therefore imperative to identify factors which can help insurance companies and investors to increase their profitability.

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