ABSTRACT

AN ANALYSIS FINANCIAL COMPETENCY OF LIFE INSURANCE COMPANIES IN INDONESIA

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The health level of life insurance can be observed from financial ratio, which is commonly used as the base for evaluating the health of life insurance, can be calculated. The analyzed financial ratio is beneficial for setting up the life insurance companies rating accurately.

People studying a company’s accounts and financial statements can learn about the organization’s financial activities and can project in a more informed way what the company’s financial prospects might. By analyzing these reports, a company’s management can identify problem areas in company activities and can develop appropriate strategies for improving performance. Insurance consumers are concerned with the company’s ability to survive and meet its future obligations.

The purpose of this study is to find out the financial health of life insurance companies in Indonesia, make a map of insurance companies in Indonesia based on their financial health and their quality ratings. This study uses biplot analysis map insurance companies. Data are collected using secondary sources, including publicly financial statements, press coverage, regulation and new legislation, law suit filling and court decision. This research studies 30 life insurance companies existing as of September 2004.

The result of this study showed that over all the life insurer companies operated in Indonesia are not finally sound in liquidity, solvency and profitable aspects. It is also found that they are operated in a lawful basis in accordance with the existing regulation started by the government, e.g. Departement of Finance of the Republic of Indonesia.