

Analysis of The Effect of Premium Income, Underwriting Ratio, Return on Investment and Return on Equity on Profit of Insurance Company

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Abstract

This study was conducted to test the effect of premium income, underwriting ratio, return on investment and return on equity on profit of insurance company. The method applied in this study was quantitative method. The population included the general insurance companies registered at Indonesia Stock Exchange in 2015-2019. The samples of this study were 10 insurance companies selected using purposive sampling technique. The types of data used on this study was secondary data. The method of data collection applied was documentation method and the technique of data analysis applied was multiple linear regression with a significance level of five percent. The results of the analysis showed that: (1) premium income had positive significant effect on insurance profit, (2) underwriting ratio had positive significant effect on insurance profit, (3) return on investment had positive significant effect on insurance profit, (4) return on equity had no significant and negative effect on insurance profit.

Keywords: General Insurance, Premium Income, Underwriting Ratio, Return On Investment, Return On Equity, Profit Insurance

INTRODUCTION

The growth of the insurance industry in Indonesia in recent years has shown a fairly good level of development (OJK, 2020). Insurance companies show a stretch of development in the business they run. This is supported by the large number of people in Indonesia so that it provides great opportunities for the development of the insurance industry in the future. Not only the rapid population growth, the profit growth aspect of each company also deserves attention, because the increasing profit growth from year to year ensures that the insurance company has been received positively by the public. Profit growth also shows public interest in owning insurance products.

Premium income received by the insurance industry is not only the company's profit, but also part of the company's obligations in the future. The company is required to keep a portion of the premium as a premium reserve, so that if a claim occurs in the future, the company will have no trouble paying it. Therefore, it can be seen that the premium income item in the income statement will increase the profit of the insurance company (Alamsyah & Wiratno, 2017). Nasution and Nanda (2020); Maharani (2018) shows that the premium income variable has a positive effect on the profits of general insurance companies in Indonesia, but it is different from the research conducted by Prahasti (2020) which shows that premium income has no effect on the profits of insurance companies.

In addition to premium income, the most important aspect in increasing company profits in the insurance industry is the underwriting ratio. This ratio shows the level of underwriting results that can be obtained by insurance companies. This underwriting result is one of the variables making net income which is also used for investment. If the underwriting results increase, the company's profits will also increase. According to the research results of Setiowaty (2019), the underwriting ratio has a significant positive effect on reinsurance profits. Meanwhile, according to Cahyani (2019), on the contrary, the underwriting ratio variable has no effect on insurance company profits, resulting in inconsistencies.

In order to keep the managed funds stable and even increasing, the company must carry out investment activities. According to Alomari & Islam (2017) ROI is the amount of income that can be obtained in the form of gains or losses due to a decrease in the value of the investment in a certain period. ROI shows the company's ability to profit from the assets used. Therefore, the higher the value of this ratio, the better the condition of the company. A good company condition will be attractive to investors, because companies with high ROI feel safe and there is hope for profit. The results of research conducted by Silalahi et al. (2019) ROI has a significant effect on the profit growth of insurance companies. Meanwhile, according to Alomari & Islam (2017) ROI has no effect on the profit growth of insurance companies so that there are inconsistencies in this study.

Efforts to realize insurance benefits from the perspective of the company's operational performance certainly need to be encouraged by the condition of the insurance company itself. The measure of profitability or the ability to earn a profit shows the operating performance of a company in a certain period. One measure of profitability that is commonly used is Return on Equity (ROE). ROE is used to measure the absolute rate of return that shareholders will receive from the company. A higher ROE number will bring success to the company, which leads to a high share price and makes it easier for the company to attract new capital. In this way, companies can develop and create suitable market conditions so as to provide greater profits (Ningrum, 2014). This means that the company's operating performance is getting better. Therefore, it is very important for the company to be able to increase its ROE value. Alomari & Islam (2017) state that Return on Equity (ROE) has a significant positive effect on insurance profit growth. Meanwhile, according to the research results of Nasution and Nanda (2020) ROE has a negative effect on insurance company profits.

The existence of a research gap from the results of previous studies, this study aims to determine the effect of premium income variables, underwriting ratios, return on investment and return on equity on the profits of insurance companies listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

Insurance in principle is a mechanism to protect/avoid the risk of loss by transferring the risk to another party. According to Sumali et al. (2018) the definition of insurance is an agreement when the insurer binds himself to the insured by obtaining a premium to compensate for losses due to loss, loss / not obtaining the expected profit that can be suffered due to previously unknown events. Insurance itself in Law no. 40 of 2014 is an agreement between an insurance company and a policy holder, which is the basis for receiving premiums by insurance companies in return for: 1) providing compensation to the insured or policy holder for losses suffered due to uncertain events, loss of costs, loss of profits or legal obligations to third parties; 2) provide payments based on the death of the insured, or payments based on the life of the insured with a predetermined amount of benefit based on the results of fund management.

Muchtar et al. (2016), states that the premium is a service fee for the guarantee provided by the insurer to the insured to compensate for losses that may be experienced by the insured. In contrast to Alamsyah & Wiratno (2017), which states that premium income is a sum of money paid by the insured to the insurer or insurance company in return for services provided by the insurance company in accordance with the initial agreed agreement. The premium income obtained by the insurance company is not entirely the company's profit, but part of it can be the company's liability in the future. Therefore, the company must obtain satisfactory income as much as possible and is expected to be able to use all available resources in the company as efficiently as possible.

According to Fitriani (2017), underwriting is an insurance function that is responsible for ensuring and classifying the risk level of the prospective insured and making decisions related to the insured regarding these risks. Underwriting is considered good if each risk is accurately evaluated and properly classified. Good underwriting has important benefits for insurance companies, insureds and insurance salespeople. Meanwhile, according to Nurfadila et al. (2015), the underwriting ratio is a financial ratio that shows the level of underwriting results obtained and is used to measure the level of profit from business losses by comparing it with premium income. Overall, this ratio represents the level of underwriting results that can be obtained by the company and measures the level of pure insurance business profits. Analysis of other profit ratios can explain why underwriting results are positive or negative. A negative ratio indicates that the premium rate setting may be lower than expected.

Return on Investment (ROI) is the money gained or lost on an investment. Money investment can be referred to as capital, assets, investment cost basis. According to Azis and Nadir (2015), ROI is the amount obtained from gains or losses due to impairment in a certain period. According to Kasmir (2019), ROI is the ratio used to show the return on investment invested in assets used in all company operational activities. In other words, ROI is used to measure the company's strength in generating returns on assets used into net income.

Return on Equity is a company's financial ratios related to profitability. This ratio shows how much equity contributes to the creation of net income or it can be said that this ratio is used to measure how much net profit will be generated from each rupiah of funds embedded in total equity. This ratio is calculated by dividing net income by equity (Hery, 2015).

Seeing the business phenomenon and the occurrence of research gaps, as well as the many theories and studies that have existed before are very diverse and inconsistent, making the author want to research this further. Various factors can affect the profit of insurance companies in Indonesia, but in this study the factors that will be discussed are premium income, underwriting ratios, return on investment and return on equity.

HYPOTHESIS FORMULATION

A hypothesis is a temporary answer to a research problem whose truth remains to be tested empirically. To provide a temporary answer to this research, it is necessary for the researcher to put forward a hypothesis, namely premium income, underwriting ratios, return on investment and return on equity affect the profit of insurance companies. According to Alamsyah & Wiratno (2017) premium income is the amount of money paid by the insured party to the insurer or insurance company for services rendered by the insurance company in accordance with the initial agreed agreement. Premium income is the most important element in an insurance company because income will determine the progress of an insurance company. Maharani (2018) suggests that premium income has a significant positive effect on profit, so that an increase in premium will be followed by an increase in profit. The more premiums the insured pays to the insurance company, the higher the premium income. With an increase in insurance premiums, of course, it will be followed by an increase in profit.

The underwriting ratio is a very important factor in determining the company's profit and strengthening the company's financial position. In evaluating underwriting performance, there are several factors that need to be considered, among others, by looking at the amount of claims that occur with the acquisition of premium income. Companies that have good underwriting guidelines generally have a positive impact on company profits. According to the research results Setiowaty (2019) states that the underwriting ratio has a significant positive effect on profits. According to Kasmir (2019), return on investment is the ratio used to display the return on investment invested in assets used in all company activities. In other words, return on investment is a measure of the company's effectiveness in generating returns on assets used into net

income. Silalahi et al. (2019) states that return on investment has a significant effect on profit growth. The lower this ratio, the less good, and vice versa.

Return on Equity is the company's financial ratios related to profitability. This ratio shows how much equity contributes in creating net income. In other words, this ratio is used to measure how much net profit will be generated from each rupiah of funds embedded in total equity. This ratio is calculated by dividing net income by equity (Hery, 2015). Alomari & Islam (2017) suggest that Return on Equity (ROE) has a significant positive effect on insurance profit growth. Based on the description above, the proposed hypothesis is:

H₁ = Premium income has a positive effect on profits in insurance companies.

H₂ = The underwriting ratio has a positive effect on profits in insurance companies.

H₃ = Return on Investment has a positive effect on profits in insurance companies.

H₄ = Return on Equity has a positive effect on profits in insurance companies.

METHODOLOGY

The research method used is associative research method with a quantitative approach. Associative research is research that aims to determine the effect or relationship between two or more variables (Sugiyono, 2019). Associative research was conducted to determine whether premium income, underwriting ratio, return on investment, and return on equity on the profits of general insurance companies in Indonesia.

The population in this study are all general insurance companies listed on the Indonesia Stock Exchange. There are 11 general insurance companies listed on the Indonesia Stock Exchange. The following is a list of the names of the companies that are the population of this study. The sample is part of the number and characteristics possessed by the population. Sampling in this study will use a purposive sampling technique, namely a sampling technique with certain considerations (Sugiyono, 2019). The criteria for sampling are based on general insurance companies listed on the Indonesia Stock Exchange and generating profits annually during the 2015-2019 period. Based on the characteristics of the sample selection, it is obtained 10 companies that will be used as samples. Table 1 shows 10 (ten) companies that meet the sample criteria.

Table 1 Research Sample

No	Kode	Nama Perusahaan
1	ABDA	PT Asuransi Bina Dana Arta Tbk
2	AMAG	PT Asuransi Multi Artha Guna Tbk
3	ASBI	PT Asuransi Bintang Tbk
4	ASDM	PT Asuransi Dayin Mitra Tbk
5	ASJT	PT Asuransi Jasa Tania Tbk
6	ASMI	PT Asuransi Kresna Mitra Tbk
7	ASRM	PT Asuransi Ramayana Tbk
8	LPGI	PT Lippo General Insurance Tbk
9	TUGU	PT Asuransi Tugu Pratama Indonesia Tbk
10	ZADI	PT Asuransi Adira Dinamika Tbk

Source: Company Profile Listed on IDX

FINDINGS AND DISCUSSION

There are four independent variables used in this study, namely premium income, underwriting ratio, ROI and ROE, while the dependent variable is profit. Data related to these variables were obtained from the financial statements of each general insurance company. Statistical measures used in this analysis are the mean (mean), maximum (max), minimum value (min), and the standard deviation of each variable. Table 1 is the result of data processing using Eviews 10 obtained descriptive statistical results from 10 general insurance companies.

Table 2 Descriptive Statistics

Criteria	Profit	PI	RATIO_UW	ROI	ROE
Mean	116075.4	659100.7	43.16580	4.205200	11.56760
Median	68898.50	654769.0	40.91500	3.950000	11.49500
Maximum	454280.0	2118406.	81.83000	9.430000	29.00000
Minimum	1223.000	124465.0	14.19000	0.270000	0.580000
Std. Dev.	125686.1	478018.0	17.86752	2.227378	6.696630

Source: Data Processing Results with Eviews 10

Premium income has a minimum value of IDR 124,465 (in millions of rupiah) which is found at PT Asuransi Kresna Mitra Tbk in 2017, the maximum value of IDR 2,118,406 (in millions of rupiah) is found at PT Asuransi Adira Dinamika Tbk in 2019 and the average value is -an average of IDR 659,100.7 (in millions of rupiah). The standard deviation of premium income is IDR 478,018 (in millions of rupiah). The minimum value on the underwriting ratio of 14.19 percent was obtained by PT Lippo General Insurance Tbk in 2017, and the maximum value of 81.83 percent was obtained by PT Asuransi Dayin Mitra Tbk in 2019. Then for the average value of 43.17 percent with a standard deviation of 17.87 percent. The minimum Return on Investment value is 0.27 percent owned by PT Asuransi Jasa Tania Tbk in 2019, the maximum value of 9.43 percent is PT Asuransi Bina Dana Arta Tbk in 2015, the average value is 4.21 percent and the standard deviation is 2.22 percent. The results of descriptive statistical analysis on return on equity obtained a minimum value of 0.58 percent found at PT Asuransi Jasa Tania Tbk in 2019 and a maximum value of 29 percent found at PT Asuransi Adira Dinamika Tbk in 2015. The average value is 11.57 percent with a standard deviation of 6.69 percent. The minimum profit value of IDR 1,223 (in millions of rupiah) found at PT Asuransi Jasa Tania Tbk in 2019, the maximum value of IDR 454,280 (in millions of rupiah) contained in PT Asuransi Adira Dinamika Tbk in 2019 and the average value in profit of IDR 116,075.4 (in millions of rupiah). Then for the standard deviation of IDR 125,686.1 (in millions of rupiah).

Hypothesis testing is carried out to determine whether or not there is a significant influence (both positive and negative) between the independent variables in the form of premium income, underwriting ratios, return on investment, and return on equity on the dependent variable in the form of profits in general insurance companies in Indonesia. The financial statements used are audited financial statements for the period ended December 31 during the 2015-2019 period. There are three tests carried out on the hypothesis test, namely the F test (model feasibility test), the coefficient of determination test (R^2), and the t test (partial test).

Table 3 Model Goodness of Fit (F Test)

R-squared	0.861332	Mean dependent var	6.968.683
Adjusted R-squared	0.849006	S.D. dependent var	0.641314
S.E. of regression	0.249202	Sum squared resid	2.794.567
F-statistic	6.987.887	Durbin-Watson stat	1.856.087
Prob(F-statistic)	0.000000		

Source: Data Processing Results with Eviews 10

The results of the F test (model goodness of fit test) indicate that the regression model used can be said to be feasible. The coefficient of determination (R^2) in this study has an Adjusted R-squared value of

0.849006. This shows that premium income, underwriting ratio (UW ratio), return on investment (ROI), and return on equity (ROE) have a proportion of influence on profit of 84.9 percent, while the remaining 15.1 percent is influenced by other factors in outside this research model. The results of the F test obtained a probability value of 0.000000 which is smaller than the 0.05 significance level so that it can be stated that the estimated regression model is feasible to use to explain the effect of premium income, underwriting ratio, ROI, and ROE on operating profit.

The coefficient of determination test is used to see the percentage effect of premium income, underwriting ratio, ROI, and ROE on profit. The results of the coefficient of determination test can be seen in Table 3. The results of the coefficient of determination test obtained the results of the Adjusted R-squared value of 0.849006. This value can be explained that premium income, underwriting ratio, ROI, and ROE have a proportion of influence on profit of 84.9 percent, while the remaining 15.1 percent is influenced by other factors outside this research model.

The results of the partial hypothesis test (t test) or the partial coefficient test are used to determine whether partially the independent variable has a significant effect or not on the dependent variable. A variable can be said to have a significant effect on the dependent variable if the value of the probability (p-value) of each independent variable is smaller than the significance level of = 0.05. The results of the t-test can be seen in Table 4.

Table 4 Results of Partial Hypothesis Testing (t-test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.093.862	1.873.895	2.184.681	0,2375
PI	1.102.894	0.143855	7.666.699	0.0000
Ratio UW	1.000.445	0.223107	4.484.152	0.0001
ROI	0.919028	0.213894	4.296.645	0.0001
ROE	-0.080676	0.212668	-0.379350	4,90416667

Source: Data Processing Results with Eviews 10

Based on Table 4, it can be written multiple linear regression equations as follows.

$$\text{Profit} = 0,05 + 1,102894 \text{ PI} + 1,000445 \text{ RUW} + 0,919028 \text{ ROI} - 0,080676 \text{ ROE} + e$$

Information:

- PI. = Premium Income
- RUW = Ratio Underwriting
- ROI = Return on Investment
- ROE = Return on Equity
- E = error

From the results of the regression equation above, it can be analyzed as follows: A constant value of 0.05 indicates that if the premium income, underwriting ratio, return on investment, and return on equity do not show an increase or decrease or are considered constant, then the profit is Rp. 0,05 (in millions of rupiah). Premium income has a coefficient value of 1.102894 to profit and shows a positive relationship between premium income and profit, meaning that if premium income increases by 1 rupiah, profits will increase by 1.102894 rupiah. The results of the regression equation above show that the underwriting ratio to profit shows a coefficient value of 1,000445 and shows a positive direction of relationship, which means that if the underwriting ratio increases by 1 percent, profits will increase by 1,000445 percent. The value of the coefficient of return on investment to profit is 0.919028. This value indicates the direction of a positive relationship, which means that if the return-on-investment increases by 1 percent, profits will increase by 0.919028 percent. Return on Equity shows a coefficient value of -0.080676 to profit. This means that there is a negative relationship direction. If the return on equity decreases by 1 percent, the profit will also decrease by -0.080676 percent.

The results of the t-test (partial test) show that premium income, underwriting ratio and return on investment have a positive and significant effect on the profits of general insurance companies in Indonesia. Meanwhile, return on equity does not have a significant negative effect on the profits of general insurance companies in Indonesia. Based on Table 4, the results of the t-test can be analyzed as follows: The p-value of premium income on profit shows 0.0000, meaning that the p-value is smaller than the significance level ($0.0000 < 0.05$) which means H_1 is accepted. The regression coefficient value of premium income is 1.102894. This means that premium income has a significant positive effect on profits where if there is an increase in premium income, profits will also increase. The results of testing the underwriting ratio to profit show a coefficient value of 1.000445. The p-value in the underwriting ratio is 0.0001, meaning that the p-value is smaller than the significance level ($0.0001 < 0.05$) so it can be stated that H_2 is accepted. So it can be stated that the underwriting ratio has a significant positive effect on profits. The results of the t-statistical test show that the p-value on return on investment is 0.0001 so it can be said that the p-value is smaller than the significance level ($0.0001 < 0.05$) which means H_3 is accepted and the regression coefficient value is 0,919028. The results of this study stated that return on investment had a significant positive effect on profits. For return on equity, the coefficient value is -0.080676, while the probability value is 0.7062 ($0.7062 > 0.05$), which means H_4 is rejected. These results indicate that ROE does not have a significant negative effect on earnings.

Premium income is obtained from mandatory payments made by the insured party on a regular basis to the insurer in accordance with the agreed agreement. Premium income is one of the main sources of income for insurance companies that greatly affects the size of the insurance company's profit. Factors that affect the increase in premium income apart from the increase in the number of customers are the premium rates and also the insurance product offerings provided by the company. Therefore, the company pays great attention to insurance products ranging from tariffs to various attractive offers so that the acquisition of premium income is precise and accurate and is able to attract the interest of potential customers. If it is like that, the higher the value of the income received, the higher the net profit that will be received by the company. In 2019 the highest premium income was owned by PT Asuransi Adira Dinamika Tbk, amounting to IDR 2,118,406 (in millions of rupiah), up 9.2 percent from 2018 results supported by Autocillin motor vehicle insurance premiums which reached IDR 1,449,561 (in millions of rupiah) of the total premium. Autocillin is the flagship product of PT Asuransi Adira Dinamika Tbk, which is the company's core business. This is because the company took steps to improve brand quality, especially in this Autocillin product. This insurance product has features that differentiate and provide unique added value compared to other motor vehicle insurance products. One of the services the company provides is a fast claim process. Not only that, the company also guarantees the quality of claim processing with the company's special workshop partner, Autocillin Garage. This new feature allows PT Asurasi Adira Dinamika Tbk to expand its target market so as to increase the company's premium income. So that the higher the premium income, the higher the profit earned by the company. This can be seen from the highest profit in 2019 which was also owned by PT Asuransi Adira Dinamika Tbk, which was IDR 454,280 (in millions of rupiah) Tbk, an increase of 10.9 percent from the profit in 2018. The results of this study are in line with research conducted by PT Asuransi Adira Dinamika Tbk. conducted by Nasution and Nanda (2020); Maharani (2018) which states that premium income has a significant positive effect on insurance company profits. That is, the higher the premium income, the higher the profit, and vice versa. If the premium income received by the company from insurance participants is large, the funds that can be invested are also large, then with the amount of funds invested, the profits obtained are also large.

Underwriting is the process of assessing and classifying the risk of a person or group of prospective insureds which aims to protect insurance companies from losses. The higher the underwriting ratio, the higher the company's profit. This is because the higher the underwriting ratio of an insurance company indicates that the underwriting performance of the company is good. In addition, the underwriting result is the profit/loss from the main insurance activity which is obtained from the difference between premium income and underwriting expenses. From 2015 to 2019 PT Asuransi Dayin Mitra Tbk had the highest underwriting ratio and always increased every year. This indicates that the company's underwriting performance is very good.

This performance is evidenced by the award achieved by PT Asuransi Dayin Mitra Tbk, namely getting the Special Award for the highest Underwriting Ratio in 2018 in the General Insurance Category from an investor magazine. The company has a special strategy in the underwriting sector, namely underwriting for profit which focuses on prudent underwriting but still pays attention to the expected margin. The implementation of this strategy is carried out by establishing a reliable acceptance team based on the business understanding of each sector. The results of this study are also in accordance with research conducted by Setiowaty (2019) which states that the underwriting ratio has a significant positive effect on profits.

The return on investment or better known as return on investment or return on total assets is a ratio that shows the return on the total assets used in the company. ROI is also useful as a measure of the effectiveness of management in managing its investments. If the lower this ratio, the less good, and so should. This means that this ratio can be used to measure the effectiveness of the company's overall operations. In this study, the highest ROI is owned by PT Asuransi Adira Dinamika Tbk, which is 6.0 percent. This increase is because as of the end of 2019, the company recorded total assets of Rp. 8,493 (in millions of rupiah), a sharp increase of 33.8 percent from its value at the end of 2018, which was Rp. 6,349 (in millions of rupiah). The largest portion of the company's total assets in 2019 was in the form of investment in third party securities, which amounted to Rp 2,063 (in millions of rupiah) or 24.3 percent of the total, followed by prepaid expenses – related parties at 19.2 percent of the total. This achievement had a positive impact on net profit, which grew 11 percent from IDR 409,473 (in millions of rupiah) in 2018 to IDR 454,280 (in millions of rupiah). This indicates that the company's performance is very effective in managing investments in its assets. As is known, the higher the ROI, the higher the profit.

Based on the research conducted, the results of this study are in line with the results of research conducted by Silalahi et al. (2019); Herni (2019); Nasution and Nanda (2020) which state that return on investment has a significant positive effect on insurance company profits. Therefore, with the results of the research conducted, it can be stated that there is a match between the results of the research with theory and previous research if ROI has an influence on profits.

Return on Equity is the ratio used to measure net profit after tax with own capital. This ratio can show the efficiency of the use of own capital. The higher this ratio, the better. This means that the company's position is getting stronger, so it should be. In 2019, the lowest ROE value was owned by PT Asuransi Jasa Tania Tbk with a percentage of only 0.58 percent, down 10.81 percent from 2018. This decrease was due to a significant decrease in net profit, from IDR 25,020 (in millions of rupiah) in 2018 to IDR 1,223 (in millions of rupiah) in 2019, down 95.12 percent.

So it can be stated that although ROE has decreased or increased, it will not affect profits. Based on the research conducted, the results of this study contradict the research conducted by Alomari & Islam (2017); Indayani (2017) who suggests that ROE has a significant positive effect on insurance profits. Therefore, with the results of the research conducted, it can be stated that there is no match between the results of the study and the theory and previous research that ROE has no effect on profits.

CONCLUSIONS AND RECOMMENDATIONS

The high premium income in insurance companies affects the increase in profit. One of the factors driving the high premium income is the attractive offer of insurance products. An increase in the underwriting ratio of an insurance company will encourage an increase in the insurance company's profit. The higher the underwriting ratio of an insurance company indicates that the underwriting performance is good, so the higher the company's profit. The size of the ROI of an insurance company will affect the company's profit. The higher the ROI, the higher the profit earned. This indicates that the company is very effective in managing investments in its assets. The size of the ROE in an insurance company will not affect the company's profit.

The author's recommendation in this study is that it is necessary to do further research by developing and adding other independent variables such as Risk Based Capital, Technical Reserve Ratio, Claim Expense Ratio, Net Profit Margin, Debt to Equity Ratio and Current Ratio in order to determine whether there are variables that significantly theoretical effect on the profit of insurance companies.

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