

The Impact of Claims Settlement on Financial Performance: Evidence from Listed Insurance Companies in Sri Lanka

W.S. Dilshani¹, D.M.U.H. Dissanayake²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
Sharadadilshani216@gmail.com¹, uththarad@kln.ac.lk²

Abstract

Introduction: Claims settlement is an essential part of an insurance contract because it is critical to both the policyholder and the insurance company. The primary purpose of this study is to empirically investigate the impact of claim settlement on the financial performance of listed insurance companies in Sri Lanka.

Methodology: The methodology employed in this study is deductive and quantitative. The study is based on Secondary data from 11 listed insurance companies from 2013 to 2022. The research has employed ROA as the dependent variable, while underwriting profit, net premium, net claims, and derived claim ratio are the independent variables of this study. Data was tested through descriptive analysis, correlation analysis, and regression analysis under STATA software to analyze the data.

Findings: The research findings show a significant positive relationship between underwriting profit and financial performance, as well as between net claims and financial performance. However, the results also show a negative relationship between financial performance and net premiums and between the derived claims ratio and financial performance in listed insurance companies in Sri Lanka.

Conclusion: The study's findings will be helpful for future academic research and developing a new reporting framework in the context of listed insurance companies in Sri Lanka.

Keywords: Claims Settlement, Financial Performance, Insurance Industry