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Capital Structure of Non-life Insurance Firms in Japan

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Abstract

This research investigates the debt to equity ratio (D/E ratio) in non-life insurance firms in Japan through empirical analysis and offers several main findings. First, the solvency margin ratio has a negative effect on the D/E ratio. Second, neither the Return on Equity (ROE) nor the combined ratio has an impact on the D/E ratio. Third, the expense ratio has a positive effect on the D/E ratio, while the loss ratio does not. The second and third results imply that the expense ratio is the most suitable index for measuring profitability in Japan's non-life insurance firms when the D/E ratio is being considered.

Keywords: capital structure, debt to equity ratio, non-life insurance, Japan