SUMMARY

FAISAL AZMI. Determinants of Profitability of General Insurance Companies in Indonesia: An Analysis of Firm-Specific and Macroeconomics. Supervised by TONY IRAWAN and HENDRO SASONGKO.

This study aims to analyze the characteristics of profitability and determine the factors that affect profitability in Indonesia's general insurance companies. During 2013 to 2017, the profitability of Indonesia's general insurance companies tended to decline even though the income received continued to increase. Profitability is an indicator that reflects the sustainability of the company, with the decline of profitability indicates that continuity is getting lower.

This research uses descriptive analysis to see the dynamics of profitability of general insurance companies and panel data regression analysis to determine factors that affect and the effect of these factors profitability in Indonesia's general insurance companies. The criteria of the company used as a sample are registered with the OJK and have complete financial reports from 2013 to 2017. The companies that were determined as samples were 40 companies from a population of 79 companies.

The results of this study are Firm Size, Liquidity Ratio, Equity Growth, Underwriting Result, Return on Investment, Input Cost, Claim Ratio, Technical Ratio, Economic Growth Rates, and Bank Indonesia Rates that influence the profitability of general insurance in Indonesia measured using Return on Assets (ROA). Factors that can increase ROA are Firm Size, Liquidity Ratio, Equity Growth, Underwriting Result, Return on Investment, Economic Growth Rates, and Bank Indonesia Rates because it has a positive effect on ROA, while the factors that negatively influence ROA are Input Cost, Claim Ratio, and Technical Ratio.

Managerial implications that can be taken into consideration for management of general insurance companies include Non-SOE (Stated-owned Enterprise) general insurance companies that can adapt Good Corporate Governance (GCG) applied by SOE companies to reduce the cost of the business that continues to increase. Then the strategy used by public companies in underwriting and investment activities as an example to improve underwriting results and investment returns. Furthermore, there needs to be reconsideration in conducting joint ventures because the profitability performance tends to be low in the last five years.

The effort that general insurance companies can be used to increase profitability is to maintain the growth of assets owned, liquidity and equity growth. The next effort is to improve the quality of risk assessment, evaluation of investment portofolios in order to increase company profits. In addition, companies can implement GCG in order to reduce operating expenses and maintain adequate technical reserves.

Keywords: firm specific, general insurance, macroeconomics, profitability, return on assets