

A Study of the Association between Corporate Governance Norms and Development of the Life Insurance Sector

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Abstract – Private or public insurance firms both play an important part in India's economy. Private and government insurance firms in India are expanding the insurance industry, and as a result, India's fundamental infrastructure is growing quickly, and its citizens are benefiting from improved insurance plans. Insurance firms in India provide and arrange for policyholders in accordance with their requirements. A company's corporate governance offers the framework for identifying and selecting techniques that will help it achieve its objectives via monitoring and implementation. The board should always support the company when there is a genuine concern for its investors because good corporate governance gives the proper mechanism to the board, The Indian life insurance sector has a pressing need for corporate governance. The development of life insurance businesses is impacted by corporate governance standards. And life insurance, in terms of corporate governance Insurance in India has a long history.

Keyword – Insurance, Corporate Governance, Governance Norms, Governance Development

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INTRODUCTION

Insurance is mainly employed as a risk management strategy to guard against a potential financial loss in the future. A modest but potentially catastrophic loss may be insured against via insurance, which is defined as the transfer of risk from one organization to another in return for payment. Another way to explain it is that it's a social tool for saving up money in case an insured person suffers an unforeseen loss due to a certain risk. Crisis and danger impact everyone's life at some point in time, regardless of money or status. Losses resulting from a risk may be distributed to the agreed-upon people, but the risk itself cannot be avoided. Risks originating from or better described as caused by Acts of God require the insurance sector to cover risks such as the risk of natural disability, floods, cyclonic storms, tornado-induced drought events and earthquake-induced loss of crops/living stock. In the face of uncertainty and ambiguity, we are all constantly exposed to risk, which may result in damage to our property, loss of life, limbs, and other bodily functions. The existence of risk necessitates the use of high-quality equipment that can at least partly absorb the shock of such risks. Many ideas have developed throughout time to help minimize losses, but insurance has emerged as one of the most powerful and effective tools for

reducing the effects of bad events, if not eliminating them completely

Because human life is the most precious asset, life insurance is the most popular and important product in the insurance industry. The concept of life insurance has had a long and arduous road to get to where it is today and how important it is in the present scenario, despite being the most popular and oldest kind of insurance. Because life insurance has a contractual nature, it may be compared to a contract in which the insurer promises to pay a certain sum of money in the event of the insured's death or at the end of a specified period in return for payment of a premium. Having life insurance protects your family financially in case you pass away before you should. It may also guarantee payment of a specific amount of money when the insured reaches a certain age. By purchasing a life insurance policy, each individual commits to make a financial contribution to the society's common fund in order to compensate the family of the deceased member. Consequently, insurance is an agreement between an individual (insured) and another individual (insurer) for the purpose of transferring risk for a fee known as a premium, and an insurance agreement in which specific terms and conditions of coverage are spelled out is termed an insurance

policy, This want gives rise to the concept of insurance. A number of losses were shared as the insurance basis. Insurance provides financial stability and strength to individuals and organizations by disseminating a list of beneficiaries through time via the creation of a fund. In addition to facilitating greater access to finance, good corporate management practices benefit a company by lowering capital costs, improving performance, and treating stakeholders fairly. They also encourage better disclosure of corporate reporting, resulting in more market liquidity, capital formation, and increased corporate valuation and profitability. India's commercial enterprises were destined to failure, despite its excellent business practices. As a consequence of bad management practices, many Indian insurance firms have gone out of business, been bought, or merged. Good corporate governance is essential in a growing nation like India. Since recently, India has started a series of corporate-government pillars to enhance the economy's openness, accountability, and rule of law via the backing of legal, economic, and financial reform. Since corporate governance promotes accountability, transparency, and profitability for insurance firms while also promoting the growth of the insurance sector to safeguard stakeholders' interests, it is critical for insurers.

LITERATURE REVIEW

Dr. Bharti Sankhla (2017) Private or government insurance firms are playing a crucial role in India. There are many private- and government-owned insurance firms in India growing the insurance industry, and due to their growth, basic infrastructure is quickly rising in India and insurance policy is improving in India. In India, insurance firms provide and arrange for clients according to their requirements. In the Indian Insurance Industry, these businesses have learned how to stand apart. General adhesion, top managers, management meetings, meetings recurrent political decisions and the board organization are usually the company governance. In view of the fundamental objectives of increasing investor value and productivity the BOD is established for chosen directors, for example, the CEO in the interests of investors. The relationships between company boards, investors and partners may be seen as corporate governance. Corporate governance offers the framework through which the objectives and means of achievement, checking and implementation are defined. Good corporate governance provides the Board with an appropriate mechanism and the Board always supports its investors in the light of genuine business concerns.

Saon Ray et al., (2018) In the last few of years Indian insurance has grown dramatically. Despite the series of changes which have been carried out to boost sector development, the industry remains far from reaching a level that remains abysmally low in the global insurance market. In this document, we

examine and track the development and expansion of the Indian insurance industry. The main difficulties confronting the industry are also identified. The report highlights that low density and penetration rates, lower investments in insurance products, the dominance and worsening financial health of government policyholders are among the problems the industry is experiencing. As India's growth relies on the shock-absorption economy, it is important for the development of a healthy insurance industry to tackle such difficulties.

Ashish Bansal (2018) In the case of general and life insurance divisions, exposure as a rule over life insurance is preferred. Compulsory and intentional disclosure in most life insurance firms is strongly favorable in connection to organization size, net premiums and the age of the company and negative in relation to net benefits. In principle, these four characteristics are deeply and strongly linked to the necessary disclosure by insurance firms. Various regression findings indicate that the net premium of life insurance undertakings and all of the insurance undertakings' age have the highest exposure effect. In comparison to life insurance businesses, corporate governance exposure is better in all insurance companies.

Vladimir Njegomir, Rajko Tepavac (2014)

Corporate governance comprises laws, regulations and institutions in every enterprise, including insurance firms, that regulate and execute in reality the management and control of these enterprises. Improving all economic indicators, mainly in the benefit of owners and all other stakeholders, including policyholder, creditors, workers, the government and the community, is fundamental to the creation and execution of corporate governance. The study is aimed at analyzing corporate governance applications in insurance worldwide and in Serbia. Given that the corporate governance standardization framework is not generally accepted since it differs from the specifics of each individual insurance firm, the research topic of the paper is a general corporate leadership framework which applies at the level of each individual insurance company to all of the necessary insurance corporations. First, we emphasize the significance of corporate governance in insurance and details of corporate governance legislative framework in Serbian insurance firms, and then evaluate the quality of corporate management, report on corporate governance and worldwide standards.

B. Prakash Babu and Dr. P.Viswanatham (2013) since the founding of the joint venture, corporate governance has been affected. The separation of ownership and control was a major issue. Business governance comes from financial crisis problems and major corporate scandals. The difficulties for Corporate Governance include also globalization, and technological development. The main aim of

management is to lawfully and ethically build wealth. This means that five groups - consumers, staff, investors, distributors and the broader company - are very satisfied. The best practice of corporate governance comprises stability and efficiency, an appropriate basic environment, a compliance control and monitoring system. Compliance with excellent corporate governance is one of India's philosophical values. The driving factor behind institutionalizing strong corporate governance practices are different proactive steps that contribute to sustained continuity and to a better international corporate governance policy.

OBJECTIVES

- To study the adherence of governance norms and the major corporate governance practices in Life Insurance Sector in India.
- To study the correlation between corporate governance norms and growth of the life insurance sector.
- To study various parameters of corporate governance having major importance for life insurance.
- To study the impact of corporate governance on corporate social responsibilities.

RESEARCH METHODOLOGY

The technique of investigation refers to the process and methods was used to achieve the study goals. This method identifies a research issue and collects data from both primary and secondary sources; then analyses the data gathered; draws conclusions from the data analyzed; and the recommendations was ultimately made. For each and every stage of the study process, several options are accessible. After thorough assessment of goals and comparison of the different options, the optimal technique may be chosen. The researchers was thus engage in different stages, concepts and methods in resolving the issue of research. The purpose of this study is to check the compliance of Indian Life Insurance Companies with IRDAI corporate governance guidelines as well as the impact on development, efficiency, financial strength and corporate social responsibility of the life insurance companies of corporate governance parameters. Primary and secondary data was gathered in order to accomplish these goals. A survey was carried out on primary information and the secondary data was gathered from the life insurance company annual reports and the IRDAI Annual Report. Finally, the data gathered was evaluate and the findings produced.

Research Design

The casual approach was used to analyze causal links between various variables. Descriptive

technique of study provides an understanding of the present state of 73 and the features of a specific occurrence. This is exploratory in nature usually and the status of a certain region is determined. In this study, the current state of corporate governance in the life insurance sector in India is thus explored using descriptive research techniques. Its effectiveness in describing the presence and features of the phenomena being investigated is the primary advantage of the descriptive research technique. For the empirical research of the study, the descriptive research technique is utilized. This technique was utilized with both quantitative and qualitative data. However, since causal connections cannot be studied was using descriptive techniques, causal research methodologies investigate how corporate governance standards affect the development, performance, financial strength and social responsibility of life insurance companies. The purpose of this study is to examine corporate governance procedures by life insurance firms in India and to describe exploratory aspects of research design in nature.

Population, Sample and Time Period of the Study

Because the research looked at how well the Indian Life Insurance industry adheres to corporate governance best practices, all of the life insurance firms in India will be included in the study's population and sample. Only one public sector life insurance company, the Life Insurance Corporation of India, operates in India (LIC). As a result, there are twenty-four people in the sample.

Data Collection

The study was carried out using primary and secondary data sources to gather data. In order to comply with corporate governance standards, a questionnaire survey was done with the aim to gather the main data. The aim was to examine the insights of managers in the operational element of the framework for corporate governance. The annual report of life insurance firms and IRDAI gathers secondary data on growth, performance, financial strength, social responsibility and corporate governance. A variety of newspapers, books, financial journals, magazines, daily and weekly reports have also been utilized by different organizations and online journals like J Store, Sage, and others.

DATA ANALYSIS

Correlation between Corporate Governance Norms and Growth of the Life Insurance Sector

Corporate Governance Variables:

We looked at the relationship between corporate governance standards and life insurance industry growth using the factors listed below.

1. Active and Independent Board:

TD: Total number of directors in the board.

ID: percent of board members who are not company insiders, Involvement of a majority of the board in decision-making.

MR: Each executive director's average annual compensation. In a fiscal year, the average number of board meetings is conducted four times each year.

ACM: There are how many times the Audit Committee meets throughout the year. Annual investment committee sessions are counted as one meeting of the ICM.

2. Ownership Structure

Indian promoter shareholdings, foreign promoter shareholdings, and Indian banks and financial institutions shareholdings were all considered while determining ownership structure.

IP: Percentage of a company's stock owned by Indian entrepreneurs. FP: The percentage of a company's stock owned by foreign promoters.

IB&FIs: Percentage of shares held by Indian Banks and Financial Institutions.

For the growth of the life insurance sector the following variables were taken:

- Total Premium (TP)
- First Year Premium (FYP)
- Number of Policies (NOP)
- Number of Agents (NOA)
- Number of Offices (NOO)

Descriptive Statistics

Table provides the descriptive data. In sum, all life insurance firms charge an average premium of 10, 31,794.833 lakhs. Except for LIC and ICICI Prudential, only two insurers had total premiums above the mean; Edelweiss Tokio had the lowest. Overall, the life insurance premiums are lower than the industry average for the other insurers. The first-year premiums of ICICI Prudential, SBI Life, and LIC of India are all higher than the national average of 4, 15,603.67 lakhs, according to the company.

Table 1: Descriptive Statistics I of Growth Variables

Variables	Mean	Std. Dev.	Min	Max
TP (₹)	1031794.833	3637113.27	9242	18035466
FYP (₹)	415603.67	1377589.49	6534	6842396
NOP	1488.77	6341.77	18.29	31249.8
NOA	96546.87	246428.23	4.86	1224714.1
NOO	435.59	724.42	27	3463.44
TD	9.9	1.59	5.8	12.5
ID	28.895	7.89	17.12	42.86
MR (₹)	28471402.43	22055497.12	2981700	83213017.4
ACM	4.36	0.67	4	6.25
BM	4.8	0.88	4	7
ICM	4.32	1.43	4	11
BIL	64.15	21.52	22.22	100
IP	0.51	0.37	0	1
FP	0.204	0.11	0	0.26
IB&FI	0.24	0.32	0	0.741

Source: Researcher's Calculations through SPSS.

Table 2: Descriptive Statistics II of Growth Variables

Variables	Skewness	Kurtosis	Shapiro Wilk	Prob.
TP	0.692	1.485	0.963	0.504
FYP	0.772	1.562	0.957	0.378
NOP	1.757	5.098	0.846	0.002
NOA	-1.825	6.379	0.852	0.002
NOO	0.361	-0.457	0.967	0.598
TD	-0.816	0.827	0.955	0.352
ID	0.2	-1.235	0.945	0.216
BIL	-0.229	-0.875	0.969	0.65
MR	-0.651	0.001	0.938	0.149
ACM	1.883	2.478	0.629	0
BM	0.801	-0.357	0.875	0.006
BM	0.801	-0.357	0.875	0.006
ICM	4.784	23.168	0.257	0
IP	-0.535	-1.472	0.782	0
FP	-1.515	0.345	0.527	0
IB&FI	0.838	-1.195	0.692	0

Source: Researcher's Calculations through SPSS.

Correlation Analysis

When looking for a link between corporate governance standards and life insurance company development, researchers turned to Karl Pearson's Correlation Coefficient. It has a range of -1 to +1. A perfect negative correlation is represented by -1, whereas a perfect positive correlation is represented by +1.

Table 3: Correlation Analysis of Growth Variables and Corporate Governance Variables

Variables	TP	FYP	NOP	NOA	NOO	TD	ID	BIL	MR
TP	1								
FYP	0.990**	1							
NOP	0.887**	0.875**	1						
NOA	0.575**	0.563**	0.786**	1					
NOO	0.827**	0.801**	0.914**	0.829**	1				
TD	0.439*	0.440*	0.245	0.05	0.166	1			
ID	0.351	0.353	0.415*	0.463*	0.504*	-0.245	1		
BIL	0.002	-0.016	-0.052	0.143	0.046	0.021	0.275	1	
MR	0.096	0.047	-0.04	-0.011	0.023	0.264	-0.319	-0.004	1
ACM	0.475*	0.496*	0.559**	0.345	0.408*	0.086	0.362	-0.076	-0.521**
BM	-0.077	-0.053	-0.03	-0.043	-0.105	-0.316	0.199	-0.261	-0.397
ICM	0.625**	0.633**	0.762**	0.4	0.520**	0.225	0.235	-0.281	-0.231
IP	-0.391	-0.438*	-0.137	0.205	0.059	-0.436*	0.077	-0.049	0.158
FP	-0.111	-0.088	-0.31	-0.196	-0.243	0.192	-0.36	0.243	0.277
IB&FI	0.105	0.148	-0.206	-0.409*	-0.293	0.251	-0.093	0.15	-0.14
TA	0.989**	0.976**	0.909**	0.593**	0.837**	0.445*	0.345	0.017	0.082
Age	0.786**	0.770**	0.885**	0.576**	0.711**	0.287	0.362	-0.142	-0.152

Table 4: Correlation Analysis of Growth Variables and Corporate Governance Variables

Variables	ACM	BM	ICM	IP	FP	IB&FI	TA	Age
ACM	1							
BM	0.327	1						
ICM	0.547**	0.13	1					
IP	-0.520**	-0.187	-0.295	1				
FP	-0.124	-0.096	-0.387	-0.304	1			
IB&FI	0.314	0.188	-0.162	-0.861**	0.274	1		
TA	0.508*	-0.069	0.688**	-0.391	-0.111	0.062	1	
Age	0.527**	0.021	0.939**	-0.23	-0.428*	-0.187	0.831**	1

Source: Researcher's Calculations through SPSS.

Note: ** Correlation is significant at 0.01 levels.

* Correlation is significant at 0.05 levels.

CONCLUSION

Economic development must be accompanied by financial stability, which is only possible with strong corporate governance in place. However, research on the suitability of corporate governance systems in developing economies is currently scant when compared to that done for developed nations. Despite the fact that the Indian life insurance sector is growing, little research has been done on the industry's corporate governance standards. Consequently, an attempt has been made in current study to look into the corporate governance norms employed in India's insurance industry and their impact on the growth, performance and financial health of Indian insurance firms. The research's results are quickly described objectively, and conclusions derived from the data are addressed in this paper. Another attempt was to offer suggestions based on the study's results, and finally the future research scope was presented, the study's fourth objective was to find out whether there was any connection between good governance and CSR. Researchers found that only 15 of India's life insurance companies engage in CSR activities; the other corporations are secretive about their efforts. While ICICI Prudential Life Insurance Company Limited spent the maximum money on corporate social responsibility (CSR), IDBI Federal Life Insurance Company Limited did not (6, 00,000). 541,51,784 was spent on CSR efforts by the life insurance industry as a whole; just five companies spent more than the average, while 10 spent less (ICICI Prudential; Bajaj Allianz; LIC of India; MAX Life; SBI Life Insurance).

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