The Influence of Premium Income, Claims and Operational Costs on Asset Growth

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Abstract

This study aims to examine the effect of premium income, claims, and operating expenses on asset growth in conventional insurance companies listed on the Indonesia Stock Exchange (IDX) in 2020 - 2022. The sample in this study is a conventional insurance company listed on the Indonesian Stock Exchange. In withdrawing samples, the authors used saturated sampling techniques, namely sampling techniques when all members of the population are used as samples. The data used is obtained from the Indonesia Stock Exchange publication and the official website of each company. This study uses 17 samples with 3 years of observation so that a total of 51 observations with multiple linear regression estimation of panel data. This research was processed using the Eviews13 program. The results showed that the premium income variable had a positive and significant effect on asset growth, while the claims and operating expenses variables had no significant effect on asset growth.

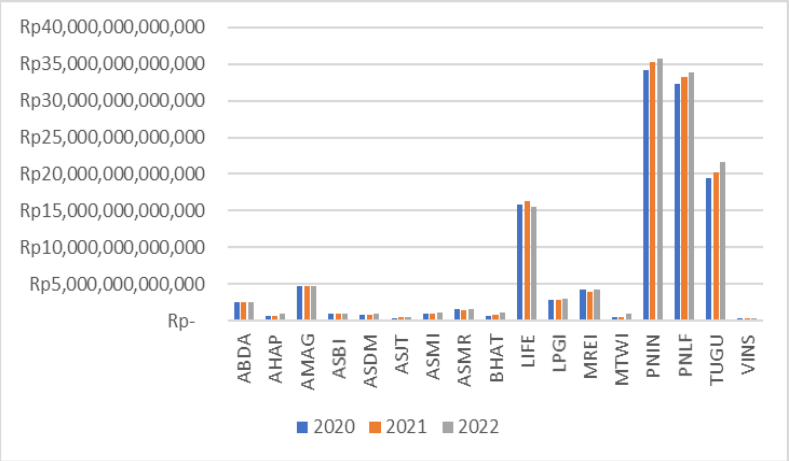
INTRODUCTION

The development of economic and industrial growth throughout Indonesia is getting better, this is reflected in the increasing number of companies that are starting to emerge, both private and government owned. However, this progress can also threaten humans in everyday life, the risks that threaten humans can be felt in the long term or short term. To deal with risks that threaten both directly and indirectly in everyday life, entrepreneurs and individuals provide protection for their lives, families, property, etc. This is done to protect them from losses caused by uncertain risks. This is one of the causes of the increasing number of insurance users in Indonesia.

Based on the Law used in Insurance is Law No. 40 of 2014 concerning Insurance is an agreement between two parties, namely the insurance company and the policyholder, which is the basis for the receipt of premiums by the insurance company as compensation. Insurance in Indonesia is divided into two, sharia insurance and conventional insurance. According to Law of the Republic of Indonesia No. 40 of 2014 concerning Insurance from a system perspective, it is divided into: (1) Sharia Insurance (takaful), the operational principle of sharia insurance is that the risk of one person/party is borne by all people/parties who are policyholders (sharing of risk) (2) Conventional insurance, the operational principle of conventional insurance is that the risk of the policyholder is transferred to the insurance company (transfer of risk). However, currently in Indonesia more insurance uses the conventional system, especially general insurance.

Insurance business performance can be evaluated through aspects contained in the financial report. The existence of this financial report is intended to find out all information and performance about its financial position. Assets for insurance companies are very important both to meet long-term and short-term obligations. Insurance asset management must be carried out carefully considering the risks faced by the insurance company itself. Assets and liabilities must be appropriate because insurance contracts are long-term (Sastrodiharjo & Sutama, 2015). Based on the data, changes in total assets in conventional insurance companies listed on the Indonesia Stock Exchange can be illustrated by the bar chart below:

Insurance Company Asset Growth 2020-2022



Data Source: www.idx.co.id (2024)

Based on the image above, it can be seen that several insurance companies listed on the Indonesia Stock Exchange in 2021 experienced a decrease in total assets from 2020, but in the same year there were insurance companies that experienced an increase in the company's total assets. Furthermore, in 2022, on average, insurance companies began to improve their company performance. This can be seen from the diagram above which shows an increase from the previous year so that the company's asset growth has increased, but there are several companies experiencing a decrease in their total assets. It can be concluded that asset growth in conventional insurance companies listed on the Indonesia Stock Exchange has fluctuated on average. This is because insurance and reinsurance companies have paid many claims related to Covid-19, including those related to death claims. This increase in claims has caused insurance companies to suffer losses, which ultimately resulted in a decrease in assets. And also the movement of the inflation rate has an impact on the insurance sector. This impact is especially visible in the decline in premium payments.

Premium income is the payment of a sum of money made by the insured to the insurer to replace losses, damages, or loss of expected profits arising from the risk transfer agreement from the insured to (Transfer of risk). The premium is determined based on the results of the underwriter's risk selection or after the company has conducted a risk selection at the request of the prospective insured. Thus, the prospective insured will pay insurance premiums according to the level of risk in their respective conditions (Souiden & Jabeur, 2015). Claims are requests from participants, their heirs, or other parties related to the company's insurance for an accident that causes losses and participants have the right to receive obligations based on the agreement. In mandatory claims, claim administration functions to verify participant claim files to fulfill the contract agreement whether the claim is worthy of being paid or not (Yazid et al., 2012a).

Operational costs are costs in the form of money spent by the company to carry out the core or main activities of its operations. The elements of operational costs vary in each company, and this is adjusted to the specific operational needs of each company (Sholihin, 2010).

METHODS

The location of this research is at the Indonesia Stock Exchange (BEI) through the website www.idx.co.id by selecting the research object, namely conventional insurance sub-sector companies. Population is the entire object of research that is to be studied and can be measured or observed (Radjab & Jam`an, 2017). The population in this study is all conventional insurance companies listed on the Indonesian Stock Exchange in 2020-2022, totaling 17 companies. A sample is a part or representative of a population that has the same characteristics as its population, taken as a source of research data. In this study, the sample was selected using a saturated sampling technique, where all populations in the study were sampled. Based on this technique, the number of samples in this study was 18 insurance sub-sector companies listed on the Indonesia Stock Exchange (IDX) with 3 years of observation, so that the total was 51 observations. The data collection technique used in this study is a documentation study, using secondary data obtained from the company's annual financial report published through the website www.idx.co.id and the official website of each company. The type of data used in this study is quantitative data. Quantitative data is data that can be measured or calculated directly, in the form of information or explanations expressed in numbers or numerical forms (Sugiyono, 2015). The analysis model used in this study is a panel data regression model using eviews software version 10. This panel data regression analysis is used to determine the influence between independent variables and dependent variables (Ghozali, 2016). The equation formula is:

$$Y= \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$$

Information:
Y = Company Value
α = Constant
β = Regression Coefficient
X1 = Premium Income
X2 = Claims
X3 = Operating Costs
e = Error term

RESULTS AND DISCUSSION

Results

Descriptive Statistical Analysis

Table 1
Descriptive Statistical Analysis

	Y	X1	X2	X3
Mean	0.053837	1.050167	0.213588	129915.2
Median	0.025000	1.045000	0.149600	127281.0
Maximum	0.443200	1.884800	0.904600	488218.0
Minimum	-0.257500	0.355200	-0.848200	-126068.0
Std. Dev.	0.136911	0.281489	0.393836	193390.0
Observations	51	51	51	51

Sumber : data sekunder diolah, 2024

Based on the descriptive statistical analysis data presented in table 4.1 above which has been processed using statistical tools, it can be explained that the depiction of the mean, median, maximum, minimum and standard deviation values of the variables used in this study with a sample size of 51 in companies listed on the Indonesian Stock Exchange for the 2020-2022 period is as follows:

1. The dependent variable, namely asset growth, has a sample size of 51, with a maximum value of 0.443200 and a minimum value of -0.257500 with an average value (mean) of 0.053837, and a standard deviation value of 0.136911.
2. The independent variable, namely premium income disclosure, has a sample size of 51, with a maximum value of 1.884800 and a minimum value of 0.355200 with an average value (mean) of 1.050167 and a standard deviation value of 0.281489.
3. The independent variable, namely claims, has a sample size of 51, with a maximum value of 0.904600 and a minimum value of -0.848200 with an average value (mean) of 0.213588, and a standard deviation value of 0.393836.
4. The independent variable, namely operational costs, has a sample size of 51, with a maximum value of 488218 and a minimum value of -126068 with an average value (mean) of 129915 and a standard deviation value of 193390.

Model Selection Results

Chow Test

Table 2
Chow Test Results

Redundant Fixed Effects Tests
Equation: Chow
Cross-section fixed effects test

Effects Test	Statistics	df	Prob.
Cross-section F	0.633408	(16.31)	0.8321
Cross-section Chi-square	14.425888	16	0.5670

Source: Data processed with Eviews 13, 2024

Based on table 4.2 above, it can be seen that the cross section probability value F> 0.05 is 0.5670 which is obtained from the fixed effect test regression. The results above show that the value of the cross section probability F is greater than 0.05, so the selected regression model is the model*Common Effect Model*(CEM).

Lagrange Multiplier Test

Table 3
Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects
Null hypothesis: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided

Alternative	Cross section	Time	Both
Breusch Pagan	0.934018	1.592134	2.526152
	(0.3338)	(0.2070)	(0.1120)
Honda	-0.966446	-1.261798	-1.575607
	(0.8331)	(0.8965)	(0.9424)
King Wu	-0.966446	-1.261798	-1.511783
	(0.8331)	(0.8965)	(0.9347)
Gourieroux, et al.	--	--	0
			(1,0000)

Source: Data processed with Eviews 13, 2024

Based onTable 4.3 above shows that the Breusch-Pagan cross-section probability value is 0.3338 which is obtained from the common effect effects regression, where the value is greater than 0.05, then the selected regression model is the common effect model, so that the result of selecting the best model in this study is the Common Effect Model (CEM).

Classical Assumption Test

The basic assumption test is used to determine the pattern and variance as well as the linearity of a population (data) whether it is normal or not. The classical assumption test used in panel data regression with the Ordinary Least Squared (OLS) approach found in the Common Effect model (CEM) and Fixed Effect model (FEM) includes multicollinearity and heteroscedasticity.(Basuki and Yuliadi, 2014).

Multicollinearity

Table 4
Multicollinearity Results

	X1	X2	X3
X1	1,000,000	-0.292680	-0.267150
X2	-0.292680	1,000,000	0.667586
X3	-0.267150	0.6675856	1.00000

Source: Data processed with Eviews 13, 2024

From table 4.4 above, it can be seen that the correlation coefficient values for the asset growth variables (Y), premium income (X1), claims (X2) and operational costs (X3) are all below 0.80, thus it can be concluded that the data in this study does not have a multicollinearity problem.

Based on the classical assumptions of panel data regression, a good panel data regression model is one that is free from multicollinearity. Thus, the model above is free from multicollinearity.

Heteroscedasticity

Table 5
Heteroscedasticity Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.1349667	0.046444	2.906023	0.0056
X1	-0.030396	0.040312	-0.754009	0.4546
X2	-0.053483	0.037292	-1.434158	0.1581
X3	-6.12e-08	7.54e-08	-0.811601	0.4211

Source: Data processed with Eviews 13, 2024

Based on table 4.5 above, it shows that the probability of the premium income variable is0.4546, a claim of0.1581and operational costs amounting to0.4211. thus it can be concluded that the probability value of each independent variable≥0.05, this indicates that there is no heteroscedasticity in this study.

Panel Data Regression Test

Table 6
Panel data regression results

Dependent Variable: Y
Method: Panel Least Squares
Date: 03/28/24 Time: 16:52
Sample: 2020 2022
Periods included: 3
Cross-sections included: 17
Total panel (balanced) observations: 51

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.141786	0.072776	-1.948236	0.0574
X1	0.201720	0.063168	3.193376	0.0025
X2	-0.087859	0.058436	-1.503498	0.1394
X3	1.961693	1.180850	0.166125	0.8688

R-squared	0.282514	Mean dependent variable	0.053837
Adjusted R-squared	0.236717	SD dependent var	0.136911
SE of regression	0.119614	Akaike information criterion	-1.333912
Sum squared residual	0.672451	Black criterion	-1.182396
Log likelihood	38.01475	Hannan-Quinn critter.	-1.276013
F-statistic	6.168823	Durbin-Watson stat	2.292289
Prob(F-statistic)	0.001268		

Source: Data processed with Eviews 13, 2024

Based on Table 4.6, the calculation results from the panel data regression test obtained the constant value (α) from the regression model =-0.141786and the regression coefficient (ß) of each independent variable is obtained ß1=0.201720, ß2=-0.087859and ß3 =1.961693. Based on the constant values and regression coefficients, the relationship between the independent variables and the dependent variables in the regression model can be formulated as follows:

Y = -0.141786 + 0.201720 (X1) – 0.087859 (X2) + 1.961693 (X3)+e

From the equation above it can be explained as follows:

1. The constant value (α) is -0.141786 which is a constant or condition when the asset growth variable has not been influenced by other variables or in this case premium income (X1), claims (X2) and operational costs (X3). If the independent variable is in a constant state or does not change (equal to 0), then the value of the asset growth variable (Y) is -0.141786.
2. For the regression coefficient value of the premium income variable (X1) it has a value0.201720. This shows that there is a positive relationship to asset growth. Every 1% increase in premium income will increase asset growth by0.201720.
3. For the regression coefficient value of the Claim variable (X2) it has a value-0.087859. This shows that there is a negative relationship to asset growth. Every 1% increase in claims will reduce asset growth by-0.087859.
4. For the regression coefficient value of the Operational Cost variable (X3), it has a value of1.961693.This shows that there is a positive relationship to asset growth. Every 1% increase in operating costs will increase asset growth by1.961693.

Determinant Coefficient (R2)

Table 7
Results of the Determinant Coefficient Test (R2)

R-squared	0.282514	Mean dependent variable	0.053837
Adjusted R-squared	0.236717	SD dependent var	0.136911
SE of regression	0.119614	Akaike information criterion	-1.333912
Sum squared residual	0.672451	Black criterion	-1.182396
Log likelihood	38.01475	Hannan-Quinn critter.	-1.276013
F-statistic	6.168823	Durbin-Watson stat	2.292289
Prob(F-statistic)	0.001268		

Source: Data processed with Eviews 13, 2024

Based on table 4.7, it can be seen that the Adjusted R-Square is 0.23, this means that 23.6% of the variation in asset growth can be explained by the variation of the three independent variables of premium income, claims and operational costs. While the remaining (100% - 23.6%) of 76.4% is explained by other variables outside this research model.

Partial Significance Test (t-test)

Table 8
Partial Test Results (t-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.141786	0.072776	-1.948236	0.0574
X1	0.201720	0.063168	3.193376	0.0025
X2	-0.087859	0.058436	-1.503498	0.1394
X3	1.961693	1.180850	0.166125	0.8688

Source: Data processed with Eviews 13, 2024

Based on the calculation results from table 4.8, the influence of each of the following variables is known.

The variable of premium income on asset growth coefficient is obtained at 0.201720 with a t-statistic of 3.193376> 1.67591 with a significant value of 0.0025 <0.05 so that it can be said, H1 is accepted. This means that premium income has a significant positive effect on asset growth.

The claim variable on asset growth coefficient is obtained at -0.087859 with a t-statistic of -1.503498 <1.67591 with a significant value of 0.1394> 0.05 so it can be said that H2 is rejected. This means that claims have a negative and insignificant effect on asset growth.

The variable of operational costs on asset growth coefficient was obtained as 1.961693 with a t-statistic value of 0.166125.<1.67591 with a significant value of 0.8688 > 0.05 so it can be said that H3 is rejected. This means that operational costs have a positive but insignificant effect on asset growth.

Discussion

The Effect of Premium Income on Asset Growth

Premium is an amount of money that must be paid by the insurance participant to the insurer or insurance company as an obligation for their participation in the insurance company. Premium is one of the sources of income for insurance companies in addition to investment and fines and compensation. The premium received by the insurance company will be managed in the form of an investment that has been agreed upon by the participant when the agreement or contract. Based on the results of the panel data regression test on the premium income variable, the coefficient obtained is 0.201720 with a t-statistic of 3.193376> 1.67591 with a significant value of 0.0025 <0.05. So it can be concluded that H1 is accepted, which means that the premium income variable (X1) has a significant positive effect on the growth of conventional insurance company assets on the IDX for the 2020-2022 period.

The results of this study are supported by the results of research conducted by Setiobekti (2020) by obtaining positive and significant results related to the direct relationship between premium income variables and asset growth. The results of this study are also strengthened by research conducted byThe Last Supper (2020)which states that premium income has a positive and significant effect on the growth of assets of life insurance companies in Indonesia.

This study shows that premium income has a significant positive effect on the growth of insurance company assets. Premiums are a source of funds as well as income for insurance companies which are an important aspect in maintaining the company's existence. Therefore, the location of premium income as income for insurance companies greatly affects total assets. This shows that the greater the premium paid by participants, the greater the funds that will be received by the company. In other words, premium income has a direct positive effect on the growth of insurance assets. This is in line with the signal theory, where high premium income can be a positive signal for the growth of insurance company assets. This means that high premium income indicates that

the company is able to attract a large amount of premiums from participants, which can then be used to increase the company's assets. This can be considered an indicator of trust and positive performance from the company in running its operations.

The Impact of Claims on Asset Growth

Claim is a submission of rights made by the insured to the insurer in the form of loss insurance based on an agreement or contract that has been made. Or it can be said that a claim is a process where the submission by the participant to get insurance money after the participant has carried out all his obligations to the insurance company, namely in the form of payment of the premium that has been agreed upon previously. Based on the results of the panel data regression test on the claim variable, the coefficient obtained was -0.087859 with a t-statistic of -1.503498 <1.67591 with a significant value of 0.1394> 0.05. So it can be concluded that H2 is rejected, which means that the claim variable (X2) has a negative and insignificant effect on the growth of conventional insurance company assets on the IDX for the 2020-2022 period.

The results of this study are supported by the results of research conducted byRamadan (2023)in his research showed that claims have a negative but insignificant effect on the growth of assets of sharia life insurance companies. The results of this study are also supported by research conductedForgiveness (2022)which states that claims have an impact on asset growth. This study shows that claims have no significant negative effect on the growth of insurance company assets. Because the average range of claims itself usually depends on the number of submissions made by the customer. This is because the high number of claims submitted by insurance participants or customers will result in a decrease in the amount of funds in the company that have been invested, which will later have an impact on investment results and will also have an impact on the growth of company assets. In addition, the claim position is a burden that must be borne by the insurer or the company, so if a claim payment occurs, it will reduce the company's assets.

This is not in line with the signal theory, that the high number of claims filed by insurance participants or customers can be a negative signal for the growth of company assets. This means that high claims can signal that the company is experiencing a major risk that can result in a decrease in assets, so that investors may respond with caution or reduce trust in the company.

The Impact of Operating Costs on Asset Growth

Operational costs are costs that must be incurred by a company to keep its business running. Operational costs or operating expenses are costs that are not directly related to the company's products but are related to the company's daily operational activities.(Jusuf, 2008).

Based on the results of the panel data regression test on the operational cost variable, the coefficient obtained was 1.961693 with a t-statistic value of 0.166125.<1.67591 with a significant value of 0.8688 > 0.05. So it can be concluded that H3 is rejected, which means that the operational cost variable (X3) has a positive but insignificant effect on the growth of conventional insurance company assets on the IDX for the 2020-2022 period. The results of this study are supported by the results of research conducted by Nurmaini (2018), and Watika (2021) conducted research on operational costs on Asset Growth. The results of the study stated that operational costs have a positive but insignificant effect on asset growth. This study shows that operational costs have a positive but insignificant effect on the growth of insurance company assets. because too much operational costs are used for product promotion but do not increase customer contributions, so they do not contribute to the growth of insurance company assets and do not have an increase, then it can cause a decrease in the value of the company's assets.

This is inconsistent with the signaling theory, which indicates that high operating costs that do not contribute significantly to the growth of the company's assets can be a negative signal to investors. This illustrates that although operating costs increase, they are not offset by a corresponding increase in the growth of the company's assets. As a result, this may indicate that the company's management may be inefficient in managing resources, which may reduce investor confidence in the company's growth prospects.

CONCLUSION

Based on the research results and discussions outlined above, the author draws the following conclusions:

1. The results of the hypothesis test show that premium income has a positive and significant effect on the growth of insurance company assets, so H1 is accepted. This means that if the premium income obtained by a company is higher, the growth of assets in conventional insurance companies will also increase.
2. The results of the hypothesis test show that claims do not have a significant effect on the growth of insurance company assets, so H2 is rejected. This means that the size of the claims issued by the company will not affect the growth of the company's assets, or, the larger the claims issued by the company, the growth of insurance company assets in Indonesia will decrease.

3. The results of the hypothesis test show that operational costs do not have a significant effect on the growth of insurance company assets, so H3 is rejected. This means that operational costs do not always have an impact on asset growth because the only asset growth is not internal funding from profit but from external funding consisting of debt, obligations, etc.

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