

Determining factors that influence the profits of sharia life insurance companies registered with the financial services authority for the 2018-2022 period

Alfiani Andari¹; Sunarsih²

¹UIN Sunan Kalijaga Yogyakarta, email: alfianiandari11@gmail.com

²UIN Sunan Kalijaga Yogyakarta, email: sunarsih@uin-suka.ac.id

Abstract

Background: The Islamic finance industry in Indonesia, especially the Islamic insurance industry, is experiencing rapid growth. In accordance with the development of Indonesia's sharia finance reported in 2022, the total sharia insurance assets in 2022 were recorded at 45,025 trillion, of which the largest total assets were sourced from sharia life insurance worth 34,891 trillion.

Objectives: This research aims to examine the effect of premium growth ratio, investment returns, underwriting results, risk-based capital, and liquidity on the profits of Sharia Life Insurance companies registered with the Financial Services Authority (OJK) for the 2018-2022 period.

Novelty: With the existence of research gaps in previous studies, the authors feel the need to conduct this study as a form of re-examining related independent variables, considering the inconsistent results of previous studies.

Research Methodology / Design: Sample selection used a purposive sampling method which resulted in a sample of 21 Sharia Life Insurance companies with a total of 105 financial report data. This type of research is quantitative research. Data collection was carried out through secondary data, namely the company's annual report. The analytical method used in this research is panel data regression analysis which is measured using STATA 17 software. The best analysis model chosen in the research is the fixed effect mode.

Findings: The research results show that the variables of investment returns and underwriting results have a positive and significant effect on company profits. Meanwhile, the liquidity variable has a negative and significant effect on company profits. Then, the premium growth ratio and risk-based capital variables have no effect on company profits.

Implication: It is necessary to add samples and develop them, not only using sharia life insurance companies, but can take examples of sharia general insurance or sharia reinsurance. Further research may also add more variables that could potentially affect profits. The short research deadline, only five years, indicates the need for further research with a wider time span to obtain more precise and accurate results. In addition, further development of this theory is needed to strengthen the research findings.

Keywords:

Company Profit,
Premium Growth
Ratio, Investment
Results, Underwriting
Results, Risk-Based
Capital, Liquidity

JEL Classifications:

G21, G22, G23

Received: June 29, 2024; Revised: August 8, 2024; Accepted: August 23, 2024;
Available online: August 30, 2024

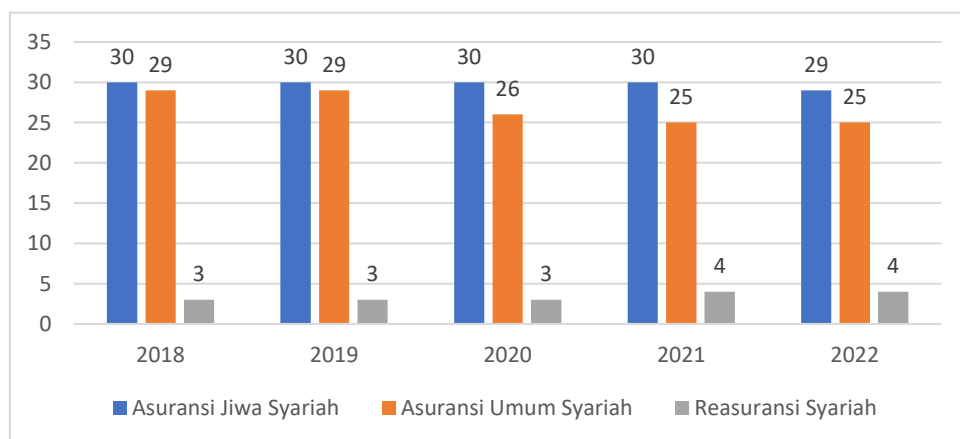
A. Introduction

The rapid development of the Islamic economy and finance in Indonesia plays an important role in strengthening national economic resilience, especially in order to improve the economic recovery program after the Covid-19 pandemic. This was marked by Indonesia's sharia financial assets which grew by 15.87% (yoy) to reach Rp2,375.84 trillion, an increase of Rp2,050.44 trillion from the previous year (OJK, 2022).

In line with the growth of the Islamic financial industry, the Islamic insurance industry in Indonesia also shows a positive trend. This can be seen that the total assets of the Islamic Non-Bank Financial Industry (IKNB) reached 146.12 trillion at the end of 2022 with an asset growth rate of 20.88% (yoy) with the largest asset contribution owned by sharia insurance of 45.025 trillion (OJK, 2022). Therefore, sharia insurance has great potential in supporting sharia economic growth in Indonesia (Widayati & Miranti, 2023).

The first sharia insurance industry appeared on February 24, 1994 under the name PT. Takaful Indonesia Company (STI). After that, this industry experienced development into two companies, namely PT. Family Takaful Insurance on August 24, 1994, and PT. General Takaful Insurance on June 2, 1995. The formation of these companies was motivated by collaboration between Muslim merchants, the Indonesian Muslim Scholars Association (ICMI), the Ministry of Finance of the Republic of Indonesia, Bank Muamalat Indonesia, Yayasan Abdi Bangsa, and PT. Tugu Mandiri Life Insurance (Kholis, 2021). Currently, there is a positive growth in the sharia insurance industry because most of Indonesia's population, which is 87%, adheres to Islam (Hakim & Asiyah, 2020).

In Indonesia, sharia insurance is also known as takaful. According to the Fatwa of the National Sharia Council Number. 21/DSN-MUI/X/2001, Sharia insurance is an effort to protect and assist each other through investment in assets and/or tabarru that provide returns to face certain risks through agreements (contracts) in accordance with sharia (MUI, 2001). This insurance industry is considered as one of the crucial financial foundations in the era of globalization to manage unexpected risks and to protect or reimburse one's income resulting from an event (Umami et al., 2023).

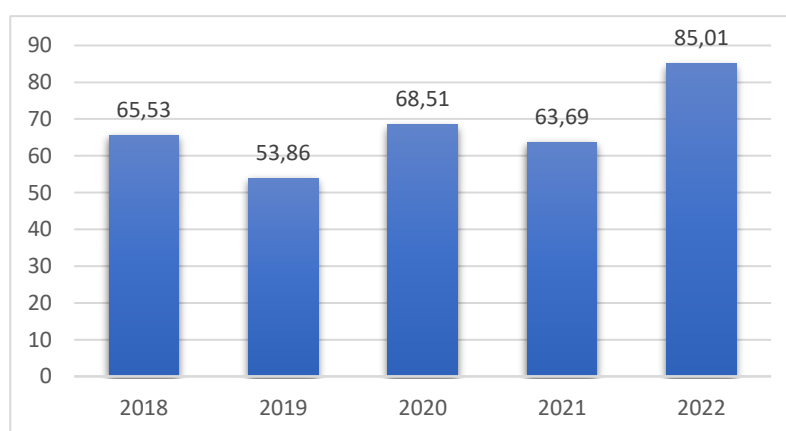


Data Source: OJK 2024

Figure 1. Development of the Number of Insurance Entities

The development of the number of sharia insurance companies can be seen from the data in Figure 1. experienced a decline due to the spin off, where in this spin off the Sharia Business Unit will separate from its parent so that the Sharia Business Unit is better able to make faster and independent decisions about the effectiveness of its business strategy to improve company performance that is able to accelerate the industry in its growth so that it can increase Profitability (Arianty & Ghoni, 2023).

Although Sharia insurance companies have decreased, on the other hand, the insurance industry has experienced premium growth over the last 5 years which reached a CAGR of 1.89%. The insurance industry achieved such growth in both conventional and sharia insurance. In accordance with the development of Indonesia's sharia finance reported in 2022, total sharia insurance assets in 2022 were recorded at 45,025 trillion, of which the largest total assets came from sharia life insurance worth 34,891 trillion. Thus, it can be said that sharia general insurance and reinsurance companies have lower asset growth than sharia life insurance companies because they are only valued at 7,727 trillion and 2,408 trillion. This means that the need for sharia insurance services, especially sharia life insurance, is now increasingly felt by individuals, businesses and government agencies in Indonesia. Currently, the interest of many customers in Indonesia is aware of the importance of having sharia and conventional life insurance.

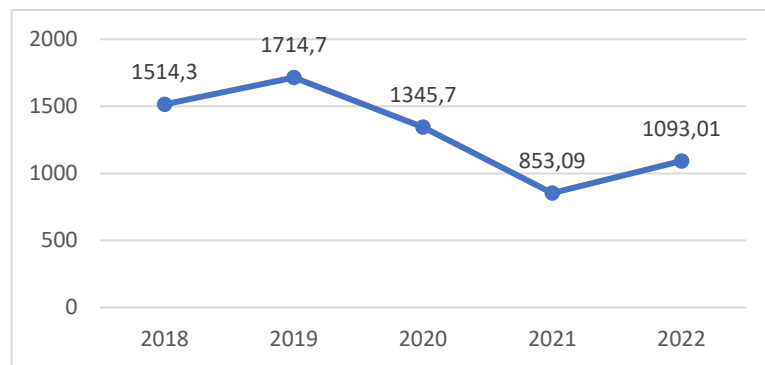


Data Source: AAJI 2024

Figure 2. Number of Life Insurance Insured in Indonesia

Based on figure 2, the number of life insurance insured in Indonesia fluctuated from 2018-2022. A significant increase occurred in 2022 with the total insured of the life insurance industry amounting to 85.01 million people, this figure increased by 33.4% when compared to 2021.

Assessing financial performance plays an important role as a direction to improve efficiency in operating for a company. With improved operational performance, it is expected that the company can achieve better financial growth and increase its competitiveness in the market. Financial performance appraisal can be done through analysis of the company's financial statements (Aden & Idayati, 2023). Insurance companies are high-risk businesses because they have risks associated with each client in the company and the risks of the insurance company itself. Thus, the insurance company must be able to manage these risks, namely the risks of its clients and the company itself. Therefore, insurance companies must be able to detect the condition before it fails (Sunarsih et al., 2022). Insurance companies are expected to have healthy financial performance and good and effective strategies to be able to compete and maintain business continuity (Maharani & Ferli, 2020). Insurance companies are expected to have healthy financial performance and good and effective strategies to be able to compete and maintain business continuity (Yana et al., 2022).



Data Source: OJK 2024

Figure 3. Sharia Life Insurance Net Profit

According to figure 3, the net profit of sharia life insurance companies increased by 13% in 2019. However, in 2020, the company's profit has decreased from the previous year of 1714.4 billion down to 1345.7 billion, then decreased again to 853.59 billion. Then there was another increase in 2022 to 1093.01.

With the decline in profits that occur, it is important to understand the factors that can affect the profit of an Islamic life insurance company so that corrective steps can be taken immediately. Profits or losses are often used as a benchmark to evaluate a company's performance or as a basis for other assessments, therefore, further research is needed.

Profit growth is a factor used by management to determine whether the company needs to be considered to maintain or increase that level. The high profit growth shows that the company can optimize its operational activities that can maintain and improve the company's image in the eyes of the public (Karyati & Mulyati, 2019). Therefore, companies must supervise and analyze factors that can affect their profits.

Many variables can affect the profit of a sharia life insurance company. Based on research Hidayat et al. (2021) Some variables that can affect insurance profit are premium income, underwriting results, investment returns, and risk-based capital. Meanwhile, according to research Irnawati & Nadzifah (2021) There are two variables, namely liquidity ratio and solvency ratio. However, this study will only focus on variables such as premium growth ratio, investment returns, underwriting returns, risk-based capital, and liquidity.

Premium growth ratio (PGR) will provide an overview of the magnitude of the change in net premiums for the current year compared to the previous year (Agustin et al., 2018). Good premium growth indicates that the company's operations and sales of insurance products are going well, which in turn will increase the company's profits, reflecting the achievement of good financial performance. Results of previous research conducted by Yuliani et al. (2022) states that premium growth has a positive influence on insurance company profits.

In addition, investment returns are also an important factor that affects the profits of Islamic life insurance companies. Every Islamic insurance company must maintain its financial health to remain stable by making investments that are expected to generate income. According to Sula (2004) Stating the condition and development of the company can affect the amount of profit sharing if the company's condition is getting better and healthier. Along with the development and success of the company, the large amount of profit sharing handed over to participants also tends to increase. Research conducted by Pebriany & Mubarakah (2022) dan Prahasti (2020) Stating Investment Returns Have a Positive Impact on Profits. However, research conducted by Hidayat et al. (2021) Getting the difference in results, namely investment income, does not affect the profits of Islamic insurance companies.

The insurance company must consider a variety of things when conducting its business, including determining whether the applicant will receive the requested compensation and meet certain conditions, known as underwriting. Underwriting aims to maximize profits by accepting the sharing or distribution of risks that are considered profitable. The existence of efficient underwriting is essential for insurance companies to compete effectively (Sula, 2004). Research conducted by Hidayat et al. (2021) and Prahasti (2020) Finding results that underwriting results affect company profits. But according to research conducted by Fitrianty et al. (2022) Underwriting results have no effect on the insurance company's profits.

Furthermore, Risk-based capital which is a ratio used to measure the health of Islamic insurance companies (Prahasti, 2020). Risk-based Capital (RBC) which is a comparison between available capital and the risk faced, which is one of the key indicators in evaluating the finances of an insurance company, especially in the context of solvency or the company's efforts to settle all its obligations (Stanayah et al., 2022). The Financial Services Authority has set a Minimum Solvency Level Limit (BTSM) of 120% for sharia insurance companies. With increased risk based capital, companies can be perceived as having better financial conditions and more measurable performance (Hidayat et al., 2021). Research conducted by Pebriany & Mubarakah (2022), Nasution & Nanda (2020), and Fitrianty et al. (2022) shows that RBC has an impact on the company's bottom line. This proves if the company can cover its obligations. But according to research Hidayat et al. (2021) and Prahasti (2020) Risk-based capital does not have a significant impact on a company's bottom line.

Another factor that affects a company's profit is the level of liquidity. Liquidity is the company's ability to meet its short-term obligations (Kasmir, 2016a). The liquidity of an insurance company reflects the company's ability to fulfill its commitments to policyholders without increasing profits from underwriter activities as well as investments or liquidating financial assets (Charumarthi, 2012). Companies that have more liquid assets usually have a better ability to pay their obligations in a timely manner, reducing the company's risk of investing in other projects that may provide greater returns (Sarah, 2022). Research conducted by Krisanti (2018) shows that liquidity has an effect on the profit of the insurance company. However, based on research conducted by Irnawati & Nadzifah (2021) and Hidayati & Willyanda Putri (2022) shows that liquidity has no effect on the insurance company's profits.

Given the research gap in previous studies, the authors felt the need to conduct this study as a form of re-examining the related independent variables, given the inconsistent results from previous studies. From here it is the reason to conduct further studies on what are the factors that affect the profits of insurance companies, especially sharia life insurance companies in Indonesia. The goal is to be able to measure how maximally the company carries out its operational activities.

B. Literature Review

B.1. Theoretical Framework

Resource Based Theory

Resource Based Theory is a conceptual framework that explains a company's strategy to increase its competitiveness by managing and utilizing its internal resources effectively and efficiently in the long term (Murti et al., 2023). According to this theory, the survival of a company depends largely on the characteristics of the internal resources it has. This theory states that companies can gain competitive advantages and obtain maximum profits by managing tangible and intangible assets (Ikram & Zainul, 2023).

The most influential theory in this regard is conveyed through Barney's (1991) article entitled *Firm Resource and Sustained Competitive Advantage*, the article discusses the concept that competitive advantage can be achieved by understanding that companies have diverse resources and cannot move. According to J. Barney (1991) a company must have characteristics in order to maximize its competitive advantage, namely *inimitable*, *rare*, and *non-substitutable* (irreplaceable) and *valuable* (valuable) (Maulana et al., 2022). If these aspects are met, it signifies involvement in the company's competitive advantage, allowing the company to increase its profitability and competitiveness in the same industry, namely the insurance industry.

Theory of Information Content

According to the theory of Modigliani and Miller (1961), an increase in dividends that exceeds the usual increase is often interpreted by investors as a sign that the company's management expects good revenue growth in the future. In contrast, a decline or increase in dividends that are less than the usual increase is perceived by investors as a signal that the company will face difficult times in the future (Zulaecha & Miftah, 2019). Some empirical research suggests that announcements about dividends can affect stock prices in the market, as announcements about the amount of dividends to be distributed to shareholders provide clues about the company's future prospects (Sintha & Sebayang, 2020).

Sharia Insurance

In Arabic, insurance is called *at-ta'min*, the insurer is called *mu'ammin*, while the insured is called *mu'ammen lahu* or *musta'min*. *At-ta'min* is taken from the word *aman* which means to provide protection, tranquility, a sense of security, and freedom from fear (Nasution & Syahriza, 2022). In Indonesia, the term used to refer to sharia insurance is *takaful* which literally means to bear together or bear each other (Hadi et al., 2023).

According to the Fatwa of the National Sharia Council No. 21/DSN-MUI/X/2001, Sharia insurance is a form of business that provides protection and support to others by using investments in assets or *tabarru'* that provide returns with the aim of managing certain risks through agreements in accordance with sharia principles. The sharia contract referred to here does not contain *gharar* (fraud), *maisyr* (gambling), *riba*, *zhulm* (persecution), *risywah* (bribery), haram goods and immorality (Fitriani et al., 2022).

In insurance, there are two parties that are interconnected, the insured and the insurer. The insurer guarantees all risks of loss, loss, damage, or even death that will occur to the customer or can be said to be the insured. In this case, both parties have reached an agreement and agreed on terms, including the principle that profits and losses will be divided according to the agreement (Andini et al., 2022).

Sharia Life Insurance

Life insurance is a service provided by an entity to provide protection to insured individuals from risks related to life or death. Sharia life insurance is an agreement or cooperation that aims to help each other between parties who want to reduce or avoid risks arising from death, risk in old age, and accident risk, which is based on sharia principles (Dzaki, 2020).

Profit

Profit is considered the best measure of a company's performance achievements in a period (Hidayat et al., 2021). Profit reflects the financial health of the company and its ability to run its operations optimally, measured by its par value (Maharani & Ferli, 2020). According to Suwardjono (2008) Profit is interpreted as the reward earned by a company as a result of their efforts in producing goods and services. In other words, profit is income that exceeds the cost of providing goods/services and total production.

Profit is the result of a company's operational activities over a period of time. In this study, the revenue or profit in question is the net profit from the company's operating results or services generated by the utilization of company assets from other parties. Net profit is calculated by deducting all direct expenses incurred by the company during a given period, including taxes (Kasmir, 2016) .

Company management successfully manages the company's resources effectively and efficiently characterized by a sustainable profit growth fund over a certain period. Profit is very important for a company to survive because it is a determinant of whether the company is profitable or loss. Insurance companies must be able to optimize revenue and reduce expenses in order to achieve expected profits (Khaddafi & Agung, 2021). Profit assessment is important not only to determine the company's performance, but also to communicate profit distribution and determine investment strategies (Karyati & Mulyati, 2019).

Premium Growth Ratio

The premium growth ratio is an indicator of the early warning system that describes the stability of the company's operations. The premium growth ratio can give an idea of the company's future growth potential, because when the premium growth ratio is high, this can result in an increase in the company's revenue, which in turn can increase insurance profits (William & Colline, 2022).

A certain amount of funds deposited by insurance participants together after deducting management fees is referred to as premium, which in the sharia framework is called contribution (Soemitra, 2009). Participants set aside funds used to manage risks and as management costs (*ujrah*) for the company as compensation for their efforts in managing participants' risks. The risk management section or also known as the *tabarru'* fund (social fund) is used to pay claims, pay reinsurance costs, and establish allowances. Meanwhile, the *fee* (*ujrah*) part is recognized as the company's income to finance its operational activities (Bayinah et al., 2019).

Sharia insurance premiums are defined as a number of funds consisting of savings and *tabarru'* funds paid by participants to insurance companies as agreed in the contract. Savings funds are deposits from policy participants and will get a profit share from investment activities obtained every year from *tabarru'* funds. While *tabarru'* is a charity fund or donation fund given and pledged by other participants, if later used to pay for claims or insurance benefits (Sula, 2004).

Investment Results

Investment is the activity of distributing costs or conducting fund management agreements with the aim of achieving results or rates of return from the distribution of funds during a predetermined period of time (Hidayat et al., 2021). Investment results refer to the profits obtained from investment activities, where funds for investment are obtained from the contributions of participants consisting of *Itabungan* and *tabarru'* funds managed by insurance companies. Thus, the participant is the owner of the fund and the company is the fund manager (*mudharib*) (Bayinah et al., 2019). Income from investment can be obtained by managing sharia insurance funds in several ways (Hidayat et al., 2021) :

- Saving Products

Participant funds are allocated to their respective account accounts, namely *tabarru'* and savings accounts. *Tabarru'* funds are used to help each other. Meanwhile, savings funds are funds that are fully owned by participants.

- Product Without Saving

In this system, all funds go to the *tabarru'* account, so that no funds go into the savings account. Funds collected from members, then invested by the company, where the profits are distributed according to the proportion agreed in the contract after deducting claim fees and reinsurance premiums.

Underwriting Results

The results of underwriting are the result of risk-selective activities carried out by insurance companies to reduce the burden of underwriting. Insurance companies consistently manage the risks taken by utilizing the coverage offered in the policy. The increase in underwriting results reflects the company's ability to manage the underwriting process effectively and improve risk distribution. Thus, the insurance company has the ability to bear all the underwriting burdens, which results in optimal revenue (Dani & Jasman, 2023).

Underwriting is the process of assessing the mortality rate or morbidity of prospective insured persons to determine whether they are eligible for insurance or not. And if possible, the prospective insured is categorized according to the risk (Sula, 2004). The underwriting results are the factors that contribute to a company's net profit which affects profit growth because the underwriting process allows the company to identify the risks it can bear (Reza Pahlevi, 2022).

Risk-Based Capital

Risk-based capital (RBC) is a method to evaluate a company's finances as well as its ability to measure the availability of capital to bear the risks it has. The higher the risk or debt that the company has, the greater the capital required to overcome the risk. Understanding the financial situation is crucial for insurance companies because they guarantee reimbursement for all losses incurred by their customers. Therefore, RBC's calculation is crucial to assess the company's financial health. According to Policy No.PER-02/BL/2008 issued by BAPEPAM and Financial Institutions, a certain minimum solvency level known as Risk-based capital (RBC) is the allocation of funds that need to be prepared to address potential impacts that may arise due to failures in the management of the company's assets and liabilities.

Risk-based capital (RBC) is an important indicator used to assess the financial condition of a company by taking into account the solvency ratio relative to the risks faced (Nasution & Nanda, 2020). In accordance with the decree of the Minister of Finance of the Republic of Indonesia concerning the Finance of Insurance and Reinsurance Companies of the Republic of Indonesia No.53/PMK.010/2012, each insurance company is required to have a Risk-based capital (RBC) level of at least 120%. This means that the company's debts and the cost of each insurance risk borne must be covered with a minimum of 20% greater than the company's assets. Positive financial health is reflected in the high value of the RBC ratio, which will ultimately contribute to the increase in profits earned by insurance companies (Aisjah, 2020).

Liquidity

One of the indicators that can be used to determine how well a company is able to meet its short-term obligations at maturity is its liquidity ratio. The liquidity ratio shows how well a company is able to use its available current assets (Darmawan, 2020). The liquidity ratio indicates the extent to which an insurer can meet its commitments with the insurance policyholder as the insured party without having to liquidate their financial assets and increase the return on investment and underwriter (Stephanie & Ruslim, 2021). The liquidity ratio commonly used in financial statements to calculate the liquidity of a company is the current ratio or current ratio. The current ratio is a ratio that compares a company's current liabilities and current assets, indicating the extent to which current assets can cover current liabilities (Darmawan, 2020).

B.2. Research Development

Effect of Premium Growth Ratio on Profit

The Premium Growth Ratio (PGR) reflects the extent of the change in net premium earnings from one year to the next (Agustin et al., 2018). If managed properly, this increase in premium income is a determining factor that is able to provide added value and competitive advantage for insurance companies., especially in terms of the company's gross premium growth, which reflects the results of the company's activities (Öner Kaya, 2015). This is in line with the research-based theory that will be used in this study. The high premiums obtained have an effect on the higher level of trust (Marsanto et al., 2021). An increase in insurance company premium income is an income that can then automatically increase the premium income allocated to the company's investment. So that if the investment is effective and efficient in its operation, the company's profits will increase and the company's profits will increase (Nusantara & Priantinah, 2021). This is in line with research conducted by Yuliani et al. (2022) which states that premium growth has a significant positive effect on the profit of insurance companies.

Thus, based on the above statement and the results of previous research, the hypothesis proposed in this study is:

H1: The Premium Growth Ratio has a positive effect on the profit of sharia life insurance companies.

Effect of Investment Results on Profit

Investment results are the practice of placing capital in the form of assets with the aim of obtaining profits, which are then handed over to insurance participants and fund owners, namely managers (Nasution & Nanda, 2020). In the context of sharia insurance companies, investment results are the results of managing participants' contributions through tabarru' funds and savings funds managed by insurance companies (Cahya et al., 2023). The contribution from participants or premiums used in investment activities, namely tabbaru' funds are invested in investment instruments that are also sharia-based, the amount of contribution funds invested will affect the processing of profits from the investment funds (Zen & Manda, 2021).

Based on research by Pebriany & Mubarakah (2022) dan Prasetyo et al. (2023) stated that investment results have a significant positive impact on the income of insurance companies. The statement is also in accordance with research Prahasti (2020) which found that the return on investment had a positive impact on the profitability of sharia insurance. So, indicating that if the return is large, it will increase the portion of income in the income statement, which will also have an impact on increasing the company's profit. This is in line with the theory of information content, where companies can give good clues or signals to investors about the state of the company, especially regarding the increase in company investment. Based on this, a hypothesis is proposed:

H2: Investment results have a positive effect on the profit of sharia life insurance companies.

The Effect of Underwriting Results on Profit

The process of assessing and evaluating the level of risk that a prospective insured or a group of individuals have in a particular insurance policy, as well as the decision on whether the risk will be accepted or denied, is known as underwriting. The main goal of underwriting is to optimize profits by accepting risks that are expected to result in profits (Sula, 2004). If the underwriting yield is high, the insurer is likely to make a greater profit (Prasetyo et al., 2023).

The underwriting results refer to the profits or losses arising from the core activities of an insurance company, calculated from the difference between premium income and guarantee costs. The results of this underwriting are one of the important factors in the formation of net profit and are also used for investment. In line with the information content theory, high investment opportunities will usually be seen as a positive signal by investors, which then affects the valuation of the company. The profit earned by the insurance company will be higher if the underwriting results obtained are also high (Wahyono et al., 2021). This is in line with research conducted by Reza Pahlevi (2022) and (Prasetyo et al. (2023).

Thus, based on the above statement and the results of previous research, the hypothesis proposed in this study is:

H3: The results of underwriting have a positive effect on the profit of sharia life insurance companies.

The Effect of Risk-based capital on Profit

Risk-based capital is an indicator to measure whether an insurance company is healthy or not (Nasution & Nanda, 2020). A Risk-based capital (RBC) level of 120% is a target that must be achieved by insurance companies, indicating a healthy and good financial condition, with a higher value, and vice versa. The amount of profit obtained by insurance companies is influenced by the increasing level of Risk-based capital (RBC) which shows that company management is able to effectively manage company resources so that it can increase profits (Fitrianty et al., 2022). If companies manage to achieve an RBC of 120% in accordance with government requirements, this will affect their investment decisions, which can ultimately increase the company's profits. Additionally, it provides policyholders with confidence that the company is able to meet all of its obligations, including claims, so that policyholders can continue to pay premiums. This is in line with research conducted by Dani & Jasman (2023), Nasution & Nanda (2020), dan Fitrianty et al. (2022) which shows that Risk-based capital has a positive influence on the company's profit.

Thus, based on the above statement and the results of previous research, the hypothesis proposed in this study is:

H4: Risk-based capital has a positive effect on the profit of sharia life insurance companies.

Effect of Liquidity on Profit

The Current Ratio aims to determine the value of a company's capabilities in fulfilling its short-term obligations by utilizing existing current assets. The increase in current assets can be driven by the profit earned by the company during the current year, so that the increase in the current ratio in the company can indicate an increasing increase in the profit earned by the company (Istiqomah, 2023). Compared to companies with lower levels of current assets, insurers with higher levels of liquidity will typically experience higher growth (Charumarthi, 2012). Research conducted Pratiwi et al. (2023) and Krisanti (2018) shows that the liquidity ratio (CR) has an effect on profit, this happens because of the company's ability to meet short-term obligations with well-allocated current assets.

Thus, based on the above statement and the results of previous research, the hypothesis proposed in this study is:

H5: Liquidity has a positive effect on the profit of sharia life insurance companies.

Based on the theoretical basis and results of previous research, as well as the problems that have been formulated, the research framework is presented in the following figure:

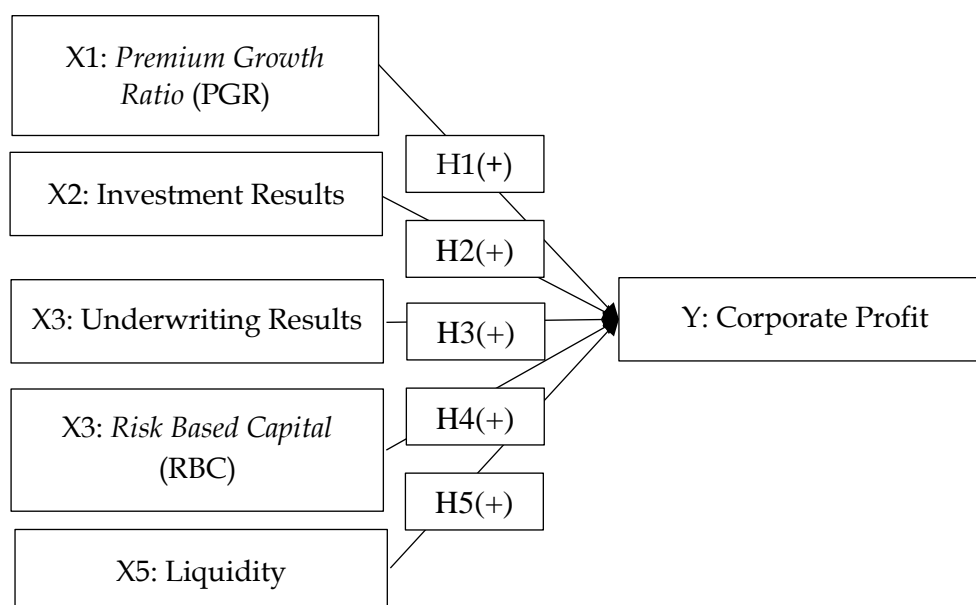


Figure 4. Research Thinking Framework

C. Research Methodology

C.1 Types and Nature of Research

The approach in this study uses quantitative as the research methodology. This approach aims to produce data in the form of numbers and process it statistically to obtain valid and measurable information (Setyaningsih et al., 2021). Quantitative methods are used for testing hypotheses that have been formulated from previous theories or concepts (Sekaran & Bougie, 2016). The quantitative method used in this study is in the form of numbers that are indicators in influencing the company's profit. The data used are the amount of profit, premium growth ratio (PGR), investment returns, underwriting results, Risk-based capital (RBC), and liquidity.

The purpose of this study is to find out the causal relationship between independent and dependent variables so that this research is included in the type of explanatory research (Reschiwati & Solikhah, 2018). In accordance with this exploration, this study was conducted to analyze the influence of the amount of profit, premium growth ratio (PGR), investment returns, underwriting results, Risk-based capital (RBC), and liquidity.

C.2 Population and Sample

Population in this study refers to a group of individuals, events, or entities that are the focus of research by a researcher, from which conclusions or generalizations will be drawn (Sekaran & Bougie, 2016). The population in this study is all Sharia life insurance companies registered with the Financial Services Authority (OJK) during the 2018-2022 period.

The sampling method in this study is to use the purposive sampling technique, which is an approach in which samples are selected based on certain considerations (Prasetyo et al., 2023). This approach was chosen because it is necessary to screen the population that has been determined to determine the sample in this study. The determination of the sample in this study uses the criteria that have been set as follows:

- Sharia Life Insurance Companies registered with the Financial Services Authority (OJK) in the period 2018-2022.
- Sharia Life Insurance Company that publishes complete financial statements on the company's official website for the period 2018-2022.
- The company's financial statements provide the necessary information regarding all variables used in the research in the 2018-2022 period.

Based on the purposive sampling method, the sample results in this study were 21 sharia life insurance companies registered with the Financial Services Authority for the 2018-2022 period. Here is a list of 21 companies that were sampled for the study:

1. PT Asuransi Takaful Keluarga
2. PT Asuransi Jiwa Syariah Al-Amin
3. PT Asuransi Jiwa Syariah Amanahjiwa Giri Artha
4. PT Asuransi Jiwa Syariah Jasa Mitra Abadi
5. PT Capital Life Syariah
6. PT AIA Financial
7. PT Asuransi Allianz Life Indonesia
8. PT Asuransi Jiwa Central Asia Raya
9. PT Asuransi Jiwa Manulife Indonesia
10. PT Asuransi Simas Jiwa (d/h PT Asuransi Jiwa Mega Life)
11. PT Asuransi Jiwa Sinar Mas MSIG
12. PT Avrist Assurance
13. PT BNI Life Insurance
14. PT Great Eastern Life Indonesia
15. PT Panin Daichi Life (d/h PT Panin Life)
16. PT Sun Life Financial Indonesia
17. PT Tokio Marine Life Insurance Indonesia (d/h PT MAA Life Assurance)
18. PT Chubb Life Assurance (D/H PT ACE Life Assurance)
19. PT PFI Mega Life Insurance (d/h PT Asuransi Jiwa Mega Indonesia)
20. PT Asuransi Jiwa Reliance Indonesia
21. PT Asuransi Jiwa Generali Indonesia

C.3 Data Sources and Data Collection Techniques

Financial reports from sharia life insurance companies that have been registered with the Financial Services Authority (OJK) and published on the company's official website are secondary data that will be used in this study.

The data collection carried out in this study is as follows:

1. Documentation

Data collection using techniques involving the use of documents, books, notes, and so on is called documentation techniques (Hidayat et al., 2021). In this study, the documentation technique is used to dig up the necessary information from the company's financial report.

2. Study book

Data collection that involves research on literature sources such as scientific journals, reference books, encyclopedias, scientific articles, literature, and other reliable sources is called literature studies. The information collected through literature studies in this study comes from journals, literature books, articles, and previous studies that are relevant to the topic in the research.

C.4 Data Analysis Methods

The analysis in this study uses STATA 17. The data analysis techniques in this study include:

Descriptive Statistics

Descriptive statistics are used to describe data such as mean (mean), median (middle value), mode (the most frequently appearing value), minimum (minimum), maximum value (maximum), standard deviation, and so on, and presented in the form of numerical analysis, graphs, or diagrams.

Panel Data Regression Analysis

The data panel is a combination of cross-sectional and time series data. The data panel includes not only some variables such as cross-sectional data, but also includes time elements such as time series data (Nainggolan & Soemitra, 2020). In panel data regression, there are three methods to estimate panel data regression parameters, including the common effect model (CEM), fixed effect model (FEM), and random effect model (REM) (Reschiwati & Solikhah, 2018). The model of the panel data regression equation is as follows:

$$Y = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \epsilon_{it}$$

Notes:

Y= Bound variable (free)

α = Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Regression coefficients

X_1 = Independent variable 1 (Premium Growth Ratio)

X_2 = Independent variable 2 (Investment Result)

X_3 = Independent variable 3 (Underwriting Result)

X_4 = Independent variable 4 (Risk-based Capital)

X_5 = Free variable 5 (Liquidity)

i = unit cross section

t = Period/Time

Panel Data Regression Selection Test

Panel data regression is usually estimated using three commonly used techniques, including:

1. Common Effect Model (CEM)

The simplest technique for estimating panel data is simply to combine time series and cross section data.

2. Fixed Effect Model (FEM)

The fixed effect regression model assumes differences in interception. This technique uses dummy variables to capture intercept differences between individuals

3. Random Effect Model (REM)

The inclusion of dummy variables in the fixed effect model aims to represent our ignorance of the actual model. However, this can reduce the degree of freedom and efficiency of the parameters

Furthermore, there are several tests in choosing a suitable model to process panel data, namely:

1. Chow Test

The chow test is used to determine which model is more suitable between the common effect model or the fixed effect model (Markonah, 2021). The hypothesis of the chow test is:

Ho: Common effect model

H1: Fixed effect model

Ho is accepted if the probability value > 0.05 so the CEM model approach is used. However, Ho is rejected if the probability value < 0.05 so the FEM model approach is chosen.

2. Hausman Test

The hausman test is a test conducted to assess the accuracy of the model between the fixed effect model or the random effect model (Markonah, 2021). The hypothesis of the hausman test is:

Ho: Random effect model

H1: Fixed effect model

Ho is accepted if the probability value > 0.05 so the REM model approach is used. However, Ho is rejected if the probability value < 0.05 so the FEM model approach is chosen.

3. Lagrange Multiplier (LM) Test

The Lagrange Multiplier test is a test used to select the best model between the common effect and random effect models (Reschiwati & Solikhah, 2018). The hypothesis of the lagrange multiplier test is:

Ho: Common effect model

H1: Random effect model

Ho is accepted if the probability value > 0.05 so the CEM model approach is used. However, Ho is rejected if the probability value < 0.05 so the REM model approach is chosen.

Classical Assumption Test

1. Multicollinearity

Multicollinearity testing is carried out to detect relationships between variables in regression models. A regression model can be said to be good when it does not contain the problem of multicollinearity, namely in the absence of correlation and relationships between independent variables. Multicollinearity can be detected by examining the acquisition of tolerance value and Variance Inflation Factor (VIF). If the tolerance value obtained > 0.10 and the Variance Inflation Factor (VIF) value obtained < 10 , it can be said that the regression model used does not contain a multicollinearity problem, on the contrary, when the tolerance value < 0.10 and the Variance Inflation Factor (VIF) is obtained > 10 , there is multicollinearity in the regression model (Ghozali, 2018).

2. Heteroscedasticity

Heteroscedasticity is the inequality of variance of the residual between observations in a regression model. The heteroscedasticity test aims to assess whether the residual variant remains or differs in each observation. Regression models are considered good if they are homoscedasticity, where the residual variance remains (Ghozali, 2018). The heteroscedasticity test in this study was carried out using the Glejser test, namely by regression of independent variables to absolute residual (Glejser, 1969). When the significance value is greater than the predetermined significance level of 0.05, it can be concluded that there is no heteroscedasticity problem in the regression model. And vice versa, if the significance value is obtained < 0.05 , there is a heteroscedasticity problem in the regression model (Gujarati & Porter, 2009).

Hypotheses Test

1. F Test

The Statistical Test F basically shows whether all independent variables or independent variables included in the model have a joint influence on dependent variables or bound variables. The criteria of the F test are the F value calculated $> F$ of the table or the probability value of its significance (Prob) $< \alpha$. Decision making with significance level (α) = 0.05. If the significance level $F > 0.05$, then H_0 is accepted, and if F counts $< F$ table or the significance level $F < 0.05$, then H_0 is rejected and H_1 is accepted which means all independent variables simultaneously affect the dependent variable

2. Coefficient of Determination Test (R^2)

The determination coefficient test is used to measure how far the model is able to explain the variation of dependent variables. The value of the determination coefficient ranges between zero and one. The degree of regression accuracy is determined by the magnitude of the R^2 value between 0 to 1 ($0 \leq R^2 \leq 1$). The closer the R^2 value is to 1, the better the independent variable can explain the influence on the dependent variable.

3. Test T

The t-test differential test was used to test how far the influence of the independent variables used in this study individually in explaining the dependent variables partially. The t-test can be done by comparing the tcount value with the t-table, if the t-count > the t-table or the significance value is < 0.05. Decision making with significance level (α) = 0.05. If the significance level $t > 0.05$, then H_0 is accepted, and if the significance level $t < 0.05$, then H_0 is rejected.

D. Result & Discussion

In this part, the result and discussion of the study will be presented. First, the result of the study is presented and then it will be discussed and compared with previous studies.

D.1 Research Result

This section describes the results of statistical testing consisting of descriptive statistics, model selection tests, classical assumption tests, panel data regression tests and hypothesis tests.

Descriptive Statistical Analysis

Descriptive statistical analysis aims to provide an overview or description of data described through mean, median value, highest value (maximum), lowest value (minimum), and standard deviation (std. deviation).

Table 1. Results of Descriptive Statistical Analysis

Variables	N	Minimum	Maximum	Mean	Std. Dev
Profit	105	-101049	609269	35222,43	97269,9
Premium Growth Ratio (PGR)	105	-7,0137622	142,9615	2,398216	14,72217
Investment Results	105	956,22	395571	22059,45	47030,08
Underwriting Result	105	-530836	229275	-6349,152	71402,08
Risk-based capital (RBC)	105	-2,998719	192,1364	13,9795	32,88955
Liquidity	105	0,8520882	11858,2	121,2285	1156,578

Source: STATA 17 software output, data processed 2024

From the descriptive statistical data table 1, it shows that the study used 105 sample data from each variable used in the study. As for the results of these descriptive statistics, the premium growth ratio variable in this study has a minimum and maximum value of -7.013762 and 142.9615 with a mean value of 2.398216 and a standard deviation of 14.72217. Thus, it can be concluded that the mean value of variable premium growth ratio is smaller than the standard deviation.

Then, the investment results variable in this study has a minimum and maximum value of 956.22 and 395571 with a mean value of 22059.45 and a standard deviation of 47030.08. Thus, it can be concluded that the mean variable value of investment results is smaller than the standard deviation.

The underwriting variables in this study have a minimum and maximum value of -65.57507 and 229275 with a mean value of -6349.152 and a standard deviation of 71402.08. Thus, it can be concluded that the mean variable value of underwriting results is smaller than the standard deviation.

The Risk-based capital (RBC) variable in this study has a minimum and maximum value of -2.998719 and 192.1364 with a mean value of 13.9795 and a standard deviation of 32.88955. Thus, it can be concluded that the mean value of variable Risk-based capital (RBC) is smaller than the standard deviation.

The liquidity variables in this study have minimum and maximum values of 0.9520882 and 11858.2 with a mean value of 121.2285 and a standard deviation of 1156.578. Thus, it can be concluded that the mean value of variable liquidity is smaller than the standard deviation.

The profit variable in this study has a minimum and maximum value of -101049 and 609269 with a mean value of 35222.43 and a standard deviation of 97269.9. Thus, it can be concluded that the mean value of variable profit is smaller than the standard deviation

Model Selection Test

Model selection tests are conducted to determine the most suitable model for panel data regression to be used among Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The following are the results of model selection tests that have been carried out using the STATA 17 program.

1. Chow Test

The use of the chow test aims to find out which is the best regression model between the Common Effect Model (CEM) and Fixed Effect Model (FEM) with the following hypotheses:

H0: Common Effect Model (CEM) test is performed if Prob. > 0.05

H1: Uji Fixed Effect Model (FEM) dilakukan jika Prob. < 0,05

The results of the chow test are shown in the following table 2:

Table 2. Chow Test Results

F (5,79)	=	10.54
Prob > F	=	0.0000

Source: STATA 17 software output, data processed 2024

From table 2 of the chow test results above, showing a probability value of $0.0000 < 0.05$ then H0 is rejected, meaning that the right model to use is **the Fixed Effect Model**.

2. Hausman Test

The use of the hausman test aims to find out which is the best regression model between the Fixed Effect Model (FEM) and the Random Effect Model (REM) with the following hypothesis:

H0: Random Effect Model (REM) performed if Prob. > 0.05

H1: Fixed Effect Model (FEM) dilakukan jika Prob. < 0,05

The results of the Hausman Test are shown in the following table 3:

Table 3. Hausman Test Results

Prob > chi2	=	0.0000
-------------	---	--------

Source: STATA 17 software output, data processed 2024

Based on the test results of table 3, a prob > chi2 value of 0.0000 or < 0.05 is obtained, then H0 is rejected and H1 is accepted, meaning that the right model is to use the Fixed Effect Model.

Classical Assumption Test

1. Multicollinearity Test

Multicollinearity testing is performed to evaluate whether there is a relationship between independent variables in a regression model. Regression models are considered free of multicollinearity if the tolerance value is above 0.10 and VIF is below 10. The following are the results of the multicollinearity test as follows:

Table 4. Multicollinearity Test Results

Variables	VIF
Premium Growth Ratio (PGR)	1.05
Investment Results	1.04
Underwriting Result	1.00
Risk-based capital (RBC)	1.00
Liquidity	1.00
Mean VIF	1.02

Source: STATA 17 software output, data processed 2024

The results of the multicollinearity test using VIF (Variance Inflation Factor) in table 4 interpret that all variables have a VIF value of < 10, which indicates that the research regression model does not experience multicollinearity problems.

2. Heteroscedasticity Test

The purpose of the heteroscedasticity test is to determine whether there are signs of heteroscedasticity in this study. The decision is taken when the value of Prob Chi2 > 0.05 means that there is no heteroscedasticity problem, along with the results of the heteroscedasticity test:

Tabel 5. Heterokedasticity Test Result

Prob > chi2	=	0.0000
-------------	---	--------

Source: STATA 17 software output, data processed 2024

Based on table 5 of the heterokedasticity test, the prob>chi2 value in the heteroscedasticity test is 0.0000, the value is smaller than 0.05. This means that there are symptoms of heteroscedasticity. So that in this study a Robust test was carried out to deal with heteroscedasticity problems.

Panel Data Regression Test

Fixed effect model was chosen as the best model for estimating panel data in this study. The following is a regression result from panel data using the Fixed Effect Model (FEM) which has been equipped with the use of Robust Standard Error due to problems in the classical assumption test.

Table 6. Results of Robust Standard Error Multiple Linear Regression Analysis

Dependent Variable: Profit	Coefficient	Robust Std Err.	t	Prob
Premium Growth Ratio (X ₁)	-11,41736	22,7181	-0,50	0,621
Investment Results (X ₂)	0,9639945	0,798667	12,07	0,000
Underwriting Results (X ₃)	0,1406877	0,0185143	7,60	0,000
Risk-based capital (X ₄)	12,00392	81,05113	0,15	0,884
Liquidity (X ₅)	-0,4475961	0,0366177	-12,22	0,000
Constant	14764,32	855,5864	17,26	0,000

Source: STATA 17 software output, data processed 2024

Based on the results of regression analysis table 6, the regression equation is obtained as follows:

$$\text{Profit}_{it} = 14764,32 - 11,41736 X_{1it} + 0,9639945 X_{2it} + 0,1406877 X_{3it} + 12,00392 X_{4it} - 0,4475961 X_{5it} + \varepsilon_{it}$$

Based on the panel data regression equation, it can be explained as follows:

- The constant (α) = 14764.32 is a fixed value, if the independent variable has a value of 0, then the value of the dependent variable (profit) is equal to 14764.32.
- The premium growth ratio (X₁) coefficient is -11.41736. If the value of other variables remains and there is an increase of 1% in premiums, then profit will increase by -11.41736%. Profit is negatively affected by the premium growth ratio, because a negative coefficient indicates that an increase in profit will result in a decrease in the premium growth ratio.

- The coefficient of investment results (X_2) is 0.9639945. If the value of other variables remains and there is an increase of 1% in investment returns, then the profit will increase by 0.9639945%. Profit is positively affected by investment returns, as a positive coefficient indicates that an increase in profit will result in an increase in investment returns.
- The coefficient of underwriting results (X_3) is 0.1406877. If the value of other variables remains and there is an increase of 1% in underwriting results, then the profit will increase by 0.1406877%. Profit is positively affected by underwriting results, because a positive coefficient indicates that an increase in profit will result in an increase in underwriting results.
- The Risk-based capital coefficient (X_4) is 12.00392. If the value of other variables remains and there is an increase of 1% in risk-based capital, then profit will increase by 12.00392%. Profit is positively affected by risk-based capital, because a positive coefficient indicates that an increase in profit will result in an increase in risk-based capital.
- The liquidity coefficient (X_5) is -0.4475961. If the value of other variables remains and there is a 1% increase in liquidity, then the profit will increase by -0.4475961%. Profit is negatively affected by premiums, since a negative coefficient indicates that an increase in profit will result in a decrease in liquidity.

Hypothesis Test

1. F Test (Simultaneous)

The F (simultaneous) test is used to determine whether all independent variables together have a significant influence on the dependent variable. The following are the results of the f test.

Table 7. F Test Results

F (5,20)	1660,76
Prob > F	0,0000

Source: STATA 17 software output, data processed 2024

The results of the F test using robust standard error show an F significance value of 0.0000, the value is smaller than the significance level of 5% ($0.0000 < 0.05$). This indicates that the variables premium growth ratio, investment returns, underwriting returns, risk-based capital, and overall liquidity (simultaneously) affect the profit of Islamic life insurance companies. Therefore, the F test can be said to pass.

2. Test Coefficient of Determination (R^2)

Testing the coefficient of determination has the aim of evaluating how effectively the independent variable can provide an explanation of variations that occur in the dependent variable. The following are the results of the coefficient of determination test.

Table 8. Test Results of Coefficient of Determination

Result	Probability
R-squared	0,9128

Source: STATA 17 software output, data processed 2024

Based on table 8 of the coefficient of determination test results, the R-squared between value is 0.9128 or 91.28%. This figure means that as many as 91.28% of the independent variables used can explain the dependent variable. While the remaining 8.72% was explained by other variables that were not included in this study.

3. T Test (Partial Test)

The statistical test t is used to evaluate the effect of each independent variable on the dependent variable individually or partially. Based on the results of multiple linear regression calculations with robust standard errors in the table above, the explanation of each variable is as follows:

- The test results of the premium growth ratio variable showed a coefficient of -11.41736 with a significance value of t of 0.621. The significance value of t is greater than the significance level of 5% ($0.621 > 0.05$). This shows that the variable premium growth ratio partially has no effect on the company's profit. so it can be said that H1 is rejected.
- The results of testing the investment yield variable showed a coefficient of 0.9639945 with a significance value t of 0.000. The significance value of t is less than the significance level of 5% ($0.000 < 0.05$). This shows that the variable investment return partially has a significant positive effect on the company's profit. So it can be said that this result receives H2 which suspects that investment returns have a positive and significant influence on the company's profits.
- The results of the underwriting variable test showed a coefficient of 0.1406877 with a significance value of t of 0.000. The significance value of t is less than the significance level of 5% ($0.000 < 0.05$). This shows that the variable underwriting results partially have a significant positive effect on the company's profit. So, it can be said that this result receives H3 which suspects that the underwriting results have a positive and significant influence on the company's profits.
- The results of testing the Risk-based capital variable showed a coefficient of 12.00392 with a significance value t of 0.884. The significance value of t is less than the significance level of 5% ($0.884 > 0.05$). This shows that the variable Risk-based capital partially has no effect on the company's profit. So it can be said that H4 is rejected.

- e. The results of testing the liquidity variable showed a coefficient of -0.4475961 with a significance value t of 0.000. The significance value of t is greater than the significance level of 5% ($0.000 > 0.05$). This shows that liquidity variables partially have a negative and significant effect on company profits. So, it can be said that H5 is rejected.

D.2 Discussion

The Effect of Premium Growth Ratio on Profit

The results showed that the premium growth ratio did not have a significant effect on profits. This finding is supported by the significance value of the statistical test t which is higher than the significance level, which is $0.621 > 0.05$ and the coefficient value of -11.41736. Thus, the results of testing this hypothesis are not in line with hypothesis one (H1) which has been formulated previously that the variable premium growth ratio has a significant positive effect on the profit of Islamic life insurance companies, so hypothesis one (H1) is declared rejected.

The insignificant relationship between the ratio of premium growth and profit is caused by an increase in the premium growth ratio which is also followed by an increase in higher claims, which has an impact on decreasing profits. As happened in 2020 based on data from OJK, the total contribution of sharia life insurance companies in 2020 was Rp15.01 trillion, an increase of 7.5% from 2019, which was Rp13.96 trillion. Meanwhile, claims of life insurance companies with sharia principles increased by 25.3% from Rp9.24 trillion in 2019 to Rp11.57 trillion in 2020. Those claims were 7.0% of the total life insurance company claims in 2020. Large claims growth will encourage insurance companies to allocate collected premiums to meet increased claim submissions so that the premium growth ratio does not have a significant effect on company profits. This finding is different from previous research conducted by Yuliani et al. (2022) which found that the premium growth ratio has a positive and significant influence on insurance companies.

The Effect of Investment Results on Profits

The results show that investment returns have a significant positive influence on company profits. These results are supported by significance values and statistical tests t that are lower than the significance level, which is $0.000 < 0.05$ and a coefficient value of 0.9639945. Thus, the greater the amount of funds allocated for investment, the higher the profit earned by the insurance company. With this, it can be said that sharia insurance companies that invest a lot in various good investment posts, the more opportunities will be generated from these investments so that the company's profits will increase. This is because investment is an investment of money with the aim of obtaining a profit.

In accordance with information content theory, a good return on investment gives positive signals to investors about the condition of the company, which in turn contributes to the future development of the company.

The findings are also in line with previous research conducted by Pebriany & Mubarakah (2022), Prasetyo et al. (2023), dan Prahasti (2020) which shows that investment returns contribute positively and significantly to the company's profits. Opinion Nurmansyah (2002) Also supports the results of this study which states that the receipt of investment returns shows the company's growth potential in the future which in turn will increase the stock price which is useful for an indicator of the value of a company. The investment returns received by the company, especially for investors and creditors, signal that the company will develop in the future. Therefore, if Islamic life insurance companies allocate their investments in various fields, there will be more opportunities generated from these investments, and the higher the insurance company's profits.

The Effect of Underwriting Results on Profits

Findings from the study show that underwriting results have a significant impact on company profits. make a significant and positive contribution to company profits. This finding is supported by significance values and statistical tests t that are lower than the established significance level of $0.000 < 0.05$ and a coefficient value of 0.1406877. So, if there is an increase in underwriting results, insurance profits will increase.

If the underwriting income of an insurance company can cover all its underwriting expenses, it produces an underwriting surplus that has the potential to affect the insurance company's profits. The purpose of the underwriting process in sharia insurance companies is to ensure that the risk level of prospective insurance participants is in accordance with the company's estimated risk, so that the company can maintain sufficient tabarru funds to pay claims that may arise. This ensures fairness in the tabarru contributions made by participants and policyholders in accordance with the risks they have.

Based on theory, underwriting results are one of the variables forming net income that is also used for investment so that when underwriting results increase, it will have a positive effect in the form of clues or good signals to investors about the company's condition, so that it is useful for the company's development in the future. These findings align with previous research conducted by Prasetyo et al. (2023) and Prahasti (2020) which states that underwriting results have a positive effect on company profits.

The Effect of Risk-based capital on Profits

The results showed that Risk-based capital (RBC) did not have a significant influence on the company's profits. This finding is supported by the significance value of the statistical test t which is higher than the established significance level, which is $0.884 > 0.05$, and a coefficient value of 12.00392. Risk-based capital (RBC) is the main parameter to assess the financial health of insurance companies through the ratio of solvency to risk faced (Nasution & Nanda, 2020). According to the Regulation of the Minister of Finance of the Republic of Indonesia No. 53/PMK.010/2012 concerning the financial health of insurance and reinsurance companies, it is stated that insurance companies must meet the minimum solvency level target of 120% of the minimum risk-based capital (Prahasti, 2020).

But in this study, RBC was not shown to have an effect on corporate profits. This is due to some companies that still have RBC values below the government regulatory standards. Meanwhile, in order to build public trust, companies are required to be able to exceed the solvency limit set by the government, so that it will make people entrust their assets to the services of insurance companies to manage. However, it turns out that RBC is still below 120%, so it can be said that it has not been able to build public trust. If confidence is not built, it cannot absorb more premium income, so it does not have an impact on the rise or fall of company profits. Based on the results of research from 105 company data, there are only a few companies that have RBC above 120%, namely PT Tokio Marine Life Insurance company by 183% in 2020 and 192% in 2021. This increase also occurred in the company PT PFI Mega Life Insurance in 2020 by 159%.

This research is in line with the findings made by Hidayat et al. (2021) and Munawaroh & Mukhibad (2019) Where the result is Risk-based capital does not have a significant impact on profits. Then, supported by research Prahasti (2020) which shows that if the insurance company only focuses only on increasing the RBC value can result in inefficiencies in capital management, which ultimately does not have an impact on increasing the insurance company's profits. Therefore, although it is important to pay attention to the level of solvency, other factors such as the efficiency of capital management also play a role in determining a company's profit.

The Effect of Liquidity on Profit

The results showed that the level of liquidity affects the company's profit. The results were supported by the significance value of the statistical test t which was higher than the significance level, which was $0.000 < 0.05$ and a coefficient value of -0.4475961 . However, the results of testing this hypothesis are not in line with hypothesis one (H5) which has been formulated previously that liquidity variables have a significant positive effect on the profits of Islamic life insurance companies, so hypothesis one (H5) is declared rejected.

Liquidity refers to a company's capacity to convert assets into cash or acquire cash. According to Sawir (2009) current ratio Indicates the extent to which current assets cover current liabilities. The greater the ratio of current assets and current liabilities, the higher the company's ability to cover its short-term liabilities. A low current ratio is usually considered to indicate a problem in liquidation, on the contrary, a current ratio that is too high is also not good, because of the large number of idle funds which in turn can reduce the company's ability to generate profits. According to the value of a good current ratio is 2 or more, but not until it reaches 3. A current ratio of less than 1 indicates a high risk of the institution defaulting, while if more than 3 institutions fail to utilize existing assets optimally (Kasmir, 2018). Based on this research data, many companies have a current ratio above 3 so that this shows the company's failure to utilize its assets optimally. The results of this study are in line with the results of research conducted by (Krisanti, 2018) Which found that the current ratio had a significant negative effect on the profit of the insurance company. However, it is not in line with the research conducted by Hidayati & Willyanda Putri (2022) and Irnawati & Nadzifah (2021) which suggests that liquidity has no effect on the insurance company's profits.

E. Conclusions & Policy Recommendation

E.1 Conclusions

Based on the analysis and discussion, it can be concluded that partially, the premium growth ratio has no impact on profits because the increase in premium ratio is often accompanied by an increase in claims that reduce the company's profits.

Partially, investment returns and underwriting results have a significant positive influence on the profits of sharia life insurance companies registered with the Financial Services Authority in 2018-2022, so that if investment returns increase, the profits of sharia life insurance companies will also increase. The increase in investment returns will also affect the increase in underwriting results.

Partially Risk-based capital has no effect on profits This is because there are still companies that have a Risk-based capital value below government regulatory standards of 120%. Thus, the company has not maximally built public trust. If confidence is not built, it cannot absorb more premium income, so it does not have an impact on the rise or fall of company profits.

Then, partially liquidity has a significant negative influence. This is because the current ratio that is too high is not good, because of the large number of idle funds which in turn can reduce the company's ability to earn profits.

E.2 Policy Recommendation

1. The research sample only used 21 companies for a period of 5 years, so the data used was 105 companies. So, it is necessary to add samples and develop, not only using sharia life insurance companies, but can take samples of sharia general insurance or sharia reinsurance.
2. The variables used are still limited due to data limitations, so the next research can add more variables that have the potential to affect profits.
3. The short time limit of the study, only five years, suggests the need for further research with a wider span of time to obtain more precise and accurate results. In addition, further development of the theory is needed to strengthen the research findings.

REFERENCES

- Aden, A. S., & Idayati, F. (2023). Pengaruh Likuiditas, Leverage Dan Aktivitas Terhadap Kinerja Keuangan PT Asuransi Jasa Tania Tbk. *Jurnal Ilmu Dan Riset Akuntansi*, 12(6).
- Agustin, F., Suangga, A., Sugiharto, B., Tinggi, S., Ekonomi, I., & Subang, S. (2018). Pengaruh Premium Growth Ratio, Risk-based capital Dan Hasil Investasi Terhadap Profitabilitas Perusahaan Asuransi Umum Yang Terdaftar Di Bursa Efek Indonesia. *Accruals (Accounting Research Journal of Sutaatmadja)*, 2(2).
- Aisjah, S. (2020). Pengaruh Pendapatan Premi, Hasil Investasi, Dan Risk-based capital Terhadap Laba Perusahaan Asuransi (Studi pada Perusahaan Asuransi yang Terdaftar di Bursa Efek Indonesia Periode 2015-2018). *Jurnal Ilmiah Mahasiswa FEB*, 8(2).
- Andini, A. P., Maghfiroh, S., & Yazid, M. (2022). Perkembangan Dan Potensi Asuransi Syariah Di Indonesia. *Studi Islam*, 17(2).
- Anggraina Zen, N., & Suria Manda, G. (2021). Pengaruh Premi, Klami Dan Hasil Investasi Terhadap Laba Pada Perusahaan Asuransi Jiwa Syariah Di Indonesia Tahun 2014-2019. *Buletin Studi Ekonomi*, 26(1), 1-9. <https://ojs.unud.ac.id/index.php/bse/>
- Arianty, E., & Ghoni, A. (2023). Pemilihan Model Implementasi Spin-Off Unit Usaha Asuransi Syariah di Indonesia dengan Model AHP. *Ilmiah Ekonomi Islam*, 9(01). <https://doi.org/10.29040/jiei.v9i1.7933>
- Bayinah, A. N., Mardian, S., Mulyati, S., & Maulidha, E. (2019). *Akuntansi Asuransi Syariah*. Salemba Empat.
- Cahya, B. T., Habibah, M., Restuti, D. P., Hanifah, U., & Jannah, U. (2023). Laba Asuransi Jiwa Syariah Ditinjau dari Beban Klaim, Hasil Investasi, Underwriting, dan Inflasi. *AKTSAR: Jurnal Akuntansi Syariah*, 6(1), 90. <https://doi.org/10.21043/aktsar.v6i1.21222>
- Charumarthi, B. (2012). On the Determinants of Profitability of Indian Life Insurers – An Empirical Study. *Proceedings of the World Congress on Engineering 2012*, 1.
- Dani, H., & Jasman, J. (2023). Pengaruh Pendapatan Premi, Hasil Underwriting, RBC, RKI Terhadap Kinerja Keuangan Secara Islami Pada Perusahaan Asuransi. *Jurnal Ekonomi Dan Bisnis Islam*, 7(01), 7. <https://doi.org/10.30868/ad.v7i01.4041>
- Darmawan. (2020). *Dasar-Dasar memahami Rasio Dan Laporan Keuangan*.
- Dzaki, N. A. (2020). Pengaruh Premi, Investasi, Klaim, Dan Underwriting Terhadap Profitabilitas Perusahaan Asuransi Jiwa Syariah Di Indonesia. *Jurnal Ilmiah Mahasiswa FEB*, 9(1).
- Fitriani, Lisa, H., Thamrin, H., & Yuslizar. (2022). Prospek Dan Tantangan Dalam Perkembangan Asuransi Syariah Di Negara Muslim. *Riset Indragiri*, 1(1).
- Fitrianty, D. A., Hadiani, F., Setiawan, S., & Kusno, H. S. (2022). Analisis Faktor-Faktor Yang Mempengaruhi Laba Perusahaan Asuransi Umum Unit Usaha Syariah di Indonesia. *Journal of Applied Islamic Economics and Finance*, 3(1), 203-215. <https://doi.org/10.35313/jaief.v3i1.3867>

- Ghozali, I. (2018). Aplikasi Analisis Multivariate dengan Program IBM SPSS 25. Badan Penerbit Universitas Diponegoro.
- Gujarati, D. N., & Porter, D. C. (2009). Basic Econometrics (5th). The McGrawHill Companies.
- Hadi, N., Dewi, S., & Sonata, V. (2023). Produk Asuransi Syariah Di Indonesia: Prospek Dan Tantangan. *Jurnal Manajemen, Ekonomi, Keuangan Dan Akuntansi*, 4(1), 16–025.
- Hakim, Muh. L., & Asiyah, S. (2020). Perkembangan Wakaf Asuransi Syariah di Indonesia Pasca Terbitnya Fatwa DSN-MUI No. 106 Tahun 2016. *Islamic Review: Jurnal Riset Dan Kajian Keislaman*, 9(2), 191–208. <https://doi.org/10.35878/islamicreview.v9i2.223>
- Hidayat, N. I. A., Susanti, S., & Zulaihati, S. (2021). Pengaruh Premi, Hasil Investasi dan Risk-based capital terhadap Laba Perusahaan Asuransi Syariah Indonesia 2019. *Jurnal Akuntansi, Keuangan, Dan Manajemen*, 2(4), 327–344. <https://doi.org/10.35912/jakman.v2i4.552>
- Hidayati, H., & Willyanda Putri, C. (2022). Pengaruh Rasio Profitabilitas, Likuiditas, Solvabilitas, Dan Aktivitas Terhadap Pertumbuhan Laba Pada Perusahaan Asuransi yang Terdaftar Pada Bursa Efek Indonesia Periode 2016-2020. *Jurnal Bina Bangsa Ekonomika*, 15(2), 2022. <https://doi.org/10.46306/jbbe.v15i2>
- Ikram, M., & Zainul, Z. R. (2023). Pengaruh Leverage, Modal Kerja, Efisiensi Perusahaan Dan Ukuran Perusahaan Terhadap Profitabilitas Bumh Yang Terdaftar Di *Jurnal Ilmiah Mahasiswa Ekonomi Manajemen*, 8(2), 361–386.
- Irnawati, I., & Nadzifah, J. (2021). Pengaruh Rasio Likuiditas dan Rasio Solvabilitas terhadap Laba Perusahaan pada PT Asuransi Dayin Mitra Tbk Tahun 2010-2019. 1(1), 1–11.
- Istiqomah, N. A. (2023). Pengaruh Rasio Keuangan Terhadap Pertumbuhan Laba. *Jurnal Ilmu Dan Riset Akuntansi*, 12(2).
- Karyati, N., & Mulyati, S. (2019). Analisis Perbedaan Pengaruh Premi, Klaim, Dan Investasi Terhadap Pertumbuhan Laba Pada Perusahaan Asuransi Syariah Dengan Asuransi Konvensional Periode 2011-2013. *Islamic Economic, Accounting and Management Journal (Tsarwatica)*.
- Kasmir. (2016). Analisis Laporan Keuangan. PT Raja Grafindo Persada.
- Kasmir. (2018). Analisis Laporan Keuangan. Rajawali Pers.
- Khaddafi, M., & Agung. (2021). Pengaruh Hasil Investasi, Pendapatan Premi, Beban Klaim, dan Beban Operasional Terhadap Laba Perusahaan Asuransi Yang Terdaftar Di bursa Efek Indonesia. *SINTAMA: Jurnal Sistem Informasi, Akuntansi Dan Manajemen*, 1(1).
- Kholis, N. (2021). Asuransi Syariah di Indonesia: Konsep dan Aplikasi, serta Evaluasinya. Farha Pustaka.
- Krisanti, A. (2018). Pengaruh Rasio Keuangan Terhadap Perubahan Laba Pada Perusahaan Asuransi Yang Terdaftar Di Bei. *Ilmu Dan Riset Akuntansi*, 7(8).

- Maharani, P., & Ferli, O. (2020). Laba Perusahaan Asuransi Umum di Bursa Efek Indonesia Dipengaruhi oleh Pendapatan Premi, Beban Klaim, dan Risk-based Capital. *Jurnal Pasar Modal Dan Bisnis*, 2(2). <https://doi.org/10.37194/jpmb.v2i2.45>
- Markonah, M. (2021). Analysis Relates to The Role of Premium Income, Claim Expenses, Investment Result and Risk-based capital (RBC) Against the General Insurance Companies' Profits Income (Case Study on General Insurance Which Registered in The Indonesia Stock Exchange. *Dinasti International Journal of Economics, Finance & Accounting*, 2(2), 135-149. <https://doi.org/10.38035/dijefa.v2i2.856>
- Marsanto, S. A. S., Mulyantini, S., & Fadila, A. (2021). Pengaruh Tingkat Kesehatan Terhadap Profitabilitas Perusahaan Asuransi Yang Terdaftar Di Bursa Efek Indonesia. *Konferensi Riset Nasional Ekonomi, Manajemen, Dan Akuntansi*, 2, 2021-1759.
- Maulana, M., Mahendra, W., & Purnama, L. (2022). Determinan Profitabilitas Perusahaan Pertambangan Pada Indeks Saham Syariah Indonesia. *JAS (Jurnal Akuntansi Syariah)*, 6(1), 93-109. <https://doi.org/10.46367/jas.v6i1.599>
- MUI. (2001). Fatwa DSN-MUI No. 21/DSN-MUI/X/2001.
- Munawaroh, S., & Mukhibad, H. (2019). Determinan yang Mempengaruhi Financial Performance pada Perusahaan Asuransi Umum Syariah di Indonesia. *Ekonomi Dan Perbankan Syariah*, 6(2). <https://doi.org/10.19105/iqtishadia.v6i2>
- Murti, G. T., Saraswati, RR. S., & Mayumi Yoriandi, Y. (2023). Does Intellectual Capital and Board Characteristics Affect Financial Performance? *Jurnal Akuntansi Manado (JAIM)*, 4(2), 304-319. <https://doi.org/10.53682/jaim.vi.7225>
- Nainggolan, L. M., & Soemitra, A. (2020). the Contribution Income, Investment Results, and Claim Expenses on Sharia Life Insurance Income. *Jurnal Ekonomi Dan Bisnis Islam (Journal of Islamic Economics and Business)*, 6(2), 201. <https://doi.org/10.20473/jebis.v6i2.21734>
- Nasution, A. P., & Syahriza, R. (2022). Sharia Insurance Perspective On Accident Insurance Claim Service Mechanism (Case Study at PT. Sun Life Financial Unit Syariah Medan City Branch) Perspektif Asuransi Syariah Tentang Mekanisme Pelayanan Klaim Asuransi Kecelakaan (Studi Kasus di PT. Sun Life. *Journal of Indonesian Management*, 2(1).
- Nasution, N. H., & Nanda, S. T. (2020). Pengaruh Pendapatan Premi, Hasil Underwriting, Hasil Investasi Dan Risk-based apital Terhadap Laba Perusahaan Asuransi Umum Syariah. *Ilmiah Ekonomi Dan Bisnis*, 17(1).
- Nurmansyah, L. (2002). Aspek Keuangan Asuransi Syariah. *Grasindo*.
- Nusantara, A., & Priantinah, D. (2021). The Effect Of Premium Growth, Leverage, And Risk-based capital On The Profitability Of Insurance Companies. *Profita Kajian Ilmu Akuntansi*, 9(3).

- OJK. (2022). Laporan Perkembangan Keuangan Syariah Indonesia 2022. <https://ojk.go.id/id/kanal/syariah/data-dan-statistik/laporan-perkembangan-keuangan-syariah-indonesia/Pages/Laporan-Perkembangan-Keuangan-Syariah-Indonesia-2022.aspx>
- Öner Kaya, E. (2015). The effects of firm-specific factors on the profitability of non-life insurance companies in Turkey. *International Journal of Financial Studies*, 3(4), 510–529. <https://doi.org/10.3390/ijfs3040510>
- Pebriany, N. Y., & Mubarakah, I. (2022). Pengaruh Risk-based capital (Rbc) dan Hasil Investasi Terhadap Laba. *Jurnal Ilmiah Wahana Pendidikan*, 8(21), 181–190. <https://doi.org/10.5281/zenodo.7272940>
- Prahasti, V. (2020). Pengaruh Pendapatan Premi, Hasil Underwriting, Hasil Investasi Dan Risk-based capital Terhadap Laba Perusahaan Asuransi Umum Yang Terdaftar Di Bursa Efek Indonesia Periode 2014-2018. *Jurnal Manajemen*. www.ojk.go.id
- Prasetyo, H., Tulung, J. E., & Palandeng, I. D. (2023). Analisis Pengaruh Pendapatan Premi, Investasi, Dan Hasil Underwriting Terhadap Laba Perusahaan Asuransi Umum Di Otoritas Jasa Keuangan Periode 2017-2021. *Jurnal EMBA*, 11(2).
- Pratiwi, N. A., Salman, M., & Harahap, A. Y. (2023). Pengaruh Efisiensi Operasional, Likuiditas Dan Kecukupan Modal Terhadap Laba Bersih Pada PT Bank Muamalat Indonesia, Tbk. *Jurnal Mahasiswa Akuntansi Samudra (JIMAS)*, 4(3).
- Reschiwati, R., & Solikhah, R. P. (2018). Random Effect Model: Influence of Income Premium, Claim Cost and Underwriting Results on Net Income in Insurance Company in Indonesia: Case Study of Insurance Company Listed on Indonesia Stock Exchange. *Interational Journal of Modern Trends in Business Research (IJMTBR)*, 1(3), 1–17.
- Reza Pahlevi, M. (2022). Pengaruh Pendapatan Premi Hasil Underwriting, dan Beban Operasional terhadap Laba pada Perusahaan Asuransi Umum yang terdaftar di OJK Periode 2017-2019. In *JUMA* (Vol. 23, Issue 1).
- Sarah, S. (2022). Pengaruh Risk-Based Capital, Premi Neto, dan Likuiditas Terhadap Profitabilitas Perusahaan Asuransi Jiwa. *Journal of Accounting and Business Studies*, 7(2).
- Sekaran, U., & Bougie, R. (2016). *Research Methods for Business: A Skill-Building Approach*. John Wiley & Sons Ltd.
- Setyaningsih, R., Zanaria, Y., & Septiani, A. (2021). Pengaruh Pendapatan Premi, Hasil Investasi, Hasil Underwriting Dan Risk-based capital Terhadap Profitabilitas Perusahaan Asuransi (Study Empiris Pada Perusahaan Asuransi Yang Terdaftar Di Bursa Efek Indonesia Periode 2012-2019. In *Jurnal Akuntansi AKTIVA* (Vol. 2, Issue 1).
- Sintha, L., & Sebayang, S. (2020). Analisis Hubungan Likuiditas, Hutang, Kebijakan Dividen Sebelumnya, dan Profitabilitas Terhadap Kebijakan Dividen Perusahaan Industri Manufaktur di BEI Periode 2008-2010. *Jurnal Mitra Manajemen*, 4(1).

- Soemitra, A. (2009). Bank dan Lembaga Keuangan Syariah. Kencana Prenada Media Group.
- Staniyah, M., Wardani, L., & Kusmayadi, I. (2022). Analisis Risk-based capital Untuk Menilai Kinerja Keuangan Perusahaan Asuransi Di BEI Periode 2016-2020. *Jurnal Akuntansi Dan Manajemen*, 2(2), 256–268.
- Stephanie, F. G., & Ruslim, H. (2021). Pengaruh Rasio Keuangan Terhadap Kinerja Keuangan Perusahaan Asuransi. *Jurnal Kontemporer Akuntansi*, 1(2). www.money.kompas.com
- Sula, M. S. (2004). Asuransi syariah (life and general) konsep dan sistem operasional.
- Sunarsih, Pangestuti, D. F. R., Suharti, E., & Ishak. (2022). Alternative Ratio as Early Warning System Ratio to Examined Life Insurance Companies in Indonesia. *Journal of Finance and Islamic Banking*, 5(1), 42–62.
- Suwardjono. (2008). Teori Akuntansi Perakayasaan Pelaporan Keuangan. BPFE.
- Umami, A., Harmain, H., & Harahap, R. D. (2023). Pengaruh Kontribusi Peserta (Premi) Klaim dan Hasil Investasi terhadap Pertumbuhan Aset pada Perusahaan PT Takaful Keluarga. *Ilmu Komputer, Ekonomi, Dan Manajemen (JIKEM)*.
- Wahyono, W., Nurochim, N., & Palupi, I. D. (2021). The Effect of Premium Income, Claim Payment, Risk-Based Capital, Investment Return, and Underwriting Result on The Profits of Insurance Companies Listed on The Indonesia Stock Exchange For The 2015-2018 Period. *Riset Akuntansi Dan Keuangan Indonesia*, 6(2), 142–153.
- Widayati, Y., & Miranti, T. (2023). Financial Technology in Moderating Influence Firm Size, Risk-Based Capital, Current Ratio, and Premium Growth Ratio to Financial Performance (Study on Sharia Insurance Companies in Indonesia in the period 2017-2021). *Journal of Economics and Business*, 7(2). <https://doi.org/10.33087/ekonomis.v7i2.1157>
- William, W., & Colline, F. (2022). Analisis Rasio Pertumbuhan Premi Dan Risk-based capital Terhadap Return on Assets Yang Dimediasi Oleh Rasio Beban Klaim Pada Perusahaan Asuransi. 18(1), 89–102.
- Yana, P., Muchlian, M., Arsita, S., dan Pendidikan, T., & Tamansiswa Padang, U. (2022). Analisis Pengaruh Pendapatan Premi, Beban Klaim Dan Hasil Investasi Terhadap Laba PT Asuransi Wahana Tata. *Aktuaria : Jurnal Matematika Terapan, Statistika, Ekonomi Dan Manajemen Risiko*, 1(1).
- Yuliani, L., Dwi, D., & Ariyani, F. (2022). Pengaruh Premium Growth Dan Claim Ratio Terhadap Profit Growth Pada Perusahaan Asuransi Umum Yang Terdaftar di Otoritas Jasa Keuangan (OJK) Periode 2011-2015. *Jurnal Ekonomi Utama*, 1(1), 31–40.
- Zulaecha, H. E., & Miftah, D. (2019). Pengaruh Profitabilitas, Investment Opportunity Set (IOS), Likuiditas Dan Kebijakan Dividen (Studi Pada Perusahaan Sektor Consumer Goods di Bursa Efek Indonesia). *Jurnal Manajemen Bisnis*, 7(1). www.mappijatim.or.id