

**Factors Affecting the Financial Performance of Insurance Companies
(Study Cases PT. Asuransi Jasa Indonesia Bandar Lampung 2020-2023)**

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Abstract

This study aims to analyze the influence of premium income, claim expenses, and claim success rate on financial performance in Cattle/ Buffalo Business Insurance (AUTS/K) products at PT. Asuransi Jasa Indonesia (Jasindo) Bandar Lampung Branch for the 2020–2023 period. Using quantitative methods with multiple linear regression analysis. The research data included 60 monthly observational samples. The results of the study show that simultaneously the three variables have a significant effect on financial performance. Partially, claims expenses have a significant negative effect and the success rate of claims has a significant positive effect on financial performance. However, premium income was found to have no significant influence on the financial performance of this specific product during the study period.

Introduction

In Indonesia, the insurance industry is essential to preserving the country's economic stability, particularly when it comes to reducing the possibility of financial losses for the general population and corporate organizations. The creation of livestock and agricultural insurance products, including Cattle/ Buffalo Business Insurance (AUTS/K), is one of the major developments in the insurance sector. The government created this scheme in collaboration with state-owned insurance providers to shield farmers from the possibility of livestock mortality brought on by illness, mishaps, or loss. As one of the primary implementers, PT. Asuransi Jasa Indonesia (Jasindo) Bandar Lampung Branch bears a significant responsibility for the professional and sustainable management of this program.

However, managing specialist insurance products like AUTS/K presents difficult financial performance issues. The primary measure of an insurance company's health is its financial performance, which shows how well management uses its resources to produce profits (Budiarto, 2021). The profitability ratio of PT. Jasindo Insurance Bandar Lampung Branch varied significantly between 2020 and 2023. The most notable occurrence was in 2020, when the entire claim expenditure surpassed the total premium income of IDR 1.1 billion, reaching IDR 1.4 billion. The company's Return on Equity (ROE) declines as a direct result of this mismatch, which puts pressure on underwriting earnings.

The primary issue that emerges is the interplay between operational factors like premium income, claim expenditures, and claim success rate in determining the ultimate result of financial performance. Insurance firms rely on premium income as their primary source of finance (Hidayat & Sari, 2022). However, the largest cost risk claims expenditures, which might jeopardize the company's solvency if they are not controlled by an effective internal control system (Ahmad, 2022). Additionally, the quality of risk selection and the integrity of the accounting information system that the business uses to validate each client submission are reflected in the success rate of claims (Lestari, 2022).

This AUTS/K product formally closed in 2024, despite a rise in premium income from 2021 to 2023. This strategic choice suggests that even while premium levels are increasing, they may no longer be financially advantageous due

to other considerations including high claims ratios and operational expenses. This phenomenon is consistent with earlier studies indicating that maintaining individual and organizational performance requires a thorough grasp of accounting information systems and internal control (Permana & Setiawan, 2024).

Considering this context, the purpose of this study was to empirically examine the impact of premium revenue, claim burden, and claim success rate on the financial performance of AUTS/K products at the Bandar Lampung Branch of PT. Jasindo Insurance. The specific analysis of livestock insurance products with high-risk characteristics and reliance on government programs is what makes this research novel. The findings of this study are anticipated to serve as evaluation material for insurance management in developing more successful risk management strategies in the future.

The company's strategic goals are achieved through a variety of management decision-making processes that culminate in financial success. Financial performance, according to Budiarto (2021), is a measurement of an organization's ability to make money. Profitability ratios like Return on Equity (ROE), which gauges the capacity of capital itself to produce net profit, are frequently used in the insurance sector as a proxy for financial success. Investors and regulators use this ratio to evaluate a company's capital health and operational effectiveness.

The sum of money determined by the insurance provider and authorized by the policyholder to be paid in compliance with the terms of the insurance contract is known as premium income (Hidayat & Sari, 2022). The primary source of funding for businesses to conduct operations, settle claims, and make investments is premium income. Farmers contribute premiums to AUTS/K products (sometimes with government subsidies) to receive protection against the hazards associated with their livestock.

The duty that the insurance company has to the insured when a risk covered by the contract materializes is known as the claim burden (Ahmad, 2022). Because it is affected by outside variables like disease outbreaks (like FMD) and natural calamities, the claims burden in the animal insurance industry is extremely erratic. The company's cash flow will be disrupted, and net profit will decline as a direct result of ineffective claims handling.

The ratio of paid claims to customer-filed claims is known as the claim success rate. This variable demonstrates the efficiency of the field verification procedure and the accounting information system. According to Lestari (2022), user participation in correct information systems reduces input mistakes and guarantees that the claims paid are legitimate, preserving the integrity of the business's financial performance.

The Effect of Premium Income on Financial Performance

Since greater premiums enhance the financial foundation for reinvestment operations, a rise in premium revenue is seen to be a major factor in improving the profit potential of insurance firms. This is consistent with Hasan & Tampubolon's (2025) findings that premium revenue significantly boosts business profitability. Similar evidence was discovered in Dewi & Adinda's (2024) study, which revealed that premium revenue was one of the key elements that might boost net profit in the Indonesia Stock Exchange insurance business subsector. A case study conducted at PT. Asuransi Sinar Mas by Lubis et al. (2023) further supports this positive association by confirming that an increase in premium income directly affects an increase in business profitability. Additionally, premium income is a variable that greatly influences profit acquisition, according to Juwita & Rindiati (2021). In summary, Dani et al. (2022) highlighted that premium income is still a crucial metric that significantly influences the financial performance of insurance businesses that are listed on the IDX.

H₁: Premium Income has a positive effect on Financial Performance.

The Effect of Claims Expense on Financial Performance

Any unchecked rise in claim expenditures will immediately reduce the company's profitability levels since, operationally, claim expenses are the primary deductive element against underwriting income. This is corroborated by study by Lubis et al. (2023), which demonstrates that because claim expenditures are the biggest cost component in the insurance sector, they have a substantial detrimental impact on profit growth. In a similar vein, excessive claim costs are a significant risk that can significantly lower an insurance company's profitability levels, according to Tanujaya & Rochdianingrum (2023). Dewi & Adinda (2024), who identified claim burden as a critical profit-reducing component for a company's financial viability, also highlight this detrimental effect. Ahmad (2022) emphasizes that a company's solvency and capital health may be jeopardized if the claim load is not managed from a risk management standpoint. In conclusion, research by Pramusinta & Aryani (2023) demonstrates that the financial performance of insurance in Indonesia is significantly impacted by substantial swings in claim load, particularly for products with unexpected biological risks.

H₂: Claim Expense has a negative effect on Financial Performance.

The Effect of Claim Success Rate on Financial Performance

An effective and precise verification procedure is essential to preserving financial stability, and the success rate of claims demonstrates the company's proficiency in risk management. This is consistent with Lestari's (2022) assertion that user participation in the proper information systems may reduce input mistakes and guarantee the validity of the claims paid, hence preserving the integrity of financial performance. Permana & Setiawan (2024), who clarify that workers' comprehension of accounting information systems is essential to guaranteeing correctness in claim settlements, also highlight the significance of this operational component. Additionally, research by I Nyoman Agus Martana & Nina Karina Karim (2024) demonstrates that the financial success of insurance firms is significantly impacted by well-managed operational ratios. The work by Yusuf et al. (2024), which use regression analysis to show the significant significance of operational factors in affecting financial results, provides similar support. Overall, Hidayat & Sari (2022) emphasize that a key defense mechanism to stop cash leakage and preserve the company's profitability is the efficacy of claim screening using a robust information system.

H₃: Claim Success Rate has a significant effect on Financial Performance.

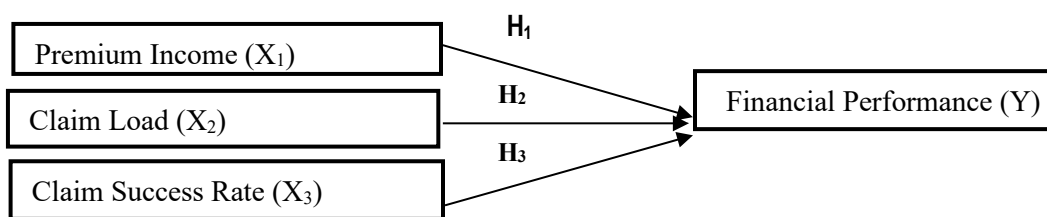


Figure 1. Research Model

Methodology

This study employs comparative causal research design and a quantitative methodology. The objective is to ascertain the causal link between dependent variables (financial performance) and independent factors (premium income, claim expenses, and claim success rate). Time series secondary data are used. The PT. Asuransi Jasa Indonesia (Jasindo) Bandar Lampung Branch uses documentation strategies to gather data, including internal financial statement data, underwriting records, and claims recapitulation. To further bolster the legitimacy of the

secondary data collected, interviews with administrative and financial personnel were undertaken.

To avoid differences in interpretation, the variables in this study are defined as follows:

Table 1. Variable Operation Definition

| Variabel | Operational Definition | Indicators/ Measurements | Scale |
|--------------------------------------|--|--|-------|
| Financial Performance (Y) | The result of the insurance company's operational activities that show the effectiveness of capital management in generating net profit. | $ROE = \frac{\text{Laba Bersih}}{\text{Total Ekuitas}} \times 100\%$ | Rasio |
| Premium Income (X ₁) | Total gross receipts obtained from customers (farmers) in exchange for the transfer of the risk of death/loss of livestock. | The nominal amount of the monthly Gross Premium (in Rupiah). | Rasio |
| Claim Load (X ₂) | The value of compensation incurred by the company to cover losses suffered by the insured according to the policy contract. | The nominal amount of monthly Claim Payment (in Rupiah). | Rasio |
| Claim Success Rate (X ₃) | A ratio that shows the effectiveness of the company in settling and approving claims submitted by insurance participants. | $\frac{\text{Klaim Disetujui}}{\text{Total Pengajuan Klaim}} \times 100\%$ | Rasio |

Source, Data Processed, 2025

All transaction reports and financial records for Cattle/Buffero Business Insurance products at PT. Asuransi Jasa Indonesia (Jasindo) Bandar Lampung Branch from the product's debut until its closure comprise the study's population. Purposive sampling, which selects samples based on predetermined criteria, is the sampling strategy employed. A total of sixty observation samples were collected as the chosen sample was a monthly report covering the time frame from January 2020 to December 2023.

Descriptive statistical analysis, which provides an overview of the data distribution and includes the minimum, maximum, average, and standard deviation values of all variables examined, is the first step in the data analysis process for this project. To verify the correctness of the estimates, several traditional assumption tests are performed on the regression model prior to testing the hypothesis. This includes multicollinearity tests using VIF and tolerance values to prevent correlations between independent variables, heteroscedasticity and autocorrelation tests to guarantee variance stability and data independence between observation periods, and normality tests using the Kolmogorov-Smirnov method to guarantee a normal residual distribution.

Additionally, multiple linear regression analysis was used to assess the relationship between variables to determine the direction and strength of the effects of premium revenue, claim burden, and claim success rate on financial performance. The F-test with a 95% confidence level was used to evaluate the total contribution of the factors, while the t-test was used to examine the significance of each effect separately. By focusing on the Adjusted R Square value, a determination coefficient study was performed to determine the degree to which the research model can account for changes in financial performance. To guarantee the correctness of the analysis results, all statistical computational operations in this study were methodically completed with the aid of SPSS software.

Results and Discussion

Descriptive statistical analysis was used to provide an overview of the characteristics of the research data which included minimum, maximum, *mean*, and standard deviation values from 60 monthly observation samples for the 2020-2023 period.

Table 2. Descriptive Statistical Test Results

| Variabel | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------------------------|----|---------|---------------|-------------|----------------|
| Premium Income (X ₁) | 60 | 0 | 451.980.000 | 97.432.150 | 120.450.320 |
| Claim Load (X ₂) | 60 | 0 | 1.425.600.000 | 115.340.500 | 250.120.400 |
| Claim Success Rate (X ₃) | 60 | 0,00 | 1,00 | 0,6542 | 0,3815 |
| Financial Performance (Y) | 60 | -1,85 | 0,92 | -0,0684 | 0,6972 |
| Valid N (listwise) | 60 | | | | |

Source: Primary Data Processed (2024)

The average financial performance (ROE) is negative (-0.068), as seen in Table 2. This was brought on by the high average claim expenditure of IDR 115.3 million, which was more than the average monthly premium income of just IDR 97.4 million. A substantial danger to AUTS/K products during the observation period is indicated by these abrupt variations.

The impact of independent factors on dependent variables is examined using the regression model. The following outcomes were attained based on SPSS data processing:

Table 3. Multiple Linear Regression Analysis Results (t-Test)

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|--------------------------------------|-----------------------------|------------|---------------------------|---------|-------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | 0,024 | 0,024 | | 1,018 | 0,313 |
| Premium Income (X ₁) | 0,0000000002788 | 0,000 | 0,040 | 1,473 | 0,146 |
| Claim Load (X ₂) | -0,009 | 0,000 | -1,217 | -41,043 | 0,000 |
| Claim Success Rate (X ₃) | 0,824 | 0,042 | 0,640 | 19,696 | 0,000 |

Source: Primary Data Processed (2024)

The resulting regression equation is $Y = 0.024 + 0.0000000002788X_1 - 0.009X_2 + 0.824X_3$. Based on the t-test result in Table 3, with a significant value of 0.146 (> 0.05), it was discovered that premium income did not significantly affect financial performance. This suggests that claim reserves and fixed operational costs cannot be covered by the premium volume throughout the 2020–2023 timeframe. However, claims expenditures have a large negative impact (sig. 0.000), with each increase in claims immediately undermining profitability and serving as the primary source of operational losses. In the meanwhile, there is a considerable positive influence (sig. 0.000) in the claim success rate. This achievement shows that avoiding cash leakage and preserving the company's financial stability depend heavily

on the efficiency of the accounting information system and the precision of claim verification.

Simultaneous Influence Analysis (F Test) and Determinants (R²)

To see the impact of the variables together and the extent to which the model can explain the phenomenon, an F test and a determination coefficient analysis were performed.

Table 4. Results of Simultaneous Significance Test (F) and Coefficient of Determination (R²)

| Model | Sum of Squares | df | Mean Square | F | Sig. | Adjusted R Square |
|------------|----------------|----|-------------|---------|-------------------|-------------------|
| Regression | 27,821 | 3 | 9,274 | 568,073 | ,000 ^b | 0,968 |
| Residual | 0,914 | 56 | 0,016 | | | |
| Total | 28,735 | 59 | | | | |

Source: Primary Data Processed (2024)

The results of the F test showed a significant value of $0.000 < 0.05$, so that the three independent variables simultaneously had a significant effect on financial performance. In addition, the Adjusted R Square value of 0.968 indicates that this model has very strong predictive capabilities, where 96.8% of the variation in financial performance is influenced by variables in the model

The Effect of Premium Income on Financial Performance

The financial performance of AUTS/K products at PT. Asuransi Jasa Indonesia (Jasindo) Bandar Lampung Branch was not significantly impacted by premium income, according to statistical testing findings. The original theory that higher premiums will boost profitability is not supported by these results. This occurs because the amount of premium income received between 2020 and 2023 is still very small and erratic, meaning it hasn't achieved a break-even point to pay for significant claims reserves and fixed operational costs. This condition shows that the role of safeguarding farmers is frequently given precedence over the pursuit of profitability alone when determining premium prices for subsidized government program insurance.

The Effect of Claims Expense on Financial Performance

It has been demonstrated that claims costs significantly impair financial performance. Any rise in the value of claims will immediately reduce the profitability of the business, according to a negative regression in coefficient. This tendency was most noticeable in 2020, when the elevated risk of livestock mortality led to a spike in claims that surpassed premium income. This supports the notion of insurance risk management, which holds that a significant disruptive factor in equity stability is claims expenditure. The company's financial performance (ROE) is frequently in the negative zone due to premiums' inability to balance the high claims load, which finally leads to the central strategic strategy to shut down this product's activities in 2024.

The Effect of Claim Success Rate on Financial Performance

Financial performance was found to be positively and significantly impacted by the success rate of claims. This demonstrates how the efficiency and precision of the claim's verification procedure are critical to preserving financial stability. The greater the success rate of well-managed claims, the more effectively the company's internal controls and accounting information system have screened legitimate (qualifying) claims. By preventing cash leakage from fraudulent claims or administrative mistakes, this stringent yet transparent selection procedure helps businesses avoid more severe losses.

Simultaneous Impact Analysis and Managerial Implications

96.8% of the difference in financial performance could be explained by the combination of premium revenue, claim expenditures, and claim success rate. The predominance of this factor indicates that the balance between cash inflows (premiums) and cash outflows (claims) is crucial to the profitability of agricultural insurance products. Because the claim ratio is not proportionate to premium earnings, management decided to close AUTS/K products in 2024 as a risk mitigation strategy. In terms of management, this study highlights the necessity of routinely assessing risk coverage plans and bolstering the early detection system for livestock biological hazards in order to ensure that comparable insurance programs in the future can function sustainably without taxing the company's equity.

Conclusion

It can be concluded that partial premium income has no discernible impact on PT. Asuransi Jasa Indonesia (Jasindo) Bandar Lampung Branch's financial performance for the 2020–2023 period based on the findings of data analysis and discussions about the factors that affect the company's financial performance. Given its erratic character because of government assignment, this suggests that the amount of premiums collected over the observation period has not achieved sufficient economic size to be the primary driver of profitability. However, it has been demonstrated that claims' costs have a substantial detrimental impact on financial performance; any increase in claims immediately reduces net profit and is the primary cause of operational losses. In the meantime, the success rate of claims exhibits a favorable and noteworthy impact, demonstrating that the correctness of legitimate claims settlement and the efficiency of the verification system are crucial in reducing more serious financial concerns. The integration of the three variables simultaneously contributed 96.8% to the variation in financial performance, indicating that the balance between operating income generation and collective claims risk control is crucial to the financial health of agricultural insurance products.

Implications, Limitations, and Suggestions

The study's conclusions have important theoretical and practical ramifications for Indonesia's crop insurance sector. The study's findings theoretically support the literature on insurance risk management, which holds that the effectiveness of claims burden control—rather than just a rise in gross premium volumes is a major factor in the stability of financial performance in loss insurance products. Practically speaking, these results highlight the need of bolstering a more stringent underwriting and field verification system for PT. Asuransi Jasa Indonesia (Jasindo) Bandar Lampung Branch to lower the rate of false claims or moral hazards that might deteriorate the company's equity. The government must also assess the subsidy premium rate structure as a policyholder in order to maintain its competitiveness for farmers without becoming an unmanageable financial burden for the implementing insurance firm.

Despite the high predictive potential of this study model, there are several limitations that must be considered when interpreting the findings. Since this study mainly focuses on one insurance product AUTS/K in one branch office location, it is important to exercise caution when extrapolating research findings to the complete business portfolio of insurance firms across the country. Furthermore, using monthly secondary data over a four-year period can miss long-term macroeconomic factors or abrupt changes in governmental policy that could have an indirect impact on financial success. Additionally, only the operational features of premiums and claims are employed as independent variables; investment income and distribution expenses, which also play a role in the formulation of the company's net profit, are not included.

Considering these constraints, it is recommended that businesses digitize their claims reporting system in real-time in order to expedite the validation process and reduce administrative mistakes that may impair performance. In order to

ensure the program's viability, authorities are advised to establish a balancing mechanism in social insurance programs so that losses in one area can be offset by surpluses in other areas. To obtain a more comprehensive picture of the factors that determine the success of agricultural insurance programs in Indonesia, it is advised that future researchers broaden the scope of the study to include more insurance branch offices or add non-financial variables like service quality and farmers' level of insurance literacy.

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