

## The Determinants of Financial Performance in Insurance Companies in Sri Lanka

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### Abstract

With the drastic changes take place in business sector, importance of Insurance Companies increase gradually. They play a vital role and contribute significantly to the development of the country. Hence, this study focuses on identifying the determinants of financial performance of insurance companies in Sri Lanka. Financial performance is measured through Return on Assets and eight independent variables such as Leverage ratio, Liquidity, Age, Size, Underwriting Risk, Retention Ratio, Tangibility and Volume of capital used for this study. Eight insurance companies randomly selected as the sample of this study out of available 22 insurance companies for the period of 2009-2014. Required secondary data gathered through the Annual reports of each company, IBSL (Insurance Board of Sri Lanka) annual reports and IBSL statistical review. This study use descriptive statistics and regression analysis as the statistical tool. According to the study leverage ratio and retention risk significantly effect of financial performance of Insurance companies Further retention ratio and tangibility positively related with return on assets and age, size, leverage, liquidity, volume of capital, underwriting risk negatively related with return on assets.

**Keywords:** *Profitability, Tangibility, Leverage, Performance.*