

FACTORS DETERMINING REINSURANCE DEMAND: EVIDENCE FROM THE INDIAN INSURANCE MARKET

S. DHARINI

ABSTRACT

This study attempts to investigate those firm-specific factors that determine the reinsurance demand of insurance companies in India by largely categorising them into life, non-life, public and private sector. By sourcing panel data from 2006-2019 for Life insurance companies and from 2011-2019 for Non-life insurance companies, fixed effects panel data was estimated using the sample of 16 companies, 8 companies each. The overall results of the empirical analysis show that important determinants of reinsurance purchase of insurance companies are underwriting risk, line of business, liquidity, return on assets and investment performance. Premium growth, earnings volatility and firm size do not show statistically significant influence on reinsurance decisions in the Indian insurance market.

Key words: *Reinsurance, reinsurance ceded, firm specific characteristics*