Article

The Effect of Premium Income and Risk-Based Capital (RBC) on Profitabilty of Life Insurance Company in Indonesia 2019 – 2023

Laras Shinta Maharani[1], Elan Nurhadi Purwanto[1*]

[1]Faculty of Economics & Business, Pertamina University Jl. Teuku Nyak Arief, Simprug, Kebayoran Lama, South Jakarta 12220

email: larashinta10@gmail.com

*Correspondence email: elan.nurhadi@universitaspertamina.ac.id

Abstract: This study aims to analyze and determine the effect of premium income and Risk-Based Capital (RBC) on Profitabilty of Life Insurance Company in Indonesia 2019 – 2023. The population in this study were 39 life insurances companies listed on Otoritas Jasa Keuangan (OJK) in the 2019-2023 period, and the sample was determined as many as 28 companies from all existing populations based on a purposive sampling method. This research data uses secondary data, namely the financial statements of life insurances companies for 2019-2023. The data analysis method used is a panel data regression test with Eviews 12 software. The results of this study show that both premium income and risk-based capital (RBC) have a significant simultaneous influence on the profitability of life insurance companies. The partial research results are as follows: 1) Premium income has a significant positive impact on life insurance companies, and 2) Risk-based capital (RBC) has a significant positive impact on the profitability of life insurance companies.

Keywords: *Premium Income, Risk-Based Capital (RBC), Profitability*

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1. Introduction

The dynamic transformation of the global economy has reshaped human needs, demanding rapid adaptation to the complexities of modern economic systems. Economic fluctuations, health risks, and future uncertainties threaten the financial stability of individuals and families. The insurance industry, as an institution that facilitates risk transfer, plays a central role in building financial resilience within society. Through the mechanism of coverage, individuals can transfer potential risks to insurance providers in

*Corresponding author.

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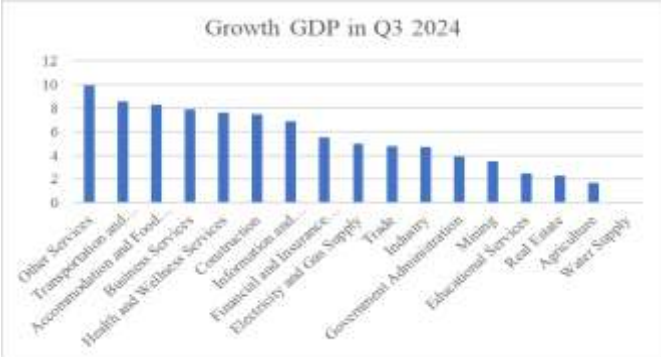
exchange for premiums. Consequently, financial risks that were initially borne by individuals can be distributed more evenly.

Figure 1. Growth of GDP in Q3 2024



According to the report from the Central Bureau of Statistics (2024) [1], the financial and insurance services sector ranked 8th in terms of Gross Domestic Product (GDP) growth, reaching 5.5%. This GDP growth was driven by stable domestic consumption, increased investment, and improved export performance. Additionally, GDP data indicates that the constant price GDP in the insurance and pension fund business sector experienced a contraction of 2.98% year-on-year (YoY). Despite the contraction in pension funds, the insurance industry showed growth, with total assets increasing by 1.14% YoY in both commercial and non-commercial sectors. This further demonstrates that the insurance industry within the financial sector has the potential to advance and develop.

Figure 2. Growth of Insurance Industry Assets

According to a report from the Financial Services Authority (OJK) [2], the performance of the insurance industry in the third quarter of 2024 showed positive growth, with total assets reaching IDR 1,929.45 trillion, an increase of 6.14 percent (YoY) from the same period in the previous year, which was IDR 1,817.87 trillion. However, compared to the previous quarter, the total assets of the insurance industry grew at a slower pace, driven by a slight decline in the assets of the non-commercial insurance sector. This decline in asset growth was due to the increase in asset value being lower than in previous periods or years. The rise in total assets within insurance companies indicates that these companies are experiencing financial growth or an increase in their financial capacity.

In addition to the conditions of the insurance industry mentioned above, in January 2025, the Constitutional Court (MK) issued a ruling stating that insurance companies cannot unilaterally cancel insurance claims (Kompas, 2025) [3]. This ruling by the Constitutional Court (MK) impacts insurance companies by requiring them to be more cautious in applying the principle of good faith. Besides addressing the principle of good faith, the ruling also narrows the space for insurance fraud perpetrators, which indirectly serves as proof that the insurance industry is working to enhance public or policyholder trust.

The increasingly complex dynamics of the insurance industry, especially in the life insurance segment, require life insurance products to be designed to mitigate financial risks arising from the death or survival of the insured. As a result, life insurance companies are expected to continuously improve profitability to attract customers. Several key factors influencing the profitability of life insurance companies include premium income and the Risk-Based Capital (RBC) ratio.

Premium income represents the financial compensation received by insurance companies for the protection services they provide, which is recognized as revenue over the policy term. Based on financial reports from life insurance companies between 2019 and 2023, premium income in Indonesia's life insurance sector has fluctuated. The fluctuation during 2019–2023 showed a declining trend, caused by a reduction in premium revenue from policyholders due to financial factors and other reasons.

The Risk-Based Capital (RBC) ratio, a crucial metric in the insurance industry, also plays a significant role. RBC reflects a company's ability to absorb risks and is calculated based on exposure to various types of risks, such as investment, underwriting, and operational risks. The higher a company's Risk-Based Capital (RBC) ratio, the stronger its financial foundation to withstand market fluctuations and unexpected claims.

Based on the above phenomena, this study aims to empirically examine the impact of premium income and the Risk-Based Capital (RBC) adequacy ratio on the profitability of life insurance companies in Indonesia during the 2019–2023 period.

2. Literature

2.1 Premium Income

Premium income is the amount of money received by an individual or business as part or full payment of a premium (Kagan J., 2022) [4]. In general, premium income refers to the financial compensation earned by an entity as a result of selling products or services related to risk transfer. In this context, both in financial markets and the insurance industry, premium income serves as a primary revenue source derived from transactions involving risk transfer.

2.2 Risk-Based Capital (RBC)

Risk-based capital (RBC) is an indicator of an insurance company's financial health, reflecting its ability to meet its financial obligations, including claim payments and other liabilities. The Financial Services Authority (OJK) has established a minimum risk-based capital (RBC) requirement for insurance companies in Indonesia through OJK Regulation Number 71/POJK.05/2016, which mandates a minimum of 120%. This standard aims to

ensure that insurance companies maintain sufficient capital reserves to protect policyholders' interests and uphold financial system stability [5].

2.3 Profitability

Profitability is a financial metric that measures a company's efficiency in converting revenue into profit. It represents a business entity's ability to generate net profit over a specific period [6]. This capability reflects the effectiveness of the business strategies implemented.

Return on Assets (ROA) serves as an indicator of a company's efficiency in converting assets into profit. In other words, Return on Assets (ROA) measures how effectively a company utilizes its resources to generate earnings.
The formula for calculating the return on assets ratio:

$$ROA = \frac{Net\ Profit}{Total\ Assets}$$

2.4 Hyphotesis

a. The Effect of Premium Income on Profitability
   Ho_1: Premium income has no effect on profitability.
   Ha_1: Premium income has an effect on profitability.

b. The Effect of Risk-Based Capital (RBC) on Profitability
   Ho_2: Risk-Based Capital (RBC) has no effect on profitability.
   Ha_2: Risk-Based Capital (RBC) has an effect on profitability.

c. The Effect of Premium Income and Risk-Based Capital (RBC) Simultaneously on Profitability
   Ho_3: Premium income and Risk-Based Capital (RBC) simultaneously have no effect on profitability.
   Ha_3: Pendapatan premi dan *risk-based capital* (RBC) secara simultan mempengaruhi profitabi Premium income and Risk-Based Capital (RBC) simultaneously have an effect on profitability.

3. Methods

This study employs a quantitative descriptive research design to explore and explain the relationships between research variables [7]. By analyzing numerical data obtained from the financial reports of life insurance companies, this research aims to provide a more comprehensive understanding of the factors underlying financial performance in the life insurance industry.

The population in this study is defined as all life insurance companies registered and supervised by the Financial Services Authority (Otoritas Jasa Keuangan/OJK) [8]. Based on this population, the study adopts a purposive sampling technique, resulting in a sample of 28 life insurance companies that meet the following criteria [9]:

a. Life insurance companies that have publicly available financial reports or reports accessible through their official websites.
b. National life insurance companies with audited financial statements from 2019 to 2023.
c. National life insurance companies with complete financial information, including reports on premium income, risk-based capital (RBC), and profitability.

Table 1. List of Sampled Life Insurance Companies

Life Insurance Company Sample			
1	AJB Bumiputera 1912	15	PT Asuransi Jiwa BCA
2	PT Asuransi Jiwa Central Asia Raya	16	PT Lippo Life Assurance
3	PT Equity Life Indonesia	17	PT Pacific Life Insurance
4	PT Heksa Solution Insurance	18	PT Bhinneka Life Indonesia
5	PT Asuransi Jiwa Inhealth Indonesia	19	PT Asuransi Jiwa Nasional
6	PT Asuransi Simas Jiwa	20	PT Victoria Alife Indonesia
7	PT MNC Life Assurance	21	PT Asuransi Ciputra Indonesia
8	PT Asuransi Jiwa Starinvestama	22	PT Asuransi Jiwa Syariah Al Amin
9	PT Asuransi Jiwa Sequis Financial	23	PT Asuransi Jiwa Syariah Kitabisa
10	PT Perta Life Insurance	24	PT Asuransi Jiwa Syariah Jasa Mitra Abadi
11	PT Asuransi Jiwa Astra	25	PT Asuransi Syariah Keluarga Indonesia
12	PT Asuransi Jiwa Reliance Indonesia	26	PT Asuransi Jiwa Syariah Bumiputera
13	PT Central Asia Financial	27	PT Capital Life Syariah
14	PT Asuransi Jiwa Taspen	28	PT Asuransi Takaful Keluarga

Table 2. Operational Variables

Variable	Concept	Indicator	Ratio
Premium Income (X1)	The amount of money paid by the policyholder to the insurer.	$X1 = \text{Total Net Premium Income}$	Ratio
Risk-Based Capital (X2)	Assessing the solvency level of an insurance company: whether it is capable of covering claim risks.	$\text{X2} = \frac{\text{Solvency Level}}{\text{Minimum Solvency Level Threshold}}$	Ratio
Profitability (Y)	Return on Asset (ROA) is a financial ratio used to measure how well a company utilizes its assets to generate profit.	$Y = \frac{\text{Net Profit Before Tax}}{\text{Total Assets}} \times 100\%$	Ratio

4. Results

4.1 Descriptive Statistical Analysis

Table 3. Results of Descriptive Statistical Analysis

	X1	X2	Y
Mean	1,395,022	4.99	0.004
Median	547,934	3.70	0.007
Maximum	20,228,421	20.11	0.389
Minimum	-59,487	-12.22	-0.205
Std. Dev	2,968,686	5.24	0.056
Observations	140	140	140

4.2 Model Specification Test

4.2.1 Chow Test

This test is applied to determine which model is more effective between the CE (CEM) model and the FE (FEM) model. The results of the Chow test in this study are as follows:

Table 4. Chow Test

Effect Test	Statistic	d.f	Prob
Cross-Section F	3.1813	(27,110)	0.0000
Cross-Section Chi Aquare	80.7930	27	0.0000

Source: Processed Data from EViews 12 by the Author (2025)

Ho = *Common Effect Model* (CEM)

Ha = *Fixed Effect Model* (FEM)

The test results show a probability value of 0.0000 for life insurance companies, which is lower than α (0.05). This indicates that the most effective model to use is the Fixed Effect Model (FEM).

4.2.2 Hausman Test

This test is applied to determine which model is the most effective between the Fixed Effects Model (FEM) and the Random Effects Model (REM). The results of the Hausman test in this study are as follows:

Table 5. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.1402	2	0.3430

Source: Processed Data Results from EViews 12 by the Author (2025)

Ho = *Random Effect Model* (REM)

Ha = *Fixed Effect Model* (FEM)

The test results show a probability value of 0.3430, which is higher than the significance level (α) of 0.05. This indicates that the most effective model to use is the Random Effects Model (REM).

4.2.3 Lagrange Multiplier Test

This test was applied to determine which model is the most effective between the Common Effect Model (CEM) and the Random Effect Model (REM). The results of the Lagrange Multiplier test in this study are as follows:

Table 6. Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	22.5201	5.3817	27.9024
	(0.0000)	(0.0203)	(0.0000)

Source: Processed Data from EViews 12 by the Author (2025)

Ho = *Common Effect Model* (CEM)

Ha = *Random Effect Model* (REM)

The test results indicate a probability value of 0.0000, which is lower than the significance level (α) of 0.05. This suggests that the most effective model to use is the Random Effect Model (REM). Among all the testing methods applied, the Random Effect Model (REM) was found to be the most effective for this study.

4.3 Classic Assumption Test

4.3.1 Multikolinearity Test

This test is applied to identify the relationship between the dependent variables in the study, namely premium income and risk-based capital (RBC).

Table 7. Multikolinearity Test

	X1	X2
X1	1.0000	0.0494
X2	0.0494	1.0000

Source: Processed Data Results from EViews 12 by the Author (2025)

The multicollinearity test results show a value of 0.0494, which is lower than the correlation coefficient threshold (0.80). This indicates that there is no multicollinearity issue between the independent variables, premium income and risk-based capital (RBC).

4.3.2 Heteroskedastisity Test

This test is applied to determine whether there is a variance difference between one observation and another. The results of the heteroskedasticity test in this study are as follows:

Table 8. Heteroskedastisity Test

Variable	Coeficient	Std. Error	t-Statistic	Prob.
C	1.1981	0.3005	3.9876	0.0001
X1	-0.0447	0.0484	-0.9250	0.3566
X2	-0.0824	0.1571	-0.5243	0.6010

Source: Processed Data Results from EViews 12 by the Author (2025)

The heteroskedasticity test results show a probability value of 0.3566 for the premium income variable (X1). Meanwhile, the probability value for the risk-based capital (RBC) variable (X2) is 0.6010. Both probability values are greater than the significance level (α) of 0.05, indicating that heteroskedasticity is not present in this study for either premium income or risk-based capital (RBC).

4.4 Panel Data Regression Analysis

Panel data regression testing using EViews 12 produced the following regression equation:

Profitability (Y) = -6.06 + 0.42 Premium Income (X1) + 1.54 RBC (X2)

Based on the regression model equation above, the following conclusions can be drawn:

1. The constant value (α) of -6.06 indicates that if the variables Premium Income and Risk-Based Capital (RBC) are both zero (0) or remain constant, the Profitability variable will be -6.06.
2. The regression coefficient of Premium Income is 0.42, meaning that if Premium Income increases by Rp 1 (one Rupiah), the Profitability variable will increase by 0.42 Rupiah.
3. The regression coefficient of Risk-Based Capital (RBC) is 1.54, meaning that if Risk-Based Capital (RBC) increases by 1%, the Profitability variable will increase by 1.54.

4.5 Hypothesis Test

4.5.1 Partial Test

Partial testing is applied to determine whether each independent variable individually affects the dependent variable. The results of this study's partial test are as follows:

Table 9. Partial Test

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	-6.0630	0.4095	-14.8071	0.0000
X1	0.4206	0.0841	5.0022	0.0000
X2	1.5481	0.2132	7.2619	0.0000

Source: Processed Data Results from Eviews 12 by the Author (2025)

Ho_1: Premium income has no effect on profitability.

Ha_1: Premium income affects profitability.

The test results for the premium income variable (X1) show a probability value of 0.0000, which is smaller than the significance level (α) of 0.05. Additionally, the calculated t-value (thit) of 5.00 is greater than the critical t-value (ttab) of 2.06. This indicates that Ho1 is rejected and Ha1 is accepted, meaning that the premium income variable influences profitability.

Ho_2: Risk-Based Capital (RBC) has no effect on profitability.

Ha_2: Risk-Based Capital (RBC) affects profitability.

The test results for the risk-based capital variable (X2) show a probability value of 0.000, which is smaller than the significance level (α) of 0.05. Additionally, the calculated t-value (thit) of 7.26 is greater than the critical t-value (ttab) of 2.06. This indicates that Ho2 is rejected and Ha2 is accepted, meaning that the risk-based capital (RBC) variable influences profitability.

4.5.2 Simultaneous Test

This test was conducted to determine the impact of the independent variables, namely premium income and risk-based capital (RBC), on the dependent variable, profitability. The results of the simultaneous test are as follows:

Table 10. Simultaneous Test

F-statistic	41.579
Prob(F-statistic)	0.0000

Source: Processed Data from Eviews 12 by the Author (2025)

Ho3: Premium income and risk-based capital (RBC) simultaneously do not affect profitability.

Ha3: Premium income and risk-based capital (RBC) simultaneously affect profitability.

The results of the simultaneous test show a probability value of 0.0000, which is smaller than α (0.05). Additionally, fhit = 41.58 is greater than ftab = 3.38. This indicates that Ho3 is rejected, and Ha3 is accepted, meaning that premium income and risk-based capital (RBC) collectively influence the profitability of insurance companies.

4.6 Determinant Coefficient Test

This test is applied to assess the ability of a model to explain the dependent variable. The dependent variable can be measured using the Adjusted R-squared, which ranges from zero to one. The R^2 test results of this study are as follows:

Table 11. Determinant Coefficient Test

R-squared	0.3777
Adjusted R-squared	0.3686

Source: Processed Data from Eviews 12 by the Author (2025)

The R^2 test resulted in an adjusted R-squared value of 0.369. This indicates that the profitability variable explained by the model accounts for 36.9%. This percentage represents the variation of the premium income and Risk-Based Capital (RBC) variables, showing that these two independent variables explain 36.9% of the model, while the remaining 63.1% is explained by other factors outside the research model.

5. Discussion

5.1 The Effect of Premium Income on Profitability

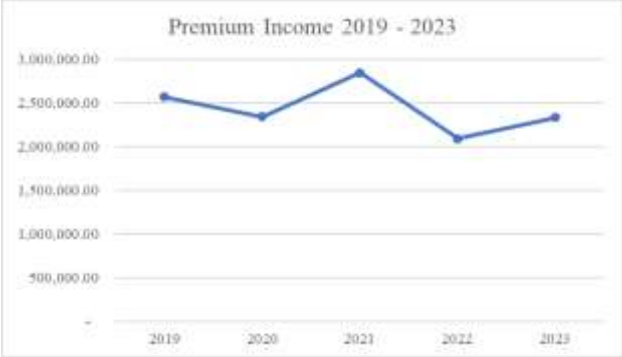
Based on the research results in Table 9, it shows that the premium income variable (X1) has a probability value of 0.0000, which is smaller than the significance level (α) of 0.05. Furthermore, the calculated t-value (t_hit) of 5.00 is greater than the critical t-value (t_tab) of 2.06. This means rejecting Ho1 and accepting Ha1, indicating that premium income affects profitability. Premium income refers to the amount of money received by an insurance company, either partially or fully, from policyholders. Premium income is derived from the sale of insurance policies through various products such as life insurance, health insurance, vehicle insurance, and others. When a policy is successfully offered to a customer, they are required to sign a contract outlining the policy terms. Upon signing, the policyholder must pay the agreed-upon premium using a predetermined payment method. The collected premium payments are recorded by the company and integrated into its accounting system. Over time, the company continuously reminds policyholders about premium payments. If a policyholder delays payment, the insurance policy may be suspended or canceled. The collected premiums are managed transparently and effectively for reserve funds and investment purposes. Reserve funds consist of a significant portion of the collected premiums, ensuring claim payments if insured events occur. The remaining premiums are invested in various financial instruments such as stocks, bonds, or real estate, which contribute to increasing the company's profitability.

In this study, which examines life insurance companies in Indonesia from 2019 to 2023, premium income fluctuations were observed across all sampled companies, as shown in Figure 4.1. The results indicate a positive relationship between premium income and profitability, where profitability trends from 2019 to 2023 corresponded with increases and decreases in premium income. Based on the obtained data, premium income from the 28 sampled companies accounted for 85% of the total revenue of life insurance companies. This highlights the critical importance of premium income for insurance companies. Additionally, from 2019 to 2023, Indonesia's economic conditions were unstable due to the impact of the COVID-19 pandemic, which affected public income due to government regulations at the time. In 2020, premium income declined because policyholders could not afford previously agreed-upon policies. Aside from financial difficulties, the increased number of insurance claims also led to financial strain on insurance companies.

According to the Indonesian Life Insurance Association (AAJI), total claims during the pandemic amounted to 24,997 policies, with a total claim value of IDR 47.68 trillion, representing a 23.5% increase from previous levels (Kompas, 2021) [10]. However, despite the challenges, the pandemic also heightened public awareness of financial protection, indirectly boosting premium income in the insurance industry. Given this heightened awareness, more people sought financial protection, increasing the number of policyholders and the number of signed policies. These policies contributed to premium income, which, in turn, was partially invested in other financial instruments to enhance profitability. Therefore, in this study, the influence of premium income on the profitability of life insurance companies is found to be significant and positively correlated. This aligns with the study's focus on assessing life insurance company

profitability and the premium income data, which significantly indicates that some companies experienced substantial profitability growth.

Figure 3. Premium Income Data Graph of the Research Object



These research findings align with the study by Maharani & Ferli (2020), which states that premium income has a significant positive effect on the profitability of life insurance companies [11]. Additionally, Prasetyo, Tulung, & Palandeng (2023) also argue that premium income significantly affects profitability, as higher premium income leads to increased profitability, demonstrating that companies operate effectively and efficiently [12].

5.2 The Effect of Risk-Based Capital (RBC) on Profitability

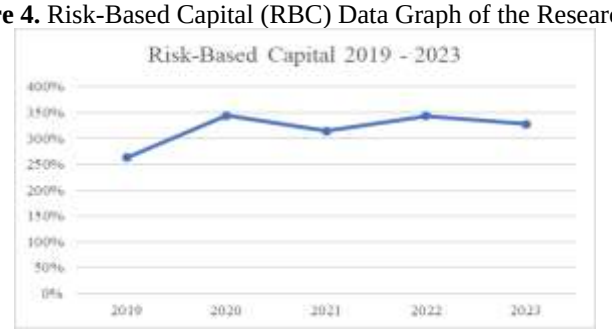
Based on the research results in Table 9, the variable has a probability value of 0.000, which is smaller than the significance level (α) of 0.05. Additionally, the calculated t-value (thit) of 7.26 is greater than the critical t-value (ttab) of 2.06. This means rejecting Ho2 and accepting Ha2, indicating that risk-based capital (RBC) affects profitability.

Risk-Based Capital (RBC) is a method used to assess the financial health of insurance companies. The Financial Services Authority (OJK) has set a minimum RBC requirement of 120% for an insurance company to operate. If an insurance company has a high RBC, policyholders will have greater confidence in the company's ability to pay claims. The higher the RBC, the more assured the company's ability to meet policyholder claims. A high RBC level also enhances the profitability of insurance companies, as policyholders trust the company's ability to meet its obligations, leading to policy renewals and increased purchases of insurance products. This, in turn, increases the company's profitability by not only boosting premium income but also expanding the customer base.

In this study, which examines life insurance companies in Indonesia from 2019 to 2023, RBC levels fluctuated among the sampled companies, as shown in Figure 4.2. The study also found that some observed companies experienced increased profitability. RBC is an essential component contributing to a company's profitability, as its increase stems from customers' confidence in the company's ability to pay claims. Data from sampled companies indicate that 26 out of 28 companies had an average RBC above the minimum threshold of 120%. This suggests that most companies could fulfill their claim obligations. However, some companies had RBC levels below the minimum threshold due to increased claims during the COVID-19 pandemic, which prevented them from meeting their obligations. This decline in confidence led to reduced profitability, as fewer

premiums were collected. Thus, when customer trust is fulfilled, RBC and profitability increase; conversely, when trust is compromised, RBC and profitability decline.
Therefore, in this study, the influence of RBC on the profitability of life insurance companies is found to be significant and positively correlated. This aligns with the study's focus on assessing profitability and RBC data, which significantly indicates that some companies experienced substantial profitability growth.

Figure 4. Risk-Based Capital (RBC) Data Graph of the Research Object



The findings of this study align with the research conducted by Nurrosis & Rahayu (2020), which explains that Risk-Based Capital (RBC) has a significant impact on company profitability [13]. This study is further supported by Novitasari & Ridha (2023), who state that RBC significantly influences profitability, provided that companies can effectively manage assets in the investment sector to anticipate losses, thereby increasing return on assets (ROA) [14]. However, an excessively high RBC value may also decrease profitability, as the capital used to cover liabilities comes from the company's assets.

5.3 The Effect of Premium Income and Risk-Based Capital (RBC) on Profitability

Based on the results of the simultaneous test analysis in Table 10, the probability value of 0.0000 is smaller than α (0.05). Additionally, the calculated F-value (F_hit) of 41.58 is greater than the critical F-value (F_tab) of 3.38. This indicates the rejection of Ho3 and acceptance of Ha3, meaning that premium income and RBC collectively influence the profitability of insurance companies, reinforcing this decision. This comparison shows that the independent variables, premium income and RBC, together have a significant effect on the profitability of insurance companies. Overall, this analysis suggests that both premium income and RBC, when tested simultaneously, are important contributing factors in determining the profitability levels of insurance companies. Therefore, insurance companies should pay closer attention to managing premium income and implementing RBC standards to enhance the profitability of life insurance companies in Indonesia.

The findings of this study align with previous research by Setyaningsih, Zanaria, & Septiani (2021), which states that premium income and RBC simultaneously influence profitability [15]. Another study by Handriani & Arif (2022) also confirms that premium income and RBC together have a significant impact on profitability [16].

6. Conclusion and Recommendations

6.1 Conclusion

The objective of this study is to examine and demonstrate how two independent variables, namely premium income and risk-based capital (RBC), influence the dependent variable, which is profitability. The researcher conducted the study on life insurance companies in Indonesia that are registered and supervised by the Financial Services Authority (OJK) over a five-year period from 2019 to 2023, with a total of 140 observations. The findings indicate that both independent variables have a significant impact on the profitability of Indonesian life insurance companies.

The conclusions of this study are as follows:

1. The premium income variable, represented by net premium income as its indicator, has a significant effect on profitability. This is evidenced by a significance value of 0.0000, which is smaller than the alpha value of 0.05, and a positive direction. This indicates that as a life insurance company's premium income increases, its profitability also improves. In this study, the average premium income of the sample companies increased, suggesting that the companies in the sample have the potential for higher profitability.
2. The Risk-Based Capital (RBC) variable, represented by the solvency ratio as its indicator, has a significant impact on profitability. This is proven by a significance value of 0.0000, which is smaller than the alpha value of 0.05, and a positive direction. This suggests that a higher RBC level increases profitability, as the life insurance company is more capable of meeting its obligations, such as claim payments and debt settlements using its assets. Therefore, an increase in RBC or the financial health of an insurance company positively affects profitability. In this study, the 12 sample companies had an average RBC level above 120%, which is the minimum RBC requirement set by the Financial Services Authority (OJK).
3. The simultaneous analysis of the two independent variables resulted in a significance level of 0.0000, which is smaller than the alpha value of 0.05. This indicates that in this study, the independent variables collectively have a significant influence on the dependent variable. As a result, the researcher has successfully demonstrated that premium income and risk-based capital (RBC) can be used to assess the profitability of life insurance companies in Indonesia.

6.2 Recomendation

Based on the findings of this study, the researcher provides the following recommendations:

a. Theoretical Recommendations

Future researchers are encouraged to examine the remaining 63.1% of variables outside of premium income and risk-based capital (RBC) that may affect profitability, such as investment returns, underwriting results, claim expenses, and others. Additionally, researchers are advised to expand or develop both the research variables and the number of companies in the sample to enhance the validity and reliability of the study.

b. Practical Recommendations

1. For Companies: It is advisable to continuously improve services for insurance products to enhance company profitability. This can be achieved through cost and capital optimization, as well as innovations that support company growth across various economic conditions and industry competition.
2. For Investors: Investors should be able to read and analyze financial statements to understand a company's financial health. A fundamental analysis, particularly regarding profitability, can help reduce the risk of investment failure.
3. For Policyholders: Prospective policyholders should be more aware when selecting an insurance company to ensure they receive the expected benefits. This can be done by gathering information from news, social media, websites, and other sources about the insurance company they plan to choose as their insurance partner.
4. For the Government: The government should enforce stricter monitoring of insurance companies in Indonesia to ensure security and boost public confidence in insurance. This can be achieved by conducting audits or inspections of life insurance companies with RBC levels either below or above the minimum threshold. Such measures aim to prevent undesirable situations, such as insolvency or fraudulent activities that could potentially harm policyholders.

Author Contributions: Conceptualization, L.S.M. and E.N.P.; literature review, L.S.M.; methodology, L.S.M. and E.N.P.; software, L.S.M.; validation, L.S.M. and E.N.P.; data analysis, L.S.M. and E.N.P.; data curation, L.S.M.; original draft preparation, L.S.M.; writing—review and editing, L.S.M. and E.N.P.; visualization, L.S.M.; supervision, L.S.M.; project administration, E.N.P. All authors have read and agreed to the published version of the manuscript.

Conflicts of Interest: The authors declare no conflict of interest.

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