THE EFFECT OF PREMIUM GROWTH, LEVERAGE, AND RISK-BASED CAPITAL ON THE PROFITABILITY OF INSURANCE COMPANIES

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Abstract : This study aims to determine the effect of the Premium Growth, Leverage, and Risk-Based Capital variables on the profitability of insurance companies listed on the Indonesia Stock Exchange for 2013 - 2018. This research is causal-comparative research that uses a quantitative approach. This study uses secondary data obtained from the Indonesia Stock Exchange and the company's official website. This study's population is the insurance companies listed on the Indonesia Stock Exchange for the period 2013-2018, namely 16 companies. Samples were taken using the purposive sampling technique so that a sample of 14 companies was obtained. The analysis technique used is the multiple linear regression test. This study's results are: (1) Premium growth has a positive effect on the profitability of conventional insurance companies, (2) Premium growth does not have a positive effect on the profitability of Islamic insurance companies, (3) Leverage does not have a positive effect on conventional insurance companies' profitability, (4) Leverage does not have a positive effect on the profitability of Islamic insurance companies, (5) Risk-Based Capital does not have a negative effect the profitability of conventional insurance companies, (6) Risk-Based Capital does not have a negative effect the profitability of Islamic insurance companies.

Keywords : Premium Growth, Leverage, Risk-Based Capital, Profitability

***Abstrak** : Penelitian ini bertujuan untuk mengetahui pengaruh variabel Pertumbuhan Premi, Leverage, dan Risk-Based Capital terhadap profitabilitas perusahaan asuransi yang terdaftar di Bursa Efek Indonesia periode 2013 – 2018. Penelitian ini merupakan penelitian kausal komparatif yang menggunakan pendekatan kuantitatif. Penelitian ini menggunakan data sekunder yang didapatkan dari Bursa Efek Indonesia dan website resmi perusahaan. Populasi penelitian ini adalah perusahaan asuransi yang terdaftar di Bursa Efek Indonesia periode 2013 – 2018 yaitu sejumlah 16 perusahaan. Sampel diambil dengan menggunakan teknik purposive sampling sehingga didapatkan sampel sebanyak 14 perusahaan. Teknik analisis yang digunakan adalah uji regresi linier berganda. Hasil dari penelitian ini yaitu : (1) Pertumbuhan premi berpengaruh positif terhadap profitabilitas perusahaan asuransi konvensional, (2) Pertumbuhan premi tidak berpengaruh positif terhadap profitabilitas perusahaan asuransi syariah, (3) Leverage tidak berpengaruh positif terhadap profitabilitas perusahaan asuransi konvensional, (4) Leverage tidak berpengaruh positif terhadap profitabilitas perusahaan asuransi Syariah, (5) Risk Based Capital tidak berpengaruh negatif terhadap profitabilitas perusahaan asuransi konvensional, (6) Risk Based Capital tidak berpengaruh negatif terhadap profitabilitas perusahaan asuransi syariah.*

***Kata Kunci**: Pertumbuhan premi,* Leverage, Risk Based Capital, *profitabilitas*

INTRODUCTION

According to the Law of the Republic of Indonesia Number 40 of 2014, insurance is a form of agreement between an insurance company and a policyholder for premium payments to an insurance company in exchange for a guaranteed guarantee. This guarantee can be in the form of compensation for loss, damage, expense, loss, or legal liability to a third party due to an uncertain event. Guarantees can also be in the form of payment for the insured's death or life with a predetermined amount of benefits based on the results of fund management. Thus the insurance company bears the risks that may occur to policyholders. This is called risk transfer, where the policyholder transfers the risk that he may have to bear to another party, namely the insurance company (Rahmatdita, 2013). Risk is a deviation that may occur and can cause losses (Riva'i, 2015). Risks are uncertain, so that with insurance, a person can feel safer against the risks that may occur.

An insurance company is a non-bank financial institution engaged in the insurance business (Wiwoho, 2014). Various insurance companies have a variety of insurance products to offer. According to the Law of the Republic of Indonesia, Number 2 of 1992, the insurance business type includes the insurance business and the insurance business supporting business. The insurance business consists of the general insurance business, the life insurance business, and the reinsurance business. Meanwhile, the insurance business's supporting business consists of the insurance brokerage business, the reinsurance brokerage business, the insurance loss appraisal business, the actuarial consulting business, and the insurance agent business.

Insurance companies in Indonesia are divided into two types, namely conventional insurance companies and sharia insurance companies. According to the Law of the Republic of Indonesia Number 40 of 2014, sharia insurance is a collection of agreements between sharia insurance companies and policyholders and agreements between policyholders in managing contributions based on sharia principles to help each other help and protect. There are some fundamental differences between conventional insurance companies and Islamic insurance companies. Conventional insurance companies usually use the basis of an exchange bond, in which the premium paid by the customer will be exchanged with the insurance company coverage for the risks that might occur. However, Islamic insurance companies use the principle of please help using tabarru funds'. There are elements of maysir, gharar, and usury in conventional insurance companies against the principles of sharia. The nature of risk in conventional insurance companies is the transfer of risk, which means transferring risk from the insured to the insurer. The nature of risk in a sharia insurance company is the sharing of risk, where there is a process of mutual responsibility between participants.

According to Law No. 3 of 1982, the company was established and carried out the company's operations to get profit or added value from the company's existence. In addition to providing insurance services to protect the public from possible risks, insurance companies also want benefits. Insurance companies can benefit from premium income, company investment returns, and profits from outside the business. For insurance companies to survive, the number of insurance claims should not exceed their capabilities and always increase their profitability. Profitability is a ratio/comparison to determine the company's ability to generate profits (Utami, 2020). Thus, analysis related to company profitability is important to do.

Every company has different abilities to generate profits. However, it is not uncommon for companies to record losses because the company's ability to generate profits is very bad or has a negative value. The company's ability to generate profits can be seen by comparing net income with the company's total assets. This shows the company's ability to generate profits using its assets. The following is a data table that shows the ratio of insurance companies' ability listed on the IDX to generate profits.

Issuer Code	Year	ROA
ABDA	2017	5,42
	2018	2,39
AHAP	2017	-9,99
	2018	-4,25
AMAG	2017	3,17
	2018	0,66
ASBI	2017	1,83
	2018	1,59
ASDM	2017	3,73
	2018	3,58
ASJT	2017	5,07
	2018	5,23
ASMI	2017	6,14
	2018	7,21
ASRM	2017	4,29
	2018	5,18
LPGI	2017	3,88
	2018	2,76
MREI	2017	5,59
	2018	4,11
VINS	2017	3,89
	2018	1,49
JMAS	2017	-1,14
	2018	0,31
MTWI	2017	-1,83
	2018	-0,26

Source : processed secondary data

Based on the table above, it can be seen that some companies that have been listed on the IDX are experiencing problems in generating profits. This can be seen from net income's value to total assets, which still shows a low value even a negative value.

Along with the times, insurance companies in Indonesia continue to offer all their insurance products to attract prospective insurance policyholders. However, there are important factors that are generally a big consideration for prospective policyholders in choosing insurance for themselves, namely the insurance company's financial health. Some time ago, news circulated that it was a fact that there were insurance companies in Indonesia that had been indicated to have unhealthy finances for a long time. Over time the company did not show good health development so that the company failed to fulfill its policy payment obligations (KONTAN, 2018). This condition is called default, in which the company cannot pay the policyholder's claim that is due. Incidents like this make people no longer fully trust this insurance company.

Based on the Insurance Law (Law Number 40 of 2014 concerning Insurance), it is stated that to obtain benefits, policyholders are required to pay insurance premiums which are paid regularly with the amount and period agreed by both parties by statutory regulations. A good insurance premium in an insurance company is a growing insurance premium. This is because good premium growth indicates that the operations and sales of the company's insurance products are going well, then it will have an impact on increasing company profits which reflects the achievement of good financial performance (Sitompul, 2018). The growth of insurance premiums shows a growing level of public awareness that risks that may occur to them can be transferred to other parties, namely insurance companies (Guntara, 2016).

According to Dody (2018), the insurance industry in general in Indonesia is still not excellent compared to other industrial segments. This is in line with the fact that the Otoritas Jasa Keuangan (OJK) said that in 2018 the total premium for the insurance industry was only able to reach 9%, while the growth in bank lending grew 12.88% (Ananta, 2019). However, the total gross premiums of the insurance industry in Indonesia in 2018 still increased by 6.3% with total premium receipts of IDR 433.4 trillion (OJK, 2019). However, when compared with the average gross premium growth in the last five years of 17.6%, the value of the increase in the number of gross premiums in 2018 has fallen very far (OJK, 2019).

Based on data from the annual financial statements of insurance companies listed on the IDX from 2016 to 2018, at least seven insurance companies experienced premium growth with a negative value. This is due to the significant decline in the property and motor vehicle business sectors, which are the two main contributors to the insurance business (CNBC INDONESIA, 2019). The company in question is PT. Asuransi Bina Dana Arta Tbk with a premium growth of -11.58% in 2018, PT. Asuransi Harta Aman Pratama Tbk with premium growth of -4.4% in 2018, PT. Asuransi Jasa Tania Tbk with a premium growth of -6.07% in 2018, PT. Asuransi Kresna Mitra Tbk with a premium growth of -1.18% in 2016, PT. Asuransi Ramayana Tbk with premium growth of -7.7% in 2017, PT Victoria Insurance Tbk with premium growth of -1.88% in 2018, and PT. Asuransi Tugu Pratama Indonesia Tbk with a premium growth of -11.85% in 2018. The negative premium growth value indicates a decrease in the company's premium receipts from the previous year. The primary income from insurance companies is the premiums received from the sale of insurance products and premiums from policyholders. The company then uses the results of this premium receipt to generate profits through investments and other businesses. Thus, negative premium growth can become an obstacle for the company to generate greater profits.

A company is certainly inseparable from capital management, while capital is inseparable from debt (Herdiyanto, 2015). There is nothing wrong with a company using debt in maintaining the company's sustainability and carrying out the company's operational activities. However, it needs to be understood that if the proportion of debt is too large, then there is a possibility that the debt will endanger the company. In this case, the leverage/debt ratio can determine the proportion of the company's debt. In other words, leverage can show how much the company's funding needs are financed by debt (Zulbiadi, 2018).

According to Respatiningsih (2011) states that with debt, companies can make larger business expansions, increase cash flow, and build trust with creditors so that opportunities to develop and get bigger profits. The use of debt means that the company obtains additional funds. The company can use these sources to maximize existing business opportunities so that company profits can increase (Winarno, Hidayati, & Darmawati, 2015). Therefore, in theory, the amount of leverage / corporate debt will also have an impact on increasing company profits.

The current phenomenon where companies experience defaults in meeting debt claims is a big problem. This is because the company's inability to pay debts can cause the company to go bankrupt. There are at least five leading insurance companies that have defaulted with trillions of debt, namely PT. Kresna Life Insurance (Kresna Life), PT. Asuransi Jiwasraya (Persero), PT. Asuransi Jiwa Bakrie Life, PT. Bumi Asih Jaya Insurance, and Bumiputera 1912 Life

Insurance (Hastuti, 2020). Thus, the company must be serious in paying attention to the size of the company's debt to continue to operate.

Insurance companies carry out their duties under the supervision of the Otoritas Jasa Keuangan (OJK), which in addition to carrying out the supervisory function also carries out regulatory functions to support the development of a health insurance company and protect the interests of insurance policyholders. However, in Indonesia, there are still insurance agent/brokerage companies that are not registered with the Otoritas Jasa Keuangan (OJK), so they are not monitored and do not follow the regulations of the Otoritas Jasa Keuangan. This can be seen with the official announcement letter from the OJK on November 29, 2018, concerning curbing companies that carry out insurance business activities without having official permission from the OJK. Thus, as potential consumers of insurance products, they should choose insurance products provided by insurance companies registered with the Otoritas Jasa Keuangan. However, the current phenomenon shows that insurance companies registered and have a license from the OJK do not necessarily have a good financial condition. This is evidenced by the revocation of insurance business licenses by OJK for 39 insurance and reinsurance companies because the companies could not reach the level of financial soundness set by the OJK (KONTAN, 2020).

The company's financial health can be measured by the solvency ratio, which for insurance companies uses the Risk-Based Capital (RBC) measurement method. In accordance with Otoritas Jasa Keuangan regulation Number 71 / POJK.05 / 2016 as updated by POJK No. 27 / POJK.05 / 2018 and POJK No. 72 / POJK.05 / 2016 as updated by POJK No. 28 / POJK.05 / 2018 for sharia, regarding financial health that insurance and reinsurance companies must have a minimum solvency level limit of 120%. Both sharia and conventional insurance companies must reach this minimum level of solvency. If the company does not meet this minimum solvency level, the company is obliged to prepare and submit a corporate financial restructuring plan to the OJK. Thus, insurance companies must strive to achieve a high Risk-Based Capital value that exceeds the 120% standard. The higher the RBC of the insurance company, the better and healthier the company is. The healthier the company, the more customer trust in the company will be. This increase in trust will have an impact on increasing customer interest in insurance. However, insurance companies with high RBC values are not necessarily able to generate the maximum profit. This is because to achieve a high RBC value, companies need to limit risk absorption, both underwriting risk and investment risk. Thus the company becomes more limited in generating profits. In this case, the trade-off theory applies in which if the insurance company decides to meet a high level of solvency, the solvency level may be maintained, but the opportunity to get the maximum profit will decrease (C, Horne, & Wachowicz, 2005).

This study tries to determine the effect of several aspects described above, namely Premium Growth, Leverage, and Risk-Based Capital on mining companie’s ability to generate profit or commonly known as Profitability. The research is focused on mining companies listed on the Indonesia Stock Exchange for the 2013-2018 period.

LITERATURE REVIEW

The Effect of Premium Growth on Profitability

The premium is a contribution that the insurance policyholder must pay according to the insurance company's agreement. Premium is an important component of insurance. Premium receipts represent premium income from sales of insurance policies sold by the company. Therefore, the main income of the insurance company is from the receipt of premiums. Insurance companies certainly want to continue to grow, where the development of insurance companies is also related to growing insurance premiums. The growth of insurance premiums can measure the level of market penetration.

The increase in the insurance company's premium income is income which can then automatically increase the premium income allocated to the company's investment. So that if the investment can run effectively and efficiently, the company's profits will increase and the profitability ratio will be even greater. Thus, premium growth will have an effect on greater profits and higher profitability ratios (Agustin C., 2018). Therefore, the premium growth has a positive effect on profitability.

H1 : Premium growth has a positive effect on the profitability of conventional insurance companies

H2 : Premium growth has a positive effect on the profitability of Sharia insurance companies

The Effect of Leverage on Profitability

Leverage is also called a lever, which uses debt to influence the degree and rate of change in income. According to Mardhiyyah (2019), leverage is a level of the company's ability to use assets or funds with fixed expenses (debt or special shares) as a company effort to maximize the company's wealth. Leverage uses fixed business costs to increase (level up) profitability (Horne & Wachowicz, 2012). In addition, according to Winarno, Lina Nur Hidayati, and Arum Darmawati (2015), "leverage is a source of funds originating from outside/creditors that companies can use to support the company's business operations." So it can be seen together that leverage aims to increase profits or maximize company profits.

The use of leverage can be realized in the form of investments and company assets to increase profits. Therefore, in theory, the size of the company's debt/leverage will also have an impact on increasing company profits, thereby affecting the company's profitability. This is supported by Agus Sartono (2010) who states that leverage is used to increase the potential profit of shareholders. Therefore, the leverage has a positive effect on profitability.

H3 : Leverage has a positive effect on the profitability of conventional insurance companies

H4 : Leverage has a positive effect on the profitability of Sharia insurance companies

The Effect of Risk Based Capital on Profitability

Based on the regulation of the head of the Capital Market Supervisory Agency (BAPEPAM) and financial institutions number: PER-02 / BL / 2008, Risk-Based Capital (RBC) is the minimum amount of solvency level set, equal to the number of funds needed to cover the risk of loss that may arise as the result of deviation in the management of assets and liabilities. The RBC can indicate the level of the financial soundness of an insurance company.

By the regulation of the Otoritas Jasa Keuangan regulation Number 71 / POJK.05 / 2016 as updated by POJK No. 27 / POJK.05 / 2018 and POJK No. 72 / POJK.05 / 2016 as updated by POJK No. 28 / POJK.05 / 2018 for sharia, regarding financial health that insurance and reinsurance companies must have a minimum solvency level limit of 120%. The higher the RBC of the insurance company, the better and healthier the company is. However, with the implementation of RBC, most of the assets owned by the company must be set aside to meet the requirements for the assets allowed. This of course will affect the company to get a profit of the same amount, because the funds used by the company to get profits are more limited. Based on Van Horne (2005), if an insurance company decides to meet a large level of solvency, the solvency level will likely be maintained, but the opportunity to earn a large profit will decrease which in turn has an impact on decreasing profitability. Therefore, Risk-Based Capital has a negative effect on profitability

H5 : Risk-Based Capital has a positive effect on the profitability of conventional insurance companies

H6 : Risk-Based Capital has a positive effect on the profitability of Sharia insurance companies

RESEARCH METHOD

Research Design

This research is ex-post-facto research, with the type of comparative causal research. Comparative causal research is research that aims to investigate possible causes and effects on the basis of observations of existing effects by looking for facts that might be the cause through certain data (Narbuko & Achmadi, 2015). Based on the type of data used, this study uses a quantitative approach. The quantitative approach emphasizes quantitative data collection.

Place and Time of Research

This research was conducted at insurance companies listed on the Indonesia Stock Exchange. The research data comes from the financial statements of the insurance sub-sector companies in the 2013-2018 period. This research was started from March 2020 to April 2021.

Population and Sample of Research

The population in this study are insurance companies listed on the Indonesia Stock Exchange as many as 16 companies. The sample of this research are 33 companies that obtained with purposive sampling method which fulfill the criteria as follows:

a. Insurance subsector companies listed on the Indonesia Stock Exchange for the period 2013-2018.
b. Conventional and sharia insurance companies that publish financial statements using the financial year ended December 31, 2013, to 2018.
c. Conventional and sharia insurance companies that provide complete data that can be used in this study to calculate premium growth, leverage, risk-based capital, and company profitability.

Definition of Variable Operational

Profitability

The dependent variable in this study is Profitability as measured by using Return on Assets (ROA). ROA is a profitability ratio used to measure a company’s ability to earn profits using its assets. The formula for calculating ROA used in this study is as follows:

$$\text{Return on asset} = \frac{\text{net profit}}{\text{Total assets}}$$

Premium Growth

The premium is a contribution that the insurance policyholder must pay according to the insurance company's agreement. Premium is an important component of insurance. Insurance companies certainly want to continue to grow, where the development of insurance companies is also related to growing insurance premiums. Insurance premium growth is measured by the formula:

$$\text{Premium growth} = \frac{\text{Current premium-previous premium}}{\text{previous premium}}$$

Leverage

Leverage is also called a lever, which is the use of debt to influence the degree and rate of change in income. According to Mardhiyyah (2019), leverage is a level of the company's ability to use assets and/or funds that have fixed expenses (debt and/or special shares) as a company effort to maximize the company's wealth. In this study, leverage is calculated using the debt to equity ratio:

$$\text{DER} = \frac{\text{Total debt}}{\text{Total equity}}$$

Risk-Based Capital

Risk-based capital is the minimum amount of solvency level set, equal to the number of funds needed to cover the risk of loss that may arise as a result of deviation. in the management of assets and liabilities.

Risk-based capital is calculated by:

a)	Allowable wealth	xxxx
b)	Liability	xxxx —
c)	Solvency Margin	xxxx
d)	Minimum solvency level	xxxx —
e)	Under solvency level of	xxxx
f)	Risk-based capital	xxx%

Data Collection Techniques

In this research, the data collection technique uses secondary data documentation in the form of annual reports issued by mining companies for the 2013- 2018 period. The research data were obtained from the Yogyakarta branch of the Indonesia Stock Exchange, website www.idx.co.id, and company's official website.

Data Analysis Techniques

The data analysis techniques were descriptive statistics analysis, classic assumption test, and multiple linear regression analysis.

RESULT AND DISCUSSION

Descriptive Statistics Analysis

Profitability

In the conventional insurance company, the minimum value for the profitability of conventional insurance companies of -9.99 is achieved by PT. Asuransi Harta Aman Pratama Tbk in 2017. The maximum value of 9.64 was achieved by PT. Reasuransi Indonesia Tbk in 2013. The profitability variable of conventional insurance companies obtains an average value of 4.1757 and a standard deviation of 3.16255. In the sharia insurance company, the minimum value for the profitability of -1.14 was achieved by PT. Asuransi Jiwa Syariah Jasa Mitra Abadi Tbk in 2017. The maximum value of 21.03 was achieved by PT. Asuransi Ramayana Tbk in 2016. The profitability variable obtained an average value of 6.0763 and a standard deviation of 5.30533. This indicating that the observation period's profitability variable is a homogeneous dispersion because the standard deviation value obtained is less than the average.

Premium Growth

In the conventional insurance company, the minimum value for premium growth of -20.23 was achieved by PT. Victoria Insurance Tbk in 2017. The maximum value of 62.59 was also achieved by PT. Victoria Insurance Tbk in 2016. The premium growth variable obtained an average value of 12.1339 and a standard deviation of 17.80477. In the sharia insurance company, the minimum value for premium growth of -23.46 was achieved by PT. Airline Reasuransi Indonesia Tbk in 2015. The maximum value of 2398.58 was achieved by PT. Asuransi Kresna Mitra Tbk in 2014. The premium growth variable obtained an average value of 173.2547 and a standard deviation of 545.99278. This indicates that the condition is not good because the standard deviation value obtained is greater than the average. A high standard deviation indicates a large enough gap in the premium growth ratio from the lowest to the highest.

Leverage

In the conventional insurance company, the minimum value for leverage of 27.97 was achieved by PT. Victoria Insurance Tbk in 2015. The maximum value of 537.31 was achieved by PT. Asuransi Ramayana Tbk in 2013. The leverage variable obtained an average value of 176.1294 and a standard deviation of 117.39761. In the sharia insurance company, the minimum value for leverage of 1.49 was achieved by PT. Asuransi Kresna Mitra Tbk in 2014. The maximum value of 101 was achieved by PT. Asuransi Ramayana Tbk in 2015. The leverage variable obtained an average value of 35.7268 and a standard deviation of 27.56825. This shows that the leverage variable during the observation period is a homogeneous dispersion.

Risk-Based Capital

In the conventional insurance company, the minimum value for risk-based capital of 130.75 is achieved by PT. Asuransi Bintang Tbk in 2013. The maximum value of 993.79 was achieved by PT. Victoria Insurance Tbk in 2015. The risk-based capital variable obtained an average value of 298.0058 and a standard deviation of 182.63175. In the sharia insurance company, the minimum value for risk-based capital of 31.04 was achieved by PT. Asuransi Kresna Mitra Tbk in 2015. The maximum value of 457.61 was achieved by PT. Reasuransi Indonesia Tbk in 2018. The risk-based capital variable obtained an average value of 187.0674 and a standard deviation of 122.96166. This shows that the risk-based capital variable during the observation period was a homogeneous dispersion.

Classic Assumption Test

Normality Test

Based on the Kolmogorov-Smirnov Test results, it can be seen that the significance value or Asymp. Sig. (2 tailed) of 0.200. This value is more significant than 0.05 (5%), so it can be concluded that the residual data in this study were normally distributed.

Table 1. Normality test result

Multicollinearity Test

	Variable	K-S	Sig.
Residual	Conventional	0,100	0,200
	Sharia	0,070	0,200

The multicollinearity test results show that all variables, namely the Premium Growth, Leverage, and Risk-Based Capital, have a tolerance value > 0.10 and a VIF value < 10. So it can be concluded that these variables are free from multicollinearity.

Table 2. Multicollinearity test result

Variable		Tolerance	VIF
Conventional	PGR	0,977	1,024
	DER	0,609	1,643
	RBC	0,598	1,671
Sharia	PGR	0,814	1,229
	DER	0,902	1,108
	RBC	0,881	1,135

Heteroscedasticity Test

Based on, the heteroscedasticity test results through the Glejser test show that the t-test significance value of all independent variables is more than 0.05. Thus it can be concluded that the are no heteroscedasticity in the regression model.

Table 3. Heteroscedasticity test result

	Variable	Sig.
Conventional	PGR	0,107
	DER	0,119
	RBC	0,271
Sharia	PGR	0,359
	DER	0,259
	RBC	0,911

Autocorrelation Test

Based on the results of the autocorrelation test using Durbin Watson show that the value of du < d < 4-du, it can be concluded that there is no autocorrelation symptom in conventional and sharia insurance company data.

Table 4. Autocorrelation test result

	du	4-du	D-W Value
Conventional	1,6830	2,3170	2,265
Sharia	1,6961	2,3039	2,013

Multiple Regression Test

Table 5. Multiple Regression Test Result for Conventional Insurance Company

Model	T	Sig.
(constant)	0,997	0,323
Premium Growth	2,118	0,039
Leverage	0,015	0,988
Risk-Based Capital	1,051	0,298

Table 6. Multiple Regression Test Result for Sharia Insurance Company

Model	T	Sig.
(constant)	2,251	0,041
Premium growth	0,263	0,797
Leverage	-1,014	0,328
Risk-Based Capital	0,533	0,603

Hypothesis Test and Discussion

H1 : Premium growth has a positive effect on the profitability of conventional insurance companies.

Based on table 5, the premium growth variable's significance value is 0.039, which is less than 0.05. The regression coefficient value obtained is 0.057, which indicates the direction of positive influence. This shows that the premium growth variable has a positive effect on the profitability of conventional insurance companies listed on the Indonesia Stock Exchange for the period 2013-2018, so that the first hypothesis is accepted.

Thus, the larger or smaller the premium growth of conventional insurance companies will be followed by the greater or the smaller the profitability. This is because the company's profitability is dominated by net income from insurance premium income which is then managed to generate profits. So that high premium growth can enable conventional insurance companies to manage larger funds to get bigger profits.

H2 : Premium growth has a positive effect on the profitability of Sharia insurance companies.

Based on table 6, the premium growth variable's significance value is 0.797, which is greater than 0.05. This shows that the premium growth variable does not positively affect the profitability of Sharia insurance companies listed on the Indonesia Stock Exchange for the period 2013-2018, so that the second hypothesis is rejected.

Thus, the larger or smaller the premium growth of the Sharia insurance company is not followed by the bigger or smaller the company's profitability. Premium growth that does not affect Sharia insurance companies' profitability is possible because there is an increase in claims growth, which causes expenses in the form of expenses to be greater than the income derived from these premiums. In other words, an increase in the number of premiums will not mean much if an increase follows it in claims by customers (Agustin, Suangga, & Sugiharto, 2016). This is because claims are burdens borne by insurance companies so that even though the premiums received by the company are always increasing but followed by an increase in the number of claims, premium growth does not have a significant impact on profitability.

H3 : Leverage has a positive effect on the profitability of conventional insurance companies.

Based on table 5, the leverage variable's significance value is 0.988, which is greater than 0.05. This shows that the leverage variable has no positive effect on the profitability of conventional insurance companies listed on the Indonesia Stock Exchange for the period 2013-2018, so that the third hypothesis is rejected.

The results of this study show different results from previous research studies. According to (Mehari & Aemiro, 2013) leverage has a positive and significant effect on profitability as proxied by Return on Assets. Similar research was also conducted by Mardhiyyah (2019) which showed the results that there was an effect of leverage on return on assets. The research conducted by Malik (2011) also shows an effect of leverage on profitability which is proxied by return on assets. Based on the results of data processing and the results of previous research, it was found that there were inconsistent research results. The author suspects that this study's results, which do not show any influence of leverage on profitability, are possible because there is a moderating variable. The moderating variable is a variable that determines the strength and weakness of the role of the independent variable on the dependent variable (Urbayatun & Widhiarso, 2012). Also, the moderating variable also determines the direction of the influence of one variable on other variables. Thus the leverage variable has no effect on profitability in conventional insurance companies listed on the IDX for the 2013-2018 period.

H4 : Leverage has a positive effect on the profitability of Sharia insurance companies.

Based on table 6, the leverage variable's significance value is 0.328, which is greater than 0.05. This shows that the leverage variable does not positively affect the profitability of Sharia insurance companies listed on the Indonesia Stock Exchange for the period 2013-2018, so that the fourth hypothesis is rejected.

The results of this study show different results from previous research studies. According to (Mehari & Aemiro, 2013) leverage has a positive and significant effect on profitability as proxied by Return on Assets. Similar research was also conducted by Mardhiyyah (2019) which showed the results that there was an effect of leverage on return on assets. The research conducted by Malik (2011) also shows an effect of leverage on profitability which is proxied by return on assets. Based on the results of data processing and the results of previous research, it was found that there were inconsistent research results. The author suspects that this study's results, which do not show any influence of leverage on profitability, are possible because there is a moderating variable. The moderating variable is a variable that determines the strength and weakness of the role of the independent variable on the dependent variable (Urbayatun & Widhiarso, 2012). Also, the moderating variable also determines the direction of the influence of one variable on other variables. Thus the leverage variable has no effect on profitability in Sharia insurance companies listed on the IDX for the 2013-2018 period.

H5 : Risk-Based Capital has a positive effect on the profitability of conventional insurance companies.

Based on table 5, the significance value of the risk-based capital variable is 0.298, which is greater than 0.05. This shows that the risk-based capital variable does not have a negative effect on the profitability of conventional insurance companies listed on the Indonesia Stock Exchange for the period 2013-2018, so that the fifth hypothesis is rejected.

This is possible because one of the components that determine the value of RBC is permitted wealth. When conventional insurance companies try to achieve a high RBC, the company is trying to achieve high profitability (Hasanah & Siswanto, 2019). Thus, there is no trade-off in compliance with Risk-Based Capital standards for achieving profitability. Therefore, in this study, risk-based capital only provides information about the health of the company's financial condition in fulfilling its obligations and managing the risks it bears, not as an indicator of profitability to be achieved.

H6 : Risk-Based Capital has a positive effect on the profitability of Sharia insurance companies.

Based on table 6, the significance value of the risk-based capital variable is 0.603, which is greater than 0.05. This shows that the risk-based capital variable does not have a negative effect on the profitability of Sharia insurance companies listed on the Indonesia Stock Exchange for the period 2013-2018, so that the sixth hypothesis is rejected.

Risk-based capital in Sharia insurance companies is calculated based on tabarru funds and not based on company funds, so that the amount of capital available for the calculation of RBC is very limited. Even though every insurance company certainly wants a high level of solvency. Thus, Sharia insurance companies prefer to avoid large risks and set aside more capital so that the desired RBC value can be achieved so that the company can be said to be healthy. However, a high capital adequacy ratio will not have a good impact on profitability if capital management is ineffective (Rahayu & Mubarok, 2017). Therefore, it is possible that risk-based capital does not affect profitability in Sharia insurance companies in this study due to poor capital management by the company. So, the increase and decrease in the risk-based capital do not significantly affect profitability. So that risk-based capital only provides information about the health of the company's financial condition in meeting its obligations and managing the risks it bears.

CONCLUSIONS AND SUGGESTIONS

Conclusions

1. Premium growth has a positive effect on the profitability of conventional insurance companies. The primary source of funds from insurance companies is the insurance premiums paid by policyholders. The company's insurance premium is then managed to earn a profit so that the company can benefit and maintain the company's finances to stay good if there are claims from policyholders.
2. Premium growth does not have a positive effect on the profitability of Sharia insurance companies. The primary source of funds from sharia insurance companies is the insurance premiums paid by policyholders under the name tabarru 'funds. In Sharia insurance companies, the amount of Tabarru funds is very limited. In addition, the number of claims from customers is quite high. The growing premium does not significantly affect profitability, presumably because it is offset by an increase in the number of claims.
3. Leverage does not have a positive effect on the profitability of conventional insurance companies. In contrast to receiving premiums, leverage has a fixed burden that the company bears. However, previous studies have shown inconsistent results in terms of whether there is an effect or direction of influence. This study's results are also different from the results of previous studies so that the leverage does not affect the profitability of conventional insurance companies, perhaps because there is a moderating variable that is not present in this study
4. Leverage does not have a positive effect on the profitability of Sharia insurance companies. There is no significant difference between Sharia and conventional insurance companies in the leverage variable. Previous research has shown that the research results are inconsistent with regard to the presence or absence of an effect and the direction of the impact. This study's results are also different from the results of previous studies so that the leverage does not affect the profitability of Sharia insurance companies, perhaps because there are moderating variables that are not present in this study.
5. Risk-based capital has no negative effect on the profitability of conventional insurance companies. This is because companies trying to achieve a high RBC level are also working on high profitability values. Thus, there is no trade-off in compliance with Risk-Based Capital standards for achieving profitability. In the end, the standard value of risk-based capital set by the government is only information related to whether an insurance company is healthy or not. Thus risk-based capital does not affect the size of the profitability of the insurance company.
6. Risk-based capital does not have a negative effect on the profitability of Sharia insurance companies. This is due to the limited funds that can be managed by Sharia insurance companies and the ineffective management of the company's capital. The standard value of risk-based capital set by the government is only information related to whether an insurance company is healthy or not, it cannot be used to determine the increase or decrease in the value of profitability. Thus, risk-based capital

does not affect the size of the profitability of the insurance company.

Suggestions

1. Company

   Companies need to maintain and increase company profitability by paying attention to factors that can affect company profitability. especially in premium growth, where premium growth shows how much change in premium receipts from year to year. Based on the results of this study, premium growth has a positive effect on the profitability of conventional insurance companies. Thus, the larger or smaller the premium growth of conventional insurance companies will be followed by the greater or the smaller the profitability. Therefore, it is important for companies to pay attention to premium growth and improve performance in order to receive higher premium receipts every year.

2. Next Researcher
   a. The number of insurance sub-sector companies listed on the Indonesia Stock Exchange is not as many as companies in other sectors and sub-sectors. This makes the data that can be collected for research is not too much. Therefore, further researchers can extend the research period so that the amount of data obtained can better represent the insurance company
   b. The method used in this study is multiple linear regression with the SPSS 25 statistical tool. The next researcher can use another method that can better explain the model and use newer statistical tools
   c. Future research can add other variables that may affect profitability because there are only 1 out of 3 independent variables that affect profitability in this study.

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