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Corporate Governance–Performance Nexus in Indian Insurance Companies: A Sectoral Assessment of Life vs. Non-Life sector

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SUMMARY

Corporate governance is one of the key sustainability indicators to manage and control the business functions ethically and transparently. This mechanism is essential in every sector, specifically in the insurance landscape, to strategically meet uncertain risk & losses and enhance long term value for the stakeholders. This study examines the corporate governance practices followed by the life and non-life insurance industry in India and its effect on the financial performance of insurers. To provide empirical results of the study, we considered corporate governance as independent variables, financial performance as dependent variables, and control variables for validation and reliability of the results. Secondary data was collected from a sample of ten insurance companies, including five life and five non-life insurers, covering 10 years from 2014 to 2023. Statistical tools & techniques such as descriptive statistics, t-tests, and regression analysis were implied to test hypothesis. The result reveals that across the life and non-life insurers, unified governance mechanisms are followed, but it substantially influences the financial performance of life insurance than the non-life insurance sector. The core reasons behind that are life insurance contracts for long-term liabilities, complex investment portfolios, greater information asymmetry, and the highly sensitive agency problem. So, the life insurance industry requires formulating more stringent governance mechanisms that sustainably address unstable operations and performance landscapes. The outcome of this study would structure robust governance norms, which would eventually enhance Indian insurers' performance sustainably and discover the insight contributions of this field of research in an emerging economy scenario.

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1. INTRODUCTION

In the recent year, the insurance industry in India has undergone a significant change by driving the economic uncertainty and efficient utilization of the country's financial resources for economic growth and development. This transformation is obsessed with many influencers, such as dynamic economic growth, uncertain risk and losses management, security for future savings, emerging technology, and compliance mechanisms in the circular economy. As per the growing perspective, the Indian insurance sector will be the 6th largest market potential by 2032, and the Insurance Regulatory Development Authority (IRDA) sets a mission for insurance for all by 2047. IRDA is continuously regulating and insightfully transforming the Indian insurance sector, keeping pace with global needs (Dash and Pany, 2013). The economic reform of liberalization enforces magnificent growth in the Indian insurance market by allowing the entry of the private sector, low

insurance premiums, immediate claim settlement policies, innovative insurance products and services, policyholder awareness, more distribution channels, etc. (Satish, 2019). In the current scenario private insurers are holding 37% of the market share in life insurance coverage and 55% of the market holding in non-life insurance coverage. It plays a pivotal role in defending human life and property from financial risk and losses. However, due to the emerging economic development, the insurance industry faces some challenges such as demand conditions, market competitions, product innovations, delivery and distribution systems, technological transformation, and regulation (Krishnamurthy et al., 2005). It further faces the challenges of low penetration, density rates, and inequalities covering mortality resilience. According to the Organization for Economic Cooperation and Development (OECD), corporate governance mechanisms become necessary for directing and controlling the business operations ethically and transparently. This framework introduces an integrated policy process model to address the practicality of developing and implementing a robust, dynamic governance system with a focus upon disclosure practices and legitimacy to protect the stakeholder interest through mitigating such systematic issues and challenges (Kelly et al., 2022).

However, the evolutionary landscape of corporate governance is very much essential for any corporate sector, especially in financial institutions, to sustainably address their financial crises, scandals, and misappropriation of corporate disclosure practices (Magee et al. 2019). Corporate governance landscape in India has impressed significant growth, like other emerging economies, with special enactment of Sarbanes-Oxley-type measures in U.S. aim to strengthen financial transparency, accountability, and internal controls (Chakrabarti et al., 2009). In the volatile economy, the insurance industry has imposed greater attention for robust governance structure, particularly in board oversight, auditing, and effective risk management to protect the interest of policyholders (Ajemunigbohun et al., 2020). Meanwhile, the structural differences between the governance practices and organizational framework demonstrate the procurement of theoretical ambition in business operations and strategic decisions. The pivotal corporate governance theories, such as agency theory, stewardship theory, institutional theory, and stakeholder theory, have enforced greater attention to meeting the strategic efficiency of financial return and long-run value for all stakeholders (Goyal and Gulati, 2025). The application of governance theories in the insurance context reduces agency issues among the policyholders, shareholders, and managers in a multidimensional network. It suggests appointing limited directors to the board, which should consist of a majority of independent directors, separating the roles of CEO and chairperson, and forming an audit committee for validation of disclosure and reporting practices. Managers of insurance companies strengthen the CG measures to help mitigate the agency conflict and associated costs between management and shareholders (Tackie et al., 2022). The stewardship theory is inversely related to the agency theory, which aligns the principal and agent interests to achieve a common business goal and objective. Further, the institution theory signifies that insurer structure is influenced by the social expectations, regulatory frameworks, and industry norms for effective claim settlement and compliance mechanisms. Lastly, stakeholder theory demonstrates its responsibility not only for the principal but also for meeting the interests of all stakeholders with a logical balance of both internal and external affairs of the company through the appointment of more independent directors and strategic decisions by the audit committee. Goyal and Gulati (2024) also define the practical implication of governance theories in the insurance market as better control over managers' opportunistic behavior, quality of financial reporting, enhanced financial outcomes, and fostering of favorable business environments for better risk management. Overall, the primary focus of this study is to assess the governance mechanisms that are followed by the life and non-life insurers in India and their effect on financial performance.

2. Literature Review And Hypothesis Development

Over the decade, the concept of the corporate governance has gained momentum in the emerging economy to maintain ethical standard and best code of organizational practices. A good quality of corporate governance has been necessitated at any corporation, including those in the manufacturing and financial service sectors, to efficiently readdress their legislative regulations and long run stakeholder satisfaction. Considering the paramount importance of governance systems in the financial service sector, Handley-Schachler et al. (2007) defined that sound governance practices cover the issues of leverage and asset-liability mismatch through obeying statutory regulations and independent audit functions. In the emerging economy, insurance companies play a prominent role in assessing the uncertain risk and ensuring security in the form of financial protection against such risk and losses. So Fadun (2013) advocated that effective corporate governance is necessary in order to enhance accountability, fairness and transparency in insurer operations and proper utilization of resources to support the economy welfare. Abdoush (2022) recommended that listed and non-listed insurance firms in the UK deliberately focus on well governance structure such as independent director in the board, non-duality roles, the presence of majority shareholders, and external audit firms during the turbulent situations. However, the Covid-19 pandemic enforced several economic misappropriations due to high mortality risk, so insurance companies were played catalytic role to Protecting households and businesses from unexpected cost and losses. For this fever, Kalia and Gill (2023) concluded that companies with strong governance mechanisms such as higher institutional ownership stakes, concentrated family ownership structures, lower CEO compensation and duality, more independent directors,

gender diversity, and socially responsible practices were better positioned to mitigate uncertain risk and losses in the volatile economy.

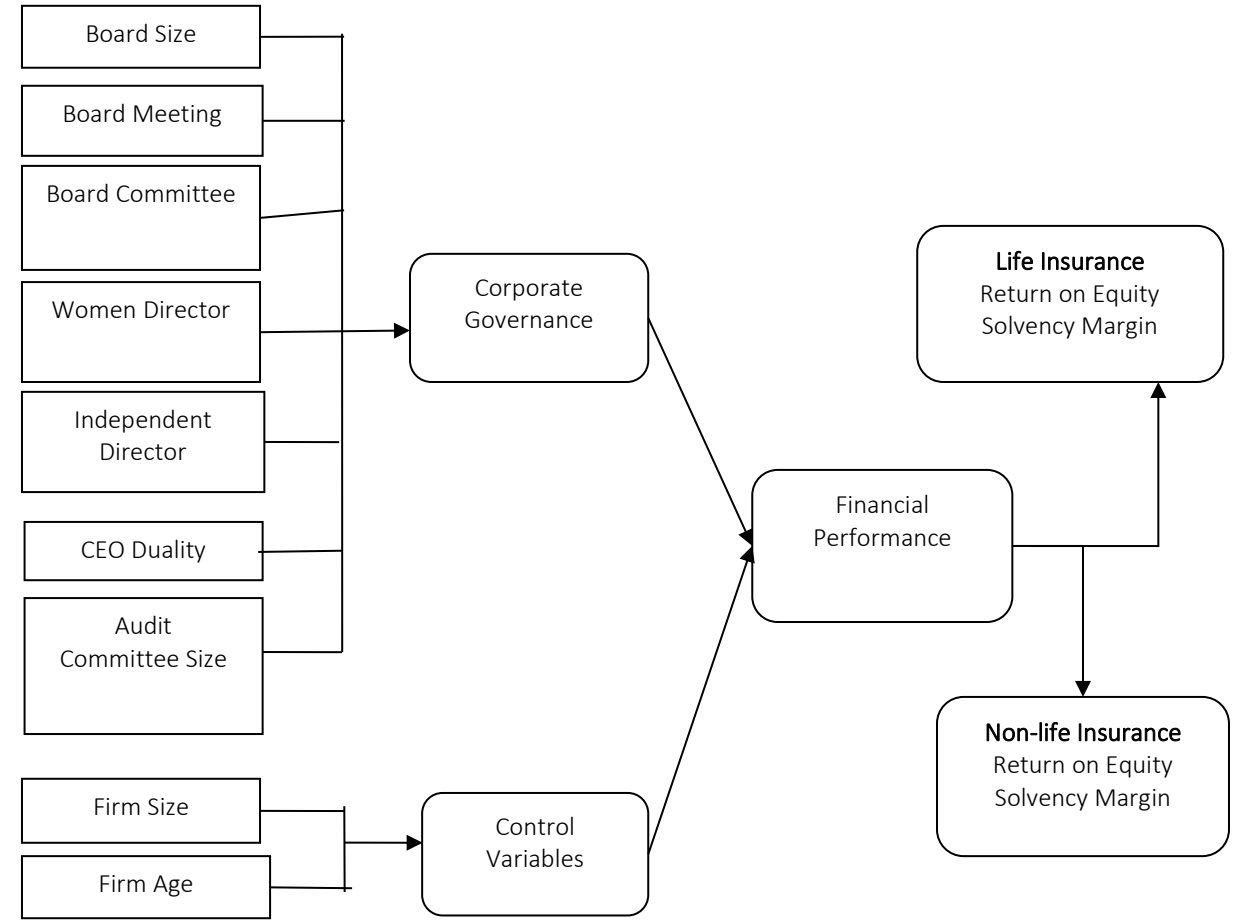
Consequently, both the life and non-life insurance industries provided their valuable insight contribution towards global financial inclusiveness, which taken as a crucial element for strategically meeting financial inclusion in cross-country prospects (Yap et al., 2025). In 2021, Fatma and Chouaibi examined the effect of corporate governance indicators on the firm value of 111 financial institutions belonging to 12 European countries listed on the stock exchange during the period 2007–2019. They found that firm value established an optimistic relation with gender diversity, CEO duality role, firm size, and age but a pessimistic one with board size and ownership structure. One of the studies conducted by Dagunduro et al. (2023) highlights two key governance aspects, such as promoting board diversity and independence that had positive consideration for the decision-making process and influenced the market value efficiency of Nigerian listed insurance firms. Corporate governance and financial performance have an intertwining association (Chebotibin, 2022). His study implied that a well-balanced board with independent internal and external interference would positively influence the financial performance and guarantee sustained market share growth. Alhassan et al. (2021) described the structural formation of the board committee and the independent audit committee function, which was responsible for addressing the agency issues and optimum utilization of resources to enhance the financial performance of the life insurer. In addition, Martínez-Ferrero and García-Sánchez (2017) defined that board independence was positively associated with firm sustainability assurance and choice of accounting profession and also empirically obtained a U-shaped relationship between the board size and assurance issues. In the year 2019, Maharjan found a strong relationship between corporate governance and financial performance of Nepal insurance companies in a sectoral assessment view. His study recommended that board responsibility towards corporate meetings, audit activity, and CEO duality functions inversely affect the ROA and ROE of insurance firms, where the control variable also influences positively. Adams and Jiang (2020) observed that board-level qualified accountants and actuaries were linked to enhanced financial outcomes of sample companies instead of underwriters, while underwriters were associated with sound solvency levels but not positive earnings-based measures.

Governance theory is the intellectual foundation to control, direct, and ensure ethical policy in the organizational structure. Ramadhan et al. (2022) stated that agency theory was the core of the charities of governance mechanisms, which empirically control the organizational conflict through appointing independent directors to the board, CEO non-duality roles, the formation of diversified board committees, and proper planning of executive compensation to align shareholders' goals with managers' goals. Further, stewardship theory contradicts traditional agency theory by addressing the discrepancy between ownership and control in corporations. Klettner (2021) evidenced that stewardship codes were influencing the shareholders' and managers' relationship to achieve the common goals and integration of wider economic and societal concerns into corporate finance. Hence, this theory liberalizes the policy, centralizes authority, and encourages collaboration among the members to work with trustworthy stewards of organizational goals. In addition, stakeholder theory in corporate governance focuses upon shaping board structure, strategic oversight, reporting, compensation, risk management, ethics, and considering the interests of all parties, thereby improving long-term performance and social value. Therefore, (Yensu et al., 2017; Anuolam and Ajagu, 2022) recommended corporate governance is essential for any corporate body, which demonstrates smooth operations of the firms, strategic guidance of the firm, and transparency in day-to-day operations by empirically execution of governance theories and practices. These reviews show that the insurance industry plays a pivotal role in securely addressing the economic uncertainty and volatility, but limited research has been done in this subject area. Further, it is the responsibility of the researcher and academician to address this undercover literature and fill up the potential gaps. Hence, as per the studied review gaps, we formulated the following hypothesis:

- H1: There is significant differences of corporate governance practices followed by life and non-life insurance industry in India
- H2: Corporate governance has significant impact on financial performance of life insurance industry.
- H3: Corporate governance has significant impact on financial performance of non-life insurance industry.

In addition, Figure 1 depicts the conceptual structure outlining broad relationship between the variables, concepts or ideas in a defined manner. The main purpose of this framework is to design research approach, hypothesis development and interpretation of results effectively and efficiently. By empirically structure this outline, it enhances research rigor and ensures findings are grounded in a clear theoretical context and make wide scope for future.

3. THEORETICAL FRAMEWORK



Source: Own edition

Figure 1: Purposed conceptual framework

4. RESEARCH OBJECTIVE

- To study the significant differences of corporate governance practices followed by life and non-life insurance industry in India
- To examines the impact of corporate governance on financial performance of life insurance industry.
- To examines the impact of corporate governance on financial performance of non-life insurance industry.

5. METHODOLOGY

The research utilizes secondary data from both life and non-life insurers operating in India. A non-probability sampling technique, i.e., purposive & convenience methods, has been utilized to select the top 5 insurance industries from each life & non-life insurance category as per their asset size as of 31st March 2023. Data has been collected from the annual report of sample companies for the period of 10 years covering 2013-14 to 2022-23 and also screened out the data as per the researcher's requirement. The broad composition of studied variables is classified into three categories. These variables are corporate governance indicators as independent variable, financial performance as dependent variables and two control variables such as firm size and age are considered to validate and reliable of the result. Moreover, the study adopts an ex post facto research design and applies statistical tools & techniques such as descriptive statistics, correlation,

t-tests, and multiple regressions to establish the relationship between the variables with SPSS software. For measuring the effect of corporate governance on financial performance in life and non-life insurance, we propose the following regression equations:

$$(ROE)_{it} = \alpha + \beta_1 (BS)_{it} + \beta_2 (BM)_{it} + \beta_3 (BC)_{it} + \beta_4 (WD)_{it} + \beta_5 (ID)_{it} + \beta_6 (CEOD)_{it} + \beta_7 (ACS)_{it} + \beta_8 (FA)_{it} + \beta_9 (FS)_{it} + \varepsilon_{it}$$

$$(SM)_{it} = \alpha + \beta_1 (BS)_{it} + \beta_2 (BM)_{it} + \beta_3 (BC)_{it} + \beta_4 (WD)_{it} + \beta_5 (ID)_{it} + \beta_6 (CEOD)_{it} + \beta_7 (ACS)_{it} + \beta_8 (FA)_{it} + \beta_9 (FS)_{it} + \varepsilon_{it}$$

The above regression equations have been applied in the life and non life insurance business separately to access the effect of governance indicators on two financial performance measurement i.e. ROE & SM. Respectively 'i' &'t' shows the firm and time factor of the sample study. 'ε_{it}'Represent the error term of firm 'i' at time't'. However, detail description of all variables which are used in this study is explained bellow Table 1.

Table 1

Variables' definition

Variables	Proxy	Definition
Performance measures		
Return on Asset	ROE	Ratio of profit after tax to shareholders' equity
Solvency Margin	SM	Ration of available solvency margin to required solvency margin
governance attributes		
Board Size	BS	Total number of directors on the board
Board Meeting	BM	Total number of directors' meetings held in a year
Board Committee	BC	Total number directors' committees formulated in a year
Women Director	WD	Total number of women director on the board
Independent Director	ID	Total number of Independent directors on the board
CEO Duality	CEOD	Dummy variable, 1 if the same individual holds the position of chairman and CEO, otherwise 0
Audit Committee Size	ACS	Total number directors' in the audit committee
Control variables		
Firm Size	FS	Log of total assets
Firm Age	FA	log of number of years since Establishment

Source: Author compilation

6. RESULTS & DISCUSSION

6.1. Descriptive Statistics

Descriptive statistics is a statistical technique to describe or summaries the set of data. This is useful in helping to appreciate the main features of any given set of data, such as the central tendency (mean, median and mode) and dispersion (range, variance and standard deviation). The importance of descriptive statistics is that it helps to analyze the data without making extrapolation or assumptions concerning the larger population.

Both Table 2 and 3 represent the descriptive result of the studied variables in detail of the life and non-life insurance industries, respectively. We have seen that both the life and non-life insurance industries are not complying with governance guidelines regarding appointing women directors and independent directors to the board, because these facets do not meet the standard limit issued by IRDAI. The CEO duality role influences marginally, where the same person

occupies both chairperson and CEO positions, resulting in some bias and ineffective decision-making. In addition, the BS followed by BM and BC have showing maximum mean value and also met the standard limit of governance guidelines. This signifies that both life and non-life insurers have serious concerns in regard to composing their board structure, having multiple board committees to reduce grievances, and holding periodic board meetings as per rules and regulations. It also observes that both categories of insurer are independently appointing auditors for systematic evaluation and authentic financial reports. The financial performance measurement ROE is highly deviated from SM and generates negative value in the non-life insurance category. It typically represents financial instability and unstable management performance, increasing financial risk for the investors. The skewness statistic shows that all governance facets in both industries are positively skewed except the CEO in non-life insurance. This indicates all independent variables are highly asymmetric from their frequency distributions.

Table 2

Descriptive result of Life insurance industry

Variables	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
BS	50	8	19	12.26	2.66351	0.161	-0.717
BM	50	4	15	6.52	2.74226	1.61	1.819
BC	50	5	13	8.7	1.54193	0.529	1.505
WD	50	0	4	1.78	0.84007	0.443	-0.334
ID	50	0	11	5.58	2.50787	0.08	0.106
CEOD	50	0	1	0.02	0.14142	7.071	50
ACS	50	4	11	6.84	1.86657	0.203	-0.469
AGE	50	1.08	1.82	1.3664	0.24582	1.01	-0.622
SIZE	50	1.25	3.49	2.7167	0.67396	-1.169	-0.006

Source: Authors' calculation

Table 3

Descriptive result of non-life insurance industry

Variables	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
BS	50	4	15	8.68	2.8388	0.568	-0.298
BM	50	5	15	7.32	2.22637	1.347	2.064
BC	50	6	12	8.42	1.98041	0.173	-1.09
WD	50	0	5	1.92	1.14	0.679	-0.179
ID	50	1	8	3.44	1.7975	0.859	0.071
CEOD	50	0	1	0.96	0.19795	-4.841	22.331
ACS	50	3	12	5.84	2.64467	0.987	0.005
AGE	50	4.8	8.59	7.4321	1.2597	-1.303	0.095
SIZE	50	1.62	2.06	1.8707	0.14118	-0.149	-1.306
ROE	50	-1083.4	119.8	-72.992	253.944	-3.255	10.052

Source: Authors' compilation

6.2. Collinearity Statistics

Before applying regression in panel data, the multicollinearity issue should be addressed by the researcher. Multicollinearity means there was the same and a high degree of correlation among the independent variables, which can affect the model estimator. This collinearity can be known from the VIF (Variance Inflation Factor) and tolerance value.

Hair et al. (2013) evidenced that the threshold limit of the VIF value is less than 5 and the tolerance limit (1/VIF) lies between 0 and 1, which confirms the panel dataset is free from the co-linearity problem. Table 4 represents that, all independent variables are meeting the standard limit and proceed further to obtain valid results.

Table 4

Co-linearity Statistics

	Life Insurance		Non-life insurance	
Variables	VIF	Tolerance	VIF	Tolerance
BS	1.713	.584	3.969	.252
BM	2.393	.418	1.853	.540
BC	2.558	.391	4.236	.191
WD	1.415	.707	2.659	.376
ID	2.342	.427	2.238	.447
CEOD	1.638	.610	1.279	.782
ACS	1.482	.675	2.830	.353
FS	1.280	.781	2.102	.476
FA	2.772	.361	3.453	.290

Source: Authors' Compilation

6.3. Correlation Analysis

In statistics, correlation analysis is a technique employed to determine the degree and nature of association between two variables. Tables 5 and 6 represent the Pearson correlation value between two explanatory variables in life and non life insurance industry respectively. All the correlation results in this table are less than 0.70; hence, there was no possibility of multicollinearity among the variables (Hair et al., 2017). In both tables, we have seen that corporate governance indicators are correlated positively and inversely. This result signifies a complex structure of governance framework is framed in life and non-life insurers, which influence each governance facet in different ways. It also measures the same relation when control variables i.e. FA and FS correlate with governance variables. In life insurance companies, financial performance ROE is positively correlated with BC, WD, and CEOD and negatively related to BS, BM, ID, and ACS. In addition, another performance measurement variable, SM, also negatively associates with more governance indicators, like BM, BC, WD, ID, and CEOD, except BS and ACS. This indicates governance facets of the life insurance business are more associated with ROE than SM. It says that effective boards, diverse workforces, proper audit functions, and appropriate leadership roles have much more influence on life insurer performance. Further, in the non-life insurance industry view, ROE is negatively correlated with BS, BM, BC, and CEOD, and another financial measurement, SM, is mostly positively associated with governance indicators such as BS, WD, ID, CEOD, and ACS. This indicates the solvency margin of the non-life insurer is much more influenced by the governance rules and practices than by equity shareholders' return, because the non-life firm faces higher risk exposure and shorter-term liability duration against uncertain risk & losses than the life insurer.

Table 5

Correlation statistics of life insurance

	BS	BM	BC	WD	ID	CEOD	ACS	FA	FS	ROE	SM
BS	1										
BM	-0.217	1									
BC	-0.174	0.385	1								
WD	0.272	-0.277	0.169	1							
ID	0.234	0.442	0.025	-0.142	1						
CEOD	0.148	0.446	0.402	0.038	0.197	1					

ACS	0.374	0.124	-0.272	0.042	0.286	-0.065	1				
FA	-0.289	0.102	0.615	0.135	-0.468	0.266	-0.364	1			
FS	0.104	0.143	-0.467	-0.112	0.506	-0.227	0.485	-0.777	1		
ROE	-0.331	-0.17	0.423	0.17	-0.54	0.013	-0.467	0.705	-0.826	1	
SM	0.464	-0.228	-0.689	-0.248	-0.033	-0.069	0.356	-0.417	0.233	-0.45	1

Source: Authors' compilation

Table 6

Correlation statistics of Non-life insurance

	BS	BM	BC	WD	ID	CEOD	ACS	FS	FA	ROE	SM
BS	1										
BM	0.01	1									
BC	-0.291	0.455	1								
WD	0.471	-0.014	-0.374	1							
ID	0.56	-0.117	-0.5	0.476	1						
CEOD	-0.023	0.076	-0.269	0.076	0.108	1					
ACS	0.594	-0.189	-0.622	0.382	0.672	0.143	1				
FA	0.17	0.049	0.38	-0.331	-0.051	-0.087	0.052	1			
FS	-0.061	0.381	0.748	-0.445	-0.254	-0.246	-0.234	0.789	1		
ROE	-0.204	-0.349	-0.347	0.043	0.189	-0.021	0.194	-0.055	-0.257	1	
SM	0.425	-0.311	-0.505	0.316	0.553	0.079	0.439	0.087	-0.215	0.165	1

Source: Authors' compilation

6.4. Hypothesis testing and Regression result

- H1: There are significant differences of corporate governance practices followed by life and non-life insurance industry in India

Table 7

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Life	6.1560	5	.38429	.17186
	Nonlife	5.4500	5	.55946	.25020

Source: Authors compilation

Table 8

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Life & Nonlife	5	.035	.955

Source: Authors compilation

Table 9

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Life - Nonlife	.70600	.66752	.29852	-.12283	1.53483	2.365	4	.077

Source: Authors' calculation

To test the significant difference of corporate governance practices followed by both sectors, we have applied a paired t-test. This statistical test is used to compare the observation of one group with the observation of another group. In other words, this test measures to evaluate the mean value of two related groups to justify significant differentiations. Tables 7, 8 and 9 show the t-test results. It is observed that the mean value of sample life insurance sectors (6.1560) is more than non-life insurers (5.4500). This means corporate governance guidelines are more strategically complied by the life insurer than non life insurer. Moreover, the p-value is 0.077, which is more than the 5% level of significance; we reject the alternative hypothesis and conclude that there is no significant difference in corporate governance practices of sample insurance companies irrespective of sectoral differences. In other words, both life and non-life insurers in India follow IRDAI governance guidelines; hence, governance structures have no discernible differences and are unified in all types of insurance businesses.

- H2: Corporate governance has significant impact on financial performance of life insurance industry

Table 10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.888[a]	0.789	0.735	63.53222

a. Predictors: (Constant), SIZE, BS, RMCS, CEOD, WD, BC, ID, ACS, BM, AGE

b. Dependent Variable: ROE

Source: Authors' calculation

Table 11

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	588802.563	10	58880.256	14.588	.000[b]
	Residual	157417.397	39	4036.344		
	Total	746219.961	49			

a. Dependent Variable: ROE

b. b. Predictors: (Constant), SIZE, BS, CEOD, WD, BC, ID, ACS, BM, AGE

Source: Authors' calculation

Table 12

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	499.72	172.22		2.902	0.006
BS	-11.138	4.934	-0.24	-2.257	0.030
BM	-2.479	5.411	-0.055	-0.458	0.649
BC	5.372	9.198	0.067	0.584	0.563
WD	18.268	12.779	0.124	1.429	0.161
ID	-2.582	5.561	-0.052	-0.464	0.645
CEOD	-107.167	83.412	-0.123	-1.285	0.206
ACS	-0.873	7.39	-0.013	-0.118	0.907
FA	2.596	75.819	0.005	0.034	0.973
FS	-137.041	26.655	-0.748	-5.141	0.000

a. Dependent Variable: ROE

Source: Authors' calculation

The above Tables 10, 11 & 12 summarize the impact of governance indicators on the ROE of life insurers in India. The p-value of ANOVA is 0.000, which is less than a 5% level of significance. We reject the null hypothesis so we can say that model exists, or in other words, governance facets mutually influence the ROE of life insurers. In the model summary, the R-squared value is 0.789, which discovers 78.9 percent of variation of ROE is bitterly explained by the governace indicators. Hence, it is the best measurement to accurately establish the relationship between the dependent and independent variables.

However, to access the individual effect of governance facets on ROE of the life insurance sector, we employed regression coefficients in Table 12. We have seen that BM, ID, CEOD, ACS negatively and BC & WD positively insignificant relation with ROE of life insurance sector, because P-value is more than 5% level of significance. This significance value is an exception in the case of BS (0.030), which negatively influences ROE. The reason behind these larger board sizes is that they create agency problems, slow down decisions, weaken oversight quality, increase costs, and reduce the expected return of equity shareholders. Further, the control variable FS significantly influences the financial performance. Hence, the expected return of equity shareholders varies with total asset volume and level of utilization of resources to cover mortality risk.

Table 13

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.872[a]	0.76	0.699	1.17008

a. Predictors: (Constant), SIZE, BS, CEOD, WD, BC, ID, ACS, BM, AGE

b. Dependent Variable: SM

Source: Authors' calculation

Table 14

ANOVA

Mode		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	169.206	10	16.921	12.359	.000[b]
	Residua	53.395	39	1.369		
	Total	222.601	49			

a. Dependent Variable: SM

Source: Authors' calculation

Table 15

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	10.657	3.172		3.36	0.002
BS	0.263	0.091	0.329	2.898	0.006
BM	0.105	0.1	0.135	1.054	0.298
BC	-0.835	0.169	-0.604	-4.931	0.000
WD	-0.653	0.235	-0.257	-2.773	0.008
ID	-0.148	0.102	-0.174	-1.441	0.158
CEOD	1.822	1.536	0.121	1.186	0.243
ACS	0.327	0.136	0.286	2.403	0.021
FA	-0.684	1.396	-0.079	-0.49	0.627
FS	-0.558	0.491	-0.176	-1.136	0.263

a. Dependent Variable: SM

Source: Authors' analysis

Tables 13, 14 and 15 define the regression result of selected governance indicators on the SM of the life insurance industry. As per the P-value (0.000) and R-squared (0.76) results, the model is best fitted to explain 76 percent variation of SM by all independent corporate governance indicators. The F value is 12.359 and statistically significant at the 5% level. There is strong evidence that at least one group mean is significantly different from the others. In the coefficient table, we have seen that BS, BC, WD, and ACS significantly influence the SM, because the p-value is less than 0.05. But this effect is insignificant at BM, ID, and CEOD. It signifies that the long-term solvency of a life insurer is more structured with board composition, multiple board committees, board diversity, and a systematic audit function. However, its long-term ability to pay all claims is free from the independent director decisions, the number of board meetings held annually, and the CEO's dual role of biasness. It also suggests that neither the size nor the age of the life insurer influences the solvency margin; rather, it depends on other factors like risk exposure, underwriting practices, and capital adequacy.

- H3: Corporate governance has significant impact on financial performance of non-life insurance industry.

Table 16

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.615[a]	.378	.239	221.57793

a. Predictors: (Constant), FAGE, BS, CEOD, BM, ID, WD, ACS, FSIZE, BC
b. Dependent Variable: ROE
Source: Authors' analysis

Table 17

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1196012.281	9	132890.253	2.707	.015
	Residual	1963871.134	40	49096.778		
	Total	3159883.414	49			

a. Dependent Variable: ROE
b. Predictors: (Constant), FAGE, BS, CEOD, BM, ID, WD, ACS, FSIZE, BC
Source: Authors' calculation

Table 18

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1515.72	859.648		1.763	0.086
	BS	-57.448	16.479	-0.642	-3.486	0.001
	BM	-4.527	19.191	-0.04	-0.236	0.815
	BC	-16.176	37.309	-0.126	-0.434	0.667
	WD	16.159	38.014	0.073	0.425	0.673
	ID	34.458	25.895	0.244	1.331	0.191
	CEOD	-261.458	181.809	-0.204	-1.438	0.158
	ACS	17.656	21.2	0.184	0.833	0.410
	FS	102.286	56.466	0.507	1.811	0.078
	FA	-899.425	709.022	-0.5	-1.269	0.212

Dependent Variable: ROE
Source: Authors' compilation

Tables 16, 17 and 18 define the regression model summary to analyze the effect of corporate governance on ROE of the non-life insurance industry. The model summary table elaborates that only 37.8 percent of variation is explained by the explanatory variable. The p-value in the ANOVA table justifies that the model fit is insignificant. All the governance factors have no significant effect on ROE; only the BS has negatively influenced the financial measurement. That represents larger board size enhances the organizational conflict, slow decision making, weak collaboration network and also enhance the cost, all of which can reduce a firm's profitability and hence ROE.

However, Tables 19, 20 and 21 represent the model fit and regression summary to measure the effect of corporate governance facets on SM of non-life insurer business. The model is best fitted to explain the regression analysis because the p-value is 0.001, and we accept the alternative hypothesis that the model exists. Further, the model explains 48.5 percent variation of the SM by all explanatory variables. Further coefficient result in Table 21, signifies that SM is influenced by the BC & ID in board. By setting diversified board committees, non-life insurers better manage uncertain risk, enhance internal control, and increase strategic capital allocation, increasing the ability to meet long-term liabilities and improve solvency position. In addition, an independent director enhances the solvency position by taking independent decisions, reducing managerial opportunism, and better complying with strategic guidelines. All other governance facets and control variables have insignificantly influenced the SM of the non-life insurance industry.

Table 19

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.697[a]	0.485	0.37	6.58096

a. Predictors: (Constant), FAGE, BS, CEOD, BM, ID, WD, ACS, FSIZE, BC

b. Dependent Variable: SM

Source: Authors' compilation

Table 20

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1633.872	9	181.541	4.192	.001[b]
	Residual	1732.361	40	43.309		
	Total	3366.233	49			

a. Dependent Variable: SM

Source: Authors' compilation

Table 21

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	-7.62	25.532		-0.298	0.767
	BS	0.421	0.489	0.144	0.861	0.395
	BM	-0.537	0.57	-0.144	-0.943	0.351
	BC	-2.362	1.108	-0.564	-2.132	0.039
	WD	0.893	1.129	0.123	0.791	0.434
	ID	1.674	0.769	0.363	2.176	0.035
	CEOD	-0.098	5.4	-0.002	-0.018	0.986
	ACS	-0.893	0.63	-0.285	-1.418	0.164
	FS	1.416	1.677	0.215	0.845	0.403
	FA	10.599	21.058	0.181	0.503	0.618

a. Dependent Variable: SM

Source: Authors' compilation

7. CONCLUSION

This study explores a unique contribution in the governance literature and its effect on financial performance of both life & non-life insurance sector in India. Still, this subject area of research is unexplored and unfamiliar. Further, it also assesses the governance practices is similar or difference across the nature of insurer operations. The statistical relationships between the variables are measured through t-tests and multiple regression analysis. First, the empirical result reveals that there is no significant difference in corporate governance practices followed by the life and non-life insurance industries in India. In other words, it says that insurance firms are followed unique corporate governance practices irrespective to their nature of risk assurance. The reason behind this, both life and non-life insurers is regulated by the Insurance Regulatory and Development Authority of India (IRDAI). They have followed uniform governance standards i.e. Corporate Governance Guidelines 2024, covering ethical codes of conduct, internal control, mandatory board committees, and transparent policy should comply as per prescribe guidelines. Further, the primary objective of every insurer is to systematic managing unpredictable risk and shared stakeholder expectations, especially to protect the policyholder's interest. Hence, the similar nature of operations and common regulatory environment ensure a common governance framework in the Indian insurance context.

The inferential relationship between governance and financial performance are empirically examined. The board size has a negatively significant effect on ROE, which is confirmed in both life and non-life firms. This inference implies that the board composition with a certain limit is good for enhancing the financial return, but the extension from the standard limit is unsafe for shareholders return in the emerging Indian insurer market. So, board size inversely associates with ROE of insurance firms. However, other governance factors insignificantly influence the equity shareholders return in both life and non-life insurance businesses. It suggests that maybe the insurer governance system is more structured and standardized to follow strict regulations set up by the regulatory authorities. It is deprived that ROE of the insurance industry may be depends upon other factors such as capital structure, investment decisions, stock market operations, and different macroeconomic factors in the volatile economy. In the case of control variables, the market capitalization volume of the life insurer has a negative impact on ROE; in all other cases, it has been showing insignificant relations. However, SM of the life insurance industry is more dependent on governance indicators than the non-life insurance firms. Because SM of life insurers are significantly associated with board composition, board committees, board diversity, and independent audit functions. Hence, the financial stability and strength of the insurance industry to meet their expected claims are achievable through efficient board composition with independent decisions and effective formulation of an audit committee to oversee the financial record, internal control, and the importance of external audit affairs. Overall, the

result reveals that the financial performance of the insurance industry is shaped by the regulatory framework along with sustainable external market forces. As per statistical inference result, it concludes that the financial performance of both life and non-life insurers have barely affect through governance practices, but more significant effect on life insurers performance. The life insurance industry needs a more stringent governance mechanism than the non-life insurance industry due to its long-term contractual obligations, lump sum holding of policyholder funds, long-term investment model, and volatility of the external market environment.

Critically, the empirical results are partially articulated with selected corporate governance theories such as agency theory, institutional theory, and stewardship theory. Agency theory signifies that a larger board size causes organizational conflict and affects monitoring efficiency and thereby harms ROE. The limited influences of governance facets on financial performance align with institutional theory, that strict regulatory frameworks are not the only factor to optimize financial outcomes in the insurance business. The need for stronger governance in life insurance also resonates with stewardship theory, where effective board structures and committees enhance long-term stability. However, this study offers practical insight to policymakers and regulators by enabling sector-specific governance reforms, strategic risk management frameworks, enhanced disclosure norms, and promoting risk-based supervision in the volatile economy. Further, it helps government bodies and IRDAI to redesign guidelines for insurance business stability, integrity, and sustainability achievement.

8. LIMITATIONS AND FUTURE SCOPE OF THE STUDY

The study has certain limitations. Firstly, our study is based on selected corporate governance indicators, which may or may not generalize the overall implication of the topic. Hence, by adding more governance factors pertaining to committee and CEO facets in future research to produce more accurate results and theoretical application. Second, based on market capitalization, we selected the top five insurance companies from each sector. Specific future studies will incorporate more sample firms to optimize more credible results. In addition, future researchers also employ the panel estimator technique to address endogeneity issues and produce reliable output. The COVID-19 epidemic, however, has caused significant disparities in all financial sectors, particularly in the insurance industry, which is responsible for protecting human life and health. It would be interesting to examine the effect of corporate governance on the financial performance of the insurance industry across the globe during the Covid-19 pandemic period. It is an important note for consideration that our research findings are not undermined by these limitations. Rather, they open opportunities for the academician and researchers to explore and refine their understanding of the complex dynamics of the governance system and insurance landscape operations in the uncertain economy scenario.

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Author contributions

Bideharanjan Swain: Conceptualized the study contributed towards literature review, collection of data, data filtering and analysis, interpretation of results.

Sanjeeb Kumar Dey: Designed the methodology, supervised the data collection, corrected the final paper and revised the manuscript critically.

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Data availability statement

The data that support the findings of this study are available from the corresponding author, **Bideharanjan Swain** bideharanjan1998@gmail.com, upon reasonable request.

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