

The Determinants of the Demand for Fire Reinsurance in Sri Lankan General Insurance Market

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Abstract

Introduction: The assistance of an emphasis on financial indicators including return on total assets, growth in gross written premiums, underwriting risk, solvency margin, and financial leverage Reinsurance Ratio, this study examines the factors that influence the demand for fire reinsurance in the Sri Lankan general insurance market.

Methodology: The general insurance market in Sri Lanka was the study's target audience. All secondary data used in this study comes from the annual reports of general insurance companies and the IRC SL between 2015 and 2022. The study employs a quantitative research approach with deductive research logic. Statistical tests like descriptive statistics, diagnostic tests like correlation, heteroscedasticity, serial autocorrelation, cross-sectional dependence, and regression analysis were among the statistical tests performed on the data using STATA software.

Findings: The findings of the study highlighted that return on total assets, growth of gross written premium and solvency margin are the key determinants of the demand for fire reinsurance in Sri Lankan General insurance market. Financial leverage & underwriting risk has an insignificant relationship between the demand for the reinsurance in fire sector.

Conclusions: The study comes to the conclusion that maximizing reinsurance methods and structure for Sri Lankan general insurance companies requires careful management of return on total assets, growth of gross written premiums, and the maintenance of strong solvency margins.

Keywords: Fire Reinsurance, Reinsurance Demand for fire sector, return on total assets Underwriting Risk, Solvency Margin, General insurance companies.