Firm Specific Factors Impact on Company Financial Performance of Life Insurance Companies in Sri Lanka

G. D. S. M. Godawela[1] and S. D. P. Piyananda[2]
Department of Finance, University of Kelaniya, Sri Lanka[1,2]
sachimadhushika1@gmail.com[1], dhanushkap@kln.ac.lk[2]

ABSTRACT

Introduction - Insurance can be a critical environment in all markets and a key component of the economic system that tackles both individual and structural risks. Insurance companies serve as the bedrock of each country's risk management, guarantee financial stability, act as a vital part of the financial intermediation chain, and offer an outlet for long-term accumulation of resources. The insurance industry also plays a vital role in helping to address risk, helping to get jobs, and providing a market for insurers and financial investment services such as bonds and shares as a source of government tax revenue. Not only does the success of every company play a task in increasing the stock value of that individual company, but it also contributes to the expansion of the whole industry, which eventually results in the economy's overall prosperity.

Design/Methodology/Approach - The impact of business-level characteristics (firm age, leverage ratio, current ratio, ratio (risk)) on insurance performance was discussed during this analysis. A primary measure of the success of the insurance company is employed as a variable in Growth in Written Premium (GWP), whereas age, current ratio, leverage ratio, and loss ratio are independent variables. Over the 2014 to 2019 period, the sample contains 14 life assurance companies.

Findings - Multivariate analysis findings show that the firm age, current ratio, leverage ratio, and the loss ratio of insurers are statistically important and negatively associated with Growth in Written Premium.

Conclusion - The final results of the multivariate analysis indicate that the firm age, current ratio, leverage ratio, and loss ratio of insurers are statistically relevant and negatively linked to Written Premium development.

Keywords: *Financial leverage, Loss ratio, Firm age, Current ratio, Growth in Written Premium*