



**IMPACT OF INVESTMENT INCOME AND INFLATION,
ON THE PROFITABILITY OF INSURANCE INDUSTRY**

(Special Reference to Composite Insurance Companies in Sri Lanka)

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ABSTRACT

A study on impact of investment income and inflation, to the profitability of insurance industry with special reference to composite insurance companies in srilanka

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There is a context that Insurance Companies in the world face to the problem with their profit without Investment Income. The said issue can influence the Sri Lankan Insurance Companies too. One of primary objective of this research is to find out which insurance Companies in Sri Lanka facing the problem of earning profits without Investment Income, and the objective was achieved through calculating the Net Combined Ratio.

Second objective of the research is to find out the relationship between Inflation and the Profitability of the Insurance Companies in Sri Lanka. Researcher analyzed 10 years data from 9 Composite Insurance Companies which are well performing in Sri Lanka. The simple regression and Correlation Coefficient was used to find-out the relationship between selected variables.

The research reveals that most of the Insurance Companies are in critical situation that of making profits without Investment Income. Inflation Rates has negatively correlated with the Underwriting profit, Investment Income and profit before taxation and Investment Income positively correlated with the Investment Income.

Key Words : Underwriting profit, Inflation, Investment Income