

Influence of Company-Specific Factors on Profitability in Life Insurance Companies in Sri Lanka

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Abstract

Introduction: The purpose of this study is to look into how company-specific factors influence the profitability of Sri Lankan life insurance businesses. It specifically looks at the influence of company-specific factors such as premium income, claim costs, underwriting results, and risk-based capital on profitability. The life insurance market in Sri Lanka confronts considerable hurdles in maintaining profitability, which is critical to the industry's stability and expansion.

Methodology : This study uses a quantitative research design using empirical methods built under a positivist paradigm and a deductive methodology. The study uses panel data from ten life insurance companies from 2016 to 2022, using financial data derived from annual reports and IRCSL reports. The research employs a panel data regression model to determine the influence of the stated factors on profitability.

Findings : The investigation, which is supported by descriptive statistics, demonstrates substantial correlations between profitability and company-specific factors. Profitability is positively influenced by premium income and risk-based capital, but claim costs have a negative influence. However, underwriting results have little influence on profitability.

Conclusion : The research gives critical insights into the financial dynamics of the life insurance industry, highlighting significant factors influencing profitability. It provides stakeholders with direction on how to improve premium income strategies, optimize claims management, and strengthen risk-based capital management in order to improve financial performance and strategic decision-making.

Keywords: Profitability, Company-Specific Factors, ROA, Risk-based Capital, Net Premium Income, Net Claim Cost, Underwriting Results, Life Insurance