A Study on the Financial Performance Appraisal of Life Insurance Corporation of India using the Caramel Model

Dr. R. Jayanthi
Assistant Professor
Vidhya Sagar Women's College
Department of Commerce
G.S.T. Road, Vedanarayanapuram, Chengalpattu – 603 111,
Kancheepuram District, Tamil Nadu, India

ABSTRACT

Huge population in India is the only reason for wide growth of development in the Life Insurance sector. Life Insurance is one of the fastest growing sectors in India since 2000 as Government allowed Private players and FDI up to 49%.

Life Insurance in India was nationalised by incorporating Life Insurance Corporation (LIC) in 1956. All private life insurance companies at that time were taken over by LIC. In 1993, the Government of India appointed RN Malhotra Committee to lay down a road map for privatisation of the life insurance sector. There are 24 Life insurance companies in India. Life Insurance Corporation of India (LIC) is the only Public Sector insurance company, the rest all being private insurance players.

Life Insurance Corporation of India (**LIC**) is an Indian owned insurance and investment company headquartered in Mumbai. It is the largest insurance company in India with an estimated asset value of Rs. 1,560,482 crores (US$250 billion). As of September 2018 it has total Assets of Rs.27.25 Lakh crores. The Life Insurance Corporation of India was founded in 1956 when the Parliament of India passed the Life Insurance of India Act that nationalised the private insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state owned Life Insurance Corporation.

Among various service sector activities banking and insurance plays a vital role. The banking sector is a very important sector of the Indian economy. There are many factors to examine when looking at insurance companies. Poor fundamentals not only indicate a poor investment opportunity, but also hinder growth. Nothing is worse than insurance customers discovering that their insurance company might not have the financial stability to pay out if it is faced with a large proportion of claims. Hence performance analysis is essential especially in case of insurance companies.

Hence, a study on the financial performance Appraisal of Life Insurance Corporation (LIC) of India is felt necessary.

The main purpose of this paper is to study and analyze the financial performance appraisal of Life Insurance Corporation (LIC) of India using the CARAMEL MODEL.

This case study was done based on secondary data collected from multiple sources of evidence, in addition to books, journals, websites, and newspapers.

"Don't leave anything to chance. Protect the ones you love with Life Insurance – LIC of India"

KEYWORDS: Financial analysis, Current Ratio, Capital, Asset, Earnings and Profitability.

INTRODUCTION

The Life Insurance Corporation of India popularly known as "LIC of India" was incorporated on September 1, 1956 by nationalizing 245 Indian as well as foreign companies. It was established 62 years ago with a view to provide an insurance cover against various risks in life. The luminaries who spearheaded this move at that time visualized an entity that will provide life insurance to Indians, especially the vast rural people, at an economical cost and channel the savings for the betterment of the nation. It is the largest life insurance company in India and also the country's largest investor. It is fully owned by the Government of India and headquarter is Mumbai.

Life Insurance Corporation of India (**LIC**) is an Indian owned insurance and investment company headquartered in Mumbai. It is the largest insurance company in India with an estimated asset value of Rs. 1,560,482 crores (US$250 billion). As of September 2018 it has total Assets of Rs.27.25 Lakh crore. The Life Insurance Corporation of India was founded in 1956 when the Parliament of India passed the Life Insurance of India Act that nationalised the private insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state owned Life Insurance Corporation.

The insurance industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

Post liberalisation, the insurance industry in India has recorded significant growth. The Indian insurance industry is expected to grow to US$ 280 billion by FY2020, owing to the solid economic growth and higher personal disposable incomes in the country. Overall insurance penetration in India reached 3.69 per cent in 2017 from 2.71 per cent in 2001. Gross premiums written in India reached Rs 5.53 trillion (US$ 94.48 billion) in FY18, with Rs 4.58 trillion (US$ 71.1 billion) from life insurance and Rs 1.51 trillion (US$ 23.38 billion) from non-life insurance.

OBJECTIVE OF THE STUDY

The present study made an attempt to examine the financial soundness and performance of Life Insurance Corporation (LIC) of India. The main objectives are:

- To evaluate the financial soundness and performance of Life Insurance Corporation (LIC) of India using the CARAMEL MODEL.
- To make comparative analyse of their financial soundness and performance under the study period (i.e. for a period of 10 Years - between 1st April 2008 and 31st March 2018).

RESEARCH METHODOLOGY

This research follows the analytical research methodology which is based on the quantitative data. The main source of data used for the study is secondary data derived from the published annual reports of the selected company collected from official website and other links i.e. year wise financial performance statistics of the Life Insurance Corporation (LIC) of India from the year 2008 to 2018 obtained, compiled and tabulated from the respective year's IRDA annual reports. The information related with theoretical background has been collected from websites, journals, magazines, newspapers, books and from Government of India publications. Present study covers the financial performance appraisal of Life Insurance Corporation (LIC) of India using the CARAMEL MODEL for Ten consecutive financial years, employs ratio analysis with the following methodology: The period of the study starts from 1stApril 2008 and ends on 31stMarch 2018. The rationale behind selecting this period is the availability of data.

LIMITATIONS OF THE STUDY

- The financial statements and annual report were used; hence the data collected is secondary in nature.
- False Results: In case the data upon which the ratios are computed are incorrect, then the ratios calculated would also be incorrect.
- Limited Comparability: The different accounting policies followed by firms will not make some of the accounting ratios strictly comparable.
- Ratio analysis is only a quantitative method of performance analysis and hence ignores qualitative factors.
- Ratio analysis is only to measure profitability, efficiency and financial soundness but they aren't the solution to real time problem.
- The scope of study analysis is only for 11 Years.

TOOLS AND TECHNIQUES OF ANALYSIS

The collected data have been suitably re-arranged, classified and tabulated as per the requirement of the study and the following techniques have been applied:

The performance of insurance companies can be measured by a number of indicators. However, in present study, CARAMEL parameters are used to study the financial performance of insurance companies. For measuring the performance of insurance companies on the basis of CARAMEL parameters, the present study employs ratio analysis with the following methodology:

The description of CARAMEL acronym and ratios calculated to test each acronym are:

1. **Capital Adequacy:** Capital Adequacy can be viewed as the key indicator of an insurer's financial soundness. Capital is seen as a cushion to protect insured and promote the stability and efficiency of financial system, For the purpose of calculation of capital adequacy of companies under study, two ratios have been used, prescribed by IMF and World Bank (IMF, 2005). First is the ratio of Net Premium to Capital and second ratio is Capital to Total Assets.
2. **Asset Quality:** Asset quality is one of the most critical areas in determining the overall financial health of an insurance company. The primary factor effecting overall asset quality is the quality of the real estate investment and the credit administration program. Ratio of equities to total assets and ratio of Real Estate + Unquoted Equities + Debtors to Total Assets has been used, prescribed by IMF and World Bank. For the purpose of the study the first ratio is used.
3. **Retention Ratio:** IMF prescribes two ratios in this standard viz. ratio of Net Premium to Gross Premium and ratio of Net Technical Reserves/ Average of Net Claims paid in last three years.
4. **Management efficiency:** The ratio reflects the efficiency in operations, which ultimately indicates the management efficiency and soundness. The indicator prescribed is Operating Expenses to Gross Premiums.
5. **Earnings and Profitability:** IMF prescribes five sub dimensions to this standard to limelight the earnings and profitability of the insurance companies. The standard is two tiers, covering both operational and non-operational efficiency of the insurance companies.
    - **Claims Analysis:** The standard is an important indicator of whether their pricing policy is correct or not. It reflects the quantum of claims in the premiums earned. The ratio prescribed for this analysis is Net Claims Incurred to Net Premium.
    - **Expense Analysis:** Expense analysis indicates the expenditure incurred by the management while carrying on insurance business, greater the expenditure, lesser will be the profit margin. The ratio prescribed for this purpose is Management Expenses to Net Premium Earned.
    - **Combined Ratio** Analysis: Combined ratio is blend of claims and expense ratio. The ratio explains the probability of profitability in insurance operations. The ratio for this standard is Claim Ratio plus Expense Ratio to Net Premiums.
    - **Investment Income Analysis:** Investment income ratio quantifies the income earned on investments. The ratio prescribed is Investment Income to Net Premiums.
    - **ROE Analysis:** Return on Equity is the measure of return to shareholders and the ratio is Profits to Equity.
6. **Liquidity (Liquidity Analysis):** Liquidity crises may turn to be serious in the concerns, where obligations are of short duration nature, similarly for non-life insurers, the ratio is an important standard and is current assets to current liabilities.

CARAMEL Model: The model is used to evaluate the operational efficiency of life insurance companies in India. The model makes use of ratio analysis. Ratio analysis is an analysis of financial statements which is done with the help of Ratios. A Ratio expresses the relationship that exists between two numbers taken from the financial statements. Ratio analysis is among the best tools available with the analyst to analyze the financial performance of a company as it allows inter-company and intra company comparison. It also provides a bird's eye view regarding the financial condition of the company. An overview of CARAMEL Indicators used in chapter three of the study is presented in the table given below:

CARAMEL MODEL

Sl. No.	Performance Indicators	Ratios
1	**C**apital Adequacy	1. Net Premium/Capital 2. Capital / Total Assets
2	**A**sset Quality	1.Equities / Total Assets 2. Real Estate +Unquoted Equities + Debtors /Total Assets
3	**R**einsurance and **A**ctuarial Issues	1. Net Premiums / Gross Premiums 2. Net Technical Reserves /Average of Net Claims in last three years
4	**M**anagement Soundness	1. Operational Expenses / Gross Premiums
5	**E**arnings and Profitability	1. Loss Ratio = Net Claims / Net Premiums 2. Expense Ratio = Expenses / Net Premiums 3. Combined Ratio = Loss Ratio + Expense Ratio 4. Investment Income / Net Premium 5. Return on Equity = PAT/ Equity
6	**L**iquidity	1. Liquidity = Current Assets / Current Liabilities

After approaching towards the results of the above mentioned ratios, rank to each parameter is assigned on the basis of average ratio and at last, the composite ranking of CARAMEL framework is made in order to arrive at conclusions.

DATA ANALYSIS & INTERPRETATION:

1. **Capital Adequacy Analysis:** Capital Adequacy is viewed as the key indicator of an insurer's financial soundness and prudential standards recognize the importance of adequate capitalization with solvency as key focus area of insurance supervision.

   For the capital adequacy analysis of the insurers two capital adequacy ratios have been used in present study i.e. Net Premium to Capital and Capital to Total Assets ratio. The former reflects the risk arising from underwriting operations and the latter reflects assets risk. Net premium is a convenient proxy for the quantum of retained indemnity risk, that is, risk the insurer retains after reinsurance, being the risks that must be covered by own capital. Due to absence of international norm, capital is defined as total equity capital.

   The healthy growth in net premium is considered to be risky unless supported by optimal balanced capital, to act as cushion to bear shocks. Empirical results have shown that good growth of premium volume is one of the casual factors in insurer insolvency (Kim et al., 1995). Being too obsessed with growth can lead to self-destruction as other important objectives might be neglected. This is especially true during an economic downturn, such as the South Asian Financial Crisis. The following table highlights the capital adequacy ratio of the selected organization i.e. Life Insurance Corporation (LIC) of India.

Table 1: Capital Adequacy Ratio analysis of Life Insurance Corporation of India (Rs. In Lacs)

Year	Net Premium	Capital	Ratio	Capital	Total Assets	Ratio
2008-09	15,718,655.04	500.00	31,437.31	500.00	87,355,134.85	0.0000057238
2009-10	18,598,591.22	500.00	37,197.18	500.00	115,205,720.67	0.0000043401
2010-11	20,335,804.75	500.00	40,671.61	500.00	131,741,610.13	0.0000037953
2011-12	20,280,290.33	10,000.00	2,028.03	10,000.00	141,789,178.83	0.0000705272
2012-13	20,858,972.06	10,000.00	2,085.90	10,000.00	156,048,184.26	0.0000640828
2013-14	23,679,807.36	10,000.00	2,367.98	10,000.00	176,211,219.55	0.0000567501
2014-15	23,948,277.17	10,000.00	2,394.83	10,000.00	203,111,608.39	0.0000492340
2015-16	26,622,538.36	10,000.00	2,662.25	10,000.00	221,037,864.90	0.0000452411
2016-17	30,019,668.40	10,000.00	3,001.97	10,000.00	257,202,833.64	0.0000388798
2017-18	31,785,098.87	10,000.00	3,178.51	10,000.00	284,504,182.01	0.0000351489

Source: - Compiled from the Annual Reports of Life Insurance Corporation of India

Total Assets= Total application of Funds-Debit balance in profit and loss account. This indicates that the business was supported by the fair amount of capital for all the public insurers, in case of Life Insurance Corporation (LIC) of India, the net premium to capital ratio is excellent and it is increasing year by year. It indicates that the company supported by fair amount of capital. Total capital of Life Insurance Corporation (LIC) of India is lowest in the Insurance Sector. The ratio of capital to total assets indicates the proportion of capital in the total assets portfolio of the companies, growth in the assets of the business and how efficiently the capital has been invested to create assets. The company under study have quite satisfactory ratio.

2. **Asset Quality Analysis:** Asset quality is one of the most critical areas in determining the overall financial health of an insurance company. In this analysis an attempt is made to explore the structure of assets and focus on the existence of potentially impaired assets as well as on the degree of credit control, an insurance company exercises. The indicator, equities/total assets, reveals the degree of insurer's exposure to the stock market risk and fluctuations of the economy.

Table 2: Asset Quality of Life Insurance Corporation of India (Rs. In Lacs)

Year	Equities	Total Assets	Ratio
2008-09	33,607.91	87,355,134.85	0.00038473
2009-10	36,587.32	115,205,720.67	0.00031758
2010-11	40,373.60	131,741,610.13	0.00030646
2011-12	53,056.79	141,789,178.83	0.00037419
2012-13	51,547.06	156,048,184.26	0.00033033
2013-14	53,859.53	176,211,219.55	0.00030565
2014-15	56,254.42	203,111,608.39	0.00027696
2015-16	58,294.29	221,037,864.90	0.00026373
2016-17	60,645.28	257,202,833.64	0.00023579
2017-18	65,037.25	284,504,182.01	0.00022860

Source: - Compiled from the Annual Reports of Life Insurance Corporation of India

The analysis of the asset quality ratio signals the fluctuating trend in the assets base of the company in comparison to the equities. The decreasing ratio was as a result of earlier robust growth in the investments, fixed assets and advances and later increase in the short term assets base of the company.

Lower ratio may be preferred to higher one, considering that higher ratio indicates large amount of provisions hold for the large amount of NPAs (Nonperforming Assets) in the total gross assts. As the foregoing table depicts, the asset quality of life insurers has been pretty sound during the study period, as a result, of are prohibited to extend credit to their customers and from investing in stock markets and neither are the companies listed.

3. **Risk retention Ratio:** Risk retention ratio reflects the overall underwriting strategy of the insurer and depicts what proportion of risk is passed onto the reinsurers. Overall, insurer's capital and reinsurance cover need to be capable of covering a plausible severe risk scenario.

Table 3: Risk retention Ratio - Ratio of Net Premium to Gross Premium (Rs. In Lacs)

Year	Net Premium	Gross Premium	Net Retention Ratio
2008-09	15,718,655.04	15,728,803.85	0.9994
2009-10	18,598,591.22	18,607,731.08	0.9995
2010-11	20,335,804.75	20,347,339.71	0.9994
2011-12	20,280,290.33	20,288,927.84	0.9996
2012-13	20,858,972.06	20,880,357.97	0.9990
2013-14	23,679,807.36	23,694,230.07	0.9994
2014-15	23,948,277.17	23,966,765.14	0.9992
2015-16	26,622,538.36	26,644,420.56	0.9992
2016-17	30,019,668.40	30,048,735.98	0.9990
2017-18	31,785,098.87	31,822,320.56	0.9988

Source: - Compiled from the Annual Reports of Life Insurance Corporation of India

The analysis of risk retention ratio clearly indicates that the risk retention capacity of the selected organization is constant.

4. **Management Soundness Analysis:** Sound management is crucial for financial stability of insurers. It is very difficult; however, to find any direct quantitative measure of management soundness, the indicator is operating expenses by gross premiums and personnel expenses to Gross premiums. Gross premiums are used because they are a reflection of the overall volume of business activity. The analysis reflects the efficiency in operations, which ultimately indicates the management efficiency and soundness. The analysis of the management soundness is presented in the following table.

Table 4: Management Soundness Analysis - Ratio of Operating Expenses to Gross Premium (Rs. In Lacs)			
Year	Operating Expenses	Gross Premium	Op. Exp/Gross Pre.
2008-09	701,378.41	15,728,803.85	0.0446
2009-10	932,960.54	18,607,731.08	0.0501
2010-11	1,376,293.81	20,347,339.71	0.0676
2011-12	1,285,937.78	20,288,927.84	0.0634
2012-13	1,489,675.54	20,880,357.97	0.0713
2013-14	1,890,239.35	23,694,230.07	0.0798
2014-15	2,096,378.60	23,966,765.14	0.0875
2015-16	2,141,484.32	26,644,420.56	0.0804
2016-17	2,740,651.16	30,048,735.98	0.0912
2017-18	2,839,971.69	31,822,320.56	0.0892

Source: - Compiled from the Annual Reports of Life Insurance Corporation of India

The ratio of operating expenses to gross premium preferred to be low one, yet it has not been subject to any strict action and IRDA seem to wait for some time to allow the sector to establish the network. The peer and industry average trend ratio indicate that in general the operation expenses decreasing from year on year (YOY) basis, given still the highest.

5. **Earnings and Profitability Analysis:** The ratios in this section include claim ratio (also known as loss ratio), expense ratio, combined ratio, investment income ratio and return on equity. It is important to note on technical detail; while the loss ratio has earned net premium into the denominator (on accrual basis, net claims are directly related to the denominator), the expense ratio is commonly defined with written net premium in the denominator (again, the expenses other than claims are directly related to the denominator). The combined ratio, defined as the sum of the loss ratio and expense ratio, is a basic, commonly used measure of profitability. Another indicator, investment income/net premium, focuses on the second major revenue source-investment income. Return on equity then indicates the overall level of profitability. The five ratios comprising the indicator "Earnings and Profitability".

Table 5: Earnings and Profitability Analysis - Ratios showing Earnings and Profitability					
Year	Claims Ratio	Exp. Ratio	Combined Ratio = Claims Ratio + Exp. Ratio	Investment Income Ratio	ROE
2008-09	0.0551	0.1592	0.214	-0.2128	-0.0263
2009-10	0.0845	0.1282	0.213	0.5926	0.2185
2010-11	0.2266	0.1249	0.352	0.2364	0.2248
2011-12	0.3613	0.1213	0.483	0.0599	0.2578
2012-13	0.7504	0.1674	0.918	0.449	0.2296
2013-14	0.825	0.1752	1	0.6285	0.2214
2014-15	0.6414	0.157	0.798	0.8145	0.203
2015-16	0.5081	0.1597	0.668	0.2205	0.1819
2016-17	0.4568	0.1358	0.593	0.4519	0.1719
2017-18	0.4641	0.1363	0.6	0.3418	0.1762

Source: - Compiled from the Annual Reports of Life Insurance Corporation of India

Claims Ratio			
Year	Claims	Net Premium	Claims Ratio
2008-09	4,216,774.03	15,718,655.04	0.2683
2009-10	5,412,910.66	18,598,591.22	0.2910
2010-11	5,620,453.37	20,335,804.75	0.2764
2011-12	6,511,093.28	20,280,290.33	0.3211
2012-13	6,952,226.77	20,858,972.06	0.3333
2013-14	8,976,693.46	23,679,807.36	0.3791
2014-15	8,819,102.37	23,948,277.17	0.3683
2015-16	9,536,578.66	26,622,538.36	0.3582
2016-17	10,897,178.06	30,019,668.40	0.3630
2017-18	12,560,443.71	31,785,098.87	0.3952

Expense ratio			
Year	Total Expenses	Net Premium	Expense ratio
2008-09	1,563,486.77	15,718,655.04	0.0995
2009-10	1,987,698.44	18,598,591.22	0.1069
2010-11	2,593,122.82	20,335,804.75	0.1275
2011-12	2,639,002.28	20,280,290.33	0.1301
2012-13	2,936,768.87	20,858,972.06	0.1408
2013-14	3,537,525.54	23,679,807.36	0.1494
2014-15	3,587,571.33	23,948,277.17	0.1498
2015-16	3,663,289.50	26,622,538.36	0.1376
2016-17	4,358,069.22	30,019,668.40	0.1452
2017-18	4,610,877.79	31,785,098.87	0.1451
Investment Income Ratio			
Year	Income from Investments	Net Premium	Investment Income Ratio
2008-09	4,277,572.55	15,718,655.04	0.2721
2009-10	11,239,509.87	18,598,591.22	0.6043
2010-11	9,583,360.09	20,335,804.75	0.4713
2011-12	8,433,028.52	20,280,290.33	0.4158
2012-13	11,745,287.16	20,858,972.06	0.5631
2013-14	14,296,712.03	23,679,807.36	0.6038
2014-15	16,778,605.66	23,948,277.17	0.7006
2015-16	15,699,685.80	26,622,538.36	0.5897
2016-17	19,182,291.42	30,019,668.40	0.6390
2017-18	20,495,899.68	31,785,098.87	0.6448

ROE			
Year	Profit/(loss) After	Average Shareholder Equity	ROE
2008-09	95,734.88	33,607.91	2.8486
2009-10	106,071.68	36,587.32	2.8991
2010-11	117,180.37	40,373.60	2.9024
2011-12	131,334.29	53,056.79	2.4754
2012-13	143,759.25	51,547.06	2.7889
2013-14	165,668.13	53,859.53	3.0759
2014-15	182,378.37	56,254.42	3.2420
2015-16	251,784.79	58,294.29	4.3192
2016-17	223,174.08	60,645.28	3.6800
2017-18	244,640.54	65,037.25	3.7615

The quality of earnings and profitability is a very important criterion that determines the ability of an insurer to earn consistently. It basically determines the profitability of insurer and explains its sustainability and growth in earnings in future. The following ratios explain the quality of income generation.

The above table presents a detailed analysis of earnings and profitability of Life Insurance Corporation (LIC) of India. The first ratio in the category of earnings and profitability is the ratio of net claims incurred to net premiums. The net incurred claims ratio or loss ratio indicates the extent to which the 'net premium' is to be applied to meet this obligation and is a measure of the risk retained by the insurer. This enables an assessment of profitability of underwriting operations and reinsurance arrangements.

Combined ratio, is a measure of profitability used by an insurance company to indicate how well it is performing in its daily operations. Combined ratio analysis of the Life Insurance Corporation (LIC) of India reveals that premiums earned is drained away in the form of claims and expenses.

The investment income ratio of Life Insurance Corporation (LIC) of India, the ratio indicates that there has been fluctuating in the investment income which can mainly be attributed to the global melt down and consequently higher volatility in the Indian financial market. The Return on Equity ratio witnessed increasing trends, witnessed highest ratio and the ratio represent wave like trend with ups and downs.

6. **Liquidity:** Liquidity is usually a less pressing problem for insurance companies at least as compared to banks. However, the ratio is prescribed to be maintained more than 100 percent, Hampton, (1993). Moreover, the liquidity problem may call upon capital restructuring and infusion of more capital to heighten the liability graph. Table presents the liquidity position of the Life Insurance Corporation (LIC) of India as follows:

Table 6: Liquidity - Ratio of Current Assets to Current Liabilities Liquidity Ratio (Rs. In Lacs)

Year	Current Assets	Current Liabilities	Current Ratio
2008-09	4,871,466.75	1,959,021.90	2.4867
2009-10	4,947,809.41	2,190,219.82	2.2590
2010-11	6,134,493.41	1,647,777.95	3.7229
2011-12	9,927,675.35	3,215,829.84	3.0871
2012-13	14,362,010.72	2,451,501.21	5.8585
2013-14	15,821,653.88	2,218,539.69	7.1316
2014-15	13,738,264.98	2,240,470.80	6.1319
2015-16	12,943,025.96	2,326,416.80	5.5635
2016-17	12,390,343.40	2,928,510.52	4.2309
2017-18	13,522,187.41	5,337,427.70	2.5335

Source: - Compiled from the Annual Reports of Life Insurance Corporation of India

Since the insurance contract lasts usually for a year, it is as such imperative on part of insurers to maintain the ratio at 100 percent to meet the short term liabilities. The analysis reveals that the Life Insurance Corporation (LIC) of India have made enough provisioning in the liquid assets to have a better liquidity position during all the Financial Year of the study period. Hence it has maintained good capital structure, consequently with more fund inflow.

CONCLUSION

The objective of this study was to examine the financial soundness and performance of Life Insurance Corporation (LIC) of India, based on regulatory and supervisory parameters and standards; thereby to ensure the prudence of this insurance company. Thus, the study was delved into the financial soundness and performance of Life Insurance Corporation (LIC) of India using the soundness indicators and performance measures via employing CARAMEL model. In addition to the ratio analysis, the CARAMEL parameters were statistically tested.

The CARAMEL model results reveal that Life Insurance Corporation (LIC) of India has been satisfactorily financially sound by and large. However, the researcher observed that Life Insurance Corporation (LIC) of India is not supported by fair amount of capital. The ratio of capital to total assets indicates the proportion of capital in the total assets portfolio of Life Insurance Corporation (LIC) of India, growth in the assets of the business and how efficiently the capital has been invested to create assets. Life Insurance Corporation (LIC) of India under study have quite satisfactory ratio.

Combined ratio analysis of the Life Insurance Corporation (LIC) of India reveals that premiums earned is drained away in the form of claims and expenses.

The investment income ratio of Life Insurance Corporation (LIC) of India, the ratio indicates that there has been fluctuating in the investment income which can mainly be attributed to the global melt down and consequently higher volatility in the Indian financial market. The Return on Equity ratio witnessed increasing trends, witnessed highest ratio and the ratio represent wave like trend with ups and downs.

The analysis reveals that the Life Insurance Corporation (LIC) of India have made enough provisioning in the liquid assets to have a better liquidity position during all the Financial Year of the study period. Hence it has maintained good capital structure, consequently with more fund inflow.

"Don't leave anything to chance. Protect the ones you love with Life Insurance – LIC of India"

REFERENCES

1. Gupta P K, Insurance and Risk Management, Himalaya Publishing House: 2011
2. Gupta P K, Fundamentals of Insurance, Himalaya Publishing House: 2005
3. Mittal, A. & Gupta, S.L. (2008). Principles of Insurance & Risk Management, Sultan Chand & Sons, Daryaganj, New Delhi.
4. M.Pandey, Financial Management, Vikas Publishing House, New Delhi.
5. S.N. Maheswari, Accounting for Management, S. Chand & Co. Ltd, New Delhi.
6. C.R Kothari (1990), Research Methodology, second revised – edition, New Age international (P) Limited, Publishers, New Delhi
7. Gupta S P, Statistical Methods, Sultan Chand & Sons: 2014
8. Life insurance (https://en.wikipedia.org/wiki/Life_insurance)
9. Life insurance in India (https://en.wikipedia.org/wiki/Life_insurance_in_India)
10. Annual Report of Life Insurance Corporation (LIC) of India (IRDA, www.irda.gov.in)
11. Ratio Analysis– Wikipedia