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Solvency Ratio Analysis to Assess Financial Performance in Insurance Companies: Case Study PT. Taspen Life Insurance

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Solvency Ratio, Performance Analysis, Financial Performance, Insurance Company, Taspen Life Insurance.

ABSTRACT
Assessing a company's financial performance is a very important thing to do. Financial performance assessment can also show the extent of the company's success in achieving its goals. The research object focuses on the problem of solvency ratio analysis to assess financial performance in the case study insurance company PT. Taspen Life Insurance. PT. Taspen Life Insurance is a subsidiary of PT TASPEN (Persero) with 99.97% share ownership and 0.03% shares owned by the Taspen Jakarta Employees Cooperative. Taspen Life provides a variety of group and individual life insurance product solutions that have the benefits of life protection, future and old age planning, education funds, and critical illness insurance. This research aims to determine the company's performance assessment through analysis of the solvency ratio at PT. Taspen Life Insurance. The subject of this research is PT. Taspen Life Insurance. The method used in this research is the analytical descriptive method. The type of data used is secondary data obtained from the PT company performance report website. Taspen Life Insurance in 2018, 2019, 2020, 2021, 2022. Based on the results of the study, the analysis of the solvency ratio on PT. Taspen Life Insurance in 2018, 2019, 2020, and 2022 is considered to have poor financial performance because its solvency level exceeds 200%. In 2021, the achievement of the solvency ratio of PT. Taspen Life Insurance is less than 200%, which can be interpreted as the financial performance of PT. Taspen Life Insurance in 2021 is considered quite good.

1. Introduction

Insurance is a protection mechanism for the insured party if they experience risks in the future where the insured will pay premiums to get compensation from the insurer (Arifudin, Wahrudin, & Rusmana, 2020); (Afifah & Januarita, 2022). The growth of insurance in Indonesia has experienced significant growth in recent years (Hakim & Asiyah, 2020); . Data increased insurance growth from 205 companies in 2012 to 237 companies in 2016. One of the main drivers of insurance growth in Indonesia is the large population, as the population increases there will be an increase in demand for insurance products. Another factor that contributes to the growth of insurance in Indonesia is the government's efforts to encourage financial inclusion (Endah Pravita Putri et al., 2023). Insurance serves to protect all assets owned, including yourself and your family from financial risks in the future (Rismansyah, Arafat, & Lestari, 2022); (Heliani, Mareta, Rina, Rahayu, & Ramdaniansyah, 2021); (Heliani et al., 2021). Types of insurance are motor vehicle insurance, property insurance, life insurance, credit insurance, and money and property insurance. The subject in this study is a life insurance case study at PT. Taspen Life Insurance. Life insurance is an insurance service that is used as a form of protection against financial losses or loss of income of a person or family due to the death of a family member (insured) who is usually the source of income for the family.

PT Asuransi Jiwa Taspen (Taspen Life) was established on February 26, 2014, by obtaining a business license through a Decree from the Financial Services Authority (OJK) Number: Kep-30 / D.05 / 2014, dated April 10, 2014, is a subsidiary of PT TASPEN (Persero) with 99.97% share ownership and 0.03% shares owned by the Jakarta Taspen Employee Cooperative. Taspen Life provides a variety of group and individual life insurance product solutions, which have life protection benefits, future and retirement planning, education funds, and critical illness insurance. The types of individual life insurance products are Taserpen Hospital Cash Plan, Taspen Bright Life, and Taspen Smart Save. Taspen Hospital cash plan is a health insurance product that provides compensation for hospitalization, ICU, and surgery until death. Taspen Bright Life is a product that provides life protection for 10 years with a premium payment period of 8 years and a 100% premium return at the end of the insurance period. Taspen Smart Save is a product designed not only to provide life protection benefits but also to provide saving solutions for future financial plans (Wahyuni, 2023); (Prihatini, 2023). Types of group life insurance are Taspen group annuity, Aspen group endowment, Aspen group whole life, Aspen group term life, and Aspen group personal accident. Taspen Group annuity is an insurance program designed to provide life protection and employee retirement planning with the receipt of participant insurance benefits every month. Taspen Group Endowment is an insurance program offered to provide life protection and employee retirement savings designed in such a way that insurance benefits can be determined in advance according to the wishes of the company. Taspen Group Whole Life is a program designed to provide lifelong life protection for company employees. Taspen group term Life is a program specifically designed to provide life protection for company employees within a certain period. Taspen Group personal accident is a program specifically designed to provide life protection for company employees within a certain period. Taspen Life has 4 Marketing Offices in claim services in collaboration with 54 Branch Offices of PT TASPEN (Persero) spread throughout Indonesia and has served the Indonesian people consisting of civil servants, State Ministries, non-ministerial Government Institutions, SOEs, SOE Subsidiaries, BUMDs, National Private Companies and Multinational Companies. In its development, Taspen Life has won various public appreciation including Best Life Insurance from Media Asuransi (2016, 2018, 2020) and Best Insurance from Investor Magazine (2019-2020). (https://www.taspenlife.com/sekilas-taspen-life).

To determine the success of an enterprise, an assessment of financial performance is required. Financial performance is a picture of the company's success in the form of results that have been achieved thanks to various activities that have been carried out. Company performance is the achievement achieved by the company in a certain period as a result of the work process during that period. Financial performance can be seen from the company's financial statements by analyzing the company's financial statements. Financial statements are reports that show the financial condition of a company in a certain period. The financial condition in question is the knowledge of some amount of assets (wealth), debt, and capital (equity) in the balance sheet owned (Parmono & Zahriyah, 2021); (Sri Handini, 2020). Then, it will also be known the amount of income received and the amount of expenses incurred during a certain period. Thus, it can be known how the operating results (profit or loss) obtained during a certain period from the income statement (Elsawati, Widuri, & Sutapa, 2023). With financial performance, we can see a picture of the company's financial condition in a certain period both regarding aspects of raising funds and distributing funds which are usually measured by indicators of liquidity ratios, solvency ratios, and profitability in the form of financial performance reports (Sudharyati, Nengsih, Anggraini, Efrina, & Ismail, 2022); (HORIJAH, 2021). Financial performance reports are part of important company documents, where this document state how the company's condition in terms of raising funds and distributing funds. This helps the company measure the company's financial performance indicators in the last period. Assessment of the financial performance of a company both for internal and external purposes is very important. For investors, the benefit of information about financial performance is to see if investors will keep investing in the company or look for other alternatives. If the company's performance is good, the business value will be high. With a high business value, investors look at the company to invest so that there will be an increase in stock prices. Because of the importance of evaluating financial performance, there is nothing wrong if, from the beginning, the company always gets used to having good financial records in an orderly manner. Financial performance reports are very useful for a company. Information that can be utilized in several ways, namely Used as a basis for determining a corporate strategy for the future, Measuring achievements achieved by the company in a certain period that reflects the success rate of its activities, Assessing the contribution of a part in achieving overall company goals, Seeing the overall performance of the company, Providing guidance in decision making and company activities in general and divisions of the company in particular. To measure financial performance, you can use solvency ratio analysis, liquidity ratio, and profitability ratio (Komala, Endiana, Kumalasari, & Rahindayati, 2021); (Sari & Gunawan, 2023).

In this research more use solvency ratio. The solvency ratio is a comparison of several measures that are generally expressed by numbers. One of them is solvency used to measure the finances of insurance companies, whether they are in good health or not. An unfavorable ratio indicates the possibility that the company could default on its debt obligations. Many people assume that the main characteristic of a healthy company is to have a large business advantage. Even there is one other factor that is no less important than the benefits obtained, namely the company's ability to manage assets while paying every company debt on time without any payment delays. The solvency ratio has the function of assessing the ability of a company to pay off all obligations. Included in the short or long term with collateral assets or wealth owned by the company until finally liquidated or closed (Fauziah, Mahyarni, & Julina, 2023). Customers of long-term insurance products can assess the company before choosing it. Using this ratio, the company's overall debt burden will be compared to equity and assets. In addition, this ratio will also describe the number of company assets owned by a shareholder rather than assets owned by creditors also called creditors. If the company's assets are owned by more shareholders, then the company can be said to experience less leverage (Munawarah, Anggraini, Azzahra, & Gurning, 2023). However, if the lender has a dominant asset then the company will have a higher level of leverage. Companies that use solvency ratios get several benefits, such as making it easier for investors and management to understand the level of capital structure risk in the company. Through notes or a financial statement, in addition to the following are some of the benefits of solvency ratios. The solvency ratio is used to analyze the company's position in terms of debt obligations, knowing that the company can meet debts and interest. Useful in reviewing the balance of asset value or assets against company capital, knowing how much assets are assisted by debt. Analyzing the effect of debt on asset management makes it easier to find out what portion of the company's capital is used as collateral for long-term debt. Knowing the amount of loan funds collected because they are due to a company model, summarizing the financial condition, the company to creditors. The calculation of the solvency ratio, such an activity that is crucial to the company's reputation in the eyes of creditors, is not limited to lenders. For creditors, as institutions borrow company money from receivables, investors, and insurance if the level of solvency is low, it is likely to hesitate to give debt. Assessing the ability of the business to pay interest, the consequence of transactions on credit is the presence of interest. In addition, it assesses the capacity of the company to pay the solvency ratio. Information about the health of a healthy balance sheet with balanced assets and capital is a breath of fresh air for the company's creditors. The solvency ratio is the last calculation of the estimated total loan when payment is due so that creditors know the total money obtained from the company's credit payments.

2. Materials and Methods

The method used in this study is Qualitative Descriptive research. This type of qualitative descriptive research displays the data without manipulation or other treatments. The purpose of this study is to present a complete picture of an event or intended to expose and clarify a phenomenon that occurs. The type of data used is secondary data obtained from the company's performance report site PT. Taspen Life Insurance in 2018, 2019, 2020, 2021 and 2022 (https://www.taspenlife.com/sekilas-taspen-life)

3. Result and Discussion

The following are the financial statements of PT. Taspen Life Insurance in 2018, 2019, 2020, 2021 and 2022.

Figure 1. 2018 Report

Figure 2. 2019 Report

Figure 3. 2020 Report

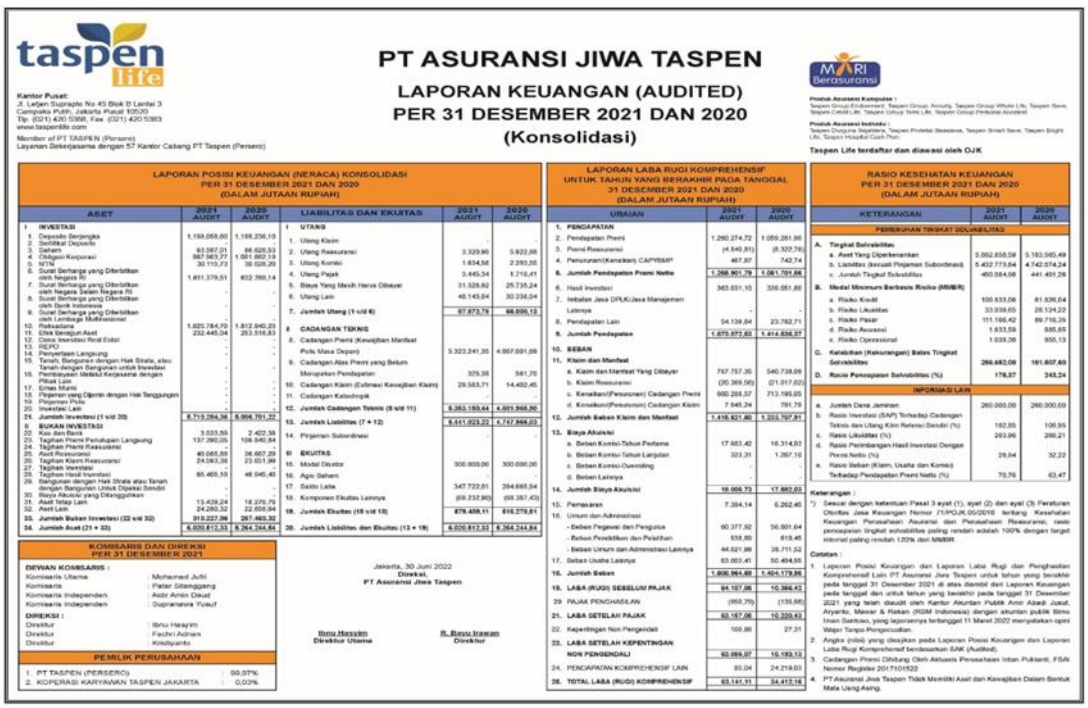

Figure 4. 2021 Report

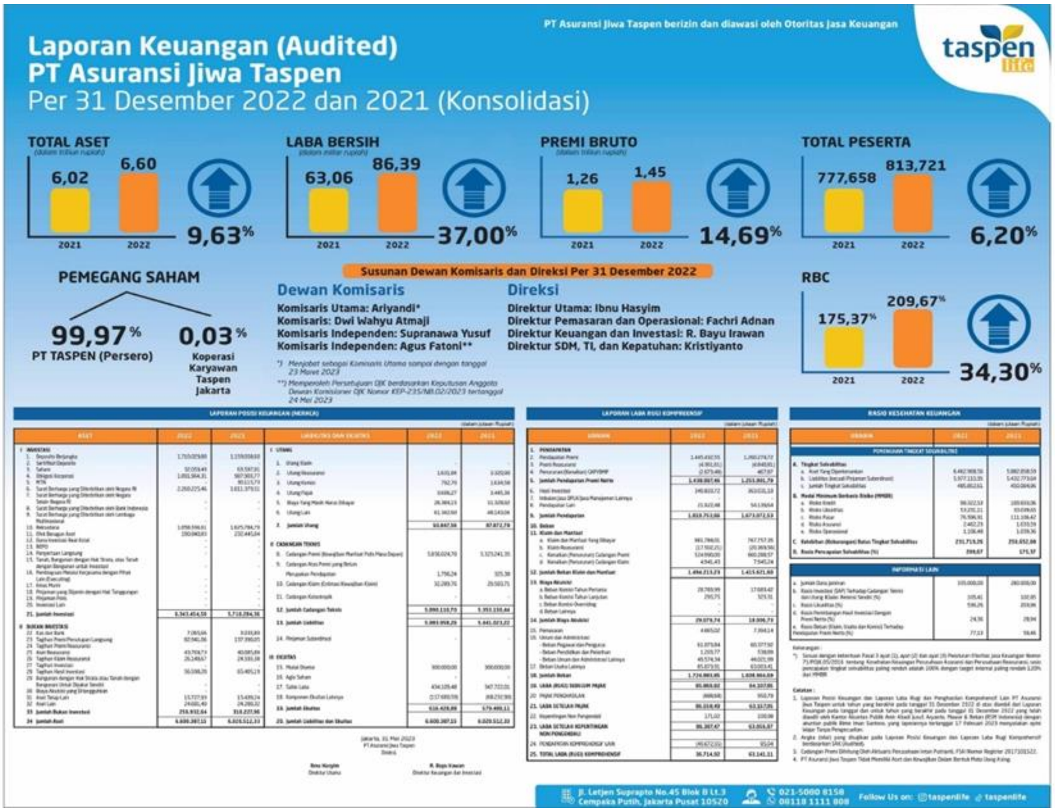

Figure 5. 2022 Report

Based on the picture above, you can see the analysis of the Solvency Ratio to Assess Financial Performance at PT. Taspen Life Insurance is based on calculations in the last five years of financial statements. Solvency achievement ratio of PT. Taspen Life Insurance in 2018 amounted to 234.14%. In 2019 the solvency achievement ratio of PT. Taspen Life Insurance amounted to 206.05%. In 2020, the solvency achievement ratio was 243.24%. In 2021, the solvency achievement ratio was 176.37%. In 2022, the solvency achievement ratio is 209.67%. Over the past five years the solvency achievement ratio of PT. Taspen Life Insurance has increased and decreased. In 2018 - 2019 the solvency achievement ratio of PT. Taspen Life Insurance decreased by 28.09%. In 2019 - 2020 the solvency achievement ratio of PT. Taspen Life Insurance increased by 37.19%. In 2020 - 2021 the solvency achievement ratio of PT. Taspen Life Insurance saw a decrease of 66.87%. In 2021 - 2022, the solvency achievement ratio of PT. Taspen Life Insurance increased again by 33.3%.

4. Conclusion

The solvency ratio (leverage ratio) is a ratio used to assess the ability of a company to pay all its debts, both short-term and long-term debt if the company is dissolved or liquidated. In other words, the ratio is used to measure the extent to which the company's assets are financed from liabilities. If the company's assets are more owned by the owner of the company, then the company is said to be less leveraged. If the creditor owns the assets dominantly, then the company has a high level of leverage. The higher the solvency ratio, the higher the risk of loss that will occur, but there is an opportunity to get a large profit as well. Conversely, if the company has a low solvency ratio, of course, the company has a smaller risk of loss. This impact can also result in low returns when the economy is high. The solvency formula for the D/E ratio is very simple, namely total debt divided by total company assets (assets). The general size used is 200% or 2: 1. The ratio means that 2 times the company's total debt is said to be solvable if the ratio is less than 200%. Based on the analysis of the solvency ratio at PT. Taspen Life Insurance in 2018, 2019, 2020, and 2022 is considered to have poor financial performance because its solvency level exceeds 200%. In 2021, the achievement of the solvency ratio of PT. Taspen Life Insurance is less than 200%, which can be interpreted as the financial performance of PT. Taspen Life Insurance in 2021 is considered quite good.

This research is expected to be a trigger for insurance companies to further improve their performance, especially in increasing profit growth every year. Increased profit growth can increase asset growth and reduce debt each year. Share Future Research: add a longer research period so that the results of this study can be generalized and better, add other research variables such as Liquidity and Profitability that can affect financial performance so that you can see how these variables affect financial performance and expand the object of research by using a larger sample of other companies. This is done to see mixed results and can represent current conditions and circumstances

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