The Nexus Between Risk and Investment Factors on Insurance Companies Profit in Indonesia

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Abstract. *This study aims to analyze the nexus between risk factors and investment returns to the profits of insurance companies in Indonesia, using a quantitative approach. The population of this research is insurance companies listed on the Indonesia Stock Exchange. The sampling technique uses purposive sampling. The number of samples is 10 insurance companies. This study uses secondary data with the documentation method, and uses multiple linear regression analysis models. The results showed: risk based capital, underwriting, and investment returns had a significant positive effect on insurance profit, while the claim expense ratio had a significant negative effect on insurance profit.*

Keywords*. Investment; Insurances; Profit; Risk.*

Abstrak. Penelitian ini bertujuan untuk menganalisis hubungan antara faktor-faktor risiko dan pengembalian investasi terhadap keuntungan perusahaan asuransi di Indonesia, menggunakan pendekatan kuantitatif. Populasi penelitian ini adalah perusahaan asuransi yang terdaftar di Bursa Efek Indonesia. Teknik pengambilan sampel menggunakan purposive sampling. Jumlah sampel adalah 10 perusahaan asuransi. Penelitian ini menggunakan data sekunder dengan metode dokumentasi, dan menggunakan model analisis regresi linier berganda. Hasil penelitian menunjukkan: risiko berbasis modal, underwriting, dan pengembalian investasi memiliki pengaruh positif signifikan terhadap laba asuransi, sedangkan rasio biaya klaim memiliki pengaruh negatif signifikan terhadap laba asuransi.

Kata kunci. *Asuransi; Investasi; Laba; Resiko.*

INTRODUCTION

Currently, developments in terms of economics and technology are increasingly having an impact on human life. The progress of the economy and technology raises human concerns about the risks that occur to them, such as risks that can endanger a person, property, etc. Self-protection, health and assets owned are mandatory in order to minimize the risks that might occur unwittingly. These risks can come suddenly and unexpectedly, but human concerns about losses caused by the occurrence of risks can be alleviated through insurance companies.

Insurance is an agreement between two parties, namely an insurance company and policy holder, which is the basis for receiving premiums by insurance companies in return. To provide security to policyholders, insurance companies must be able to demonstrate sound financial performance. Trust can be built from healthy financial performing institutions, although this cannot be seen only from financial reports (Kirmizi & Agus, 2008). Financial performance in general can be seen from profit. In insurance companies, profits are influenced by risk based capital, underwriting, investment returns and the ratio of claim expenses. Through financial statements can be known the financial health of the insurance company and its ability to pay off its obligations. One indicator used in decision making is the financial health of insurance companies. People who are insurance policy holders expect that the invested money can provide benefits in the future as promised claims in the event of a loss (Dady, Ilat, & Pontoh, 2017).

A good insurance company is an insurance company that is always able to fulfill claims from customers who meet the applicable requirements or have a high

solvency ratio above the minimum threshold set by the government. Through control of solvency, it can support the insured against the risk of corporate bankruptcy and disaster events that cause failure to fulfill their obligations (Safari, Sarlak, & Nasiri, 2015). Solvability level in insurance companies is measured using risk based capital. Risk based capital is the amount of capital needed to absorb the risks arising from the implementation of a business sector. Assets that have high risk require a higher level of equity capital, while low risk assets require less capital (Hogan & Meredith, 2015).

Underwriting in an insurance company is a fundamental factor in an insurance industry because one element of insurance income can be determined through underwriting. With the underwriting process the company will be able to detect potential risks that may occur, including how much risk the company can bear, so that when there is a risk that must be borne by the company has an impact outside the scale, the company can carry out such risk management activities. According to Gupta & Prakash (2018), Financial Holding Companies (FHC) have lower discretionary accruals (provision of loss of loans and realized capital gains) when compared to stand-alone Bank Holding Companies (BHC). Underwriting insurance has an adampening effect on FHC discretionary accruals. Market participants will lose the ability to determine prices correctly if reported earnings do not match actual income, consequently the regulator does not have the ability to effectively regulate banks. So the findings suggest that insurance guarantees by banks mitigate market potential.

To maintain that funds collected from the insured can be managed properly even the funds can increase, the insurance company conducts investment activities. In the event that the company receives many claims, then the return from this investment will be able to be relied on to help maintain the financial health of the company (Prawoto, 2003). The claim expense ratio is one of the ratios of the Early Warning System issued by The National Association of Insurance Commissioners. The claim expense ratio is a ratio that calculates the ability of an insurance company to cover claims that occur with the premium income it receives. The calculation component of this claim expense ratio consists of claim costs and net premium income. According to Salim (2007), revenue (income) in insurance companies comes from receipt of premiums, investment returns, fines, compensation, and others. Whereas the expenses for insurance companies are claims payments, commissions, claims realization costs, taxes, wages (salaries), and others.

Research conducted by Charumathi (2012) that the profitability of life insurance companies is positively and significantly influenced by size (logarithm of net premium) and liquidity. Leverage, premium growth, and logarithm of equity capital have a negative and significant effect on the profitability of life insurance companies in India. While underwriting risk and profitability have no influence. The results of this study contradict the results of Marlina & Puryati (2013) that Risk-Based Capital has an effect on Return On Assets with the number of variable contributions is 11 percent and 29 percent for Return On Equity. However, RBC does not have a positive effect on profitability, especially ROA and ROE in Jasindo Insurance 2007-2010. Based on research conducted by (Rashi & Kemal, 2018) explain that gross written premiums, management costs, size, and interest rates have a significant effect on the profitability of insurance companies. However, underwriting losses incurred by life insurance companies, require appropriate policy validation. But the results of these studies contradict the research conducted by Kamau (2013) state that underwriting profit and investment income have a weak positive relationship. Relationships can increase if underwriting insurance is a risk transfer process and not just a wealth generation effort. A more careful risk guarantee will increase the growth of premium income and the benefits of underwriting and investment income.

Based on research conducted by Dragos, Mare, Dragota, Dragos, & Muresan, (2017) the results found that the density of life insurance, income distribution, and the level of

urbanization had a positive relationship. In developed countries, because they have a high level of income, life insurance is common, making income distribution an unimportant factor.

This research is important to do because profit reflects the financial health of an insurance company and the company's ability to carry out its operational activities to the maximum. So it is important to know the factors that affect earnings in insurance companies. With high profits, it means the company can optimize all existing resources for the continuity of its business, thus the public trust will be higher for insurance companies. Not only public trust, investors will also be influenced by company profits. High profits indicate good performance, so investors are interested in investing their funds in an insurance company.

Another Research by Putra (2017) analysis result indicate that variable of revenue growth, asset does not have significant effect to profitability, variable of claim ratio and risk based capital have negative significant effect to profitability. While simultaneously the income growth variable, asset, claim ratio, risk based capital significantly influence the profitability of life insurance companies registered and supervised by Otoritas Jasa Keuangan. Kielholz (2000) show that insurance companies have a scale of profits through asset management. The low cost of capital and more efficiently managed companies will have a competitive advantage in a dynamic market. Hafid (2016) the result of this research with based EWS in Liquidity, Solvency and Technical Ratio PT. Asuransi Jasa XYZ, Tbk in the Time Research Experiance up and down butwith out one periode to exceed minimum Limit Liquidity Deciding by Goverment is amount 120 percent (1.2) Net Premium at PT. Asuransi Jasa XYZ, Tbk to Set-Up Every year in the time periode Research, but net premium achived corporate from 2010 until 2013 years is under Net Premium by Decided Government.

HYPOTHESES DEVELOPMENT

Funds collected through premium payments for future risk claims are investments in the insurance business. An insurance company is a financial institution that manages large amounts of public funds, highly dependent on the success of its management. For insurance companies, investment is very important to maintain the financial health of the company so that solvency is maintained (Effendi, Thiarany, & Nursyamsiah, 2017). The higher the risk based capital, the better the ability of insurance companies to finance each insurance risk. This will increase the confidence of outsiders in the insurance company. The high risk based capital will have an impact on the beliefs of policyholders for their participation in insurance companies and attract the wider community to participate in the insurance company. Risk based capital has an influence on earnings in insurance companies, where the higher the risk based capital, the higher the profit received by the insurance company. Based on the description, the following hypotheses can be formulated:

H1 : There is a positive influence between risk based capital on profits in insurance companies listed on the Stock Exchange for the period 2010-2014

The purpose of underwriting is to maximize profits through the acceptance of risk which is expected to bring profit (Nurfadila, Hidayat, & Sulasmiyati, 2015). This means that the better the management of underwriting in an insurance company, the distribution of risks received by the company will bring profit. The worse the underwriting management in an insurance company, the distribution of the risk received by the company will bring losses. Based on the description, the following hypotheses can be formulated:

H2 : There is a positive influence between underwriting of profits on insurance companies listed on the IDX for the period 2010-2014.

Insurance companies basically have high investment income requirements from the investment assets they have. But on the other hand it also requires protection from high risks.

The reality of the principle of "high risk will give high returns" will always be there, and each investment alternative has different risks. Therefore a good investment management will be able to accommodate the level of investment risk that can be tolerated by companies with appropriate investment results, which in turn can improve the company's profit-loss performance. Based on the description, the following hypotheses can be formulated:

H3 : There is a positive influence between the investment return on profits in the insurance companies listed on the IDX for the period 2010-2014.

The claim expense ratios provides information about the poor underwriting process and acceptance of risk closure. The greater the claim ratio shows that the insurance company is able to settle the claims submitted by the insured which has become the responsibility of the insurer. This high ratio indicates the poor underwriting process (risk selection) and acceptance of risk closure. Based on the description, the following hypotheses can be formulated:

H4 : There is a negative influence between the ratio of claims expenses to an increase in premium income for insurance companies listed on the IDX for the period 2010-2014.

RESEARCH METHOD

This research will be conducted at general insurance companies listed on the Indonesia Stock Exchange for the period 2010-2014. The design of the study uses an explanation of the nexus between variables through testing hypotheses and is intended to identify the effect of risk based capital, underwriting, investment returns and the ratio of claims expense to earnings in insurance companies listed on the Indonesia Stock Exchange 2010-2014. This research is included in quantitative research because the data used in this study are in the form of numbers. The data used in this study are secondary data obtained from financial statements issued by general insurance

companies in the Indonesia Stock Exchange for the period 2010-2014. The test tool used in this study is testing multiple regression analysis to determine the dependence of a dependent variable with independent variables, classical assumption test which is a requirement for conducting multiple regression analysis. The classic assumption test in this study is (normality test, multicollinearity test, heteroscedasticity test and autocorrelation test). Then to test the hypothesis used is the t statistical test, test the coefficient of determination (adjusted R^2)

The sampling technique in this study uses purposive sampling method which is a non-random sampling technique. The sample in this study was chosen according to the following characteristics: (1) Insurance companies listed and announces the annual financial report in full as of December 31 during the 5-year research period, namely 2010-2014 on the Indonesia Stock Exchange. (2) The availability of complete information in accordance with the variables that will be examined during the research period, namely in 2012-2016. (3) Insurance companies listed on the Indonesia Stock Exchange before 31 December 2010 and still registered until 31 December 2014 which did not suffer losses.

Table 1. Research Samples

No	Stock Code	Issuer Name
1	ABDA	PT Asuransi Bina Dana Arta Tbk
2	AHAP	PT Asuransi Harta Aman Pratama Tbk
3	AMAG	PT Asuransi Multi Artha Guna Tbk
4	ASBI	PT Asuransi Bintang Tbk
5	ASDM	PT Asuransi Dayin Mitra Tbk
6	ASJT	PT Asuransi Jasa Tania Tbk
7	ASRM	PT Asuransi Ramayana Tbk
8	LPGI	PT Lippo General Insurance Tbk

No	Stock Code	Issuer Name
9	MREI	PT Maskapai Reasuransi Indonesia Tbk
10	PNIN	PT Panin Insurance Tbk

Source : IDX

Research Variables and Variable Operational Definitions

The dependent variable in this study is Profit. According to Suwardjono, (2011), profit is interpreted as a reward for the company's efforts to produce goods and services. This means profit is an excess of income over costs (total costs inherent in the production and delivery of goods/services). In this study, net income is seen in the financial statements of insurance companies published in the Indonesia Stock Exchange 2010-2014.

Independent variable: (a) Risk Based Capital. Risk based capital is a measure that informs the level of financial or health security of an insurance company. In this study, researchers did not manually calculate risk based capital, because the amount of risk based capital already exists in each insurance company's annual financial reports published in the Indonesia Stock Exchange for the period 2010-2014. (b) Underwriting. Underwriting is a process (1) assessment and classification of the level of risk possessed by a prospective insured or a group of people in coverage in relation to certain insurance products and (2) decision making to take and reject the risk. The details of the underwriting result is a report supporting the income statement. Components of underwriting results are premium income, claims expense and commission. According to Satria (2004) underwriting is calculated by the formula: Underwriting = (underwriting income - underwriting expense). (c) Investment Results. Insurance companies basically have high investment income requirements from the investment assets they have. But on the other hand it also requires protection from high risks. The reality of the principle of "high risk will give high returns" will always be there, and each investment alternative has different risks. Therefore a good investment management will be able to accommodate the level of investment risk that can be tolerated by companies with appropriate investment results, which in turn can improve the company's profit-loss performance. Investment outcome variables in this study can be seen in the financial statements of insurance companies published in the Indonesia Stock Exchange. (d) Claim Load Ratio. Calculation of the claim load ratio used to provide an overview of claims experience (loss ratio) that occurs in insurance premium income. This high ratio is an indication of the poor underwriting process (risk selection) and acceptance of risk closure. According to Nurfadila et al., (2015), the ratio of claim expenses can be calculated using the following formula: the ratio of claim expenses has a maximum normal limit of 100%.

Hypothesis testing consists of, namely: analysis of Multiple Linear Regression. The hypotheses in this study were tested using the following formula:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + e$$

Note: Y (Profit), a (Constanta), b (Multiple Linear Regression Coefficient), X_1 (Risk Based Capital*)*, X_2 (Underwriting*)*, X_3 (Investment Return), X_4 (Claim Expenses Ratio), e (Error*)*.

RESULT AND DISCUSSION
Classic assumption test

Here are some tests in the classic assumption test. In this classic assumption test, the profit, risk based capital, underwriting, investment yield and claim expense ratio are transformed into natural logarithms (LN). (1) Normality Test, normality testing in this study used the Kolmogorov Smirnov test. The criteria used if the significance value is> 0.05, the data is normally distributed and if the significance value is <0.05, the data is not normally distributed. The results of the normality test indicate that the significance value (Asymp.Sig (2-tailed)) is 0.910 greater than 0.050. This means that the data used in this study are data that are normally distributed. (2) Multicollinearity Test Based on the results of the multicollinearity test above,

the tolerance value of all the independent variables used in this study shows the number> 0.10 (LnRBC = 0.353; LnUNDRW = 0.554; LnHINVEST = 0.237; and LnRCLAIME = 0.831), and the VIF value of all the independent variables shows a number <10 (LnRBC = 2.834; LnUNDRW = 1.807; LnHINVEST = 4.225; and LnRCLAIME = 1.203). So it can be concluded that there is no multicollinearity. (3) Heteroscedasticity Test, heteroscedasticity test aims to test whether in this regression model variance from residual inequality occurs one observation to another observation (Ghozali, 2011). Park test is used to detect the presence of heterokesdasticity seen from the level of significance, if the level of significance is above 5 percent means there is no heterokesdasticity, and vice versa if the level of significance is below 5 percent means that symptoms of heterokesdasticity occur. Based on the results of the heteroscedasticity test, the significance value is greater than 5 percent (0.05). This shows that there are no symptoms of heteroscedasticity (LnRBC = 0.201; LnUNDRW = 0.834; LnHINVEST = 0.363; LnRCLAIME = 0.141). (4) Autocorrelation Test

To detect autocorrelation, Durbin Watson (DW test) can be performed (Ghozali, 2011). In the Durbin Watson test the DW value will be calculated (d) and the DW value of the table (dL and dU). The DW table value for dL (α; k; n) = (0.05; 4; 50) = 1.378. The DW table value for dU (α; k; n) = (0.05; 4; 50) = 1.721. Based on the results of the autocorrelation test using the Durbin Watson test above, the d value is 1.942. This value (d) is located between dU and (4-dU): 1,721 <1,942 <2,279, indicating that there are no symptoms of autocorrelation.

Hypothesis testing
Analysis of Multiple Linear Regression

Multiple linear regression testing is used to determine whether there is a significant influence and how much influence between the dependent variable is profit with several independent variables, namely risk based capital, underwriting, investment returns and the ratio of claims expenses. The results of multiple linear regression testing can be seen in the following table:

Table 2. Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
1		B	Std. Error	Beta		
	(Constant)	-1.206	3.152		-.383	.704
	LnRBC	.864	.205	.334	4.213	.000
	LnUNDRW	.330	.152	.138	2.173	.035
	LnHINVEST	.656	.106	.601	6.212	.000
	LnRCLAIME	-.725	.261	-.144	-2.781	.008

a. Dependent Variable: LnPROFIT
Source : Output SPSS 20 Version

Based on the test results from the table above, the regression equation model can be made as follows:
$Y = -1,206 + 0,864X_1 + 0,330X_2 + 0,656X_3 - 0,725X_4$
Profit = -1,206 + 0,864RBC+ 0,330 UNDRW + 0,656HINVEST- 0,725 RCLAIME
The regression equation model above shows the value of constant (α) of -1.206

shows a negative number. This means that if the risk based capital, underwriting, investment returns and claim expense ratio are 0, then the amount of profit is worth -1.206 assuming other factors are of fixed value. While the results of multiple linear regression tests for independent variables can be explained as follows: (1) The coefficient value (B) for risk based capital shows a number that

is 0.864. This means that every increase of 1% risk based capital, it will increase profits by IDR 0.864 assuming other independent variables remain. (2) The coefficient value (B) for underwriting shows a number of 0.330. This means that every increase of Rp. 1, - underwriting, will increase profits by Rp. 0.330 assuming other independent variables remain. (3) The coefficient value (B) for investment results shows a number of 0.656. This means that every increase of Rp. 1, - investment returns, it will increase profits by Rp. 0.656 assuming other independent variables remain. (4) The coefficient value (B) for the claim expense ratio shows a number of -0.725 (negative). This means that every 1% increase in the claim expense ratio will reduce profit by IDR 0.725 units assuming that other independent variables remain.

Determination Coefficient Test (R^2)

In the test coefficient of determination, the adjusted R square value is 0.891. This means that variations in the independent variables used in the model (risk based capital, underwriting, investment returns and claim load ratio) are able to explain 89.1% of the dependent variable (insurance profit). While the remaining 10.9% is influenced or explained by other variables not included in this research model.

t-Statistic Test (Partial Test) (1) This test is done by using the significance level; 0.05 (α = 5%). From the results of the calculation, it can be seen that t_{count}> t_{table} or 4.213> 2.014 which means accept Ha. Based on the results of the statistical test T in the table above, the results of t_{count} are obtained which is equal to 4,213 with a significance of 0,000. Because the significance or probability is far smaller than 0.05 and the ratio between t_{count} and t_{table} is obtained by the results of t_{count}> t_{table} or 4.213> 2.014 which means accept Ha. This means that risk based capital has a significant effect on insurance earnings. The regression coefficient value of risk based capital is 0.864. Thus the first hypothesis which states "there is a positive influence between risk based capital on profits in insurance companies listed on the Stock Exchange 2010-2014, supported. (2)

Underwriting (X_2)**,** based on the results of the t statistical test, the results of the t_{count} are obtained at 2.173 with a significance of 0.034. Because the significance or probability is far smaller than 0.05 and the ratio between t_{count} and t_{table} is obtained by the results of $t_{count} > t_{table}$ or 2.173> 2.014 which means accept Ha. This means that underwriting has a significant effect on insurance earnings. Underwriting regression coefficient is 0.330. Thus the second hypothesis which states "there is a positive influence between underwriting of profits in insurance companies listed on the IDX for the period 2010-2014", supported. (3) Investment Results (X_3)**,** the level of significance used is 0.05 (α = 5%). In the t statistical test, it shows a significance number of 0,000. Based on the results of the t statistical test, the results of the t_{count} are obtained at 6.212 with a significance of 0.000. Because the significance or probability is far less than 0.05, and the comparison between t_{count} and t_{table} is obtained by the results of $t_{count} > t_{table}$ or 6.212> 2.014 which means accept Ha. This means that investment returns have a significant effect on insurance profits. Regression coefficient value of investment returns is 0.656. Thus the third hypothesis which states "there is a positive influence between the return on investment on profits in insurance companies listed on the Stock Exchange for the period 2010-2014", supported. **(4)** Claim Expense Ratio (X_4)**,** based on the results of the t statistic test, the results of the t_{count} are 2,781 with a significance of 0,008. Because the significance or probability is far greater than 0.05, and the ratio between t_{count} and t_{table} is obtained by the results of $t_{count} > t_{table}$ or 2.781> 2.014 which means accept Ha. This means that the claim expense ratio has a significant effect on insurance earnings. The regression coefficient of the claim expense ratio is -0.725. Thus the fourth hypothesis which states "there is a negative influence between the ratio of claims expenses to profits in insurance companies listed on the Stock Exchange 2010-2014", supported.

The risk based capital has a significant positive effect on insurance income, where if

there is an increase in risk based capital, the insurance profit will also increase. The results of this study are consistent with the research conducted by Putra (2017; Hafid (2016). High risk based capital shows that insurance companies and reinsurance companies have a high level of capital adequacy in fulfilling their obligations. The low obligations that must be fulfilled by the company cause an increase in solvency. When there is an increase in solvency, then there will be excess capital used to cover its obligations, so that excess capital can be used by insurance companies and reinsurance companies to invest so that excess capital on its obligations can be more productive so that it will generate profits and automatically increase profits owned by the company. The size of RBC is very important for insurance companies, so it is often used as a promotional tool for companies to shape the brand image of the community and increase the acquisition of premiums. The insurance company is healthy and guaranteed. Increasing the acquisition of premiums will certainly increase profits for the insurance company itself.

The underwriting has a significant positive effect on insurance income, where if there is an increase in underwriting, the insurance profit will also increase. The results of this study are contradict with the research conducted by Kamau (2013) study which stated that underwriting had a negative effect on earnings in insurance companies. The high underwriting shows that the risk assessment process carried out by the insurance company has been very good. The better the underwriting process, the underwriting income (in the form of gross premiums, reduced reinsurance premiums and reduced or added increases or decreases in premiums which are not yet income) generated by insurance companies will be higher than underwriting expenses (in the form of own liabilities, dependents' claims, increase or decrease in estimation of own liability claims and miscellaneous underwriting expenses) so as to increase company profits. When an underwriting income in an insurance company is able to cover all of its underwriting expenses, there will be an excess of funds called underwriting results, where high underwriting results will affect the amount of profit in the insurance company.

The investment returns have a significant positive effect on insurance income, where if there is an increase in investment returns, the insurance profit will also increase. The results of this study are consistent with the research conducted by Putra (2017). The amount of investment results in insurance companies, besides being able to be used to guarantee all payment claims promised to the insured party, the investment returns are also part of the company's operations in generating income. High investment returns will increase the income component in the insurance company's income statement, which in turn can increase the amount of profit in the insurance company. Investment outcome variable is a variable that has the most dominant influence among other independent variables on earnings in insurance companies with the highest absolute standardized beta coefficient value of 0.601.

The claim expense ratio has a significant negative effect on insurance income. The higher the ratio of claims costs to insurance companies indicates that the insurance company does not carry out the underwriting process well, which causes the amount borne claims to be large. According to Nurfadila et al. (2015), the ratio of claim expense to insurance companies has a maximum normal limit of 100%, which means that all claims costs can be covered by net premium income. When this claim expense ratio is higher, meaning that it exceeds the maximum normal limit of 100%, then the net premium income held by the insurance company is not able to cover the entire claim burden borne by the company. The result is that insurance companies have to spend more money to replace claims made by the insured, so that it will reduce profits on insurance companies. In addition, the more funds spent to replace the claim burden, the less funds can be invested by the insurance company, resulting in a decrease in profits in the insurance company. Each insurance company

carries out a reinsurance mechanism as a form to reduce or minimize the risk in the form of claims that it receives by transferring some of the risk to other insurers (reinsurance companies), so that the claim burden is not covered by the premium received by the company.

CONCLUSION

Based on the results of the analysis of the research conducted at the general insurance company listed on the IDX in the period 2010-2014 which has been described in the previous chapter, the following conclusions are obtained: investment outcome variable is a variable that has the most dominant influence on earnings in insurance companies listed on the Indonesia Stock Exchange in the period 2010-2014 with the highest absolute standardized beta coefficient, which is 0.601.

Based on the conclusions stated above, several suggestions are obtained as follows: (1) The company management, should maintain risk based capital to remain above 120% or even above in accordance with regulations set by the government. The underwriting process is also carried out as well as possible so that premium rates are charged to the insured according to the risk, the better the underwriting process in the insurance company, the distribution of the risk received will bring profit to the company. The company management must also maximize existing funds from premiums to be used to invest in investment instruments that provide the maximum yield so that the company has a reserve fund from the investment results that can be used at any time when the claim burden is too large and cannot be covered by income the premium. (2) For investors, they should choose insurance companies that have high risk based capital, insurance companies whose underwriting processes are good, insurance companies that have high investment returns and insurance companies whose claim expense ratios are low. The high risk based capital, good underwriting, high investment returns and a low claim expense ratio indicate that the financial performance of insurance companies is good in this case the increase in profits.

Increased profits or high profits will affect the level of prosperity of investors who own shares in an insurance company.

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