VOL. 10 NO. 7,
NOVEMBER, 2025
E-ISSN 3026-9679
P-ISSN 3026-9423

*African Scholar Publications & Research International*
www.africanscholarpub.com

*Journal of Business Dev. and Management Res. (JBDMR)*

# Investigating the Impact of Premium Growth and Claims Ratio on the Profitability of Life Insurance Companies in Nigeria

**Akeem Bamidele Agboola; & Folake Feyisayo Olowokudejo**
Department of Actuarial Science and Insurance, Faculty of Management Sciences, University of Lagos, Lagos, Nigeria.
**Corresponding Author:** aagboola@unilag.edu.ng
**DOI:** https://doi.org/10.70382/ajbdmr.v10i7.037

## *Abstract*

The insurance sector is vital to any nation's economy as it fosters economic expansion and disperses financial losses. However, they need to perform effectively and make profit in order to stay in business and satisfy all of its stakeholders. Anchored on ruin theory, which posits that an insurer's financial sustainability depends on maintaining a balance between premium income, claims obligations, and available assets, this study investigated the impact of premium growth and claim ratio on the profitability (measured with return on asset) of life insurance companies in Nigeria. The research design used in this study was the ex-post facto design, twelve (12) years period (2012-2023) secondary panel data for 8 (eight) life insurance companies were obtained from the Nigeria Insurance Digest annual publication. Descriptive statistics (mean, standard deviation, skewness and kurtosis), preliminary investigations (correlation matrix, cross section dependence test, chow test and hausman test) and inferential statistics (random effect regression model) were applied on the extracted data using Eviews 9 application software. The result of the random effect model estimation revealed that both premium growth and claim ratio have a negative and significant impact on return on asset as shown by coefficient value and p-value of (-0.026490; 0.0115) and (-0.140288; 0.0000) respectively. The results of this study indicate that increase in premium income does not necessarily translate into improved financial performance for Nigerian life insurers. It also indicates that higher claims relative to premium income reduces insurers' ability to generate profit. The study concludes that profitability in the Nigerian life insurance industry is highly sensitive to underwriting outcomes. It is recommended that life insurance companies should focus on

strengthening their underwriting processes and reduce their underwriting risk by implementing risk management and improved risk differentiation strategies. Doing this will lower the amount of claims for each premium that is earned, thus enhancing their profitability. This research contributes to the existing body of knowledge by providing sector specific evidence from a developing insurance market and highlighting the nuanced relationship between underwriting outcome and profitability.

**Keywords:** Claims Ratio, Life Insurance Companies, Premium Growth, Profitability, Return on Asset.

# Introduction

Financial intermediaries have become very salient to the advancement of every nation as a result of the increased economic activities (Ajagbe & Usman, 2025). Insurance companies are critical component of the financial intermediaries due to their core function of transferring risk and mitigating financial loss. According to Tasdemir and Alsu (2024) the insurance sector is vital to the economies of the majority of developed and developing nations because it fosters economic expansion, effective resource allocation, lowers transaction costs, boosts liquidity, permits economies of scale in investment, and disperses financial losses. Therefore, the performance and success of insurance companies is crucial for the economic development of a nation as well as the financial resilience of both individuals and businesses.

Despite their crucial role in the development of the economy, insurance businesses are also profit oriented just like other financial organizations. Therefore, insurance firms need to perform effectively and make profit in order to stay in business and satisfy all of its stakeholders, which include the policyholders, government, creditors, employees, and most importantly, investors (Agboola, & Isimoya, 2025). Profitability is among the most important performance evaluation indicators used in financial management to achieve the primary goal of boosting enterprise's wealth and ensuring its existence (Alshadadi & Deshmukh, 2021). Though profitability in insurance companies can be measured using different yardsticks, majority of researchers in insurance field however tend to favor the use of return on asset (ROA) which is defined as before tax profits divided by total assets as the key indicator of a firm's performance (Ningsih & Leo, 2024).

According to Olaiya (2025) insurance companies' financial performance is mostly influenced by their underwriting outcomes, particularly the interaction between premiums income and claims expenses. This interaction is fundamental to ruin theory, which propounds that insurance companies are exposed to the risk of insolvency (ruin) when claim expenses exceeds premium income over time (Guan & Wang, 2023). Put differently, a persistent excess of claim expenses over premium income enhances the likelihood of ruin, and the possibility of negative impact on profitability and solvency. Hence, premium income and claim

expenses are crucial determinants of insurance companies' financial performance and resilience.

The life insurance sector in Nigeria faces challenges of volatile financial performance, despite ongoing regulatory reforms and industry restructuring efforts (Independent Newspaper Nigeria, 2025). Although existing literatures on insurance companies' performance have identified premium income and claims expenses as the primary determinants, empirical studies have produced conflicting results, with some establishing significant relationship, while others demonstrate no significance relationship. Additionally, these studies have been largely concentrated on the non-life insurance sector. Hence, limited evidence exists on the relationship between underwriting outcome and the profitability of life insurance companies, especially in developing economies like Nigeria.

This scarcity of sector-specific evidence limits the ability of managers, regulators, and policymakers in the life insurance sector to formulate strategies to improve underwriting efficiency and financial sustainability. This limitation is particularly crucial as life insurance is essentially different from non-life insurance in terms of contract duration, risk structure, claims patterns, and investment behavior. Therefore, this study examines the effect of premium growth and claims ratio on the profitability of life insurance companies in Nigeria. This research contributes to the existing body of knowledge by providing sector specific evidence from a developing insurance market and highlighting the nuanced relationship between underwriting outcome and profitability. In line with its theoretical framework, the study hypothesizes that premium growth and claims ratio have no significant effect on the profitability of life insurance companies in Nigeria.

## LITERATURE REVIEW

### Theoretical Review

#### *Ruin Theory*

Lundberg put forth the theoretical underpinnings of ruin theory in 1907, and Cramer refined them in 1930. The basic tenet of ruin theory is that decisions made by insurance companies take ruin probabilities into account. Put differently, insurance operations are seen as discrete time stochastic processes that show how an insurance company's surplus changes over time. Lundberg and Cramer objective was to ascertain the likelihood that the surplus would turn negative. They proposed that in many situations, when the net profit condition is met—that is, when insurers receive premiums consistently at a deterministic rate $c >$ and pays out claims described by a compound poisson process—the ruin probability $\psi(u)$ falls exponentially quickly to zero with initial reserve $u \geq 0$.

Ruin theory is driven by the pragmatic problem of solvency, if an insurance firm has enough assets to cover its liabilities, it can be said to be solvent. According to the assumption, an insurance company starts with startup funds, collects a set amount of premiums consistently, and then has to cover claims (Cekici, Ozcan & Durmus, 2018). Put differently, insurance firm have to deal with two distinct financial flows which are incoming cash premiums and exiting

claims (Salaudeen, Salam, & Mudashiru, 2021). Accordingly, this theory explains how an insurance company's fiscal surplus—a situation in which premiums exceed claims—and fiscal deficit—a situation in which premiums fall short of claims—develop over time. When the firm's payment (claim amount) exceeds the amount collected (premium amount), it is referred to as a "ruin."

## Conceptual Review

### *Insurance Premium*

Tarsono, Ardheta and Amriyani (2019) define premium as a sum of money paid by an insured to the insurer in exchange for services pertaining to the insurer risk transfer. It is the sum that the insured sacrifice in return for a guarantee by the insurer to reimburse the insured for an agreed amount in the event that the specified loss occurs during the duration of the insurance policy. In a life insurance policy, the guarantor (insurance firm) provides the insured (customer) with protection against the risk of death and old age by offering a certain amount of money (benefits) in exchange for premiums paid for life insurance (Bhattarai, 2020).

It is anticipated that the premium amount for an insurance policy would make financial sense. Stated differently, it needs to be sufficiently high to profitably pay future claims on the pool of risks and associated costs, such as fees to the insurance intermediaries. It must also be significantly less than the sum insured and should be an amount that the insured is ready to pay. Consequently, premium growth is a crucial aspect of insurance companies' activities as it indicates improvement in market share, sales as well as the degree of profitability at which insurance businesses operate (Abass, Dansu & Oyetayo 2021).

### *Insurance Claim*

A claim is an act of submitting a request to the insurance company for reimbursement of losses according to the terms of the policy, after the policyholder has fulfilled their obligations, such as paying premiums. Claims payment refers to an insurance company paying out money to a policyholder or a third party who has suffered a loss covered under the terms of an insurance policy (Adejuwon & Falana, 2022). This can include payments for medical expenses, property damage, or liability claims. The amount of the payment is typically based on the terms of the policy and the severity of the loss, and sometimes constitute a huge amount of expenses by the insurer. According to Bangun and Priyanto (2024) claims expenditure is the cost incurred by the insurer as a result of providing protection benefits to the insured in line with the risks that have already been covered. The claim ratio indicates whether the premiums collected by an insurer are sufficient to pay for the settlement of claims made by clients, as evidenced by the significant portion of premium revenue allocated to claims settlement.

### *Profitability*

Profitability is a company's capacity to make money from its operations, investments, transactions, and business processes. Profitability also refers to an indicator of a firm's ability

to make use of its resources to generate returns for stakeholders (Aniefor & Onatuyeh, 2019). Profitability is often used to measure and compare overall financial health of firms and industries over a given period of time, usually a year. It requires a mathematical measure for evaluating how well the firm is using its resources to make a profit (Omollo, Muturi & Wanjare, 2018). Profitability can be analysed with many profitability ratios including gross profit, returns on shareholder's capital, operational profits ratio, return on investment, return on capital employed, and return on asset. This study used the return on asset (ROA) as the measure of profitability as it is the most common measurement of organization profitability. ROA is typically expected to have a positive value, indicating an increase in the profit margin, otherwise, it will reflect a reduction or loss of profits (Pujiningsih, 2020).

**Empirical Review**

Abass, Dansu, and Oyetayo (2021) assessed the effect of technological features of insurance companies on their financial performance with emphasis on non-life insurance firms in Nigeria. Using a descriptive research design, secondary data was sourced from the yearly financial reports of every non-life company that operated in Nigeria between 2006 and 2019. The study found that the primary technical factors influencing financial performance are reserves, shareholders' funds, business size, capital sufficiency, and premium growth.

Natalia and Riwayati (2022) investigated the effect of premium income, underwriting ratio, return on investment and return on equity on profit of insurance company. A quantitative research method was applied and secondary data was extracted from 10 purposely selected insurance companies. The results of multiple linear regression analysis showed that premium income significantly and positively impact insurance profit.

Oluwaleye, Ajemunigbohun and Abiodun (2023) examined the connection between underwriting operations and the performance of non-life insurance companies in Nigeria using return on assets as the dependent variable and claim ratio, insurance premium, and reinsurance claims as independent variables. Using data obtained from the 2011–2020 financial statements of five non-life insurance companies. The results of the panel regression analysis indicated that insurance premiums had a considerable positive impact on return on assets, whereas the return on assets was positively impacted but not significantly by reinsurance claims or the claim ratio.

Pramusinta and Aryan (2023) investigated the factors that can impact the financial performance of insurance companies in the ASEAN region. The research specifically examined the impact of net premium growth, claims ratio, risk-based capital, and retention ratio on insurance companies' performance. The study found that net premium growth positively impacts financial performance, while claim ratios, risk-based capital, and retention ratios do not affect financial performance.

Marlina (2024) investigated the factors determining the profitability of insurance firms listed on the Indonesia Stock Exchange. Return on assets (ROA) was uses as the study dependent variable while liquidity, leverage, claim expenses, premium income and company size were

the study dependent variable. The data extracted was analyzed with the use of multiple linear regression method. The study found that premium income significantly impacts profitability, liquidity, leverage, claims expense, premium income and company size also jointly have effect on insurance company profitability.

Bangun and Priyanto (2024) investigated the impact of claim expenses and premium income on return on equity in life insurance firmd for the period of 2013 to 2022. A quantitative research method was employed and the extracted panel data was analysed using regression analysis. Premium income and claim expenses were found to significantly and positively impact the return on equity of insurance companies.

Agboola and Isimoya (2025) examined whether claims impact the profitability of insurance firms in Nigeria. Employing an ex-post facto design, ten (10) years period (2014-2023) panel data was obtained from their annual report of 11 (eleven) listed insurance companies. The fixed effect model regression analysis showed that claim ratio significantly impacts insurance companies' profitability. However, reinsurance claims were found to have no such impact on the Nigerian insurance firm's profitability.

## METHODOLOGY

### Research Design

An ex-post facto research approach was chosen for this study as it uses data that is already available to provide an empirical and systematic response to research questions.

### Population and Sampling Selection

This study's population is made up of the fourteen (14) life insurance firms currently operating in Nigeria according to NAICOM. Using a purposive sampling technique, the study selected a sample of eight (8) out of the fourteen (14) life insurance companies based on the availability and completeness of financial data for the period under consideration. These eight (8) companies have their financial data consistently available for the 12-year period from 2012 to 2023. Firms with missing or incomplete financial data across the study period were excluded to maintain a balanced panel structure and ensure the reliability and comparability of the data.

### Source and Nature of Data

Twelve (12) years secondary panel data was extracted from the annual report of life insurance companies obtained from the Nigeria Insurance Digest annual publication. The annual financial data extracted for the 8 (eight) life insurance companies include: firm's annual net income, annual total asset and annual gross premium income, annual net premium and annual net claim.

**Table 1: Measurement of Variables**

| Variables | | Measurements | Notation |
|---|---|---|---|
| **Return on Asset** | Dependent variable | Profit after Tax/Total Asset | ROA |
| **Premium growth rate** | Independent variable | Premium $_{\text{previous year}}$ – Premium $_{\text{current year}}$ / Premium $_{\text{previous year}}$ | PGR |
| **Claim ratio** | Independent variable | Net Claim/ Net Premium | CR |

**Source: Author's compilation**

**Model Specification**

This research adopted the panel data regression model used by Bangun and Priyanto (2024), the regression model is specified below:

$$ROA_{it}=\alpha+\beta_{1}PGR_{it}+\beta_{2}CR_{it}+v_{it}$$

Where; *ROE* = Return on Assets
$\alpha$ = Gradient or slope of the regression;
$\beta 1$ - $\beta 2$ = Regression coefficients;
$PGR$ = Premium growth rate
*CR* = Claim ratio;
$v$ = Error Term
t = Time period
i = Company

**Method of Data Analysis**

Data analysis for this research was conducted using the Eviews 9 software. The study statistical analysis consisted of the descriptive statistics to examined the nature and characteristic of the data extracted, preliminary analysis (correlation matrix, cross section dependence test, chow and hausman test) to determined the appropriateness of the data extracted, as well as to determine the most appropriate regression model to used. The study also conducted inferential statistics through the use random effect regression model to test the hypothesis of the study.

**RESULTS**

**Data Presentation**

**Table 2: Overview of Descriptive Statistics**

| | Return on Asset | Premium Growth Rate | Claim Ratio |
|---|---|---|---|
| **Mean** | -0.0095 | 0.2791 | 0.4704 |
| **Maximum** | 0.1175 | 2.5940 | 1.4039 |
| **Minimum** | -0.2505 | -0.6130 | -0.0496 |
| **Std. Dev.** | 0.0765 | 0.5321 | 0.2536 |
| **Skewness** | -1.1990 | 1.6244 | 0.9947 |
| **Kurtosis** | 4.0441 | 7.6316 | 4.9178 |

Source: Eviews Output 2025

The result contained in Table 2 revealed that the average return on asset of life insurance companies in Nigeria for the periods was -0.95%, average premium growth rate was 27.91% and average claim ratio was 47.04%. This indicates that on the average, life insurance companies experienced negative returns. However, they experienced a steady increase in premium growth rate and claim ratio.

The results presented in Table 2 revealed that the maximum return on asset of life insurance companies in Nigeria for the periods was 11.75%, maximum premium growth rate was 259.4% and maximum claim ratio was 140.39%. While the minimum return on asset of life insurance companies in Nigeria for the periods was -25.05%, minimum premium growth rate was -61.30% and minimum claim ratio was -4.96%.

Table 2 also revealed that the standard deviation of return on asset of life insurance companies in Nigeria for the periods was 0.0765, standard deviation of premium growth rate was 0.5321 and standard deviation of claim ratio was 0.2536. This indicates the presence of less disparity in the return on asset, premium growth rate and claim ratio of life insurance companies in Nigeria.

Table 2 further revealed that the skewness value of return on asset of life insurance companies in Nigeria for the periods was -1.1990, skewness value of premium growth rate was 1.6244 and skewness value of claim ratio was 0.9947. This indicates that the distribution of the return on asset is negatively skewed while that of the premium growth rate and claim ratio was positively skewed. With the skewness values for all the variables between -3 and +3, the table also that the skewness of the variables is generally acceptable.

Table 2 further revealed that the kurtosis value of return on asset of life insurance companies in Nigeria for the periods was 4.0441, kurtosis value of premium growth rate was 7.6316 and kurtosis value of claim ratio was 4.9178. With the kurtosis values of all the variables greater than 3, this indicates that all the variables are leptokurtic distribution. However, all the variables have their kurtosis value within the range of -10 and +10, thus the kurtosis of the variables is generally acceptable.

**Preliminary Investigation**

**Table 3: Correlation Matrix**

| Correlation | ROA | PGR | CR |
|---|---|---|---|
| **ROA** | 1.0000 | | |
| **PGR** | 0.0463 | 1.0000 | |
| **CR** | -0.4704 | -0.4776 | 1.000000 |

**Source:** Eviews Output (2025)

Table 3 shows that the correlation coefficient between premium growth rate and claim ratio is -0.4776. Hence, there is no series multicolinarity issue because the coefficient is less than 0.70, as supported by empirical evidence.

**Table 4: Cross-Section Dependence Test**

| Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| **Breusch-Pagan LM** | 32.04757 | 28 | 0.2726 |
| **Pesaran scaled LM** | -0.528165 | | 0.5974 |
| **Pesaran CD** | 0.326786 | | 0.7438 |

**Source:** Eviews Output (2025)

Table 4 shows that the three test of cross-section dependence have p-value greater than 5%. Thus, the null hypothesis of no cross-sectional dependency is accepted.

**Regression Data Panel Selection**

**Table 5: Chow Test**

| Effects Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| **Cross-section F** | 16.071763 | (7.86) | 0.0000 |
| **Cross-section Chi-square** | 80.299543 | 7 | 0.0000 |

**Source:** Eviews Output (2025)

The results of the Chow Test shows that the Chi-square statistic is 80.299543 with a /probability of 0.0000 which is less than the sig value of 5%, this means that $H_0$ is rejected and $H_1$ is accepted, i.e., the most appropriate model to use is Fixed Effect Model (FEM).

**Table 6: Hausman Test**

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|---|---|---|---|
| **Cross-section random** | 0.635729 | 2 | 0.7277 |

**Source:** Eviews Output (2024)

The result of the hausman test shows a Chi-square statistic of 0.635729 with a probability of 0.7277 which is greater than the sig value of 5%, this means that H0 is accepted i.e., the most appropriate model to use is the Random Effect Models (REM).

**Test of Hypothesis**

**Decision rule:**

If (p> 0.05): Accept **$H_0$** (null hypothesis),

If (p <0.05): Reject **$H_0$** (null hypothesis) and adopt **$H_1$** (alternative hypothesis).

**Table 7: REM Estimation Result**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| | | | | |
| **PGR** | -0.026490 | 0.010274 | -2.578299 | 0.0115 |
| **CR** | -0.140288 | 0.024663 | -5.688234 | 0.0000 |
| **C** | 0.063914 | 0.024788 | 2.578411 | 0.0115 |
| | Effects Specification | | | |

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| | | | S.D. | Rho |
| | | | | |
| **Cross-section random** | | | 0.057918 | 0.6190 |
| **Idiosyncratic random** | | | 0.045440 | 0.3810 |
| | Weighted Statistics | | | |
| | | | | |
| **R-squared** | 0.260978 | Mean dependent var | | -0.002092 |
| **Adjusted R-squared** | 0.245085 | S.D. dependent var | | 0.051914 |
| **S.E. of regression** | 0.045106 | Sum squared resid | | 0.189211 |
| **F-statistic** | 16.42096 | Durbin-Watson stat | | 1.768642 |
| **Prob(F-statistic)** | 0.000001 | | | |
| | Unweighted Statistics | | | |
| | | | | |
| **R-squared** | 0.252143 | Mean dependent var | | -0.009470 |
| **Sum squared resid** | 0.415647 | Durbin-Watson stat | | 0.805123 |
| | | | | |

**Source:** Eviews Output (2025)

The data in table above shows the constant coefficient value is 0.063914, this means that the dependent variable (Return on Asset) value will be 6.39% percent if the independent variables are valued at zero. Also, the value of R-squared itself is 0.2610, this indicate that the independent variables (premium growth rate and claim ratio) are able to explain the variations in return on asset of life insurance companies to a percentage of 26.10% while the remaining percentage is explained by other factors not captured in the model. Lastly, with a prob(F-statistic) value of 0.000001 which is less than the sig value of 5%, this indicates that the independent variables influence the dependent variable, i.e the model is a good fit and was statistically significant in predicting how premium growth rate and claim ratio affect the return on asset of life insurance companies.

**$H_{01}$:** Premium growth has no significant impact on the profitability of life insurance companies in Nigeria.

Table 5 shows that premium growth rate coefficient value is -0.026490, t-statistic value is-2.578299, and p-value of 0.0115. This indicates a negative relationship between premium growth rate and return on asset. And, with a p-value of 0.0115 which is less than the sig value of 5%, this means that the study null hypothesis is rejected and the alternative hypothesis adopted. Thus, according to random effect model estimation result, premium growth has significant impact on the profitability of life insurance companies in Nigeria.

**$H_{02}$:** Claim ratio has no significant impact on the profitability of life insurance companies in Nigeria.

Table 5 shows that claim ratio coefficient value is -0.140288, t-statistic value is -5.688234, and p-value of 0.0000. This indicate a negative relationship between claim ratio and return on

asset, and with a p-value of 0.000 which is less than the sig value of 5%, this means that the study null hypothesis is rejected and the alternative hypothesis adopted . Thus, according to random effect model estimation result, claim ratio has significant impact on the profitability of life insurance companies in Nigeria.

## SUMMARY AND DISCUSSION OF FINDINGS

The goal of the study was to investigate the impact of premium growth and claim ratio on the profitability of life insurance companies in Nigeria.

This study found that premium growth has significant impact on the profitability of life insurance companies in Nigeria. Specifically, this study found a negative relationship between the two variables i.e., a high premium growth means low profitability while a low premium growth will result in a high profitability. Though increase in premium income should be an important target for insurance companies, as higher premium suggests increase in public confidence. However, higher premium come with higher risk in the form of claims which if not properly managed might not translate to higher profitability. The finding of this study is consistent with research conducted by Abass, Dansu and Oyetayo (2021), Legass, Mulatie, Shikur and Kura (2021) and Tariku (2019) which showed that insurance premium have significant effect on profitability. This study finding is however contrary to research findings by Tarsono, Ardheta and Amriyani (2019), Reschiwati and Solikhah (2018) who all found that premium income has no significant effect on profitability.

This study also found that claim ratio has significant impact on the profitability of life insurance companies in Nigeria. Specifically, this study found a negative relationship between the two variables i.e., a high claim ratio means low profitability while a low claim ratio will result in a high profitability. Though, profitability is a function of the total earning and total expenses by a business firm. In the case of life insurance companies, earning include premium income, yield from investment etc, while expenses are also not limited to claims payment. However, a good(low) claim ratio indicates that insurance companies is able to keep substantial part of its premium income which could then translate to higher profitability. The result of this study is in tandem with prior studies by Abass, Dansu and Oyetayo (2021), Agboola and Isimoya (2025) which also found claim ratio as important determinant of profitability of insurance companies and it having statistically significant and negatively related with ROA. This study finding is however contrary to research findings by Oluwaleye, Ajemunigbohun and Abiodun (2023), Salaudeen, Salam, and Mudashiru (2021) which found that claim ratio has no significant influence on insurance companies' profitability.

## CONCLUSION AND RECOMMENDATION

This study investigates the impact of premium growth and claim ratio on the profitability of life insurance companies in Nigeria. The result of regression analysis shows that both premium growth and claim ratio have negative and significant impact on profitability. Importantly, the output of the random effect model estimation revealed that the study have a R Square of 0.2331

which indicates that 23.31% of the changes in insurance companies return on asset can be explained by both premium growth and claim ratio claim ratio.

The results of this study indicate that increase in premium income does not necessarily translate into improved financial performance for Nigerian life insurers. Rather, rapid growth in premium growth may be linked with premium under-pricing, increased acquisition expenses or adverse selection which can have a negative impact on asset efficiency and overall financial performance. It also indicates that higher claims relative to premium income reduces insurers' ability to generate profit. The study concludes that profitability in the Nigerian life insurance industry is highly sensitive to underwriting outcomes.

It is therefore important that life insurance companies properly manage the risk attached to premium growth so as not to negatively impact their profitability and also pay attention to their claims management process so as to reduce the impact of claim on their profitability This study recommends that life insurance companies should focus on strengthening their underwriting processes and endeavour to transfer surplus risk to reinsurer. They should also try to lower their underwriting risk by implementing risk management and improved risk differentiation strategies, which allow the business to minimize risk and maximize performance. This will lower the number of claims for each premium that is earned. In this way, the profitability of life insurance firms will rise with each increase in premium income. This study contributes to the existing body of knowledge by providing sector specific evidence from a developing insurance market and highlighting the nuanced relationship between underwriting outcome and profitability.

## REFERENCES


Abass, O. A., Dansu, S. F., & Oyetayo, Y. A. (2021). On the technical characteristics of insurance operations and financial performance of non-life insurance companies in Nigeria. *AUDOE, 17*(6), 189–205.

Adejuwon, J. A., & Falana, O. S. (2022). Claims payment, risk-based capital as determinants of life assurance companies' profitability in Nigeria. *International Journal of Management and Economics Invention, 8*(10), 2655–2666.

Agboola, A. B., & Isimoya, O. A. (2025). Analyzing the effect of claims on Nigerian insurance companies' profitability. *International Journal of Entrepreneurship, Technology and Innovation (IJETI), 2*(1), 310–325.

Ajagbe, S. T., & Usman, T. B. (2025). *The impact of financial intermediation on economic growth in Nigeria*. *Journal of Economics and Finance Research (JEFR), 4*(1),1–10.

Alshadadi, M. A., & Deshmukh, P. V. (2021). Determinants of the profitability of insurance companies in Saudi Arabia. *Saudi Journal of Economics and Finance, 5*(11), 476–481.

Aniefor, S. J., & Onatuyeh, A. E. (2019). Effect of debt financing on the corporate performance: A study of listed consumer goods firms in Nigeria. *International Journal of Academic, Accounting, Finance and Management Research, 3*(5), 26–34.

Bangun, D. P. S., & Priyanto, A. A. (2024). *Profitability determinants of the insurance sector in Indonesia.Accounting and Finance Studies, 4*(2), 99–109.

Bhattarai, P. (2020). Factors influencing profitability of insurance companies in Nepal. *International Journal of Management (IJM), 11*(9), 8–14.

Cekici, E. M., Ozcan, S., Durmus, H. (2018). Ruin probabilities in dependent insurances with autoregressive model. *Journal of Business, Economics and Finance (JBEF),7*(4), 365–375.

Guan, L., & Wang, X. (2023). *Ruin analysis on a new risk model with stochastic premiums and dependencies* based on time series for count random variables*. Entropy, 25*(4), 1–25.

Independent Newspaper Nigeria. (2025, July 22). Insurance industry revenue drops amid weak demand, significant contraction in life insurance segment. https://www.independent.ng/insurance-industry-revenue-drops-amid-weak-demand_significant-contraction-in-life-insurance-segment

Legass, H. A, Mulatie, M., Shikur, A. A., & Kura, T. S. (2021). Impact of financial factors on financial performance evidence from insurance companies in Ethiopia. *International Journal of Finance and Banking Research, 7*(6), 155–163.

Marlina, R. (2024). Determinants of profitability of insurance companies in Indonesia (Case study on an insurance company listed on the Indonesian Stock Exchange). *Advanced International Journal of Banking, Accounting, and Finance, 6*(18), 1–13.

Natalia, S., & Riwayati, H. E. (2022). Analysis of the effect of premium income, underwriting ratio, return on investment and return on equity on profit of insurance company. *Management Research Studies Journal, 3*(2), 49–57.

Ningsih, S. C., & Leo, F. M. (2024). *Determinants affecting profitability in insurance companies in Indonesia*. Jurnal Riset Akuntansi dan Keuangan*, 12*(2), 871–888.

Olaiya, K. I. (2025). Impact of underwriting and financial ratios on profitability: an empirical analysis of insurance firms. *Modern Management Review, 30*(2), 113–127.

Oluwaleye, T. O., Ajemunigbohun, S. S., & Abiodun, K. E. (2023). Underwriting operations and financial performance: Evidence from non-life insurance firms in Nigeria. *Business Economic, Communication, and Social Sciences Journal, 5*(3), 167–176.

Omollo, B. A., Muturi, W. M., & Wanjare, J. (2018). Influence of debt financing options on financial performance of corporations registered at the Nairobi Securities Exchange, Kenya. *Research Journal of Finance and Accounting, 9*(10), 150–164

Pramusinta, A., & Aryan, Y. A. (2023). The effect of growth of net premium, claim ratio, rbc, and retention ratio on the financial performance of insurance companies in the ASEAN region. *Journal of Economics, Finance and Management Studies, 6*(1), 189–199

Pujiningsih, V. D. (2020). Pengaru sustainability report terhadap nilai perusahaan dengan good corporate governance sebagai variabel pemoderasi. *Jurnal Riset Akuntansi dan Keuangan, 8*(3), 579–594.

Reschiwati, & Solikhah, R. P. (2018). Random effect model: Influence of income premium, claim cost and underwriting results on net income in insurance company in Indonesia. *International Journal of Modern Trends in Business Research (IJMTBR), 1*(3), 1–17.

Salaudeen, T. O. (2021). *Hedging risk through reinsurance in the Nigerian insurance companies: Do the benefits outweigh the costs?* Unpublished Master's thesis, University of Lagos, Lagos, Nigeria.

Salaudeen, T. O., Salam, R. A., & Mudashiru, G. A. (2021). Impact of net claim ratio and net retention ratio on financial performance of insurance companies i*n* Nigeria*. Global Journal of Education, Humanities and Management Sciences, 3*(1), 115–124.

Tariku, A. B. (2019). *The Determinants of Insurance Companies Profitability in Ethiopia*. Master's thesis, Addis Ababa University, Ethiopia.

Tarsono, O., Ardheta, A. P., & Amriyani, R. (2019). The influence of net premium growth, claim ratio and risk-based capital on the financial performance of life insurance companies. *Advances in Economics, Business and Management Research*, 127(1), 65–68.

Tasdemir, A., & Alsu, E. (2024). The relationship between activities of the insurance industry and economic growth: The case of G-20 economies. Sustainability*,* 16(17), 1–15.