International Journal of Applied Management and Business
Vol.1, No.1, 2023
ISSN 2961-7367
pp. 9-25

https://journal.adpebi.com/index.php/IJAMB

Claim Paying and Reinsurance on Company's Financial Health

Markonah Markonah[1] , Sriani Silalahi[2] and Irma Selliamanik[3]
[1,2,3)] Economic and Business Faculty, Perbanas Institute, Jakarta, Indonesia
markonah@perbanas.id, Irma.selliamanik@gmail.com

ARTICLE INFO

Research Paper

Article history:
Received: 12 November 2022
Revised: 15 December 2022
Accepted: 25 January 6, 2023

Keywords: Claim Payment, Reinsurance, Company's Financial Health (Solvability)

DOI:
https://doi.org/10.54099/ijamb.v1i1.459

ABSTRACT

Purpose – This research was conducted with the aim of analyzing the effect of claim payments and reinsurance on the company's financial health (Solvability) Asuransi Prudential Indonesia..
Methodology/approach – This research method uses descriptive, associative, and causal methods with a quantitative approach. The population used is Prudential Indonesia's 2006-2021 Annual Financial Report with a total of 16 data. The sampling technique is saturated sampling, so that the sample is 16 data. Data collection techniques with library research and documentation and processed using IBM SPSS.
Findings – The data analysis technique used is multiple linear regression with the equation Y = 3.668 + 0.0000006263(X1) + 0.0000001706(X2). The research results show: a) Payment of claims has a significant positive effect on the company's financial health (solvency) Asuransi Prudential Indonesia b) Reinsurance has no effect on the company's financial soundness (solvency) Asuransi Prudential Indonesia c) multiple linear analysis results. d) The R square value of the coefficient of determination which is the effect of claim payments and reinsurance on the company's financial health (solvency) Asuransi Prudential Indonesia is 49.20%.
Novelty/value – The higher the payment of claims reflects the higher operational activities so that the financial health is high, so that operational activities need to be improved. Keywords: Claim Payment, Reinsurance, Company's Financial Health (Solvability).

INTRODUCTION

One of the non-bank institutions has a function that is almost similar to bank companies in general, namely companies engaged in service services. The insurance company is one of the non-bank companies. Insurance companies ease the burden on consumers in overcoming risks that may occur in the future. Insurance companies have different characteristics with non-insurance companies such as claims, reinsurance, and underwriting. As a financial institution, insurance companies are required to have healthy finances in accordance with government laws and regulations. The function of healthy finance is so that the public / consumers can be sure of the safety of funds / money spent on insurance products (Herman, 2021; Iskamto, 2015; Iskamto et al., 2022; Jayaprawira et al., 2022; Roni, 2022).
Insurance functions to provide guarantees and protection against risks that will be faced by consumers/community so that it can support development stability, as one of the collection of public

funds, and also a provider of funds for national economic development. Types of insurance can be divided into several sections, namely: health insurance, life insurance and education insurance. The benefit of insurance in general is the use of future investments such as education costs, life insurance, and health. With developments in the economic and technological fields, the risks that threaten human needs will become even greater. Those risks come in no way expected. Therefore, companies and even individuals hold coverage for things that are considered valuable, such as goods, loans, health and even for their own souls (Febrina & Fitriana, 2022; Sampurnaningsih & Ikhsyan, 2022; Sunaryo, 2022).

Article 246 of the Criminal Code of the Republic of Indonesia reads that: "Insurance or coverage is an agreement, by which an insurer binds himself to the insured by accepting a premium, to provide reimbursement to him for a loss, damage or loss of expected profit, which he may suffer because of an unspecified event." The coverage agreement is a mutual bond of value between the two parties, where each party has an obligation to pay a premium, the amount of which has been determined by the insurer. While the insurer has the obligation to compensate for losses suffered by the insured. This relationship is a general view for a coverage agreement activity in insurance.

Regulation of the Financial Services Authority (POJK) at number 71/POJK.05/2016 article 3 concerning the Financial Health of Insurance Companies and Reinsurance Companies in the Solvency Level section, reads: "Insurance companies are required to meet a minimum solvency level of 100% (one hundred percent) of MMBR (Equity Capital). Risk-Based Minimum).

Claim costs are costs incurred by the insurer as the responsibility for the protection of benefits provided to the insured in accordance with the risks that have occurred before being insured. Claim expenses incurred by insurance companies are generally expenses related to disbursements made by customers, including approved claims, claims in the settlement process and claims that have been applied but have not been reported. Research related to Claims of Earnings has been carried out by several researchers. Which resulted in Claim costs having no effect on profits (Nurhayati and Noprika, 2020), whereas based on Riani (2014) Cost Claims have a significant negative effect on profits. According to Nurhayati and Noprika (2020), investment returns are the result of insurance company operations that collect a certain amount of money to be delivered to insurance participants. Investment returns appear after the investment income is deducted by the investment costs that are directly related. Companies that invest their assets properly will get high investment returns, so that the number of companies will be able to increase the assets to be reinvested. Research on return on investment for profits has been carried out by several researchers. Investment returns have an insignificant negative effect on profits (Dhaniati, 2011), whereas according to Nurhayati & Noprika (2020) Investment returns have a significant effect on profits.

Risk Based Capital is the ratio of capital adequacy to risk borne and one of the main indicators in assessing the stability of an insurance company, especially with regard to solvency or the company's ability to fulfill all of its obligations (Suranto & Walandouw, 2018). Based on the Regulation of the Minister of Finance of the Republic of Indonesia Number 53/PMK.010/2012, it has been stated that the target level of solvency that must be owned by each insurance company is at least 120 percent of the minimum risk-based capital. Capital Risk-Based Research (RBC) on profits has been carried out by several researchers. Sastri et al. (2017) explains that Risk Based Capital (RBC) has a significant positive effect on insurance company profits

In insurance companies, the solvency level is also known as Risk Based Capital (RBC). High Risk Based Capital (RBC) indicates that the insurance company is in good condition financially. However, if the Risk Based value The low capital (RBC) of an insurance company is an indication that the insurance company is not doing well financially. Carelessness in increasing the amount of capital or

Risk Based Capital (RBC) and managing an insurance company can have a major impact on the solvency of an insurance company. Reduced prudent principles in analyzing a business risk (market struggle) which eventually increases the volume of claims and erodes existing capital so that the financial health of insurance companies will decrease.

Insurance companies will always try to increase their capital and RBC ratio. This aims to comply with regulatory requirements, increase company capacity, marketing, promotional tools in marketing insurance products. This is shown by the pros and cons of regulations regarding capital. The financial health of an insurance company is a benchmark for claim payment performance, because with healthy and even good finances, the payment of claims to the insured will go well. Based on existing ideas and theories, the authors are interested and willing to conduct a study entitled "The Influence of Claim Payment and Reinsurance Performance on the Level of Financial Soundness (Solvability) of Prudential Insurance Companies".

Formulation of the problem

A good insurance company must always be ready and able to meet demand for claims from its customers, this is done to maintain the solvency of the insurance company at a healthy level. The ability of the insurance company to endure and handle future risks is very important for the survival of the insurance company. Management of assets and capital also needs to be a concern in order to get the maximum profit. Based on these problems, the researchers formulated the problem as follows: 1). Is there any influence between the performance of claim payments on the financial health of insurance companies, 2). Is there any effect of reinsurance on the financial health of the insurance company, 3). Is there any influence between the performance of claim payments and reinsurance on the financial health of insurance companies.

Research purposes

The research objectives regarding the effect of insurance financial health on claim payment performance are as follows: 1) Analyze the effect of claim payment performance on insurance company financial health (Solvency). 2). Analyzing the effect of reinsurance on the financial health of insurance companies (Solvency). 3). Analyzing the influence between the performance of claim payments and reinsurance on the financial health of insurance companies.

Benefits and Usability of Research

This research is expected to provide benefits to all interested parties, including the following: 1). For writers, to study and understand the effect of the independent variables on claims payment and reinsurance on the dependent variable of financial soundness (solvency). 2). For prospective insureds to understand Insurance Financial Health before deciding whether to take Insurance or not. 3). It is hoped that this research can become a reference or input for future researchers who are interested in a similar topic, namely the financial health (solvency) of insurance companies.

LITERATURE REVIEW

Insurance company

Insurance companies based on Article 1 point 1 of Law no. 2 of 1992 states that: "An agreement between two or more parties, in which the insurer binds himself to the insured, by receiving an insurance premium, to provide reimbursement to the insured due to loss, damage or loss of an expected profit, or legal responsibility to the insured." third party that may be suffered by the insured, arising from an uncertain event, or providing a payment based on the death or life of someone who has been insured."

Types of Insurance

The types of insurance that exist in Indonesia today are as follows: 1). Life insurance. Life insurance is used as a form of protection against financial loss or loss of income for a person or family due to

the death of a family member who is the source of income for the family. 2). Accident insurance. Accident insurance is insurance in which the insured object is itself, in accident insurance a certain amount of funds will be given by the insurer or the insurance company to the insured or the consumer of the insurance company if the insured is overwritten by an accident. 3). Education insurance. Education insurance is insurance which, as the owner of the policy, has an obligation to pay a premium which will later be used as a guarantee for education for children and can also function as life insurance for children.

Payment of claims

According to Agustiranda, et al. (2019), an insurance claim is a claim made by the insured party to the insurer for the existence of a binding insurance agreement contract. If something happens to the insured party. The insured party can claim if the premium has been paid by the insured party to the insurer.

Payment of claims can affect the effectiveness and efficiency of operational activities and the achievement of insurance company goals. In addition, the payment of this claim is directly related to the customer or the insured or the consumer of the insurance company. Therefore, service to customers should not be underestimated, because customers or consumers of insurance companies are a source of income for insurance companies. (Firdaus and Akmal, 2019).

In simple terms, claim payments are payments made by insurance companies to their customers who have an agreement with the insurance company. With the payments made by the insurance company to its customers, this will affect the financial condition of the insurance company.

Reinsurance

In simple terms, according to Kamah (2015), reinsurance is a term used when an insurance company protects itself against insurance risk by utilizing the services of another insurance company.

Corporate Financial Health (Solvency)

The company's financial health (solvability) shows the company's ability to fulfill all its financial obligations if the company is liquidated at the same time. The solvency level of a company cannot describe its liquidity level. Solvency measures the ability of total assets when compared with financing provided by creditors. So that every insurance company must maintain its solvency level so that the insurance company does not experience insolvency (Tarigan and Mahfud, 2015).

The health of the company shows the financial conditions of the company. Measuring the soundness of a company is an appropriate way to provide assumptions about a company. Based on the results of measuring the level of financial soundness, interested parties can make decisions about the company. In other words, the health of a company measures the level of bankruptcy of a company which includes general and operational activities of the company as a whole. (Asriani, 2015)

Decree of the Minister of Finance No. 504/KMK.06/2004 concerning Financial Soundness for Insurance Companies in the Form of Legal Entities Not Limited Liability Companies reads: "Insurance companies and reinsurance companies must meet the solvency level requirements of at least one hundred percent, and if they have not complied, they will be given the opportunity to make adjustments within a period of time. which has been determined to meet the requirements of the level of solvency."

The Minister of Finance's decision is a form of state contribution in protecting the interests of insurance company customers or consumers by establishing Risk Based Capital (RBC) (Putra and Trisnaningsih, 2021).

The reference for the soundness of the solvency of an insurance company is the Financial Services Authority (OJK). OJK released a regulation regarding the financial health of an insurance company which contains the level of solvency being a factor in determining the financial health condition of an insurance company.

In POJK number 1 of 2018 insurance companies are in the form of joint venture legal entities, there is a slight difference between the provisions for the financial health of insurance and other forms of legal

entities, it is stated that insurance companies must meet a minimum solvency level of 100% of the Risk-Based Minimum Fund (DMBR). Meanwhile, for companies in the form of limited liability companies, the benchmark for financial health is the Minimum Risk-Based Capital (MMBR).
Solvency is the ratio between the total assets and the amount of debt, so every time there is an increase in debt, the level of solvency will decrease. Solvability can be increased in the following ways: 1). Adding assets without increasing debt or adding assets is greater than adding debt. 2). Reducing debt without reducing assets or reducing debt is relatively greater than reducing assets. (Saraswati, 2000).

Previous Research

Similar previous research is quite difficult to find, but the following are some results from previous research that can be found and which will be used as a reference in this study:
1. “Risk Based Capital, Supervision of Solvency and Cross-Section Effect models” by Pitselis (2006). Pitselis examines several variables, namely total claims, total investments, total assets, total liabilities, premiums written, premium yields, claims paid, income, underwriting risk, expenses, and profit before tax. This study concludes that total assets, investments, claims paid, and underwriting risk affect the level of solvency of insurance companies. 2. "The Influence of Premiums, Claims, Investment and Profitability on Asset Growth in Islamic Insurance Companies in Indonesia" by Ghofar (2012). From the research results it was found that claims have a significance value of 0.000 which is smaller than 0.05 with a coefficient value of -0.014. This shows that claims have a negative effect on asset growth. 3. "Analysis of the Influence of Ability to Pay Claims, Profitability, Underwriting Risk, and Reinsurance on the Solvability of Insurance Companies" by Tarigan and Mahfud (2015). From the results it was found that the ability to pay claims and underwriting risk had a positive effect on solvency while reinsurance had a negative effect and profitability had no effect on solvency. 4). "Study on Solvency Using the Ratio Approach to the Early Warning System Study of Insurance Companies Listed on the Indonesia Stock Exchange for the 2009-2012 Period" by Putri, et al. (2012). From the results it was found that the burden of claims (payment of claims) has a positive effect on solvency.

Frame of Mind

Based on the problem and theory, the researcher then formulates the following frame of thought:

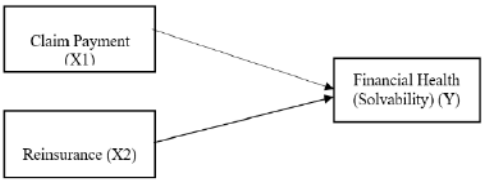

Figure 1. Frame of Mind

The Effect of Claim Payment on the Financial Health of Insurance Companies

The greater the number of claims that must be paid by the insurance company will indicate the solvency level of the insurance company. The amount of claims paid will show the company's capital capability. Insurance companies that experience insolvency will tend to be unable to pay claims by customers received by insurance companies (Pitselis, 2006). The research conducted by Pitselis then concluded that the number of claims has a positive influence on the company's financial health (solvability) in insurance companies.
Claim payment is known in simple terms is an obligation of the insurance company to its customers who claim their insurance. And for this payment will affect the solvency of the insurance company, for that we need a study to explain the effect of payment of claims on the solvency of insurance

companies. With not many studies on the effect of claim payments on solvency, this is also one of the biggest reasons for the authors to do research.

The Effect of Reinsurance on the Financial Health of Insurance Companies

According to Kamah (2015), reinsurance is when an insurance company protects itself against insurance risk by utilizing the services of other insurance companies. Or in other words, a company may delegate possible risks to other insurance companies.

Tarigan and Mahfud (2015), in their research, found that reinsurance has a negative effect on solvency. Insurance companies handle their risks by way of risk sharing, namely by reinsurance or reinsuring risks that they cannot possibly bear on their own to reinsurers or other insurance parties. Collateral or reinsurance protection is very necessary. One of the most important reasons is security reasons. The process of coverage between insurance companies and other insurance companies is called reinsurance (Adhitama, 2009)

Research Hypothesis

According to Rachbini, et al (2020) the hypothesis is an important part of the research process as a whole. A hypothesis is a temporary answer to a research question. Hypothesis development is carried out with the aim of helping researchers direct to the main problems faced and the discovery process. It can also be interpreted that a hypothesis is a temporary statement of a phenomenon and event that has or will occur. A hypothesis is a testable statement of a potential relationship between two or more variables. Building a hypothesis is not easy because from this the framework is then developed to achieve the research objectives and find the facts as desired. Therefore, the development of a hypothesis is highly dependent on the background of the researcher, knowledge, imagination, extensive reading habits, and the closeness of the researcher to the problems involved in the field (socio-economic aspects).

Effect of Claim Payment on Solvency

According to Agustiranda, et al. (2019), an insurance claim is a claim made by the insured party to the insurer for the existence of a binding insurance contract between the two parties. Based on research conducted by Pitselis (2006), states that payment of claims affects the solvency of the company. Based on research that has been conducted by Tarigan and Mahfud (2015), the results show that the ability to pay claims has a positive effect on solvency. Based on research conducted by Putri, et al. (2012), the results obtained are that payment of claims has a positive effect on solvency. However, based on research conducted by Ghofar (2012), states that payment of claims has a negative effect on solvency. Based on the results of previous studies and also the existing theory, the researcher concludes that:

H1: The ability to pay claims has a positive effect on the solvency of insurance companies.

Effect of Reinsurance on Solvency

The term reinsurance comes from the English reinsurance and the German reassessment. (Adhitama, 2009). Simply put, according to Kamah (2015), reinsurance is how insurance companies protect themselves against insurance risk by utilizing the services of other insurance companies. Based on research conducted by Tarigan and Mahfud (2015), it was found that reinsurance has a negative effect on company solvency. Research on the effect of reinsurance on financial health is not much. So that researchers can only assume based on theories from reinsurance and conclude the hypothesis that:

H2: Reinsurance has a negative effect on the solvency of insurance companies.

Effect of Claim Payment and Reinsurance on Solvency

Researchers can determine the hypothesis that:

H3 : Payment of claims and reinsurance can explain the solvency of insurance companies.

METHOD

Research design

This research was carried out systematically, objectively and logically. Systematic is a structured process by following rules or rules sequentially. Objective is research based on facts and data. And logically, research is based on rational assessment, crisis and analysis (Ibrahim, et al., 2018). According to Fatonah (2010), descriptive data analysis is widely used to examine the description of one variable, for example company profiles, work groups, consumer groups, and other subjects, about its characteristics such as size, composition, efficiency, preferences, and others. According to Sugiyono (2018), the definition of an associative research method is research that aims to determine the effect or relationship between two or more variables. Causal research is research that has the main objective of proving a causal relationship or relationship influencing and being influenced by the variables studied (Giovanni and Hendrika, 2013).
The research method used in this research is a descriptive, associative, and causal method with a quantitative approach. Where this research will examine payment of claims (X1) and reinsurance (X2) on the performance of the Prudential Company's Financial Health.

Variable Operationalization
Variable operationalization is an explanation of how to calculate and determine variables. This is the basis for why something can indeed affect the dependent variable or is one of the causes. The variables used in this study are divided into two types, namely the independent variable and the dependent variable. The independent variables in this study are claim payments and reinsurance. The dependent variable is Prudential's Financial Health. The independent variable (X) and the dependent variable (Y) can be described as follows:

Dependent Variable (Dependent Variable)
Sugiyono in Rachbini, et al (2020) states that the dependent variable is the variable that is affected or is the result. So that in this study the dependent variable is the company's financial health (Solvability) (Y). The company's financial health is the result of the healthy or unhealthy condition of the company in the financial sector during the study period as measured using financial ratios from financial reports (Asriani, 2015)

Independent Variable (Independent Variable)
Independent variables are variables that influence or cause changes in the dependent variable (Sugiyono in Rachbini, et al, 2020). So that in this study the independent variables include: 1). Claim Payment (X1). According to Nugroho and Djuwityastuti (2019), an insurance claim is a claim from the insured addressed to the insurer for an achievement that arose after the breakdown of the insurance agreement. So that in relation to life insurance, an insurance claim is a claim for an amount of money to the insurer for the death of a person. 2). Reinsurance (X2). According to Nurlaili and Hariyati (2020), Reinsurance is an insurance company's business to protect itself from insurance risks to other insurance companies. The higher the dependence on reinsurance, the better the insurance company's performance due to an increase in risk diversification and the impact on company performance is maintained.

Population and Sample

Population
Population is an object/subject that has certain qualities and characteristics that are determined to be studied and then drawn conclusions (Budiarjo, 2015). In this study, the population is Prudential's Annual Financial Report. Where in the financial statements data on claim payments, reinsurance, and the company's financial health (solvability) are obtained.

Sample
Husain and Purnomo in Hardani, et al (2020) state that the sample is a portion of the population taken using a sampling technique. The sample must truly reflect the state of the population, meaning that the conclusions drawn from the research results are also the conclusions of the population. Research using

sampling techniques is more profitable than just using populations. Therefore, consideration after consideration must be considered so that the search for information can produce representative information so that the research becomes valid.
The sampling technique used in this research is purposive sampling. Where purposive sampling is a non-random sampling technique whose information is obtained with certain criteria. For this study the criteria used were Reinsurance, Claim Payment, and Solvability taken from Prudential's Financial Statements from 2006 to 2021.

Data Types and Sources
Data Type
Subjective data is divided into three, namely opinions, opinions from respondents, physical data and documentary data. The type of data used in this study is documentary data obtained from the Prudential Insurance Company's Annual Financial Report for 2006-2021. The data taken from the Prudential Insurance Company's Annual Financial Report is claim payment data, reinsurance data, and the company's financial health (Solvability) every year from 2006-2021.

Data source
According to Sugiyono (2012), secondary data are data sources that do not directly provide data to data collectors, but see other people or with documents. The data source in this study is secondary data, where the data was collected from the published 2006-2021 Annual Financial Report of the Prudential Insurance Company.

Method of collecting data
In this study, the data collection method used was library research. This technique is carried out by observing documents to obtain the data needed and which are processed. Researchers collected data on claims payments, reinsurance, and the financial health of the Prudential Insurance Company from the published 2006-2021 Annual Financial Report of the Prudential Insurance Company. The stages of data collection carried out are as follows: 1). Compilation of Prudential Insurance Company Annual Financial Statements from 2006 to 2021. 2). Collection of data on claim payments, reinsurance, and the financial health of insurance company Prudential 3). Analysis of data that has been collected using the IBM SPSS application.

RESULT AND DISCUSSION
Description of Research Object
Company profile
Prudential Indonesia's mission is to become the best Retail Financial Services company in Indonesia, exceeding the expectations of its customers, salespeople, staff and shareholders by providing impeccable service, quality products, highly committed professional salespeople and generating profitable investment income. PT Prudential Life Assurance has Four Pillars, namely the foundation on which the company was founded and developed and what differentiates it from other companies.
Data Description
In this study, data was taken from the Annual Financial Report of the Indonesian Prudential Insurance Company. The data taken from the Annual Financial Report of Prudential Indonesia Insurance Company is data on claim payments, reinsurance, and the company's financial health (Solvability) with the amount of data taken from 2006 to 2021. The following is a complete description of the data documented:

Tabel 1 Claim Payment Data, Reinsurance, and Financial Health from Prudential Indonesia Insurance Company.

Year	Claim Payment (In Millions of Rupiah)	Reinsurance (in millions of rupiah)	Financial Health (Solvency) (100%)

2006	703.009	13.960	6,96
2007	1.030.348	27.992	3,62
2008	1.190.731	57.366	2,06
2009	2.067.991	120.580	4,20
2010	3.320.927	160.173	7,66
2011	3.922.120	216.475	5,48
2012	5.766.172	353.546	3,21
2013	7.133.768	510.463	10,90
2014	9.438.403	492.167	9,27
2015	9.149.572	589.602	10,29
2016	9.893.407	428.432	10,61
2017	3.110.110	541.944	6,77
2018	3.182.923	442.319	7,52
2019	3.792.380	631.707	6,78
2020	3.929.202	831.067	5,49
2021	5.641.527	605.917	4,79

(Source: Data Processed by Researchers, 2022)

Based on table 1, it is then described using IBM SPSS as follows:

Tabel 2 Data Description Results Using IBM SPSS 24

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Claim Payment	16	703009	9893407	4579536.88	2993055.408
Reasuransi	16	13960	831067	376481.88	248823.768
Financial Health	16	2.06	10.90	6.6006	2.70780
Valid N (listwise)	16				

(Source: Data Processed by Researchers, 2022)

Based on the results of the data description obtained using IBM SPSS (table 2), it can be seen that N data amounts to 16, N is the amount of data that exists. This shows that the data used is data from the past 16 years or data from 2006 to 2021. The minimum value of claim payment is 703,009 million rupiah, for the minimum reinsurance value of 13,960 million rupiah, and the minimum value of financial health (Solvency) is 206% or 2.06. The maximum value of the claim payment is 9,893,407 million rupiah. The maximum value of reinsurance is 831,067 million rupiah. And the maximum value of financial health (Solvency) is 1,090% or 10.90. The mean value of claim payments is 4,579,536.88 million rupiah. The mean value of reinsurance is 376,481.88 million rupiah. And the mean value of financial health (Solvency) is 660.06% or 6.6006. The standard deviation value of the claim payment is 2,993,055,408 million rupiah. The standard deviation value of reinsurance is 248,823,768 million rupiah. And the standard deviation value of financial health (Solvency) is 270.780% or 2.70780.

Classical Assumption

Test Normality Test

According to Herawati (2016), the normality test is needed to meet the classical assumptions towards the next test. If the data obtained from the measurements on the sample is declared normally distributed, then it means that the data comes from a normally distributed population. The normality test is also to meet the assumption that the sample is from the population thus allowing the results of

the study to be generalized to the population. The indicator is expressed as normally distributed by looking at the significance value (sig 2-tailed). If the 2-tailed sig is greater than 0.05 or 0.01 and is declared not normally distributed. However if the 2-tailed sig value is smaller or equal to 0.05 or 0.01. The most frequently used method of analysis to find out whether a data has a normal distribution or not, namely Kolmogorov-Smirnov. The following are the results of the normality test obtained from data processing that has been carried out using IBM SPSS 24 are:

Table 3 Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		16
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.93066285
Most Extreme Differences	Absolute	.155
	Positive	.081
	Negative	-.155
Test Statistic		.155
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

(Source: Data Processed by Researchers, 2022)

Based on Table 3 it is known that the residual value has an Asymp value. Sig. is 0.200 which means greater than 0.05 and the normality test results are normally distributed. To ensure this, it can be seen from the graphic image and histogram below:

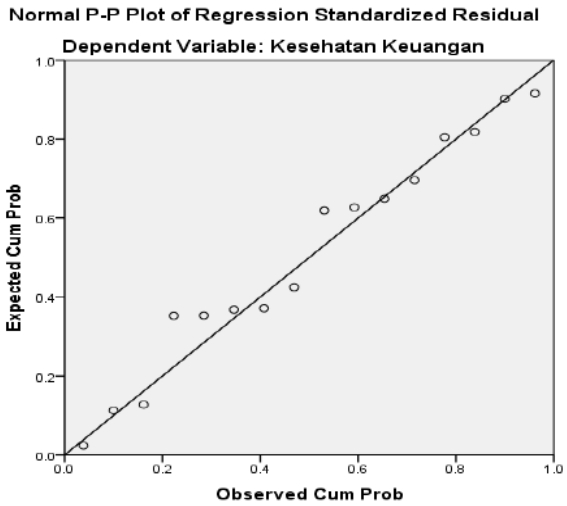

Table 4 Normality Test Results

(Source: Data Processed by Researchers, 2022)

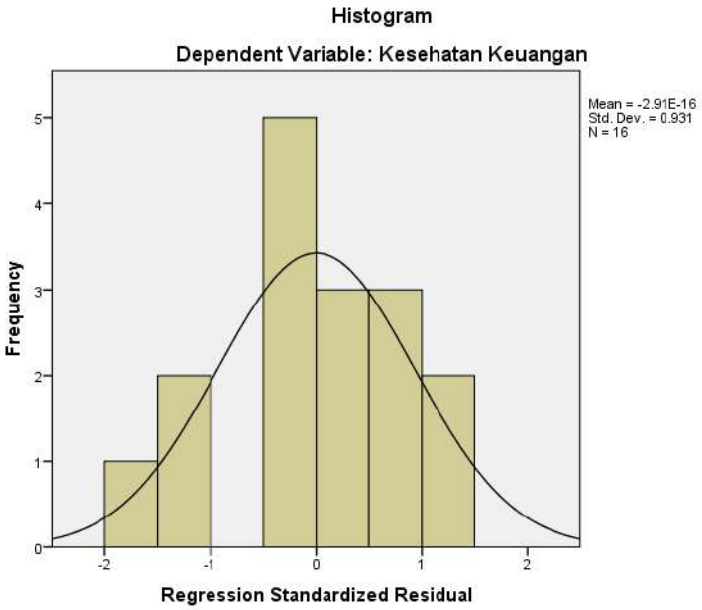

Figure 2 Histogram Chart
(Source: Data Processed by Researchers, 2022)

Multicholinearity Test

The multicholinearity test serves to see whether or not there is a high correlation between free variables in a multiple linear regression model (according to Setiawati, 2021). If there is a high correlation among its free variables, then the relationship between the independent variable and the dependent variable becomes disturbed. Indicators for the multicholinearity test are seen from the Tolerance and VIF (Variance Inflantion Factor) values as well as the amount of correlation between independent variables. A regression model is said to be multicholinearity-free if it has a VIF value of not more than 10 and has a tolerance number of not less than 0.10. Based on the research data that has been obtained, a multicholinearity test was carried out using IBM SPSS 24, the following are the test results obtained:

Table 5 Multicholinearity Test Results

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Pembayaran Klaim	.755	1.325
	Reasuransi	.755	1.325

a. Dependent Variable: Financial Health
(Source: Data Processed by Researchers, 2022)

Based on table 5, it can be seen that the value of VIF (Variance Inflantion Factor) from the independent variable Claim Payment and Reinsurance are both 1.325. This shows that the processed research data does not multicollinearity occurs because the VIF (Variance Inflation Factor) value is less than 10.

To reinforce the conclusion based on the VIF (Variance Inflation Factor) value, it can also be seen from the Tolerance value. According to Napitupulu (2017), the VIF value is equal to 1/Tolerance (VIF=1/Tolerance).

From table 5 the tolerance value for the independent variable Claim Payment and Reinsurance has the same value of 0.755. So it can be concluded that the independent variable Claim Payment cannot be

explained by the independent variable Reinsurance and conversely the independent variable Reinsurance cannot be explained by the independent variable Claim Payment.

Heteroscedasticity Test

The heteroscedasticity test serves to see whether or not there is an inequality of variance from one residual to another observation. If the variance from the residual of one observation to another observation remains, then it is called homoscedasticity, and if the variance from the residual from one observation to another observation is different it is called heteroscedasticity (Setiawati, 2021).

Based on the research data that has been obtained, a heteroscedasticity test was carried out using IBM SPSS 24, the following are the test results obtained:

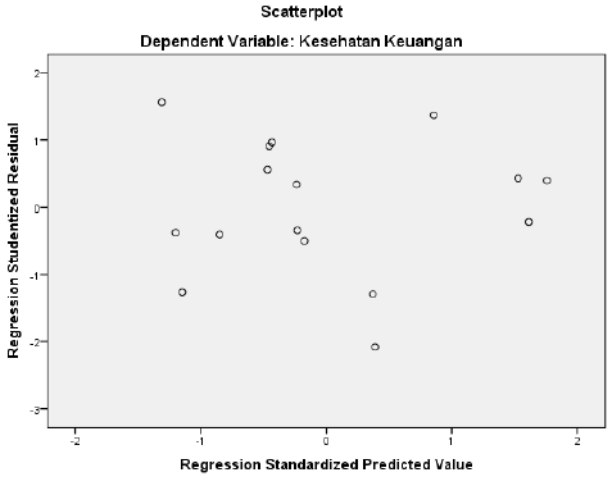

Figure 3 Heteroscedasticity Test Results
(Source: Data Processed by Researchers, 2022)

Based on Figure 3 above, it can be seen that: 1). The data points spread above and below or around the number 0. 2). The dots don't gather just above and below. 3). The distribution of data points does not form a pattern. So it can be concluded that this regression model research does not experience heteroscedasticity. To reinforce these conclusions, statistical methods can be used (Nugroho, 2015).

Research Results and Discussion

In this discussion, researchers analyze each independent variable, namely payment of claims and reinsurance on the financial soundness of Prudential's insurance companies. t test In the t test, the results are shown by the following table:

Table 6. T-test results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	3.668	1.058		3.469	.004
	Claim Payment	6.263E-7	.000	.692	2.894	.013
	Reasuransi	1.706E-7	.000	.016	.066	.949

a. Dependent Variable: Financial Health

(Source: Data Processed by Researchers, 2022)

The results obtained by researchers are: 1). In the t-test table, the results show that payment of claims affects the financial soundness of the Prudential insurance company with a sig. 0.013 with tcount > t-table (2.894 > 2.160). The results obtained from the t-test of payment of claims on the financial

soundness of the Prudential insurance company are in accordance with the initial hypothesis (H1). With high claims and reinsurance, it will show that an insurance company has a great performance too. The increasing number of money exchanges within the company shows that the company has high financial stability, especially companies engaged in services, such as insurance companies. This is in line with the research of Tarigan and Mahfud (2015). 2). As for the reinsurance independent variable, the result is that reinsurance has no effect on the financial soundness of the Prudential insurance company with a significance value of 0.949 with ttable > tcount (2.160 > 0.066). The results obtained from the t-test of the effect of reinsurance on the financial soundness of the Prudential insurance company are not in accordance with the initial hypothesis (H2). This means that the size of the reinsurance carried out by the Prudential insurance company does not have an impact on solvency, because the current assets owned by the Prudential insurance company are quite high. 3). In the F test, the results are shown in the following table:

Tabel 7 F-Test Results

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	54.071	2	27.035	6.286	.012[b]
	Residual	55.912	13	4.301		
	Total	109.983	15			

a. Dependent Variable: Financial Health

b. Predictors: (Constant), Reinsurance, Claim Payment

(Source: Data Processed by Researchers, 2022)

From table 7 the results of the F test show that the F count is 0.012 so it is <0.05, which means that the feasibility of the model for the influence of claim payments and reinsurance on the financial soundness of the Prudential insurance company (solvency) has fulfilled. 4). In the determination analysis, as shown in the following table:

Table 8. Results of the Analysis of the Coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.701[a]	.492	.413	2.07386	1.925

a. Predictors: (Constant), Reinsurance, Payment of Claims

b. Dependent Variable: Financial Health

(Source: Data Processed by Researchers, 2022)

From table 8, the R square value is 0.492 or 49.2%. This shows that the financial health (solvability) of Prudential insurance companies is affected by claim payments and reinsurance by 49.2%. Meanwhile, 50.8% is influenced by other factors such as sales level, asset structure, growth rate, profitability, taxes, company internal conditions and market conditions.

Multiple Linear Regression Analysis

According to Fathussyaadah and Ratnasari (2019), multiple linear regression analysis is used to find out how much influence simultaneously (together) two independent variables (independent variable X) or more. In other words, how much influence are simultaneously the independent variables Payment of Claims (X1) and Reinsurance (X2) on the Company's Financial Health (Solvability) (Y).

Based on the research data that has been obtained, multiple linear regression analysis was carried out using IBM SPSS 24, the following are the results of multiple linear regression analysis obtained:

Table 9 Results of Multiple Linear Regression Analysis

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	3.668	1.058		3.469	.004
	Claim Payment	6.263E-7	.000	.692	2.894	.013
	Reinsurance	1.706E-7	.000	.016	.066	.949

a. Dependent Variable: Financial Health

a. Dependent Variable: Financial Health a. Dependent Variable: Financial Health Based on table 9 above, it can be obtained:

Y = 3.668 + 0.0000006263(X1) + 0.0000001706(X2)

The above equation shows that:

1). The constant value is 3.668. This means that if there is no change in the independent variables Payment of Claims (X1) and Reinsurance (X2), then the value of the Company's Financial Soundness (solvability) (Y) is 3.668. 2). The value of the regression coefficient of the independent variable Payment of Claims (X1) is 0.0000006263 or 6.363x10-7. Which means if the Reinsurance variable is considered to have no change, then the independent variable Claim Payment (X1) has an effect of 0.0000006263. Therefore the independent variable Payment of Claims (X1) can be concluded that it has an effect on the company's financial health (Y) but not significant.

3). The value of the regression coefficient of the independent variable Reinsurance (X2) is 0.0000001706 or 1.706x10-7. Which means if the Claim Payment variable is considered to have no change, then the reinsurance independent variable (X2) has an effect of 0.0000001706. Therefore the independent variable Reinsurance (X2) can be concluded that it influences the company's financial health (Y) but is not significant.

CONCLUSION

Based on the analysis of the results of the research that has been done, the conclusions are as follows: Payment of claims has a positive and significant effect on the financial soundness of the Prudential insurance company partially. Because the exact amount of claim payments cannot be ascertained, the insurance company must have funds ready to be used as claim payments. So that with the payment of claims, the insurance company will have good solvency. Reinsurance has no effect on the company's financial soundness (solvency) of Prudential insurance partially. The feasibility of the model for the influence of claim payments and reinsurance on the financial soundness of the Prudential insurance company (solvency) has been met. 4). This shows that the financial health (solvability) of Prudential insurance companies is affected by claim payments and reinsurance by 49.2%. Meanwhile, 50.8% is influenced by other factors such as sales level, asset structure, growth rate, profitability, taxes, company internal conditions and market conditions. As an effort to add to the literature and deepen knowledge about the effect of claim payments and reinsurance on financial health (solvency), the suggestions that researchers can give are: add independent variables, so that the value of r square (coefficient of determination) becomes higher.

ACKNOWLEDGMENT

We would like to thank the Perbans Institute for facilitating this research with internet computers and air-conditioned rooms to complete the research and write this journal article.

REFERENCES

Abdullah. 2016. Employee Performance Management and Evaluation. Yogyakarta: Aswaja Pressindo.

Agustiranda, et al. 2019. Effect of Premium Income, Payment of Claims, and Risk Based Capital on Profit Growth in Companies. Management Department, Faculty of Economics, Sriwijaya University.

Ajib, Khoufun. 2021. Analysis of Premium Payment Procedures and Recording of Customer Journals of PT. Mitra Abadi Service Life Insurance. Pamulang University. Journal of Accounting Students (Plural) Vol 2 (1), 2021 90 - 102.

Appley, A. Lawrence and Lee, Oey Liang. 2016. Introduction to Management. Jakarta: Salemba Empat.

Asriani. 2015. Analysis of the Company's Financial Soundness Level at PT. Semen Indonesia (Persero) Tbk. Department of Economic Management, Faculty of Islamic Economics and Business, State Islamic University (UIN) Alauddin Makassar.

Bambang Riyanto. 1995. Fundamentals of Corporate Spending. Yogyakarta: BPFE-Yogyakarta.

Dewi, Ni Putu Sintha Tjiri Pradnya and Kasih, Putu Dewi urged. 2020. Regulation of Policy Underwriting Institutions for Insurance Companies in Indonesia. Faculty of Law, Udayana University. Udayana Law Master's Journal, Vol. 9 No. 4, 2020.

Dhaniati, R. (2011). Analysis of the Effect of RBC, Underwriting Ratio, Investment Return Ratio, Premium Revenue Ratio, and Claims Expense Ratio to Insurance Company Profits. Gunadarma University Repository. Jakarta. Djaelani, F. (2014). Presentation Material of the Chief Executive of Non-Bank Financial Industry Supervision. Financial Services Authority. Jakarta

Dharmawi, Herman. 2004. Insurance Management. Jakarta: PT Bumi Aksara.

Fathussyaadah, Eva and Ratnasari, Yulia. 2019. The Effect of Work Stress and Compensation on Employee Performance at the Karya Usaha Mandiri Syariah Cooperative, Sukabumi Branch. PGRI Sukabumi School of Economics. Journal of Economics Vol. V No. August 2, 2019.

Fatonah, Siti. 2010. Stages and Systematic Research Proposals. UPT Publishing and Printing UNS (UNS Press). Surakarta.

Febrina, W., & Fitriana, W. (2022). Exponential Weight Moving Average (EWMA) Control Chart for Quality Control of Crude Palm Oil Product. International Journal of Management and Business Applied, 1(1), Article 1. https://doi.org/10.54099/ijmba.v1i1.93

Financial Services Authority (POJK) Regulations. 2016. Prime K, Echo. 2016. Thesis Data Processing With SPSS 22. UBB FE Management Kom Lab. Integrated Campus of Bangka Belitung University.

Firdaus, Rayyan and Akmal, Nurul. 2019. Analysis of the Application of the Accounting Information System for Payment of Life Insurance Claims in Improving Services to Customers (Case Study at PT Asuransi Jiwasraya Persero Lhokseumawe Area). Accounting Study Program, Faculty of Economics and Business, Malikussaleh University, Lhokseumawe. Journal of Accounting and Finance Volume 7, Number 2, August 2019. **https://doi.org/10.29103/jak.v7i2.1848**

Ghofar, ABD. Ghofar. 2012. The Effect of Premiums, Claims, Investment and Profitability on Asset Growth in Islamic Insurance Companies in Indonesia, Yogyakarta: Sunan Kalijaga State Islamic University.

Giovanni, A. and Hendrika, L. 2013. Causal Study Regarding the Influence of Organizational Culture and Organizational Communication on Employee Engagement at the Sheraton Hotel Surabaya. Hospitality Management, Petra Christian University. Surabaya.

Hasibuan, Malayu S.P. 2008. Human Resource Management. Jakarta: PT. Script Earth.

Herath, Lucky. 2016. Health Data Normality Test Using SPSS Edition I. Department of Environmental Health, Health Polytechnic, Ministry of Health, Yogyakarta.

Herman, H. (2021). Impact of Inflation and City Minimum Wages on Human Development Index in Indonesia. Husnayain Business Review, 1(1), Article 1. https://doi.org/10.54099/hbr.v1i1.5

Ibrahim, A., Alang, A.H., Madi, Baharuddin, Ahmad, M.A., and Darmawati. 2018. Research Methodology. Gunadarma of Science. Macassar.

Indonesian republic's finance ministry.

Iskamto, D. (2015). Anomali Pasar Pada Bursa Efek Indonesia. Jurnal Tepak Manajemen Bisnis, VII(3).

Iskamto, D., Aftanorhan, A., & Ghazali, P. liza. (2022). The Mediating Role of SMEs' Performance in the Relationship between Entrepreneur Competence and Satisfaction. IQTISHADIA, 15(1), Article 1. https://doi.org/10.21043/iqtishadia.v15i1.14298

Jayaprawira, A. R., Sulistyandari, & Kusumah, A. (2022). Jakarta Islamic Index (JII) Financial Performance Analysis Using EVA and MVA Methods. International Journal of Islamic Business and Management Review, 2(1), Article 1. https://doi.org/10.54099/ijibmr.v2i1.153

Kama, Muh. Zulfikar S. 2015. Legal Aspects of the Transfer of Legal Responsibility in the Insurance Agreement. Journal of Legal Science Opinion, 6th Edition, Volume 3, 2015.

Koontz, Harold Cyril O'Donnel. 1980. Management, Edition VII, Tokyo: McGraw-Hill Kogakusha, Ltd.

Kotler, Philip and Kevin Lane Keller. 2016. Marketing Management, 15th Edition, Pearson Education, Inc.

Nugroho, A.A. and Djuwityastuti. 2019. Insurance Claims as the Basis for Debt in Insurance Company Bankruptcy Applications (Case Study: Decision Number 408 K/Pdt-Bankrupt/2015). Journal of Private Law Vol. VII No 2 July - December 2019.

Nurhayati, N., & Noprika, S. (2020, April). The effect of net premium income, investment returns and claim expenses on the return on assets of insurance companies listed in the bei period 2014-2018. In Proceedings of the National Seminar of Experts (pp. 2-78).

Nurlaili, A. and Hariyati. 2020. Determinants of Life Insurance Company Performance in Indonesia. AKUNESA: Unesa Journal of Accounting Volume 8, Number 3, May 2020.

Philip Kotler, 2002, Marketing Management, Millennium Edition, Volume 2, PT Prenhallindo, Jakarta. Pitselis, Georgios. 2006. Risk Based Capital, Supervision of Solvency and Cross-Section Effect models. University of Piraeus, Department of Statistics & Insurance Science.

Priansa, Donni June. 2017. Integrated Marketing Communications In The Age Of Social Media. Bandung: CV Pustaka Setia.

Princess, Meilitarani, et al. 2012. Solvency Study With Ratio Ratioearly Warning System Approach Study on Insurance Companies Listed on the Indonesia Stock Exchange for the Period of 2009-2012. Master of Management Study Program, Diponegoro University.

Prudential Insurance Company Annual Financial Report. 2016 - 2021

Riani, F. (2014). The Effect of Solvency, Premiums, Claims, Investments, and Underwriting on the Profit Growth of Sharia General Insurance Companies. Repository, Faculty of Sharia and Law, Sunan Kalijaga State Islamic University. Yogyakarta. Salim, A. (2012). Insurance & Risk Management. Jakarta: King Grafindo

Roni, A. (2022). The Effect Of Tax Planning On Profit Management In Listed Companies In Jakarta Islamic Index Period 2016-2018. International Journal of Management and Digital Business, 1(1), Article 1. https://doi.org/10.54099/ijmdb.v1i1.325

Sampurnaningsih, S. R., & Ikhsyan, M. (2022). Impact Of Current Ratio (Cr) And Debt To Asset Ratio (Dar) On Return On Assets (Roa) at PT. Smart Tbk Period 2011-2020. Adpebi Science Series, Proceedings of Adpebi International Conference on Management, Education, Social Science, Economics and Technology (AICMEST), 1(1), Article 1. https://series.adpebi.com/index.php/AICMEST/article/view/111

Saraswati, Elishabeth. 2000. Assessment of The Company's Financial Health Through Financial Statement Analysis (Case Study at PT. Panca Magenta Cipta). Accounting Study Program, Faculty of Economics, Sanata Dharma University Yogyakarta.

Sejati, A.P., Kusniwarno, M., and Pranjoto, G.H. 2019. The influence of Kaizen culture on employee performance with rewards as a moderation variable at PT Vs Technology Indonesia. Faculty

of Economics and Business, Trunojoyo Madura Bangkalan University. Eco-Entrepreneurship, Vol 5 No 1.

Setiawati. 2021. Analysis of the Effect of Dividend Policy on Company Value in Pharmaceutical Companies on the IDX. Persada Bunda Pekanbaru College of Economics. Vol.1 No.8 January 2021.

Sugiyono. (2018). Qualitative Quantitative Research Methods and R&B. Bandung: Alfabeta.

Sunarmi. 2007. Insurance Policyholders And Their Legal Position. Journal of Legal Sciences, Volume 3 No. 1.Sunyoto, Danang. 2014. Dasar-Dasar Manajemen Pemasaran (Konsep, Strategi, dan Kasus). Cetakan ke-1. Yogyakarta: CAPS (Center for Academic Publishing Service).

Sunaryo, D. (2022). Stock Return Problems In The Coal Sector: A Case Study Of The Use Of Price Earning Ratio And Firm Size Moderation. Asean International Journal of Business, 1(2), Article 2. https://doi.org/10.54099/aijb.v1i2.139

Tarigan, Angga Primasandi Kurniawan and Mahfud, Mohammad Kholiq. 2015. Analysis of the Effect of Ability to Pay Claims, Profitability, Underwriting, and Reinsurance Risk on the Solvency of Insurance Companies. Department of Management, Faculty of Economics and Business, Diponegoro University. Diponegoro Journal Of Management, Volume 4, Number 3, Year 2015, Pages 1-13.

The Republic of Indonesia (RI) Commercial Law Code (KUHD). 2009.

Tjiptono, Fandy. 2010. Marketing Strategy, Andi, Yogyakarta.

