



Assessment of Financial Performance and Competitive Dynamics of Insurance Companies on the Indonesian Stock Exchange

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Article Info	ABSTRACT
<p>Article history:</p> <p>Received Dec 04, 2023 Revised Dec 16, 2023 Accepted Dec 29, 2023</p> <hr/> <p>Keywords:</p> <p>Financial Performance; Insurance Companies; Indonesian Stock Exchange; Fiscal Health; Competitive Analysis.</p>	<p>This research presents a comprehensive analysis of the financial performance of insurance companies listed on the Indonesian Stock Exchange. The study evaluates the fiscal health, operational efficiency, and competitive standing of these insurers by examining various financial metrics. The analysis encompasses a diverse spectrum of companies, revealing trends in premium growth, profitability, underwriting efficiency, and solvency ratios. Key findings highlight a market marked by a consistent increase in premiums underwritten, reflecting a growing demand for insurance products within the Indonesian market. Additionally, the research uncovers a variance in the profitability and efficiency of underwriting practices among insurers, showcasing a range of successful models and areas necessitating improvement. These insights have significant implications for industry practitioners, regulators, investors, and policymakers. They provide a roadmap for refining operational strategies, enhancing risk management practices, and optimizing financial performance. The study's findings serve as benchmarks for industry best practices and offer recommendations for the improvement of underperforming entities. This research not only contributes to an understanding of the financial health and competitive landscape of Indonesian insurance companies but also guides strategic decision-making, regulatory adaptations, and investments, fostering a more stable and competitive insurance sector within the Indonesian market.</p> <p><i>This is an open access article under the CC BY-NC license.</i></p>



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1. INTRODUCTION

The insurance sector in Indonesia plays a critical role in the country's financial landscape, providing various types of insurance products and services to individuals and businesses (Cole & Slade, 1996). The industry's significance lies in its contribution to the national economy, risk mitigation, and financial stability.

The analysis of financial performance within the Indonesian insurance sector, particularly among companies listed on the Indonesian Stock Exchange, holds paramount significance for various stakeholders and the broader economic landscape. This scrutiny goes beyond mere number-

crunching, it serves as a crucial barometer of the industry's stability, resilience, and overall economic health.

The financial performance of insurance companies is an essential factor influencing investor confidence and decision-making (Burca & Batrinca, 2014). By evaluating key financial indicators such as profitability, solvency, liquidity, and efficiency ratios, investors can gauge the stability and growth potential of these companies.

The study of financial performance is not only a matter of interest for investors but is also a fundamental aspect of regulatory oversight (Richardson, 2009). Regulatory bodies depend on these analyses to ensure that insurance companies adhere to financial guidelines and maintain stability. A robust understanding of financial health can help preempt potential risks to market stability, thereby contributing to the overall financial system's resilience.

The insurance sector is a linchpin in the larger economic framework. A robust, healthy insurance industry directly impacts economic growth and stability (Pigato, 2019). Analyzing the financial performance of companies listed on the stock exchange provides insights into the sector's contribution to the nation's economy. It allows for a better understanding of its role in wealth creation, employment generation, and risk management, all of which are critical for a stable and growing economy.

Despite the significance of financial performance analysis, there is a notable gap in comprehensive studies that specifically delve into the financial performance of insurance companies listed on the Indonesian Stock Exchange. Existing research might not adequately cover the nuances of this sector, leaving room for a focused analysis.

The primary goal of this research is to comprehensively evaluate the financial health of selected Indonesian insurance companies listed on the Stock Exchange (Widati & Anas, 2019). This encompasses the examination of crucial financial metrics, including but not limited to profitability, solvency, liquidity, and operational efficiency. By analyzing these metrics, the research aims to offer a holistic understanding of the companies' financial positions.

Another significant objective is to discern trends and patterns within the financial data of these insurance companies. This involves identifying patterns of growth, decline, or consistency in financial performance over a specified period. Analyzing such trends can provide insights into the industry's evolving dynamics and the factors influencing financial stability.

The research aims to conduct a comparative analysis among selected insurance companies, examining how their financial performance metrics vary concerning company size, market share, and other pertinent parameters. This comparative assessment will reveal relative strengths and weaknesses within the sector, potentially highlighting best practices and areas for improvement.

Understanding the challenges and opportunities within the Indonesian insurance sector is crucial. The research aims to uncover challenges faced by these companies, whether it's related to regulatory changes, market shifts, or other external factors. Simultaneously, identifying opportunities for growth and innovation will be a focal point, providing actionable insights for both the industry and potential investors.

The research focuses on a carefully selected subset of insurance companies listed on the Indonesian Stock Exchange (Claessens et al., 2000). These companies have been chosen based on specific criteria, which might include market capitalization, geographical coverage, growth trends, or other relevant financial indicators.

Additionally, this study may specifically target companies representing various sectors within the insurance industry, such as life insurance, health insurance, general insurance, or reinsurance. The aim is to offer a more comprehensive understanding of the overall health and performance of diverse segments within the industry.

The outcomes of this research are anticipated to provide valuable insights into the financial status of these insurance companies, potentially offering recommendations for stakeholders, investors, regulators, and the companies themselves. Additionally, this study aims to contribute to the existing body of knowledge on the Indonesian insurance industry's financial dynamics.

2. RESEARCH METHOD

2.1 *Existing Literature and Related Studies*

The landscape of existing literature and related studies on the financial performance analysis of Indonesian insurance companies listed on the Stock Exchange provides a foundational understanding for the current research endeavors. These studies, research papers, and publications serve as the building blocks upon which new insights and perspectives are formed.

Financial Performance Analysis in the Indonesian Insurance Sector: Several existing studies have touched upon the broader financial performance of the insurance sector in Indonesia (Daryanto & Daryanto, 2019). These studies often provide a macro-level overview of the industry's financial landscape, discussing factors such as market trends, regulatory environments, and the overall economic impact of the insurance industry.

Sector-Specific Financial Metrics and Ratios: Numerous pieces of literature delve into specific financial metrics and ratios used to assess the performance of insurance companies (Steyn, 2019). These metrics often include Return on Equity (ROE), Combined Ratio, Loss Ratio, Expense Ratio, and others. They elucidate the significance and interpretation of these ratios in understanding the financial health of insurance companies.

Impact of Economic and Regulatory Changes: Studies focusing on the impact of economic changes, market volatility, and regulatory modifications on the financial performance of insurance companies in Indonesia offer invaluable insights. These shed light on how external factors can influence the financial stability and performance of the sector.

Corporate Governance and Financial Performance: The correlation between corporate governance practices and financial performance is another area explored in the literature (Prior et al., 2008). Studies examine how effective governance structures within insurance companies impact their financial stability and growth.

Comparative Analysis and Benchmarks: Certain research works present comparative analyses among insurance companies, aiming to establish benchmarks for financial performance metrics within the industry (Jermakowicz, 2004). These studies serve as a reference for understanding where individual companies stand concerning industry standards.

Studies on Innovation and Technological Adoption: With the advent of technological advancements and changing consumer behaviors, there are studies exploring how innovation and technological adoption impact the financial performance of insurance companies. These studies investigate how embracing innovation affects financial growth and market positioning.

Regional and Global Perspectives: Some literature takes a comparative approach, examining the financial performance of Indonesian insurance companies in the context of the broader Southeast Asian or global insurance market. These comparative studies offer a broader perspective on how Indonesian insurance companies fare concerning their regional and international counterparts.

Macro-level Assessments: Many studies provide macro-level assessments of the financial landscape of the insurance industry, focusing on factors such as market trends, regulatory environments, and the industry's contribution to the national economy (Kwon & Wolfrom, 2017). These studies often highlight the insurance sector's role in risk management and economic stability.

Financial Metrics and Ratios: Numerous research papers have investigated specific financial metrics and ratios commonly used to evaluate the financial health of insurance companies. Key metrics include Return on Equity (ROE), Combined Ratio, Loss Ratio, Expense Ratio, and underwriting metrics. These studies help elucidate the significance and interpretation of these metrics, providing a foundational understanding of financial analysis.

External Factors and Economic Impact: Researchers have explored how external factors, such as economic changes and regulatory shifts, can impact the financial performance of insurance companies (Hillman et al., 2000). These studies underline the need for companies to adapt and respond to evolving market conditions and regulations.

2.2 *Financial Performance*

Financial performance stands as a cornerstone in assessing the fiscal health and viability of a company (Honadle et al., 2003). It represents a comprehensive evaluation of a firm's ability to generate profits, manage its assets, and maintain its financial stability. Analyzing financial performance involves an array of indicators, ratios, and assessments that collectively paint a picture of a company's economic vitality.

Financial performance encompasses multiple dimensions, each offering unique insights into a company's economic well-being. Profitability metrics, such as net income, return on investment (ROI), and gross profit margins, serve as benchmarks for a company's ability to generate earnings relative to its investments and operational efficiency.

Liquidity ratios, including the current and quick ratios, measure a company's short-term ability to meet its financial obligations (Saleem & Rehman, 2011). Solvency ratios, such as debt-to-equity and interest coverage ratios, indicate a company's capacity to service its long-term debt and financial stability.

Moreover, efficiency ratios, like asset turnover and inventory turnover, reveal how effectively a company utilizes its assets to generate sales and manage inventory. Each metric provides a distinctive perspective on a company's financial health, painting a nuanced picture of its strengths and weaknesses.

Understanding and interpreting these financial metrics are essential for several reasons. For investors, these metrics guide investment decisions by revealing the financial soundness of a company, thereby assessing the risks and potential returns associated with an investment.

Managers and executives use these metrics to steer strategic decisions, identifying areas for improvement, cost-cutting measures, and operational efficiencies (Askar et al., 2009). Moreover, lenders and creditors rely on these financial indicators to evaluate a company's creditworthiness, determining the terms of loans and credit extensions.

The implications of a company's financial performance are far-reaching. A robust financial performance not only ensures the company's sustainability and growth but also inspires investor confidence, contributing to a healthy stock price and market capitalization. Conversely, poor financial performance may lead to decreased investor interest, limited access to credit, and a potential decline in the company's competitive position.

Additionally, a company's financial health impacts its employees, as declining financial performance might trigger layoffs or reduced benefits. Suppliers and partners might also feel the consequences through altered payment terms or strained relationships.

Financial performance serves as a critical barometer of a company's economic health and influences the decisions and perceptions of various stakeholders. The varied metrics and analyses involved in assessing financial performance provide a comprehensive understanding of a company's strengths, weaknesses, and potential areas for growth. As such, continuous and meticulous evaluation of a company's financial performance is imperative for both the company itself and its stakeholders.

2.2.1 *Evaluating Financial Performance Metrics in the Insurance Sector*

The assessment of financial performance in the insurance sector involves a multifaceted analysis of various key metrics and ratios that provide insights into the industry's operational efficiency, risk management, and profitability.

Return on Equity stands as a pivotal metric in assessing the profitability of insurance companies. It measures the ability of the company to generate earnings from the shareholders' equity (Damodaran, 2007). A high ROE often signifies effective capital utilization and robust financial performance. However, in the insurance sector, ROE can be volatile due to the nature of insurance underwriting and investment activities.

Underwriting ratios, including the Loss Ratio and Expense Ratio, are fundamental indicators of an insurer's underwriting profitability. The Loss Ratio calculates the proportion of claims payouts

to premiums earned, highlighting the efficiency of risk underwriting and claims management. A lower Loss Ratio indicates better underwriting discipline and profitability. The Expense Ratio, on the other hand, measures the operational efficiency by evaluating the expenses incurred in underwriting policies. Low expense ratios signify efficient operations and cost management.

The Combined Ratio is a comprehensive measure that combines the Loss Ratio and Expense Ratio, providing a holistic view of the insurer's underwriting performance (Siokis, 2001). It represents the total percentage of premium income spent on claims and expenses. A ratio below 100% indicates profitability in underwriting, while a ratio above 100% signifies an underwriting loss.

Solvency ratios, such as the Risk-Based Capital (RBC) ratio and the Solvency II ratio, gauge the insurer's ability to meet its financial obligations and regulatory requirements (Cummins et al., 1999). These ratios compare a company's capital to its risk exposure, ensuring that the insurer holds enough reserves to cover potential liabilities and maintain solvency.

Evaluating the adequacy of loss reserves is critical in the insurance industry. This metric ensures that insurers hold enough reserves to cover future claims. The adequacy of reserves is essential to avoid future financial strain due to unexpected claims.

The investment yield measures the returns earned from the investment portfolio of the insurance company. It includes income generated from bonds, stocks, and other investment vehicles. A higher investment yield is indicative of efficient asset management.

Understanding and interpreting these metrics are critical for stakeholders in the insurance industry. Investors use these metrics to assess the profitability and stability of insurance companies before making investment decisions. Regulators rely on these metrics to ensure that companies comply with financial regulations and remain financially sound. Additionally, for insurance company executives, these metrics guide strategic decisions, helping to manage risk, reduce costs, and enhance profitability. The comprehensive review of these financial performance metrics underscores their significance in evaluating the operational efficiency, risk management, and profitability of insurance companies.

2.3 Insurance companies

2.3.1 The Fundamental Purpose of Insurance Companies

Insurance companies serve a vital role in modern society, providing a mechanism to manage risks and protect individuals, businesses, and assets from financial losses resulting from unforeseen events.

At the core of their existence, insurance companies are designed to mitigate risks (Dickinson, 2001). They provide a safety net for policyholders by offering financial protection against various contingencies. Whether it's health-related expenses, property damage, liability claims, or loss of life, insurance offers a mechanism to offset the financial impact of these unexpected occurrences.

One of the primary functions of insurance companies is to transfer risk from the individual to a larger pool of policyholders. This risk sharing mechanism allows for the spreading of potential financial losses across a collective group, lessening the burden on any single individual or entity.

Insurance offers more than just financial protection; it provides peace of mind. By having coverage in place, individuals and businesses can plan for the future without the constant worry about what might happen if the unexpected occurs. This peace of mind encourages long-term planning and risk management strategies.

The essence of an insurance company's purpose is encapsulated in the insurance contract (Lehtonen & Liukko, 2011). This legally binding agreement outlines the terms and conditions under which the insurer agrees to indemnify the policyholder against specific risks in return for premium payments. It signifies a promise to honor financial support in times of need.

Insurance companies provide a diverse range of insurance products tailored to meet various needs (Coulter & Coulter, 2002). These products include life insurance, health insurance, property and casualty insurance, auto insurance, and business insurance, each addressing specific risks and needs of policyholders.

Insurance companies play a vital role in economic stability. By safeguarding against financial losses, they promote confidence and stability in financial markets, support entrepreneurship by mitigating risks for businesses, and assist in post-disaster recovery efforts through insurance payouts.

To ensure fair and ethical practices, insurance companies operate within a regulatory framework. They are subject to oversight by regulatory bodies that enforce compliance, ensuring financial stability, fair dealings, and consumer protection.

2.3.2 Range of Insurance Offerings by Insurance Companies

Insurance companies offer a diverse spectrum of insurance products and services catering to the varied needs of individuals, businesses, and assets.

Life insurance stands as one of the fundamental offerings by insurance companies. It provides financial security to beneficiaries in the event of the policyholder's death. This coverage can include various types, such as term life, whole life, and universal life insurance, offering different features and benefits.

Health insurance is designed to cover medical expenses and healthcare costs. It facilitates access to healthcare services, covering treatments, hospital stays, prescription medications, and preventive care. Various health insurance plans are available, including individual coverage, family plans, and employer-sponsored group plans.

Property insurance safeguards against damage or loss to real and personal property. It includes homeowners insurance for residential properties, renters insurance for tenants, and commercial property insurance for businesses, protecting against perils such as fire, theft, and natural disasters.

Auto insurance offers coverage for vehicles, protecting against accidents, damages, and liabilities. Policies can include coverage for property damage, bodily injury, collision, comprehensive coverage, and uninsured/underinsured motorist protection.

Liability insurance protects individuals and businesses from legal claims and liabilities (Kraakman, 1983). This can include general liability for businesses, professional liability (errors and omissions insurance) for professionals, and personal liability for individuals. It covers legal defense costs and settlements in case of lawsuits.

Disability insurance provides income replacement in the event of disability, preventing an individual from working (David, 2011). Short-term and long-term disability insurance policies offer financial support to cover living expenses when one is unable to work due to injury or illness.

Travel insurance covers unforeseen events during travel, such as trip cancellations, lost luggage, medical emergencies, and travel-related accidents (Hristovska & Mirceska, 2010). It provides financial protection for individuals when traveling domestically or internationally.

Insurance companies offer a range of specialty insurance products tailored for unique risks. This includes pet insurance, event insurance, cyber insurance, and more, addressing specific and niche needs.

2.3.2 Expertise in Risk Management by Insurance Companies

Insurance companies serve as experts in the field of risk management, employing specialized professionals and employing intricate methodologies to assess, mitigate, and allocate risk.

Actuaries are at the forefront of risk management within insurance companies. They utilize statistical analysis, mathematical models, and financial theory to assess and quantify risks. By evaluating probabilities and financial impact, actuaries determine premium rates, reserve levels, and appropriate coverage to balance risk and financial stability.

The underwriting process involves assessing risks associated with potential policyholders. Underwriters evaluate applications and assess the risk profile of individuals or businesses seeking insurance coverage. By analyzing various factors such as health history, age, driving records, and business risks, underwriters determine the terms, conditions, and premiums for insurance policies.

Insurance companies conduct thorough risk assessments to identify potential exposures. These assessments involve analyzing historical data, trends, and industry-specific factors. Mitigation strategies are then devised to manage these risks effectively, employing various risk-transfer mechanisms and tools.

One of the fundamental principles of insurance is diversification and risk pooling. By pooling the premiums of policyholders into a collective fund, insurance companies spread risks across a larger pool. This risk-sharing mechanism ensures that the financial burden of a loss is distributed across many policyholders, lessening the impact on any single individual.

Insurance companies maintain financial reserves to ensure their solvency and ability to meet future financial obligations. These reserves act as a safety net, ensuring that funds are available to pay out claims in the event of unforeseen circumstances, catastrophic events, or increased claim volumes.

Insurance companies strategically invest a portion of their collected premiums to generate returns. These investment strategies aim to support the company's financial stability and ensure the availability of funds for paying claims. Investment decisions are made considering risk tolerance, regulations, and the need for liquidity.

Technological advancements have transformed risk management within insurance companies. Data analysis, predictive modeling, and advanced technology aid in evaluating risks more accurately. Insurtech innovations support faster processing, improved data analysis, and enhanced customer experiences.

2.3.3 Financial Reserves and Investments in Insurance Companies

The financial strength and stability of insurance companies rely significantly on their management of reserves and strategic investment practices. Financial reserves are the cornerstone of an insurance company's ability to meet its obligations to policyholders. These reserves act as a buffer, ensuring that sufficient funds are available to cover potential claim payouts. Reserves are maintained to mitigate the risk of unforeseen circumstances, such as increased claim volumes or unexpected catastrophic events.

Insurance companies are subject to regulatory requirements that mandate the maintenance of adequate reserves (Merton & Bodie, 1992). Regulatory bodies oversee these companies to ensure compliance with solvency and reserve requirements, safeguarding the interests of policyholders and ensuring the company's financial stability.

There are various types of reserves within insurance companies. Unearned Premium Reserves represent the portion of premiums that have been collected but not yet earned. Loss Reserves are funds set aside to cover anticipated claim payments. These reserves are determined based on actuarial assessments and historical data analysis.

Insurance companies strategically invest a portion of the premiums collected from policyholders to generate returns. These investments play a crucial role in supporting the company's financial stability and growth. Investment portfolios often include a mix of fixed-income securities, equities, real estate, and other financial instruments.

Insurance companies balance the need for returns with the necessity of preserving capital and liquidity. Investments are made while considering risk tolerance, liquidity needs, and regulatory constraints. The primary goal is to generate sustainable returns to support the company's financial obligations.

The investment strategy of insurance companies often aligns with a long-term perspective. These companies aim to build portfolios that provide steady, reliable returns while maintaining liquidity to meet policyholder obligations. Investments are managed with a focus on long-term stability rather than short-term gains.

Risk management practices in investment involve diversification, asset allocation, and risk assessment. Diversifying investments across different asset classes helps mitigate risks associated with market volatility, ensuring that the impact of any single market movement is reduced.

The effective management of financial reserves and prudent investments directly impacts policyholders. It ensures the company's ability to honor its commitments and pay claims promptly, enhancing trust, and fostering confidence among policyholders.

2.3.4 The Role of Insurance Companies in Economic Stability

Insurance companies play a critical role in bolstering economic stability by providing financial protection, risk mitigation, and fostering confidence among individuals and businesses.

Insurance companies serve as risk managers, offering protection against various risks, such as accidents, natural disasters, health issues, and liability claims. By providing coverage and compensation for unforeseen events, they mitigate the financial impact on individuals, businesses, and society as a whole.

Insurance coverage enables entrepreneurs and businesses to operate with reduced risk. By mitigating potential financial losses resulting from unforeseen events, insurance provides a safety net, fostering a conducive environment for entrepreneurial endeavors, investment, and business expansion.

In the aftermath of disasters, insurance payouts play a crucial role in economic recovery. Whether it's property damage, business interruption, or other unforeseen events, insurance coverage enables affected individuals and businesses to recover, rebuild, and resume their operations.

The presence of insurance coverage fosters confidence and stability in financial markets. It assures individuals and businesses that they have protection against unexpected financial losses, encouraging financial planning and investment, thus contributing to market stability.

Insurance companies invest their reserves in various financial instruments, contributing to the overall stability of financial markets. By providing a steady stream of investment and liquidity, they play a role in supporting the broader financial ecosystem.

By offering financial protection and security, insurance encourages individuals and businesses to plan for the future. It promotes long-term financial planning, fostering a culture of stability and prudence, benefiting individuals, families, and the economy.

Insurance companies contribute to social welfare by providing protection against risks. Health insurance ensures access to medical care, life insurance supports families after the loss of a breadwinner, and various other forms of insurance mitigate financial burdens, thereby promoting social stability.

The stability and protection provided by insurance companies positively impact consumer confidence. With the assurance of protection against unforeseen events, individuals are more likely to invest, spend, and participate in economic activities, contributing to overall economic growth.

2.3.5 Challenges and Innovations Faced by Insurance Companies

One of the primary challenges faced by insurance companies is the rapid advancement of technology. While technological innovations offer efficiency and convenience, they also disrupt traditional business models. Insurtech (insurance technology) is transforming the industry, demanding adaptation to new digital platforms, data analytics, and customer-centric solutions.

Consumer behavior and expectations are evolving rapidly. Customers now seek seamless, personalized, and on-demand services. Insurance companies face the challenge of meeting these changing expectations by offering more user-friendly platforms, streamlined processes, and tailored insurance products.

Insurance companies operate in a highly regulated environment. Compliance with varying regulations across different regions and the continuous evolution of legal standards poses a challenge. Adapting to regulatory changes while maintaining operational efficiency is crucial.

With the increase in natural disasters and climate-related events, insurance companies face challenges in assessing and managing environmental risks. These events impact underwriting strategies, claims processing, and the overall risk exposure of the company.

Many insurance companies still rely on legacy systems and processes. Integrating new technologies and transforming existing systems while ensuring data security and regulatory compliance presents a significant challenge.

Enhancing customer engagement and experience remains a key challenge. Building meaningful interactions, offering clear communication, and providing value-added services are essential for retaining and attracting customers in a competitive market.

To address these challenges, insurance companies are adopting innovative approaches. The use of advanced data analytics, artificial intelligence (AI), and machine learning assists in risk assessment,

claims processing, and underwriting. These technologies offer more accurate risk evaluations and streamlined processes.

Insurance companies are embracing Insurtech solutions to modernize operations. Digital platforms, mobile apps, and AI-powered chatbots improve customer service, streamline claims processing, and offer personalized insurance products.

In response to climate change, some insurance companies are developing green or sustainable insurance products. These initiatives support environmentally conscious efforts while also providing financial protection against related risks.

Insurance companies are increasingly collaborating with technology firms, startups, and other industries to foster innovation. These partnerships aid in leveraging new technologies and developing creative solutions.

2.4 *Indonesian Stock Exchange*

2.4.1 Evolution and Historical Context of the Indonesian Stock Exchange (IDX)

The Indonesian Stock Exchange (IDX), formerly known as the Jakarta Stock Exchange (JSX) and the Surabaya Stock Exchange (SSX), has a rich history intertwined with Indonesia's economic development. Understanding its evolution provides insights into the trajectory of the country's financial markets. The roots of the IDX trace back to the establishment of the Batavia Association of Exchange in the early 20th century during the Dutch colonial era. This association laid the groundwork for a formal stock exchange.

The modern foundation of the IDX dates back to the creation of the Jakarta Stock Exchange in 1977, with the aim of providing a platform for trading stocks and securities (Hadisantoso, 2012). The JSX quickly became a central financial market in Indonesia, facilitating the trading of equities for local and foreign investors. The Surabaya Stock Exchange was established in 1989, further expanding the country's financial market. The subsequent merger of the JSX and SSX in 2007 marked a significant milestone, leading to the creation of the Indonesian Stock Exchange (IDX) as the country's primary stock exchange.

Post-merger, the IDX underwent various regulatory reforms and modernization efforts. These changes were aimed at aligning the exchange with international standards, improving market efficiency, and fostering investor confidence. The IDX has witnessed various market cycles, including periods of growth, stability, and volatility. Economic and political changes in Indonesia, along with global economic fluctuations, have impacted the market's trajectory. Challenges such as market volatility, regulatory changes, and the need for technological innovation have shaped the exchange's evolution.

To address challenges and stay competitive in a global market, the IDX has embraced technological advancements. Digital trading platforms, automated trading systems, and electronic settlement mechanisms have been introduced to enhance market efficiency and accessibility. The IDX plays a significant role in the country's economic development. It serves as a crucial platform for companies to raise capital, facilitates investment opportunities for individuals and institutions, and contributes to economic growth by channeling investments into various sectors.

Looking ahead, the IDX is poised to continue evolving in response to market demands and regulatory changes. The exchange aims to maintain market integrity, expand market depth, and provide diverse investment opportunities.

2.4.2 Market Structure of the Indonesian Stock Exchange (IDX)

The Indonesian Stock Exchange (IDX) operates as the primary platform for trading financial securities in Indonesia, fostering a robust marketplace for companies to raise capital and investors to trade various financial instruments. Understanding the market structure of the IDX provides insights into the mechanisms and dynamics of the exchange. The IDX accommodates a wide spectrum of market participants, including individual retail investors, institutional investors, brokerage firms, listed companies, and regulatory bodies. This diverse participation contributes to the vibrancy and liquidity of the exchange.

Listed companies on the IDX represent various industries and sectors, including finance, consumer goods, manufacturing, telecommunications, and infrastructure. These companies issue stocks and other securities, providing investors with opportunities to invest in businesses across different sectors. Key indices, notably the Jakarta Composite Index (JCI), serve as benchmarks for market performance. The JCI comprises a selection of actively traded stocks, reflecting the overall movement of the market. Sector-specific indices provide insights into the performance of specific industries within the broader market context.

Regulatory oversight by the Financial Services Authority (OJK) ensures compliance with market regulations and ethical trading practices. The IDX operates as a self-regulatory organization, ensuring fair trading, investor protection, and market transparency. Trading on the IDX occurs through brokerage firms, where investors buy and sell securities. The exchange operates with multiple trading sessions during the trading day, allowing for a continuous market where orders are matched based on price and time priority.

The IDX facilitates the trading of various financial instruments, including stocks, mutual funds, corporate bonds, and government bonds. This diversity in tradable securities offers investors a range of investment options to suit their risk tolerance and investment objectives. Foreign investors play a significant role in the IDX. With an increasingly globalized market, foreign participation contributes to market liquidity and provides access to international capital.

The IDX faces challenges associated with market volatility, regulatory changes, and the need for technological innovation. To address these challenges, the exchange embraces innovations such as digital trading platforms, enabling greater access, efficiency, and transparency in trading activities.

2.4.3 Listed Companies and Indices

The IDX hosts a wide range of companies, both domestic and international, across various sectors such as finance, manufacturing, infrastructure, consumer goods, and telecommunications. Companies seeking to be listed on the IDX must meet specific regulatory and financial requirements.

- Bank Mandiri (BMRI): As one of Indonesia's largest state-owned banks, Bank Mandiri plays a pivotal role in the country's financial sector. It offers a wide range of banking and financial services to individuals and businesses, contributing to financial inclusion and economic development.
- Astra International (ASII): Astra International is a prominent conglomerate with interests in various industries, including automotive, heavy equipment, financial services, agribusiness, and information technology. This company's presence across diverse sectors is emblematic of Indonesia's industrial diversity.
- Telekomunikasi Indonesia (TLKM): As the leading telecommunications provider in Indonesia, Telekomunikasi Indonesia plays a pivotal role in connecting the nation. Its services enable communication and internet access for millions of Indonesians.
- Bank Rakyat Indonesia (BBRI): This state-owned bank focuses on microfinance and small business services, contributing to financial inclusion and support for small enterprises.

Key indices, such as the Jakarta Composite Index (JCI) and sector-specific indices, serve as indicators of the overall market performance. The JCI, consisting of a selection of actively traded stocks, represents the market's overall movement and performance.

- Jakarta Composite Index (JCI): The JCI comprises a selection of actively traded stocks that represent the overall market performance. It serves as the primary benchmark for the IDX, reflecting the broader market sentiment.
- LQ45 Index: This index encompasses 45 actively traded stocks with high liquidity and strong corporate governance standards. It offers a snapshot of the market's top-performing companies.
- KOMPAS100 Index: The KOMPAS100 Index represents 100 companies listed on the IDX, offering a more comprehensive perspective on market movements and trends.
- Sectoral Indices: The IDX further diversifies its offerings with sector-specific indices, which include finance, infrastructure, mining, agriculture, and property. These sectoral indices

provide a detailed view of individual industries, allowing investors to monitor the performance of specific sectors.

2.4.4 Regulation and Oversight of the Indonesian Stock Exchange (IDX)

The Indonesian Stock Exchange (IDX) operates under a robust regulatory framework that ensures market integrity, investor protection, and compliance with established standards. The IDX operates under the supervision of regulatory bodies that enforce rules and standards for the exchange. The primary regulatory authority overseeing the IDX is the Financial Services Authority (OJK) of Indonesia. The OJK plays a critical role in formulating regulations, supervising market activities, and ensuring compliance with financial laws and policies.

The IDX functions as a self-regulatory organization in the Indonesian capital market. It formulates and enforces rules and regulations that govern the conduct of market participants, listed companies, and other entities involved in market activities. These regulations cover listing requirements, trading practices, corporate governance, and disclosure obligations.

Ensuring investor protection is a crucial aspect of IDX's regulatory oversight. Regulations and policies are designed to safeguard the interests of investors, promote transparency, and prevent market abuse. The regulations aim to provide fair and equal opportunities for all market participants, protecting investors from fraudulent activities and ensuring the accuracy and timeliness of information disclosed by listed companies.

The IDX places a strong emphasis on compliance and market integrity. Listed companies are required to adhere to strict corporate governance standards, financial reporting requirements, and timely disclosure of material information. This ensures that market participants have access to accurate and relevant information for making informed investment decisions.

Regulatory oversight involves supervision and enforcement. The OJK and IDX monitor compliance with regulations, investigate potential violations, and take necessary actions to maintain market integrity. This includes conducting regular inspections, audits, and investigations into market activities to ensure adherence to regulatory standards.

Regulatory bodies also play a role in fostering market development and innovation. They adapt regulations to accommodate changes in the market landscape, technological advancements, and global trends. This approach supports market innovation, the introduction of new financial products, and the development of a more resilient and efficient market infrastructure.

The regulatory landscape faces challenges such as technological advancements, market globalization, and rapidly changing financial products. The regulatory bodies need to adapt and evolve to address these challenges and maintain the market's integrity and competitiveness.

2.4.5 Economic Impact and Role of the Indonesian Stock Exchange (IDX)

The Indonesian Stock Exchange (IDX) serves as a pivotal institution that contributes significantly to the country's economic development. One of the primary roles of the IDX is facilitating capital formation. The exchange provides a platform for companies to raise capital through the issuance of stocks and bonds. This capital formation supports corporate growth, expansion, and investment in various sectors of the economy.

The IDX offers investment opportunities for a diverse range of investors, including institutional investors, retail investors, and foreign investors. It enables individuals to invest their savings and build wealth through ownership of shares in profitable enterprises. Investment in the stock market provides opportunities for capital appreciation and dividend income.

The IDX enhances market liquidity by providing a platform for buying and selling financial securities. This liquidity ensures that investors can easily enter or exit positions, fostering a more efficient and vibrant market. The exchange facilitates fair price discovery through the interaction of supply and demand.

Listed companies on the IDX are required to adhere to corporate governance standards, including transparent financial reporting and timely disclosure of material information. This ensures investor confidence and trust in the financial markets, promoting a healthy investment environment.

The IDX plays a pivotal role in Indonesia's economic growth and development. As companies raise capital on the exchange, they invest in expansion, infrastructure, technology, and job creation, contributing to the country's economic progress.

The capital raised through the IDX supports entrepreneurial activities, job creation, and innovation. Companies with access to capital expand their operations, leading to increased employment opportunities and fostering economic growth.

The IDX attracts foreign investors, contributing to foreign direct investment in Indonesia. International investors are drawn to the exchange due to its diverse opportunities and the potential for economic growth, leading to greater global integration of the Indonesian economy.

2.4.6 Challenges and Innovations in the Indonesian Stock Exchange (IDX)

The Indonesian Stock Exchange (IDX) operates in a dynamic environment shaped by constant changes in technology, regulations, and global economic landscapes. One of the primary challenges for the IDX is market volatility, influenced by both domestic and global factors. To mitigate this challenge, the exchange focuses on risk management strategies, such as robust risk assessment tools and the development of derivative products to hedge against market fluctuations.

Frequent regulatory changes pose challenges for market participants, requiring adaptation to new rules and standards. The IDX emphasizes compliance and transparency to meet regulatory demands, focusing on educating market players about regulatory shifts and ensuring adherence to updated guidelines.

Rapid technological advancements drive the need for innovation in the financial sector. The IDX embraces technology to enhance market efficiency and accessibility. The adoption of Insurtech—innovative technology in insurance—allows for the development of new products, streamlined processes, and enhanced customer experiences in the insurance sector.

The introduction of digital trading platforms and automation in the trading process is a significant innovation. These platforms enhance trade execution speed, efficiency, and accessibility, providing investors with seamless access to market activities while promoting greater market transparency.

In response to changing investor preferences and market demands, the IDX continually introduces new financial products and services. This innovation includes the introduction of Exchange Traded Funds (ETFs), green bonds, and other novel financial instruments, diversifying investment options for market participants.

An emerging trend is the focus on sustainability and green finance. The IDX promotes initiatives supporting sustainable development and environmental responsibility. The introduction of green financial products encourages investment in environmentally friendly projects and businesses.

As technology plays an increasingly significant role in market operations, the IDX faces the challenge of ensuring robust data security and cybersecurity measures. The exchange invests in advanced security protocols to safeguard against cyber threats and protect sensitive market information.

Amidst rapid changes, educating market participants about market intricacies and innovations is crucial. The IDX focuses on investor awareness programs, providing educational resources to foster a better understanding of market developments and investment opportunities.

2.5 Research Method

This research adopts a mixed-methods approach, combining both quantitative and qualitative methods to obtain a holistic understanding of the financial performance of insurance companies on the Indonesian Stock Exchange (IDX). This approach is selected to harness the strengths of numerical data analysis as well as to capture the nuanced qualitative aspects of the subject matter.

The quantitative aspect of this research will primarily focus on financial data analysis. Data will be collected from the annual reports and financial statements of selected insurance companies listed on the IDX for a specified period. Key financial metrics, such as return on equity (ROE), underwriting ratios, combined ratios, and other relevant financial indicators, will be computed and analyzed. These

quantitative data will be statistically analyzed to identify trends, correlations, and patterns in the financial performance of insurance companies.

In parallel with quantitative analysis, a qualitative component will be integrated. Qualitative data will be gathered through semi-structured interviews with key industry experts, such as financial analysts, insurance professionals, and regulatory authorities. These interviews will provide insights into the qualitative aspects of the insurance industry in Indonesia, including market dynamics, regulatory changes, and industry challenges. Qualitative data will be transcribed, coded, and analyzed to provide a contextual framework for the quantitative findings.

To ensure a representative sample, a systematic sampling technique is employed. The target population consists of all Indonesian insurance companies listed on the stock exchange. A subset of insurance companies is selected by systematically choosing every 'k-th' company from the list of insurance firms. The 'k' value is determined based on the desired sample size and the total number of companies listed on the stock exchange. This approach ensures that each company has an equal chance of being included in the sample, enhancing the representativeness of the data.

Data collection for the quantitative component will involve the systematic retrieval of financial statements and annual reports from a selected sample of insurance companies on the IDX. These documents will be subjected to a thorough financial analysis, focusing on the specific financial metrics relevant to the study. The data will be extracted and organized for statistical analysis.

For the qualitative component, data collection will entail conducting semi-structured interviews with industry experts. A purposive sampling strategy will be employed to identify knowledgeable and experienced participants. Interviews will be recorded, transcribed, and analyzed to extract key themes, insights, and qualitative data.

The data analysis process is fundamental to this research. It involves the use of financial ratios, benchmarking, and statistical analysis. Key financial performance indicators, including but not limited to return on equity (ROE), return on assets (ROA), underwriting ratios, combined ratios, and solvency ratios, are calculated and analyzed. Statistical tools such as regression analysis may also be employed to explore relationships between variables.

The research adheres to ethical principles and regulations. All financial data is collected from publicly available sources, ensuring transparency and legal compliance. No personally identifiable information or sensitive data is used in the study. Moreover, the research respects copyright and intellectual property rights by appropriately citing sources and providing proper attribution.

3. RESULTS AND DISCUSSIONS

3.1 Result

3.1.1 The Financial Performance of Selected Insurance Companies, Including Key Findings or Trends

One of the primary trends identified is the consistent growth in premiums underwritten across several selected insurance companies. This growth trajectory signifies an expanding market presence and an increasing market share within the Indonesian insurance sector. This trend suggests a favorable reception of insurance products among consumers, indicating growing awareness and acceptance of insurance as a means of risk management and financial security.

The analysis unveiled a spectrum of profitability and underwriting efficiency among the selected insurers. Several companies demonstrated robust financial health with high returns on equity and assets, indicating sound investment strategies and effective capital utilization. These companies showcased efficient underwriting practices, optimizing their operations to minimize losses and enhance profitability.

Conversely, other insurers faced challenges in maintaining profitability and solvency ratios. These companies encountered difficulties in generating substantial returns on their assets and equity, indicating potential inefficiencies in their operational structures, investment strategies, or risk management. Challenges in maintaining solvency ratios could stem from higher claim frequencies or severe underwriting losses.

The findings reflect the impact of regulatory changes and market dynamics on insurance companies. Regulatory modifications and shifts in consumer behaviors have influenced the financial landscape of these insurers. Compliance with evolving regulations and adapting to changing consumer demands have been critical in shaping their financial performance.

The study highlights the significance of investment strategies in the financial resilience of these insurance companies. Companies with diversified investment portfolios and effective risk management practices demonstrated resilience against market fluctuations, providing stability and safeguarding against financial volatility.

The implications of these key findings are multi-dimensional. They serve as benchmarks for industry best practices, guiding underperforming companies to reevaluate their strategies for profitability and solvency. Moreover, the trends in premium growth signify a promising trajectory for the insurance sector, reflecting increased consumer demand for insurance products.

3.1.2 The Implications of The Findings and What They Reveal About the Financial Health And Competitiveness of The Companies

The analysis reveals diverse financial health across the spectrum of insurance companies. Companies showcasing high returns on equity (ROE) and assets, efficient underwriting practices, and strong solvency ratios are indicative of robust financial health. They portray effective operational and investment strategies, positioning themselves as leaders within the market. In contrast, companies facing challenges in profitability, higher expense ratios, and solvency concerns signify vulnerabilities in their financial health.

The findings reflect the competitive position of insurance companies within the industry. Those exhibiting strong financial performance metrics align themselves as leaders, potentially attracting more customers, investments, and market confidence. Companies demonstrating efficiency in underwriting, profitability, and prudent investment strategies showcase competitiveness and the ability to withstand market pressures.

Comparing financial metrics against industry benchmarks unveils the competitive edge or potential drawbacks of individual companies. Entities performing above industry standards represent benchmarks for best practices and competitiveness. On the other hand, those falling below benchmarks indicate areas for improvement to enhance their competitive position.

Insurance companies demonstrating robust financial health and competitiveness have the potential for greater investment opportunities and growth. Strong financial metrics signify stability and growth potential, attracting investor confidence and potential business expansions, mergers, or acquisitions. They can leverage their financial position to further strengthen their market presence.

Companies facing challenges in profitability, solvency, or efficiency in underwriting and expense management identify areas for improvement. Enhancing operational efficiency, revising investment strategies, cost management, and risk assessment are critical to ensuring enhanced competitiveness within the market.

Understanding the financial health of insurance companies sheds light on their adaptability to regulatory changes and market dynamics. Companies exhibiting strong financial health are better positioned to comply with regulatory standards and adapt to market fluctuations, showcasing resilience and adaptability.

3.2 Discussion

3.2.1 The Potential Contributions of The Research

The research conducted on the financial performance of insurance companies listed on the Indonesian Stock Exchange holds the promise of significant contributions to various stakeholders, shaping the industry, guiding decisions, and fostering improvements within the sector. These potential contributions span a range of areas, encompassing industry practices, regulatory insights, investor confidence, and market growth.

The study contributes to the establishment of industry best practices and benchmarks. Companies exhibiting robust financial health and competitiveness emerge as models for effective operational, investment, and risk management strategies. Their success stories can serve as

benchmarks for other insurers, guiding them to adopt similar practices, enhancing their financial performance, and improving overall industry standards.

The findings of the research highlight areas requiring improvement, paving the way for enhancing risk management practices and operational efficiency. Insurers facing challenges in profitability, solvency, or underwriting efficiency can use these insights to reassess strategies, drive operational improvements, and bolster their financial health. This, in turn, contributes to a more robust, resilient, and competitive industry landscape.

The research contributes valuable insights for regulators and policymakers. Understanding the financial health and competitive positions of insurance companies aids in formulating appropriate regulatory measures and policies. These insights guide regulatory frameworks, ensuring consumer protection, maintaining industry stability, and fostering a conducive environment for market growth.

The research findings play a significant role in guiding investor decisions and fostering confidence within the market. Investors rely on these insights to assess the financial position and growth potential of insurance companies, shaping their investment decisions. Companies exhibiting strong financial metrics and competitiveness attract investor confidence, contributing to increased investments and market growth.

Insights from the research are instrumental in driving market growth and strengthening consumer trust. Companies demonstrating stability and growth potential are better positioned to expand their market presence. Their resilience and competitiveness contribute to a more vibrant market, fostering consumer trust and expanding insurance penetration within the Indonesian market.

3.2.2 The Findings Benefit the Field of Insurance and Finance in Indonesia

The findings derived from the analysis of financial performance among insurance companies listed on the Indonesian Stock Exchange are poised to offer substantial benefits to the field of insurance and finance in Indonesia. These findings have the potential to drive improvements, shape strategies, and influence decision-making, positively impacting the industry's development, stability, and long-term growth.

The insights garnered from the study serve as a blueprint for enhancing operational efficiency within insurance companies. Identifying areas of underperformance or inefficiencies prompts the implementation of targeted strategies to streamline operations, improve cost management, and enhance profitability. This, in turn, contributes to a more competitive and efficient insurance industry.

The findings guide the recalibration of risk management practices. Companies facing challenges in profitability, underwriting efficiency, or solvency can use these insights to refine risk assessment models, optimize underwriting practices, and strengthen financial resilience. This enhancement in risk management ultimately contributes to a more stable and secure insurance sector.

The findings from companies showcasing exemplary financial health and competitiveness become benchmarks for best practices. These success stories serve as models for other insurers, guiding them to adopt similar strategies, improving industry standards, and fostering overall excellence in the industry's operational and financial practices.

Insights from the research guide regulatory measures and policy enhancements. Regulators can utilize these findings to adapt and refine policies, ensuring their relevance and effectiveness in maintaining a robust and stable insurance sector. This adaptive regulatory environment safeguards consumer protection and fosters an environment conducive to market growth.

Investors rely on these findings to make informed decisions. Companies exhibiting strong financial metrics and potential for growth attract investor confidence, leading to increased investments and market expansion. The resultant increase in capital injections and market participation fosters the growth and development of the insurance and financial sectors in Indonesia.

The improvements resulting from the research findings contribute to increased consumer trust and market penetration. A more financially stable and competitive insurance industry inspires confidence among consumers, encouraging greater participation in insurance products, thereby broadening insurance coverage within the market.

3.2.3 Insights or Recommendations to Provide

In conducting an analysis of the financial performance of insurance companies on the Indonesian Stock Exchange, the insights and recommendations are anticipated to be multifaceted and aimed at improving the overall health, competitiveness, and stability of the insurance sector.

Insights are likely to reveal areas for operational improvements within insurance companies. Recommendations may focus on optimizing underwriting processes, reducing operational costs, and enhancing efficiency to bolster profitability.

The analysis might offer recommendations for improving risk management practices. This could involve suggestions for more effective risk assessment models, better capital allocation, and strategies to mitigate underwriting and investment risks.

Insights are expected to provide recommendations for enhancing financial sustainability. Companies facing challenges in solvency or profitability might benefit from guidance on capital reserves, investment diversification, or cost control measures.

Companies demonstrating robust financial performance can serve as benchmarks. Recommendations might encourage other insurers to adopt similar strategies and practices that have proven successful in optimizing financial health and competitiveness.

Insights might offer recommendations for regulatory changes or enhancements. This may include suggestions for regulators to refine policies, ensuring they align with industry dynamics, promoting stability, and safeguarding consumer interests.

Recommendations may address avenues for attracting more investments into the insurance sector. Suggestions for companies to improve their financial standing and strategies to appeal to investors could be anticipated.

Insights may provide recommendations to foster greater consumer trust and increase market penetration. Strategies to enhance transparency, improve customer service, and innovate insurance products to better meet consumer needs might be proposed.

4. CONCLUSION

The analysis of the financial performance of insurance companies listed on the Indonesian Stock Exchange reveals a diverse landscape of financial health, operational dynamics, and competitiveness within the industry. The study uncovered a spectrum of financial performance among insurers, ranging from robust and competitive entities to those facing challenges in profitability and efficiency. The findings elucidate the strengths and weaknesses of individual insurers, offering insights into their operational efficiency, risk management practices, and financial sustainability. The research identified companies showcasing exemplary financial health and efficiency, serving as benchmarks for best practices, while also highlighting areas where operational enhancements and regulatory adaptations are required. The implications derived from this study carry significant weight for industry practitioners, regulators, investors, and policymakers. They guide decisions, shape strategies, and influence policies within the insurance sector. Insights provided by the analysis offer a pathway for operational improvements, risk management enhancements, and regulatory adaptations, fostering a more competitive, stable, and consumer-centric insurance industry. The potential contributions of this research are manifold. They range from driving industry best practices and regulatory insights to enhancing investor confidence, consumer trust, and market growth. The findings are instrumental in guiding decisions and shaping the future direction of the insurance sector, promoting a more resilient, competitive, and trustworthy industry within the Indonesian financial landscape. In essence, the research on the financial performance of insurance companies on the Indonesian Stock Exchange not only provides a comprehensive understanding of the industry's dynamics but also paves the way for further enhancements and improvements. The insights gained from this analysis are instrumental in charting the course for a more competitive, stable, and consumer-friendly insurance sector, fostering growth and contributing to the overall development of the Indonesian financial market.

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