# THE INFLUENCE OF PREMIUM INCOME, CLAIMS, PROFITABILITY, INVESTMENT RESULTS, AND OPERATIONAL EXPENSES ON THE GROWTH OF ASSETS OF GENERAL INSURANCE COMPANIES LISTED IN THE FINANCIAL SERVICES AUTHORITY (OJK) FROM 2019 TO 2022

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**ABSTRACT** The purpose of this research was to analyze the effect of premium income, claims, profitability, investment returns and operational expenses on asset growth in general insurance registered with the Financial Services Authority. The population in this research is all general insurance companies registered with the Financial Services Authority for the 2019-2022 period. The method used in this research is quantitative with secondary data via the official website of the Financial Services Authority. The analytical tool used in this research is multiple linear regression analysis. The results of this research show that 1) premium income has a significant positive effect on asset growth. 2) Claims have a significant negative effect on asset growth. 3) Profitability has no significant effect on asset growth. 4) Investment returns have a significant positive effect on asset growth. 5) Operational Expenses have a significant negative effect on asset growth. 6) Premium income, claims, profitability, investment returns and operational expenses simultaneously influence asset growth.

***Keywords:*** *Premium income, claims, profitability, investment returns, operational expenses, asset growth*

## INTRODUCTION

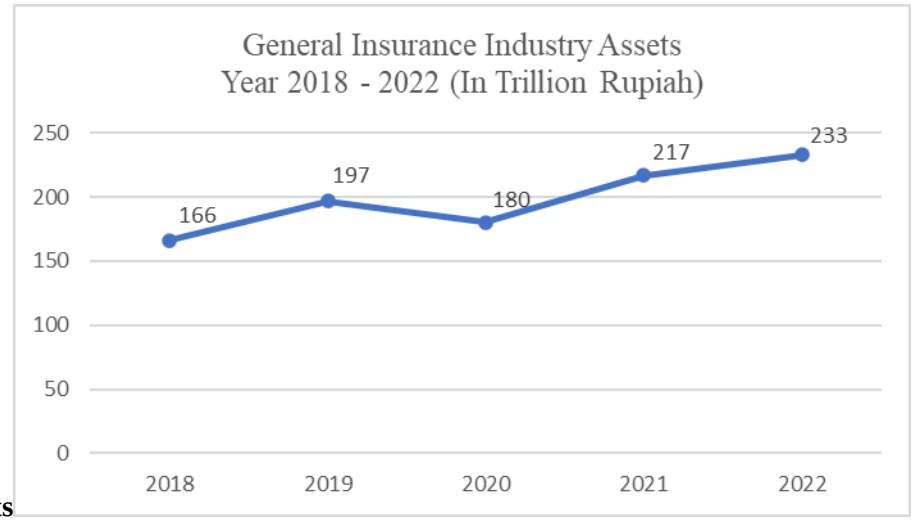
Insurance is one of the financial instruments that plays a crucial role in protecting individuals, companies, and other entities from various financially detrimental risks. Insurance provides financial protection by transferring the occurring risks to insurance companies willing to take on those risks in exchange for premium payments. Risks themselves involve losses caused by potential hazards that are unpredictable in terms of their occurrence timing and nature. Additionally, risk is defined as uncertain and potentially damaging, characterized by elements of uncertainty and potential loss.

In an increasingly uncertain era, insurance provides individuals and companies with a sense of security and peace of mind, enabling them to continue their lives and businesses without excessive worry about potential risks. Risks such as property loss, accidents, legal liabilities, or even health risks are becoming more significant in daily life. On the other hand, the insurance industry continues to experience development and change. Information technology, government regulations, socio-economic changes, and other factors have transformed how insurance companies operate, develop products, and interact with their customers.

Assets are crucial for insurance companies, fulfilling both short-term and long-term obligations. The management of an insurance company's assets must be careful and vigilant, considering the risks that the company will face. Assets and liabilities must align because insurance contracts are long-term, where as we know some assets may have been fallen in maturity in short terms while the duty.

The phenomenon currently affecting insurance companies regarding fluctuating asset growth is influenced by several factors, including how well the financial health of insurance companies is accurately and transparently disclosed. In recent years in Indonesia, significant cases involving well-known insurance companies such as Asabri and Jiwasraya have surfaced. These cases

have resulted in losses for policyholders and the country, ultimately affecting Indonesia's economy. As a consequence, public and investor interest in choosing insurance companies or insurance products in Indonesia has declined. Data from the Financial Services Authority (OJK) indicates that the insurance penetration rate in Indonesia in 2021 reached only 3.18%. This figure includes a social insurance penetration of 1.45%, life insurance at 1.19%, general insurance at 0.47%, and the remainder comprising compulsory insurance.

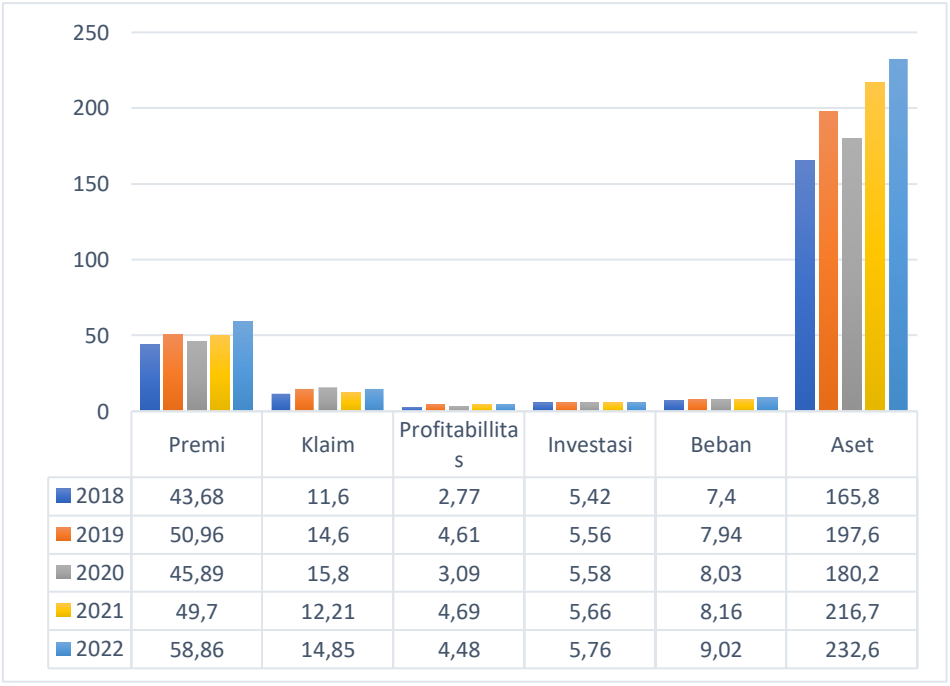



**Assets**

*Source: Financial Services Authority 2023 Processed*

**Picture 1**
**Development of General Insurance Industry**

Based on Figure 2 obtained from the Financial Services Authority data, the financial performance growth of the general insurance industry has shown fluctuations over the past 5 years from 2018 to 2022. The highest decrease in assets occurred during the period from 2019 to 2020, amounting to 8.62%, while the largest increase was recorded in 2021 at 20.5%. These fluctuations are influenced by variations in premium income, claims, profitability, investment results, and operational expenses, which collectively impact asset growth.




| | Premi | Klaim | Profitabillitas | Investasi | Beban | Aset |
|---|---|---|---|---|---|---|
| 2018 | 43,68 | 11,6 | 2,77 | 5,42 | 7,4 | 165,8 |
| 2019 | 50,96 | 14,6 | 4,61 | 5,56 | 7,94 | 197,6 |
| 2020 | 45,89 | 15,8 | 3,09 | 5,58 | 8,03 | 180,2 |
| 2021 | 49,7 | 12,21 | 4,69 | 5,66 | 8,16 | 216,7 |
| 2022 | 58,86 | 14,85 | 4,48 | 5,76 | 9,02 | 232,6 |

Source: Financial Services Authority 2023 Processed

**Picture 2**
**The Growth of General Insurance 2018-2022**

Based on Figure 2 above from data sourced by the Financial Services Authority (OJK), the growth of the general insurance companies from 2018 to 2022 has shown fluctuations. This is corroborated by information from CNBC Indonesia, explaining that in 2020 there was a decline in general insurance assets, aligning with Indonesia's economic conditions that were strained due to the Covid-19 pandemic. Indonesia's economy significantly influences general insurance premiums. In 2020, Indonesia's economic growth recorded a decline of -2.19%, reflecting the pandemic's impact. Asset growth from 2018 to 2019 saw a substantial increase of 19.39%, followed by a decline of -8.6% in 2020.

Premium income in 2018-2019 experienced a significant increase of 15.6%, followed by a substantial decrease of 9.8% in the subsequent year. According to data from the General Insurance Association of Indonesia (AAUI), factors contributing to the decline in general insurance in 2020 included a decrease in motor vehicle sales, an increase in gross claims for general insurance, and an increase in the claims paid-to-premium ratio. During the same year, asset growth also experienced a significant decline, consistent with the trend in premium income.

## METHOD

The population used in this study consists of general insurance companies registered with the Financial Services Authority (OJK) from 2019 to 2022. Sampling is the process of selecting a portion of the population to be used in the research. The sampling technique employed in this study is purposive sampling, which selects data based on specific criteria. A total of 54 general insurance companies were selected.

## RESULTS AND DISCUSSION

### Data Analysis and Analysis Testing

#### 1. Descriptive Statistical Tests

Descriptive statistics in this study are used to provide information about the research variables such as Asset Growth (Y), Premium Income (X1), Claims (X2), Profitability (X3), Investment Income (X4), and Operational Costs (X5). The results of descriptive statistical testing for these research variables can be seen in the following table:

**Table 2**
**Descriptive Statistical**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Asset growth (Y) | 220 | -,3630 | ,4736 | ,061755 | ,13472 |
| Premium Income (X1) | 220 | 36491,00 | 5635932,00 | 977256,8136 | 1004419,91 |
| Claims (X2) | 220 | 26768,00 | 2235392,00 | 432118,2455 | 500529,57 |
| Profitability (X3) | 220 | -,3349 | ,2815 | ,024571 | ,05035 |
| Investment Return (X4) | 220 | -312419,00 | 2690124,00 | 121683,5227 | 323547,708 |
| Operational Costs (X5) | 220 | 14208,00 | 5871446,00 | 355248,5273 | 726618,11 |
| Valid N (listwise) | 220 | | | | |

*Source: Processed Secondary Data, 2024*

Based on Table 6 of descriptive statistics, it is known that the valid N or processed data amount to 220 entries. Asset Growth (Y) has a minimum value of -0.3630, a maximum value of 0.4736, and a mean value of 0.0617 with a standard deviation of 0.13472.

The variable Premium (X1) has a minimum value of 36,491.00, a maximum value of 5,635,932.00, a mean (average) value of 977,256.81, and a standard deviation of 1,004,419.91.

The variable Claims (X2) has a minimum value of 26,768.00, a maximum value of

2,235,392.00, a mean (average) value of 432,118.24, and a standard deviation of 500,529.57.

The variable Profitability (X3) has a minimum value of -0.3349, a maximum value of 0.2815, a mean (average) value of 0.024571, and a standard deviation of 0.0503505.

The variable Investment Return (X4) has a minimum value of -312,419.00, a maximum value of 2,690,124.00, a mean (average) value of 121,683.52, and a standard deviation of 323,547.71.

The variable Operational Costs (X5) has a minimum value of 14,208. 00, a maximum value of 5, 871 ,446.00, a mean (average ) value of 355, 248.53, and a standard deviation of 726,618.11.

**Classical Assumption Tests**

**a. Normality Test**

The normality test is conducted to evaluate whether in a regression model , the disturbance or residuals follow a normal distribution . The t-test and F-test essentially assume that the residual values follow a normal distribution . If this assumption is not met, the validity of these statistical tests is compromised, especially with small samples (Ghozali, 2016: 154). The normality test of residuals using statistical analysis is conducted using the Kolmogorov Smirnov (K- S ) test.

**Table 3**

***One-Sample Kolmogorov-Smirnov Test***

| | | Unstandardized Residual |
|---|---|---|
| N | | 220 |
| Normal Parameters[a,b] | Mean | ,0000000 |
| | Std. Deviation | ,12482337 |
| Most Extreme Differences | Absolute | ,057 |
| | Positive | ,050 |
| | Negative | -,057 |
| Test Statistic | | ,057 |
| Asymp. Sig. (2-tailed) | | ,075[c] |

*Source: Processed Secondary Data, 2024*

Table 3 shows that in this study, the data distribution is normal because the Asymp. Sig. (2-tailed) value of 0.075 > 0.05. This can be concluded that all research variables are normally distributed.

b. **Test of Multicollinearity**

In this study , multicollinearity can be assessed through the values of tolerance and Variance Inflation Factor (VIF ). According to Ghozali (2016), multicollinearity occurs if the tolerance value is $\leq 0.1$ and the VIF value is $\geq 10$.

**Table 4**

**Coefficients**

| Model | Collinearity Statistics | |
|---|---|---|
| | Tolerance | VIF |
| (Constant) | | |
| Premium Income (X1) | ,416 | 2,403 |
| Claims (X2) | ,366 | 2,729 |
| Profitability (X3) | ,978 | 1,023 |
| Investment Return (X4) | ,436 | 2,291 |
| Operational Costs (X5) | ,428 | 2,337 |

Source: Processed Secondary Data, 2024

Based on Table 4, it can be concluded that the regression model used does not exhibit multicollinearity among the independent variables. This can be observed from the Tolerance

values of each independent variable ≥ 0.1 and VIF values < 10.

**c. Autocorrelation test**

**Tabel 5**
**Autocorrelation Test Results**

| | Unstandardized Residual |
|---|---|
| Test Value[a] | ,01448 |
| Cases < Test Value | 110 |
| Cases >= Test Value | 110 |
| Total Cases | 220 |
| Number of Runs | 107 |
| Z | -,541 |
| Asymp. Sig. (2-tailed) | ,589 |

Source: Processed Secondary Data, 2024

Based on Table 5, the test value is 0.1448 with a probability of 0.589 > 0.05, thus it can be concluded that the residuals are random or there is no autocorrelation between the residual values.

**d. Heteroscedasticity Test**

**Tabel 6**
**Heteroscedasticity Test Result**

| Model | Unstandardized Coefficient | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | ,111 | ,007 | | 15,131 | ,000 |
| Premium Income (X1) | -1,343 | ,000 | -,183 | -1,749 | ,082 |
| Claims (X2) | 1,468 | ,000 | ,100 | ,894 | ,372 |
| Profitability (X3) | -,108 | ,100 | -,073 | -1,077 | ,283 |
| Investment Return (X4) | -8,986 | ,000 | -,039 | -,386 | ,700 |
| Operational Costs (X5) | -8,396 | ,000 | -,001 | -,008 | ,994 |

Source: Processed Secondary Data, 2024

Based on table 6 above, it is known that the significance value for each independent variable is > 0.05. So it can be concluded that the regression model in this study is free from heteroscedasticity.

**Multiple Linear Regression Analysis**

**Table 7**
**Multiple Linear Regression Analysis Result**

| Model | Unstandardized Coefficients | |
|---|---|---|
| | B | Std. Error |
| (Constant) | ,051 | ,013 |
| Premium Income (X1) | 2,795 | ,000 |
| Claims (X2) | -7,231 | ,000 |
| Profitability (X3) | ,226 | ,171 |
| Investment Return (X4) | 2,101 | ,000 |
| Operational Costs (X5) | -4,746 | ,000 |

Source: Processed Secondary Data, 2024

The results of multiple regression analysis obtained coefficients for the independent variables X1 = 2,795 X2 = 7,231 X3 = 0,226 X4= 2,101 and X5= 4,746 with a constant of 0.051. so that the regression equation model is obtained:

Y = 0.051 + 2,795X1 - 7,231X2 + 0,226X3 + 2,1017X4 – 4,746X5

Based on the regression model in table 7, it can be explained :

a. The constant of 0.051 indicates that if the independent variable is assumed constant, then the dependent variable will decrease by 0.051%.
b. The premium income variable with a positive regression coefficient of 2.795. This indicates that a 1% increase in premium income will lead to a 2.795% increase in asset growth, assuming the independent variables are held constant.
c. The claims variable with a negative regression coefficient of 7.231. This indicates that a 1% increase in claims will result in a 7.231% decrease in asset growth, assuming the independent variables are held constant.
d. The profitability variable with a positive regression coefficient of 0.226. This indicates that a 1% increase in profitability will lead to a 0.226% increase in asset growth, assuming the independent variables are held constant.
e. The investment return variable with a positive regression coefficient of 2.1017. This indicates that a 1% increase in investment return will lead to a 2.1017% increase in asset growth, assuming the independent variables are held constant.
f. The operational costs variable with a negative regression coefficient of 4.746. This indicates that a 1% increase in operational costs will result in a 4.746% decrease in asset growth, assuming the independent variables are held constant.

**Hypothesis testing**

**Partial Test**

**Table 8**
**Partial Test Result**

| Model | T | Sig. |
|---|---|---|
| (Constant) | 4,088 | ,000 |
| Premium Income (X1) | 2,122 | ,035 |
| Claims (X2) | -2,568 | ,011 |
| Profitability (X3) | 1,317 | ,189 |
| Investment Return (X4) | 5,263 | ,000 |
| Operational Costs (X5) | -2,644 | ,009 |

*Source: Processed Secondary Data, 2024*

In Table 8, it is shown that the significance level for the premium income variable is 0.035. To determine the test using a significance level of 5% (0.05), because the significance level for the premium income variable is smaller than the set significance level, H1 is accepted.

The significance level for the claim variable is 0.011. To determine the test using a significance level of 5% (0.05), because the significance level for the claim variable is smaller than the set significance level, H2 is accepted.

The significance level for the profitability variable is 0.189. To determine the test using a significance level of 5% (0.05), because the significance level for the profitability variable is greater than the set significance level, H3 is rejected.

The significance level for the investment return variable is 0.000. To determine the test using a significance level of 5% (0.05), because the significance level for the investment return variable is smaller than the set significance level, H4 is accepted.

The significance level for the operational costs variable is 0.009. To determine the test using a significance level of 5% (0.05), because the significance level for the operational costs variable is smaller than the set significance level, H5 is accepted.

**Statistical test F**

**Tabel 9**
**Statistical test F**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | ,563 | 5 | ,113 | 7,058 | ,000[b] |
| | Residual | 3,412 | 214 | ,016 | | |
| | Total | 3,975 | 219 | | | |

*Source: Processed Secondary Data, 2024*

In Table 9, it is shown that the significance level for the variables premium income, claims, profitability, investment return, and operational costs is 0.000. To determine the test using a significance level of 5% (0.05), because the significance level is smaller than the set significance level, the hypothesis stating that "premium income, claims, profitability, investment return, and operational costs significantly influence asset growth" is accepted.

**Coefficient of Determination Test (R)**

**Tabel 10**
**Coefficient of Determination**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | ,376[a] | ,142 | ,122 | ,1262732 |

*Source: Processed Secondary Data, 2024*

Based on Table 10, it can be observed that the Adjusted R Square value is 0.122. This indicates that the combined influence of premium income, claims, profitability, investment return, and operational costs on asset growth in general insurance companies registered with the Financial Services Authority ( OJK ) from 2019 to 2022 is 12.2%. The remaining 87.8% is influenced by other factors not examined in this study , such as liquidity ratios, capitalization, or others.

## CONCLUSION

This research examines whether premium income, claims, profitability, investment returns and operational expenses are able to influence the growth of assets of insurance companies registered with the financial services authority in 2019-2022. The results of hypothesis testing show that :

1. Premium income has a significant positive effect on the asset growth of general insurance companies registered with the Financial Services Authority (OJK) from 2019 to 2022. Higher premium income increases asset growth, and vice versa.
2. The study shows that claims have a significant negative impact on asset growth . This can be explained by the fact that claims represent an obligation for insurance companies and constitute an expense that must be paid out.
3. Profitability has a positive but not significant effect on asset growth. This means that higher profitability values contribute to asset growth, but statistically, the influence is not significant.
4. Investment income has a significant positive effect on asset growth. This indicates that fluctuations in investment income influence asset growth.

The research findings indicate that operational costs have a significant negative impact. This aligns with accounting theory, which describes operational costs as expenses for general insurance companies, leading to a decrease in asset growth. The negative impact suggests that higher operational costs lead to a decrease in asset growth, and vice versa.

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