INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

A Monthly Double-Blind Peer Reviewed Refereed Open Access International e-Journal - Included in the International Serial Directories
Indexed & Listed at:
Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.
as well as in Open J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)]
Registered & Listed at: Index Copernicus Publishers Panel, Poland
Circulated all over the world & Google has verified that scholars of more than 1500 Cities in 141 countries/territories are visiting our journal on regular basis.
Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA
www.ijrcm.org.in

CONTENTS

CALL FOR MANUSCRIPTS

Weinvite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects like Accounting Education; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Monetary Policy; Portfolio & Security Analysis; Public Policy Economics; Real Estate; Regional Economics; Tax Accounting; Advertising & Promotion Management; Business Education; Management Information Systems (MIS); Business Law, Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labor Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; Public Administration; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism, Hospitality & Leisure; Transportation/Physical Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Digital Logic; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Multimedia; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic and Web Design. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript **anytime** in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email address: **infoijrcm@gmail.com**.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION**:

DATED: _____________

THE EDITOR
IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF .**

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled '____' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:
Designation:
Affiliation with full address, contact numbers & Pin Code:
Residential address with Pin Code:
Mobile Number (s):
Landline Number (s):
E-mail Address:
Alternate E-mail Address:

NOTES:
a) The whole manuscript is required to be in ***ONE MS WORD FILE*** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
b) The sender is required to mention the following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
d) The total size of the file containing the manuscript is required to be below **500 KB**.
e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE**: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS**: The author (s) **full name**, **designation**, **affiliation** (s), **address**, **mobile/landline numbers**, and **email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT**: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS**: Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

6. **MANUSCRIPT**: Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.

7. **HEADINGS**: All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

8. **SUB-HEADINGS**: All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.

9. **MAIN TEXT**: The main text should follow the following sequence:

   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

   It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed ***5000 WORDS***.

10. **FIGURES &TABLES**: These should be simple, crystal clear, centered, separately numbered &self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.

11. **EQUATIONS**:These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.

12. **REFERENCES**: The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITE

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

CHALLENGE OF LIQUIDITY RISK AND CREDIT RISK IN INSURANCE COMPANIES WITH SPECIAL REFERENCE TO INDIAN PUBLIC SECTOR GENERAL INSURANCE COMPANIES

AVINASH TRIPATHI
ASST. PROFESSOR
SYMBIOSIS CENTRE FOR DISTANCE LEARNING
PUNE

ABSTRACT

The aim of this Article is to identify and discuss the challenge of Liquidity risk and Credit risk in Insurance companies with special reference to Indian Public sector General Insurance Companies. The insurance companies across the globe have learnt a strong lesson from collapse of AIG in last financial crisis. Though every insurance companies tries to maintain sound liquidity position, however, systemic risk factors may impact and have severe consequences on financial performance of any insurance company and in extreme cases it may even led to insolvency of the company. Therefore it is important to know how an insurance company may be at liquidity risk, so that appropriate steps are adopted to thwart the risk. Recently on 1st December 2011, Reserve Bank of India has introduced trading in Credit Default Swaps (CDS).These contracts have been used by banks and insurance companies since long for credit protection. The CDS helps in overall liquidity management of the companies, but CDS are double sided sword. Trading in CDS requires carefully guarding against systemic risk by limiting the build-up of risk positions; maintain necessary capital adequacy, and capping leverages.

KEYWORDS
Credit events, Credit risk, Liquidity risk, Solvency, Systemic risk.

INTRODUCTION
Liquidity risk for an insurance company is the risk that may incur losses in case the company finds difficult to secure the necessary funds or the company is forced to obtain funds at far higher interest rates than under normal conditions if there is a mismatch between the maturities of assets and liabilities.

Liquidity risk may be of type's; fund –liquidity risk and as market-liquidity risk. Fund –liquidity risk occurs if there had been an unexpected outflow of funds from the company and Market-liquidity risk happens if the company is unable to conduct market transactions or is forced to conduct transactions at far more unfavourable prices than under normal conditions due to a market crisis and the like. In both the cases, company is at losses.

Every institution needs levels of liquidity high enough to meet its payment obligations and low enough to take advantage of any investment opportunities. As sources of funding become ever more volatile and costly, active liquidity risk management enables institutions to keep ahead of the competition.

Insurance Industry may run into liquidity risk if they are fall short of funds. Though the scope of liquidity risk in the Insurance Industry is very limited, still some unexpected events such as massive decline in securities held by the companies, large claims, and other systematic risk generated in other parts of the financial sector may severely impact the funding capacity of the insurance industry.

Newton et.al. 2009 and Lorent 2008 mentioned that likeliness of the insurance companies to run into liquidity crisis is lesser when compared to banks. However, if a insurance company is impacted by any of the systemic risk factor, then it may have severe consequences on its financial performance and in extreme cases the impact may led into end up with insolvency of the company.

LIQUIDITY RISK MANAGEMENT SYSTEM IN BANKS AND INSURANCE COMPANIES
The business model of the insurance companies is different from the other financial institutions in the sector. While insurance is based on long term funding, but same may be not true with others .Advance premium payments are mode of funding upfront the insurers .Moreover the policy holders are prevented from making cash demand at will. However, non-core activities of short term funding through commercial papers, securities lending and mismanagement of the proceeds may put the insurance into danger zone of liquidity risk. The insurers may face the risk of clustered claim payments due to sudden natural catastrophe as happened recently in March 2011 Japanese earthquake. Other situations as well massive policy withdrawals and surrenders due to sudden change in interest rate may be vulnerable to insurance products.

Very often insurers align their assets and their investment activities are closely matched with expected payout schedule. Unlike bank, they are not at risk of asset liability mismatch and instability. However their asset may sometime face risk of being lesser liquid, in case if invested in real estate or in private placement. In this case, these are not liquid enough to cover the payouts and thus may cause insolvency of the insurers. Therefore, it becomes imperative for an insurer to manage this risk so that they may meet time bound liabilities.

Modern capital adequacy regulations stress to mitigate liquidity risk via increased capital requirement. In insurance companies, products are designed in such a way that these may effectively eliminate any exposure. There is general misconception that insurance companies are safer over liquidity issues, as these companies have no leveraging of loans as do banks, but this is not true. We have numerous examples in the past, which has proved that the insurance companies are also at bigger liquidity risk. Studies have shown that the reasons for the risk may be followings:

1. Insurance company has done investment into entities, but those are never actually held or those are not worth.
2. For policies, whose funds are locked into specific investment and which fail to perform well thus are not readily realisable.
3. Insurers may invest into a product of a company which are linked to loans that may default.
4. Insurance companies may pay high introductory commissions to insurance agents but later on new business could strain thus resulting into lack of funds to meet claims.
5. Other types of systematic liquidity problem which may appear due to drying up of credits and thus making insurers insolvents.

In a report given by The Bank for International Settlement in 2006, it is clearly mentioned that banks have comprehensive liquidity risk management system in place but same is not in insurance companies.

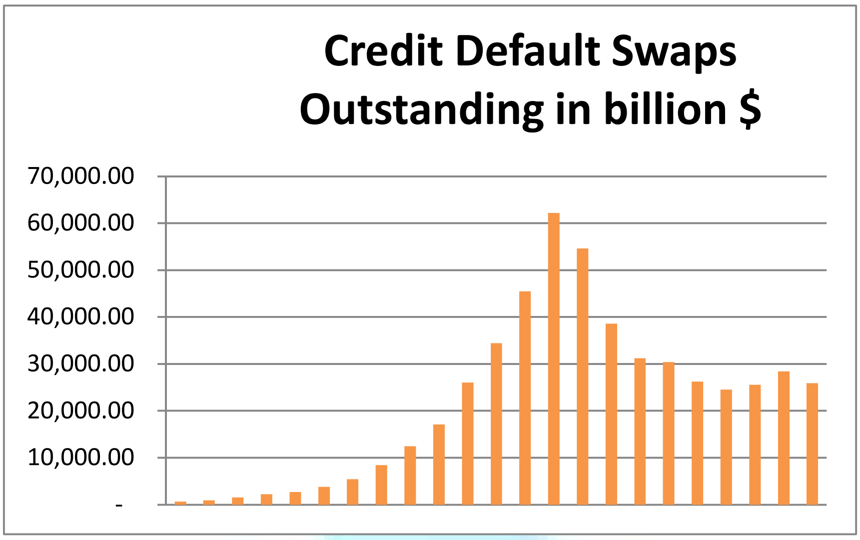
LIQUIDITY RISK AND CREDIT RISK MANAGEMENT IN INSURANCE COMPANIES WORLDWIDE
Insurance companies are large investors in International Financial market. Like any other investor, they have also added some investments in their portfolio which have caused exposure to credit risk and so like various entities in financial sector they too relied on transfer of the risk through financial instruments, mainly Credit Default Swap.

A Credit Default Swap (CDS) is a contract under which a seller agrees to make a payment to the buyer of the contract in the event of the referenced entity experiences one of the several events i.e. credit events, which may be either of default, bankruptcy or reorganization. Whenever any entity issues a paper e.g. bond to raise fund from the market, then there is occurrence of credit event. Under credit protection contract, the risk is transferred to the seller of the contract by the buyer. In exchange for this the protection seller receives a fee. Literally, the protection buyer "swaps" the risk of default with the protection seller and on occurrence of credit event, the swap contract provide the recovery of the loss.

In this context, CDS is similar to a standard insurance contract because CDS contract help the owner of the bond to manage the risk associated with bond investment by providing credit protection.

CDS market has seen a rapid growth because counterparties can buy or sell the CDS independent of the specific bond or other asset position on part of either of the party involved. Therefore the term “naked “and “covered” are used to distinguish the ownership position of the protection buyer in the contract swap. So the main point is that few types of CDS could be matched conceptually to insurance contract.

Evolution of CDS: Global Growth (2001~2012)

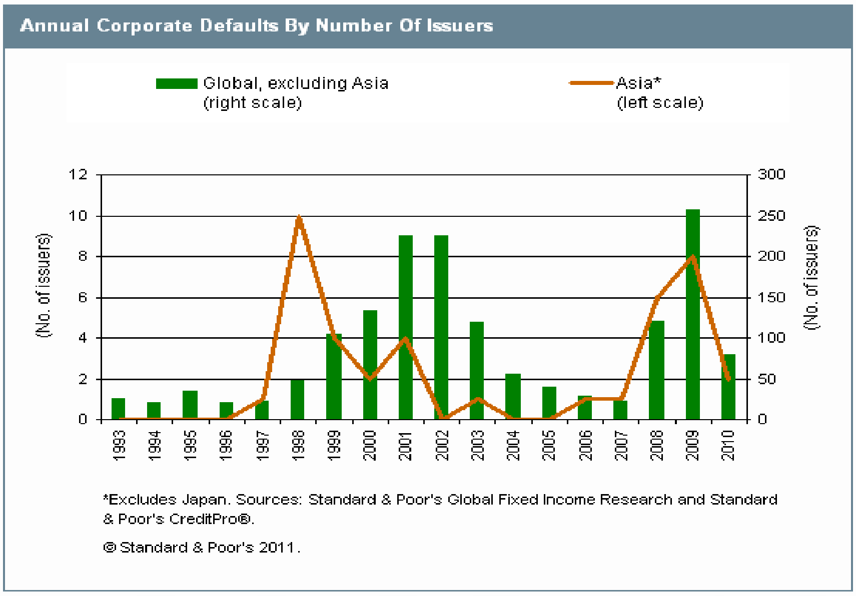


Source: ISDA Market Survey (2001~10), DTCC (2010~12)

The insurance and reinsurance companies are major investors in the capital market. Their investment portfolio may have exposure to the shares and debt securities of the companies under stress. During the period of slowdown, as the financial crisis worsens and economic activity deteriorate, at the same time valuation of these assets also come under pressure.

Losses become more apparent as mark to market valuation accounting rules are required to be followed by insurance companies.

Though insurance companies tries to protect themselves by maintaining widely diversified portfolios and investing in high quality securities, but when financial crisis is on larger scale then these financial assets may suffer significant loss. As the losses rose, the cost of hedging to limit the fall of equity contract also rose. Credit default swaps, is partly blamed for the credit crisis in US and the near sinking of insurer AIG. The company AIG had been a major seller of credit protection in US and its collapse in recent financial crisis has shown vulnerability of insurance companies on liquidity position.



(Asia in graph refers to Cambodia, China, Fiji, Hong Kong, India, Indonesia, Korea, Malaysia,Marshall Islands, Mongolia, Pakistan, Papua New Guinea, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, and Vietnam)

- 48 defaults in 17 years
- Japan: 3 CDS defaults since 2003

CREDIT DEFAULT SWAPS (CDS) IN INDIA

Recently on 1st December 2011, Reserve Bank of India has introduced trading in Credit Default Swaps (CDS) in order to attract investors to country’s bond market.CDS contracts have been used by banks and insurance companies since long for credit protection.

Features of CDS in terms of RBI guidelines are-

1. Only banks, bond houses, finance companies, mutual funds, insurance companies, housing finance companies, provident funds, listed corporate and foreign institutional investors are allowed to buy protection.
2. CDS can be used to purchase protection against a debt obligation of a single Indian entity only.
3. In the case it is used to buy protection against default of bonds, the bonds have to be listed.
4. CDS cannot be freely traded in India.
5. Any user of the CDS can exit only by unwinding the contract with the original party.

6. Legal hassles and procedural delays due to unique rollover of loan repayments in the name of 'corporate debt restructuring' will also qualify as a credit event that will help the holder get insurance claim since it will be treated as default.
7. Only the market makers or commercial banks will be allowed to buy and sell credit default swaps while the 'users' can only buy credit protection, but will not be allowed to sell them.
8. Users may be insurance companies, housing finance companies, provident funds, listed corporate and foreign institutional investors.
9. The users cannot hold these contracts without having eligible underlying bonds, though the market makers can buy protection without having the underlying bond.
10. The users cannot buy CDS for amounts higher than the face value of the corporate bonds held by them.
11. All market makers have to report their CDS trades in corporate bonds within 30 minutes of the trade to the Clearing Corporation of India Ltd (CCIL) trade repository CCIL Online Reporting Engine (CORE)

Investors (here refer to Insurance companies) now have option to mitigate credit risk in their investment portfolio even in a tough macro-economic environment. Investors can also invest in higher-yield instruments, while ensuring minimal credit risk by buying CDS protection from top-rated counterparties.

Since the credit events, as defined in the CDS contract, include bankruptcy and restructuring approved by BIFR as well as CDR mechanism, therefore investors are also protected even in the event of any default or bankruptcy of the bond issuer.

The central bank RBI has taken stringent measures to ensure that these instruments cannot be used for speculation in India and has also created rules limiting the scope of the market.

SOURCES OF LIQUIDITY FOR INSURANCE COMPANIES

Insurance companies are required to maintain liquidity at three different levels:

a) On operative basis i.e. day to day cash management.
b) On organisation basis i.e. ongoing cash flow management for cash needs over a period of 1-2 years
c) On environmental basis i.e. stress liquidity management focusing on management of catastrophic risk

To meet outflow requirement, Insurance companies typically maintain their liquidity in flowing forms:

a) Bank Deposits:-The companies maintain balance with banks in current accounts, which may be linked to sweep in-sweep out facility to earn additional interest.
b) Treasury bills: T-bills are useful in managing short term liquidity. These are short term investment opportunities and are offered for a period generally up to one year. Government of India issues these types of treasury bills through auctions namely 91 days, 182 days and 364 days. These are issued at a discount and are redeemed at par.
c) Commercial Paper:- It is an unsecured money market instrument issued in the form of a promissory note. Corporate, Primary dealers (PDs) and the All-India Financial institutions (FIs) are eligible to issue CP and also they can issue CP for a maturity between minimum of 7 days to a maximum of one year from the date of issue. CP can be issued in denomination of Rs.500000 or in multiple of thereof.
d) Credit Facility: This is a important source of liquidity in form of line of credit from banks and other financial institutions. However, there are limitations on this facility, as in stress situation, there is risk that the counterparty may either refuse or dishonour the agreement.
e) Asset sale: Listed government and infrastructure bonds are easier to be sold, but the price depend on the market factors, type of security and the quantity sold. In a stress situation, it is difficult to realise their desired values.
f) Other Instruments: This includes investments in shares-equity and preference, mutual funds, derivative instruments, debentures, subsidiaries, real estate and other securities.

PUBLIC SECTOR GENERAL INSURANCE COMPANIES IN INDIA

After liberalisation of the Indian insurance sector and de-linking from general Insurance Corporation of India in the year 2000, there are four general insurance companies, which are functioning independently. These companies are

1) National Insurance Company limited
2) New India Assurance Company Limited
3) Oriental Insurance Company Limited
4) United India Insurance Company limited

These companies together have a network of 101 regional offices, 1395 divisional offices, 2880 branch offices in India and 43 overseas offices.
(Source: Ministry of Finance-Government of India)

LIQUIDITY RATIO

It expresses a company's ability to repay short term debt obligation. It is determined by dividing the liquid assets with total liabilities. If the value of this ratio is a greater than one, then it means that in emergency situation a company would be able to pay its all short term debts by most liquid assets.

The formulae is

$$\text{Liquidity Ratio} = \frac{\text{Liquid Assets}}{\text{Total Liabilities}}$$

DATA COLLECTION

To discuss the liquidity ratio of the four general insurance companies mentioned above, data has been collected from their website .This ration is part of the report submitted by companies in Form NL-30 on Analytical Ratios for Non-Life companies .A screenshot of the same is given below:

FORM NL-30	Analytical Ratios				
Insurer:	NATIONAL INSURANCE COMPANY LTD.	Date:	30.06.2011		
		Ratios in %			
Analytical Ratios for Non-Life companies					
Sl.No.	Particular	For the quarter	up to the Quarter 30.06.11	Correspodning quarter of the preceeding year	up to the Quarter of the prceeding year 30.06.11
1	**Gross Premium Growth Rate**	28.2		28.87	
2	**Gross Premium to shareholders' fund ratio**	19.09		14.79	
3	**Growth rate of shareholders'fund**	-0.67		29.7	
4	**Net Retention Ratio**	88.86		86.2	
5	**Net Commission Ratio**	6.61		8.01	
6	**Expense of Management to Gross Direct Premium Ratio**	32.01		33.39	
7	**Combined Ratio**	86.55		-	
8	**Technical Reserves to net premium ratio**	502.43		521.8	
9	**Underwriting balance ratio**	-29.61		-24.76	
10	**Operationg Profit Ratio**	-10.7		-7.76	
11	**Liquid Assets to liabilities ratio**	**24.44**		**28.18**	
12	**Net earning ratio**	-3.2		-7.78	
13	**return on net worth ratio**	-0.54		-0.99	
14	**Available Solvency(Actual Solvency) to Required Solvency Margin Ratio**			1.61	
15	**NPA Ratio**				
	Gross NPA Ratio	3.27%		5	
	Net NPA Ratio	0.83%		1.13	
Equity Holding Pattern for Non-Life Insurers		(Rs in Lakhs)			
1	(a) No. of shares	10,00,00,000		10,00,00,000	
2	(b) Percentage of shareholding (Indian / Foreign)	100 / 0		100 / 0	
3	(c) %of Government holding (in case of public sector insurance companies)	100		100	
4	(a) Basic and diluted EPS before extraordinary items (net of tax expense) for the period (not to be annualized)	0		0	
5	(b) Basic and diluted EPS after extraordinary items (net of tax expense) for the period (not to be annualized)	0		0	
6	(iv) Book value per share (Rs)	160.48		148.54	

Source; www.nationalinsuranceindia.com/nicWeb/nic/fnclInfo.jsp

LIQUIDITY RATIO IN THE YEAR 2009-10

Quarter	**Indian Public sector General Companies**			
	National Insurance	The New India Assurance Co. Ltd	Oriental Insurance	United India Insurance
Q1(Apr-June)	14.36	34.82	32.42	55.56
Q2(July-Sep)	15.32	47.51	33.79	55.56
Q3(Oct-Dec)	19.51	136.31	26.26	55.56
Q4(Jan-Mar)	22.69	48.28	29.31	60.39

LIQUIDITY RATIO IN THE YEAR 2010-11

Quarter	**Indian Public sector General Companies**			
	National Insurance	The New India assurance Co. Ltd	Oriental Insurance	United India Insurance
Q1(Apr-June)	28.18	52.25	45.07	56.61
Q2(July-Sep)	27.78	60.58	30.89	54.54
Q3(Oct-Dec)	24.36	143.43	34.48	52.92
Q4(Jan-Mar)	21.59	49.07	29.32	48.26

LIQUIDITY RATIO IN THE YEAR 2011-12

Quarter	**Indian Public sector General Companies**			
	National Insurance	The New India assurance Co. Ltd	Oriental Insurance	United India Insurance
Q1(Apr-June)	24.44	41.6	31.15	46.84
Q2(July-Sep)	20.15	46.51	32.22	45.31
Q3(Oct-Dec)	18.39	59.35	--------	45.44
Q4(Jan-Mar)	--------	---------	--------	--------

CONCLUSION

Out of four Indian Public sector General Insurance Companies studied for liquidity ratio, we may easily estimate that among them the National Insurance have the lowest liquidity ratio and on other hand The New India Assurance Co. Ltd have the highest ratio, whereas other two are in middle range of the two. In summary we find that liabilities of these companies are well protected by liquid assets. Since it is very recent that CDS has been introduced, which insurance companies can buy for credit protection, hence it would require further study to analyse its impact on insurance companies.

REFERENCES

1. Babel D. F. and Santomero A. M. (1997)" Risk management by insurers: an analysis" of the process", Journal of Risk and Insurance, 64(2), 231-270.
2. Berry-Stölzle T. R. (2008) "Evaluating liquidation strategies for insurance companies". Journal of Risk and Insurance, 75 (1), 207-230.

3. Choi P.B. Park J. and Ho C.L. (2009) Insurer liquidity creation: the evidence from US property and liability insurance industry, a paper in the American Risk and Insurance association (ARIA) meeting.
4. Colquitt L.L., Sommer D.W., Godwin N. H. (1999) "Determinants of cash holdings by property-liability insurers", Journal of Risk and Insurance, 66(3), 401-415.
5. Cummins J.D., Philips R.D., Smith S. D. (1999) Financial risk management in the insurance industry, Handbook of Insurance Economics, Kluwer Academic Publishers, Boston, 1-37.
6. Newton D., Sanders D., wells G (2009) Liquidity risk in an insurance operation, Milliam White Paper.
7. Opler T., Pinkowitz L., Stulz R., Williamson R (1999), The determinants and application of corporate holdings", Journal of Financial Economics, 52, 3-46.
8. http://www.nationalinsuranceindia.com/nicWeb/nic/fnclInfo.jsp viewed on March 15, 2012
9. http://www.newindia.co.in/Content.aspx?pageid=1037 viewed on March 15, 2012
10. http://www.orientalinsurance.org.in/OICLStatic/OICLStaticServlet viewed on March 15, 2012
11. http://www.uiic.co.in/publicdisclosure.jsp viewed on March 15, 2012
12. www.isda.org/statistics/historical.html viewed on March 29, 2012

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail i.e. **infoijrcm@gmail.com** for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail infoijrcm@gmail.com.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals