Determinants of Performance of Sharia Insurance Registered at OJK

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ABSTRACT
Good performance is one of the company's goals, especially to get optimal profit. Profitability is determined by the income earned and the costs incurred by the company during a certain period. The profitability obtained is an accumulation of strategic decisions made by the company. Optimal profit will be able to attract investors who will invest their shares in the company. This study aims to examine and analyze the determinants of the profitability of Islamic insurance based on financial ratios. This type of research is explanatory research. The data used are secondary data with the 2015-2019 observation period. The population in this study were all sharia insurance companies registered with the Financial Services Authority (OJK). Determination of the sample in this study using purposive sampling method in order to obtain 32 samples. The proxy of the dependent variable is ROA. While the independent variable is underwriting (UND), solvency (RBC), Claims (KL), contributions or premiums (KTR). The method of data analysis in this study uses Multiple Linear Regression Analysis. The results show that underwriting and claims have a significant positive effect on the profitability of Islamic general insurance companies. solvency, and contribution (premium) have no significant effect on the profitability of Islamic general insurance companies listed in the OJK.

Keywords*: Determinants, Performance, Sharia Insurance, Premiums*

1. INTRODUCTION

Indonesia is a country that has the largest Muslim population in the world, according to data from the Central Statistics Agency in 2010 of the Indonesian population who embraced Islam about 87%. This can make Indonesia a market for Islamic financial products that continue to grow with various innovations. At first the more dominant in Islamic finance was Islamic banking but now other institutions are also quite developed, such as sharia insurance, sharia guarantee institutions, sharia financing institutions, sharia pawnshops.

Economic development and increasingly advanced technology, the possibility of risk will threaten the greater human needs. In everyday life, of course, humans are also inseparable from a risk, be it the risk of natural disasters, calamities, or death. This risk will give a great loss to human life, both property and personal loss. However, these human concerns can be minimized with insurance [1].

The first sharia insurance companies in Indonesia were established in 1994, namely PT Asuransi Takaful Keluarga which is a sharia life insurance company and PT Asuransi Takaful Umum which is a sharia general insurance company. Islamic insurance companies in carrying out their operational activities are separated from funds, this is in accordance with the concept of Islamic Fund Theory [2].. This concept states that in sharia insurance in the management of financial funds, there is a separation of funds, between the insurance participant's funds and the funds used for the company. This concept is different from conventional insurance which does not separate funds, where the insurance participant's funds and company funds become one.

According to Law no. 1 of 1992, insurance is an agreement of two or more parties, where the insurer binds himself to the insured, by receiving insurance premiums to provide compensation to the insured due to loss, damage or loss of expected profits, or legal liability to third parties that may be suffered. the insured arising from an uncertain event, or to provide a payment based on his death or life.

Indonesia in the last two years experienced a growth of 21 percent in sharia insurance, while in conventional insurance it did not reach 20 percent growth in 2017. The big business gap in sharia insurance is 4 companies that control 80 percent of the life insurance market out of 21 companies. The same thing happened to sharia finance companies, 10 companies out of 39 companies have controlled 80 percent of the sharia finance market share. According to the Financial Services Authority (OJK), the average sharia insurance industry projects its assets to grow steadily around 15% in the 2018-2019 period. The sharia insurance industry business plan projections include:

average asset growth in 2018 of 14.99%, while the sharia life insurance industry is 18.04%, the sharia general insurance industry is 13.54% and sharia reinsurance is 13.39% Financial Services). The Chairperson of the Indonesian Sharia Insurance Association (AASI) said that premium growth is estimated to reach 10%-11% in 2019. This is due to the increase in the number of new players and business potential from the mandatory use of Umrah and Hajj travel insurance.

The premium is a payment in the form of money made by the insured party to the sharia insurance company as the insurer to be able to compensate for the loss, damage, or loss of expected profits due to the emergence of an agreement on the transfer of risk from the insured party to the insurer (transfer of risks).

Profitability is the company's ability to earn profits in relation to sales, total assets, and own capital. For investors who need long-term time will really need this profitability analysis, for example for shareholders will see profits through dividend distribution [3]. The measurement of profitability by looking at the capital utilization factor is Return on Assets (ROA) which explains the ability of a company to generate profits from shareholders.

Research conducted by [4] analyzes the factors that affect the profitability of Islamic insurance companies in Indonesia, using premium variables, investment returns, claims, operational costs. The method used is panel data regression, which states that only the premium variable has no effect on profitability. Another study was conducted by [4] using the variables of premium income, underwriting, and solvency. The method used is multiple linear regression, stating that the premium has a significant effect on the profitability of Islamic insurance companies.

The inconsistency of the results of previous studies is the background for re-investigating the determinants that affect the profitability of Islamic insurance companies. Sharia general insurance and sharia life insurance differ in the use of contribution funds, therefore in this study, data processing is carried out separately between sharia general insurance and sharia life insurance in order to get maximum results. The determinants used in this study are underwriting, solvency, claims, and premiums. The selection for the 2015-2019 period was due to a lot of research conducted in the previous period, related to this background, the Determinants of Profitability of Sharia Insurance Registered at OJK became the topic of this research.

2. METHODOLOGY

Research Design

This research is a quantitative research with the type of Explanatory Research conducted on the financial statements of Sharia Insurance Public Companies and Sharia Life Insurance for the 2015-2019 period. Explanatory research is research that analyzes the data to determine the relationship between one variable and another. This study was conducted to analyze the factors that influence the profitability of sharia general insurance companies and sharia life companies registered with the Financial Services Authority (OJK).

Data Type

The type of data in this study is quantitative data. Quantitative data is data that shows the number or number of sharia insurance companies registered with the Financial Services Authority (OJK).

Data source

The type of data used in this study is secondary data, which is contained in the publication of the financial statements of sharia insurance companies at the Financial Services Authority (OJK) on ojk.co.id. Which includes underwriting, solvency (RBC), claims and sharia insurance profitability. Researchers used data for the 2015-2019 period.

Population and Sample

The population in this study are sharia general insurance companies and sharia life insurance companies registered with the Financial Services Authority in the 2015-2019 period, which are 62 companies, and the sample used in this study is 33 companies.

Data analysis method

The method of data analysis in this study is to use multiple linear regression. Multiple regression analysis serves to measure the level of strength of the relationship between two or more variables, and serves to indicate the direction of the relationship between variable Y (Dependent) and variable X (Independent).

3. RESULTS AND DISCUSSION

Results

General description

A sharia insurance company is a company that carries out its business activities based on sharia principles. Sharia insurance is a non-Islamic sharia financial industry registered with the Financial Services Authority (OJK). There are 3 types of sharia insurance companies, namely full sharia general insurance and sharia business units, full sharia life insurance and sharia business units, and full sharia reinsurance and sharia business units. The sampling technique in this study used a purposive sampling method with several predetermined criteria. The sampling is listed in table 4.1 as follows:

Multiple Linear Regression Analysis

Multiple linear regression analysis is an analysis used to determine the effect of a variable with other variables. In regression analysis, the influencing variable is called the independent variable (independent variable) then the affected variable is called the dependent variable (the dependent variable). If in the regression equation there is one dependent variable, it is called simple regression, whereas if the independent variable is more than one, it is called multiple regression equation. The results of multiple linear regression analysis are as follows:

Table 1. Results of Multiple Linear Regression Analysis of Sharia General Insurance Companies

Variable	Regresssion Coeffisient	Sig.	Inormation
Konstan	-0,088	-	-
UND	0,072	0,006	Significant
RBC	-0,030	0,484	Not Significant
KL	0,107	0,000	Significant
KTR	0,008	0,860	Not Significant

Source: SPSS Output, 2020.

Based on Table 1 the results can be obtained multiple linear regression equations as follows:

ROA= -.088 + 0.072UND – 0.030RBC + 0.107KL + 0.008KTR

Table 2. Results of Multiple Linear Regression Analysis for Sharia Life Insurance Companies

Variable	Regression Coeffisient	Sig.	Inormation
Constant	0,006	-	-
UND	0,419	0,001	Significant
RBC	0,002	0,982	Not Significant
KL	0,021	0,838	Not Significant
KTR	0,715	0,002	Significant

Source: SPSS Output

Based on Table 2, the results can be obtained by the following multiple linear regression equations:

ROA= 0.006 + 0.419UND + 0.002RBC + 0.021KL + 0.715K

The t test is used to determine whether the independent variable partially has a significant effect or not on the dependent variable. The test results are as follows:

Table : 3 T-Test Results of Sharia General Insurance Companies

Variabel	Sig	Description
UND	0,006	Determinant
RBC	0,484	Not Determinant
KL	0,000	Determinant
KTR	0,860	Not Determinant

Source: SPSS Output, 2020.

Based on Table 3 the results of the Hypothesis Test with the t-test show that the UND and KL variables have a significance value of <0.05, thus the hypothesis is accepted, meaning that partially the UND and KL variables are determinants of profitability. RBC and KTR have a significance value > 0.05, so the hypothesis is rejected, meaning that the variable is not a determinant of profitability.

Table 4. T-Test Results of Sharia Life Insurance Companies

Variabel	Sig	Description
UND	0,001	Determinant
RBC	0,982	Not Determinant
KL	0,838	Not Determinant
KTR	0,002	Determinant

Source: SPSS Output, 2020.

Based on Table 4. the results of the Hypothesis Testing with the t-test show that the UND and KTR variables have a significance value of <0.05, thus the hypothesis is accepted, meaning that partially the UND and KTR variables are determinants of profitability. While the RBC and KL variables have a significance value > 0.05, the hypothesis is rejected, meaning that the variable is not a determinant of profitability.

Discussion

The influence of the underwriting variable on the profitability of sharia general insurance companies and sharia life insurance companies. Underwriting is the process of selecting risks and classifying them according to the level that can be borne by the company. The result of the research shows that the underwriting variable has a significance value of 0.006 <0.05 with a tcount of 2.810, meaning that the research hypothesis is accepted because underwriting has a significant positive effect on profitability. The income of Islamic insurance companies comes from ujrah tabbaru', investment ujrah, and underwriting surplus. When the underwriting surplus value is high, the company will get more value from operational activities. then directly the high underwriting surplus value resulted in higher company profits.

The results of this study are in line with [4] saying that underwriting has a significant positive effect on ROA. In accordance with the theory which states that when the underwriting income of the company is able to cover all of its underwriting expenses, there will be excess funds called underwriting results, where high underwriting results will affect the profitability of the company [5].

The effect of solvency variables on the profitability of sharia general insurance companies and sharia life insurance companies

Solvency is the company's ability to fulfill all obligations in a timely manner. The government has issued a regulation in the form of Decree of the Minister of Finance (KMK) No 424/KMK 06/2003 concerning the financial health of insurance companies and reinsurance companies. One of its contents stipulates that every sharia and conventional insurance and reinsurance company in Indonesia must meet a minimum solvency level of 120%. The level of health (solvability) of insurance companies in Indonesia is determined by the value of the Risk Based Capital (RBC) ratio. The result shows that the solvency variable has a significance value of 0.484 > 0.05 with a tcount of -0.703 meaning that the hypothesis is rejected. This is because the measure of solvency is the ratio of debt maturing more than one year, while profitability is a ratio that shows the company's ability to generate profits for one period.

This research is not in line with [6] who says that Risk Based Capital has a positive effect on profitability, this happens because this variable is an important indicator in influencing profit. The greater the risk-based capital ratio of an insurance company, the healthier the company's financial condition. Solvency is a ratio used to measure the ability of an insurance company to cover all its obligations in a timely manner [6]. The result shows that the solvency variable has a significance value of 0.982 > 0.05 with a tcount of 0.023 meaning that the hypothesis is rejected, that is, every increase in Risk Based Capital is not necessarily followed by an increase in the level of profitability and vice versa, every decrease in Risk Based Capital is not necessarily followed by a decrease. profitability level. The government has determined that the fulfillment of RBC needs is carried out with a very loose but still protective target number and time tolerance [7] So that there is no trade off between meeting the solvency level limit and achieving the company's ROA. This research is in line with [8] who say that solvency affects profitability.

The effect of the claim variable on the profitability of sharia general insurance companies and sharia life insurance companies A claim is an obligation that must be given by the insurance company to the participant for the losses incurred in accordance with the agreed contract. ISFUT states that company funds must be separated from participant funds. Participant funds are funds used for all participant needs, one of which is to finance claims as a form of mutual assistance. The Result of The Research shows that the claim variable has an accepted hypothesis value. This is because when claims are low, the company will experience an underwriting surplus. then the surplus will be divided between the participants and the company in accordance with the specified ratio. the greater the value of the underwriting surplus, the greater the value of the distribution to the company which can increase the company's profitability. The research is not in line with [9] which says that claims to profitability have no effect because higher claims will reduce profits earned by the company.

A claim is a formal request to the insurance company, to request payment under the terms of the proposed insurance claim agreement will be reviewed by the company for validity and then paid to the insured after it is approved. The Result o the Research shows a significance value of 0.838 > 0.05 with a tcount value of 0.205 which means that the hypothesis is rejected. This shows that the higher the claims issued by the company, the lower the profit earned by the insurance company. So it is very important to monitor so that the growth of claims does not exceed the growth of contributions. The results of this study are in line with [9] which states that solvency has no significant effect on profitability.

The effect of contribution variables on the profitability of sharia general insurance companies and sharia life insurance companies. Contribution (premium) is a participant's mandatory contribution paid to the company according to a certain period of time to compensate for a loss, damage, or loss of profit. The result of the research shows the contribution variable has a significance value of 0.860 > 0.05 and a tcount value of 0.0177, meaning that the hypothesis is rejected. The company fails to manage the contributions or tabbaru funds that can be invested, the placement of investment posts is not effective in increasing profits so that profits decline. This is because the income from the distribution of the underwriting surplus is generated from the contributions invested. Another factor that affects the decline in the insurance company's profit is the high cost and cost of acquiring insurance companies so that insurance income (underwriting income) decreases. Another factor that is suspected of reducing assets in insurance companies is that insurance company capital is used for the development of new business units. One of the sharia insurance companies' income comes from ujrah (fees), namely funds obtained for services in managing contributions. This is because all contribution funds collected by the company are managed to develop investment products in accordance with sharia, and reinsurance. Thus, the contribution does not directly affect the profitability of Islamic insurance companies in Indonesia.

This research is not in line with [7] who says that the contribution variable has a significant effect, because the greater the contribution received by the company, the more funds invested. The greater the investment return, the greater the profit that can be achieved by the company. The contribution (premium) is.

The Result of the research shows a significance value of 0.002 <0.05 with a t-value of 3.218, meaning that the hypothesis is accepted. This is because the majority of life insurance participants are young so that the accumulated amount of contributions can be used by the company for investment activities in other business lines in developing business diversification. The results of this study are not in line with Auliya [6] which says that the contribution of participants has no effect on profitability because the contributions of participants will be managed first and put into posts as determined by the company.

Profitability of sharia general insurance and sharia life insurance companies. The total population is 63 sharia insurance companies, with purposive sampling method obtained a sample of 33 sharia insurance companies. This research spans for 5 consecutive years, namely from 2015-2019. The method used is Multiple Linear Regression Analysis.

4. CONCLUSIONS AND SUGESTION

Conclusions

Underwriting and claims variables have a significant positive effect on the profitability of sharia general insurance companies registered with the OJK. underwriting variables, and contributions have a significant positive effect on the profitability of sharia life insurance companies registered with the OJK.

Solvency variables, and contributions have no significant positive effect on the profitability of sharia general insurance companies registered with the OJK. Meanwhile, in sharia life insurance companies, the variables that have no significant effect are the Solvency and Claim variables.

Suggestion

1. For Sharia Insurance Companies

Islamic insurance companies are expected to be able to manage the company well to avoid declining profitability. Because with good management from the management can increase the profitability of Islamic insurance companies.

2. For Further Research

Researchers who are interested in this kind of theme should increase the number of observation samples and research periods to produce more accurate research. The next researcher should replace and add new variables such as company size, investment returns, lavarage and company age. If using the same variables as this study, it is recommended to use a different proxy such as Return On Equity (ROE) for the profitability variable.

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