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ABSTRACT

The Determinants of Solvency in Insurance Companies Listed on Palestine Stock Exchange

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Background: This study aimed to find the factors that influenced solvency of insurance companies which listed in PSE, so, we use a panel data for seven firms from (2012-2019), and test the impact for five independent variables: profitability, liquidity, financial leverage, investment and claims on solvency as a dependent one, and took firm size as a control variable. Accordingly, multi-regression model used and found that profitability and liquidity insignificantly affect solvency, in converse each of financial leverage, investment and claims have a significant positive impact on solvency. accordingly, we recommend the Palestinian insurance companies to invest in surplus and liquidity, in addition to take a strict policy to accept risks.

Objectives:

- Identify the effect of profitability on solvency in insurance companies listed in PSE.
- Identify the effect of liquidity on solvency in insurance companies listed in PSE.
- Identify the effect of financial leverage on solvency in insurance companies listed in PSE.
- Identify the effect of investment on solvency in insurance companies listed in PSE.
- Identify the effect of claims on solvency in insurance companies listed in PSE.

Methods: Both descriptive and statistical analysis were found by using STAT analysis program, with panel data from 2012-2019.



Results: H1 profitability has no impact on solvency in insurance companies listed in PSE. H2 liquidity has no impact on solvency in insurance companies listed in PSE. H3 financial leverage has a significant positive impact on solvency in insurance companies listed in PSE. H4 investment has a significant positive impact on solvency in insurance companies listed in PSE. H5 claims have a significant positive impact on solvency in insurance companies listed in PSE.

Conclusions: Our study found that profitability and liquidity have no impact on solvency in insurance companies listed in PSE, we also found that each of financial leverage, investment and claims have a significant positive impact on solvency in insurance companies listed in PSE.

Recommendation

Accordingly, we recommend the Palestinian Insurance companies to improve and increase its solvency by investing its liquidity or surplus, in secured and stable investment, generally increase their investment activities, then to have a strict policy to accept risks, by insured the low-risk policies and rejecting the highest ones, because this will affect its financial leverage by influencing premiums amounts, additionally, this affect the claims and compensation amount which may be paid. Also our study suggests further research like comparison studies using the same variables but after IFRS 17 application, and examine other factors as economic growth, premium growth and reinsurance.

Keywords: Financial solvency