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THE INFLUENCE OF FOREIGN INSURANCE AFFILIATES, MARKET SHARE, OWN RETENTION RATIO, CLAIMS RATIO AND COST RATIO ON THE PERFORMANCE OF GENERAL INSURANCE COMPANIES IN INDONESIA

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Abstract

This study examines the effect of foreign insurance affiliation, market share, own retention ratio, claims ratio and expense ratio on the performance of general insurance companies in Indonesia. The performance of insurance companies in this study uses a measure of return on equity (ROE). The research population is all general insurance companies in Indonesia operating in 2018-2021. The research sample is 177 insurance companies in that period. Data collection uses financial reports submitted by insurance companies to the Financial Services Authority. Furthermore, to perform data analysis, multiple linear regression through the use of SPSS software as a tool is used in this study. The results show that foreign affiliation and own retention ratio have a positive impact on insurance company ROE. Meanwhile, market share, claims ratio, and expense ratio have a negative effect on ROE. Taken together, foreign affiliate, market share, own retention ratio, claims ratio and expense ratio affect ROE. The results of this study can provide an overview to regulators in regulating foreign ownership in the insurance industry in Indonesia as well as regulations regarding self-retention. For shareholders and management of insurance companies, this research can provide an overview of foreign cooperation policies and reinsurance policies associated with the risk profile of insurance business lines in Indonesia, fee policies, underwriting and claim handling.

INTRODUCTION

Insurance is an agreement between two parties, in this case the insurance company as the first party and the policyholder as the second party (Supian & Mamat, 2021). The obligation of the insurance company is to provide reimbursement to the insured or policyholder due to the occurrence of the insured event according to the agreement (Wandt & Bork, 2020). The obligation for policyholders is to make premium payments to insurance companies (Santri et al., 2022).

There are 70 general insurance companies in Indonesia with total assets as of 31 December 2021 reaching IDR 183.63 trillion (Iskandar & Hadiprajitno, 2023). The general insurance industry's

total liabilities as of December 31, 2021 reached IDR 115.30 trillion and a capital of IDR 68.33 trillion. General insurance industry assets in four years grew by 42.54% from Rp128.70 trillion at the end of 2017 to Rp183.45 trillion at the end of 2022. The growth in liabilities in four years was 49.93% and the capital growth in four years was by 31.56%.

The performance of the general insurance industry in 2021 is shown by the aggregate return on equity ratio of 8.30%. The aggregate industry ROE tends to decrease, the ROE in 2021 is lower compared to 2018 and 2019. The lowest aggregate industry ROE occurred in 2020 which was only 7.11%. When using the average method, the average ROE of general insurance companies in 2021 is 8.16%. The average ROE value of all general insurance companies is lower than the ROE value of foreign affiliated companies. In the last four years, the average ROE for the general insurance industry and foreign affiliated general insurance companies is as presented in the following table.

Table 1
Average ROE of General Insurance Companies in 2018-2021

No	Year	Average ROE (%)	
		Industry	Foreign Affiliated Companies
1	2018	8.89	12,29
2	2019	8.97	12.90
3	2020	8,14	11.37
4	2021	8,16	9,62

Source: Processed from the DSIN of the Financial Services Authority.

The average ROE of the general insurance industry tends to decrease and the ROE in 2021 is lower when compared to the ROE in 2018 and 2019. Meanwhile the ROE for foreign affiliated general insurance companies tends to decrease and the average ROE in 2021 is only 9.62 % lower than the previous three years which was above 11%. The average ROE of foreign affiliated general insurance companies is always better than the average ROE of the general insurance industry in the same period.

The decline in ROE for both foreign-affiliated insurance companies and general insurance companies is of course a concern for regulators and investors alike. Insurance regulators use ROE as an indicator of company performance. Investors have an interest, namely to get profit or added value from the investment or capital invested. In addition to the decreasing value, the ROE in the insurance industry also has a significant difference between the industry average ROE and the average ROE of foreign affiliated general insurance companies.

Foreign shareholders in an insurance company, regardless of the percentage of ownership, are required to be a similar insurance company or have a subsidiary of a similar insurance company. These provisions aim that apart from being able to contribute in terms of capital, foreign shareholders can also provide their competence regarding the insurance industry through knowledge transfer to insurance players in Indonesia. Contributions from foreign parties are expected to develop the insurance industry and improve the performance of the insurance industry.

FORMULATION OF THE PROBLEM

ROE development data from the general insurance industry shows there are problems, namely first the industry's average ROE has tended to decline in the last four years and there is a significant difference between the insurance industry's average ROE and foreign affiliated insurance companies' ROE. Foreign insurance affiliation, market share, own retention ratio, net claims ratio and expense ratio have an influence on the performance of general insurance companies in Indonesia as measured by ROE is the main question of this research.

THEORETICAL BASIS

Agency Theory

Agency theory explains the existence of a relationship when the principal enters into a contract with another person, in this case usually called an agent, to provide a service explained by agency theory. Furthermore, the agent is trusted by the principal and is given the authority to make decisions in order to do some work on behalf of/order the owner (Jensen and Meckling, 1976).

Hendriksen and Michael (2000) stated that based on the contract between the principal and the agent, there is an obligation for the agent, namely to carry out the duties assigned by the principal and an obligation for the principal, namely to reward the agent for carrying out the agent's duties. Insurance company shareholders certainly have the desire that the invested capital can produce a good rate of return on capital. This goal causes the owner of capital to have an interest in placing management who has the capacity to run the business.

Comparative Advantage Theory

Adam Smith, in 1786 put forward the concept of competing, namely the concept of absolute advantage. An entity and even a country can have an advantage in this competition if there is an advantage in resources or technology that is better than the others. Through the advantages of my resources and technology, an entity or country in producing requires lower costs. The subsequent development of Adam Smith's theory was carried out by Robert Torren in a book entitled An Essay on the External Corn Trade in 1815. The theory of competitive advantage further developed into a theory of comparative advantage developed by David Richardo through a book entitled On the Principles of Political Economy and Taxation in 1817.

Comparative advantage can also occur in a smaller scope, for example the scope of the company. It is very possible for an entity/company to have a comparative advantage compared to other companies/entities. Comparative advantage can also occur in the insurance industry. By having a comparative advantage, companies can use their resources more efficiently, resulting in efficiency and reducing product selling prices. With a lower selling price of insurance products compared to competitors and better service, the company is expected to be able to win the competition and gain a better market share.

Foreign Insurance Affiliates

According to Etha (2010), foreign ownership is basically ordinary share ownership with ownership by the government, legal entities, and individuals with foreign status. Law No. 25 of 2007 concerning Investment states that foreign owners or parties investing in the territory of the Republic of Indonesia can be foreign governments, foreign entities and foreign citizens. Referring to the explanation above, foreign share ownership is part of company shares where the ownership is carried out by individuals, legal entities, governments with foreign status, or in other words not originating from Indonesia.

Furthermore, with regard to affiliation, Law 40 of 2014 concerning Insurance explains affiliation as a condition of having a relationship, namely between a person or legal entity and one or more people or other legal entities, which results in the influence of one of them in managing or policies towards others or other legal entities. One relationship that can result in the influence of one particular party over another which is very clear is the ownership relationship, for example the relationship between the company and the owner or shareholder.

According to Susanti (2013) in Rahayu (2003), how to measure foreign ownership is done by looking at the portion of foreign ownership of total shares, with the calculation as follows:

$$\text{Foreign ownership} = \frac{\text{Shares owned by Foreign Parties}}{\text{Number of outstanding shares}} \text{ x100\%}$$

Market share

The definition of market share according to Kotler and Armstrong (2013) is the total value of sales obtained by a company compared to the total value of all sales in the market. In other literature, William JS (1984) explains that the market share of a company is a market controlled by a company, it can also be a comparison of competitors' sales results. According to Charles W. Lamb (2001) consumer interest and consumer tastes for products determine changes and how big the market share is (Charles W. Lamb, 2001). The same explanation through Baroes (2009), measures market share by the percentage of market controlled by certain companies.

Based on this description, the sales value of insurance products is assessed by the premium income received by the insurance company and is formulated:

$$\text{Market share} = \frac{\text{Company Insurance Premiums}}{\text{Industry Insurance Premiums}} \text{ x100\%}$$

Self Retention Ratio

The insurance company in managing the risk received cooperates in the transfer of risk to the reinsurance company. The transfer of some of the risk to the reinsurance company causes the insurance company to make payments to the insurance company in the form of reinsurance premiums. The ratio of insurance premiums held by the company to the total insurance premiums received by the company is known as the self-retention ratio. The retention ratio itself is also defined as a comparison value between net premiums and gross premiums, Yuliana (2008). The retention ratio itself is formulated as follows:

$$\text{Own Retention Ratio} = \frac{\text{Net Premium}}{\text{Gross Premium}} \text{ x100\%}$$

Regulators have regulated minimum limits and maximum limits on own retention for each business line, the amount of which is based on capital. The minimum self-retention arrangement is intended so that insurance companies may not transfer all risks to reinsurance companies so that they act like brokers/brokers.

Claim Ratio

The main obligation of the insurance company is to pay claims if the insured event occurs and is declared eligible to pay according to the contract or insurance policy. Insurance premiums received from the insured or policyholders are the main source of claim payments. An insurance company is considered healthy if the company has sufficient premiums to pay claims from the premiums received. Claims ratio is a comparison between the number of claims that occur which become the company's expense (net) with the total net premiums received by the insurance company. For this reason, the claims ratio is formulated as:

$$\text{Claim Ratio} = \frac{\text{Claim Expenses}}{\text{Premium Income}}$$

This ratio basically assesses the quality of the insurance company's underwriting when carrying out risk selection and handling claims. a smaller claim ratio illustrates better underwriting quality when compared to a larger ratio and vice versa.

Cost Ratio

Insurance companies in running the insurance business also incur other operational costs. These costs are incurred in obtaining insurance premiums. To assess efficiency, operational costs are compared with the premium earned by the company, otherwise known as the cost ratio. The expense ratio is calculated by comparing the costs incurred with the premiums earned. The Cost Ratio is formulated as:

$$\text{Cost Ratio} = \frac{\text{Operating Expenses}}{\text{Net Premium Income (Net Premium Earned)}}$$

A small cost ratio illustrates a better level of efficiency than a larger ratio and vice versa. The components of these operational costs include general and administrative costs as well as marketing costs.

Return on Equity

The net result of the company's operations on the use of available capital is called the return on equity or the rate of return on capital. This ratio can also be interpreted as the magnitude of the rate of return obtained by the owner of capital on funds that have been invested in the company. Therefore, this ratio is of great concern to shareholders. A high ratio illustrates better performance than a ratio with a lower percentage. The ratio of the rate of return on capital is calculated using the formula:

$$\text{Capital Return Ratio} = \frac{\text{Net profit}}{\text{Average Equity}} \text{ x100\%}$$

LOGICAL RELATIONSHIP BETWEEN RESEARCH VARIABLES

Foreign Ownership/Foreign Affiliation with Return on Equity

Foreign legal entity investors are required to be a legal entity that operates in a similar insurance business, or has a subsidiary with the same type of insurance business.Foreign shareholders besides being able to contribute in the financial aspect, namely capital, foreign shareholders are of course required to have sufficient knowledge and experience regarding the insurance industry and be able to provide expertise in the field of insurance through knowledge transfer to insurers in Indonesia.

Having good knowledge about insurance companies, strengthening capital and good management, as well as understanding of shareholders on the insurance business sector, foreign ownership in the insurance sector is expected to further improve the performance of insurance companies as measured in ROE. The hypothesis of the relationship between foreign ownership and ROE is:

H1: Foreign insurance affiliation with general insurance companies has a positive effect on ROE.

Market share with Return on Equity

*Market shares*or market share is the comparison between the sales value of a company compared to the total sales value in the market. Companies that have a large market share generally have better economies of scale and have a comparative advantage compared to their competitors. Sources of comparative advantage include having more competent management, good infrastructure, technology, and a wider marketing network. Through comparative advantage, companies can use their resources more efficiently, resulting in efficiency and reducing product selling prices. Based on this, the hypothesis regarding the relationship between market share and ROE is:

H2: Market share has a positive influence on ROE of general insurance companies

Self Retention with Return on Equity

The form of risk management from an insurance company is to transfer risk to a reinsurance company. The retention premium itself is the portion of the premium that belongs to the insurance company and becomes the company's net premium income. The retention ratio itself is a measure of the amount of insurance premiums that are retained or become income compared to the total insurance premiums received by the company. The greater the retention ratio itself means the greater the premium that becomes the company's income. Conversely, if the retention ratio is small, then the portion of the premium that becomes income is also small. Thus the hypothesis regarding the relationship of self-retention ratio on ROE is:

H3: Self-retention ratio has a positive effect on ROE of general insurance companies

Claims to Return on Equity Ratio

The claims ratio assesses the underwriting quality of an insurance company when conducting risk selection and handling claims. Generally, a smaller claims ratio illustrates better underwriting quality when compared to a larger ratio and vice versa. A claim ratio with a percentage of more than 100% is very dangerous for a company's financial condition, considering that the funds collected from incoming premiums are not enough to make claim payments and are not enough to pay for the company's operational costs. A high claim ratio also means that the company is too low in setting insurance premiums. So that there is insufficient premium compared to the benefits received by the insured. These conditions will erode the company's profits and will reduce financial performance including return on equity.

H4: Claims ratio has a negative effect on ROE of general insurance companies

Ratio of Cost to Return on Equity

Operational costs incurred by insurance companies in obtaining insurance premiums. To assess efficiency, operational costs are compared with the premium earned by the company, otherwise known as the cost ratio. The expense ratio is calculated by comparing the costs incurred with the premiums earned.

Because the nature of costs is to become a burden and a deduction from the insurance company's income, this cost ratio is of course closely related to the return on investment ratio or ROE.

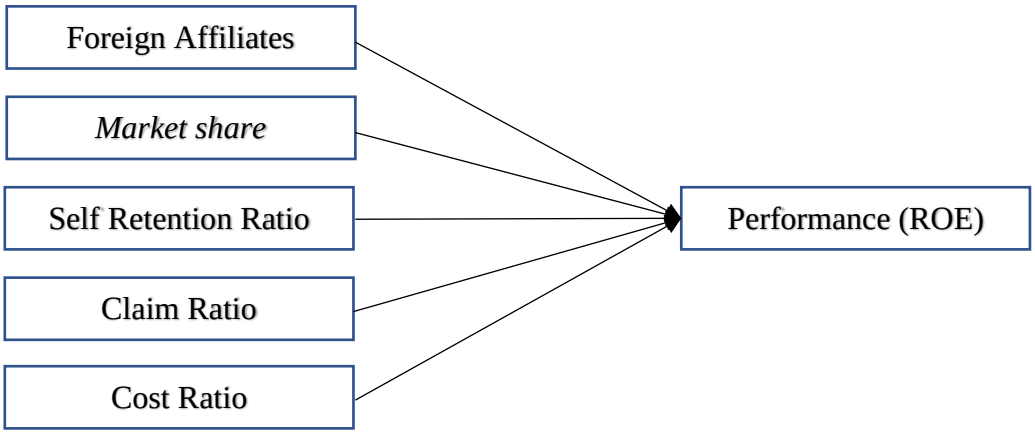
A high expense ratio in theory will lower profits. Thus the hypothesis on the relationship between the cost ratio and ROE is:

H5: Expense ratio has a negative effect on ROE of general insurance companies.

Research Framework

The relationship between the independent variable and the dependent variable and the development of the hypothesis can be described in the following research framework:

Figure 1
Conceptual Thinking Framework



Based on the picture above, the frame of mind is that the performance of general insurance companies as measured in ROE is influenced by foreign ownership, market share, own retention ratio, claims ratio and expense ratio.

METHODOLOGY

Data Type

The research data is secondary data sourced from the annual financial reports of general insurance companies for the 2018-2021 period which were submitted to the IKNB-OJK Directorate of Statistics and Information. The research uses the financial reports submitted by the company.

Population

The population from the data are all general insurance companies operating in Indonesia. The total population of insurance companies in this study in the last 4 years was 284.

Research Sample

The sample of this study uses a sample of insurance companies, both those with foreign ownership and companies that do not have foreign ownership, with the same composition (number of companies) each year.

Table 2
Number of Sample Insurance Companies for 2018-2021

No	Year	Number of Companies	Company Local	Company Foreign Affiliated
1	2018	46	23	23
2	2019	46	23	23
3	2020	48	24	24

4	2021	50	25	25
Total		**190**	**95**	**95**

The data analysis process was carried out with the SPSS program/software. Of the 190 data used as the object of analysis, there are 13 data that are outliers so that 177 data can be used.

Data analysis technique

Multiple linear regression analysis is used to determine the relationship between the five independent variables with one dependent variable which is the main analysis in the study. Further analysis of multiple linear regression was performed after the data met the classical assumption test. Multiple linear regression has the following equation:

$$Y=a + B1X1 + B2X2 + B3X3 + B4X4 + B5X5 +e$$

Where

Y = ROE
a = Constant
X1= Foreign Insurance Affiliation (=1 if there is foreign ownership, =0 if there is no foreign ownership)
X2 = Percentage of market share (in %)
X3 = Own Retention Ratio (in %)
X4 = Claim Ratio (in %)
X5 = Cost Ratio (in %)
B1 = Foreign Insurance Affiliate factor coefficient
B2 = Factor Coefficient Market share
B3 = Own Retention Ratio Factor Coefficient
B4 = Claim Ratio Factor Coefficient
B5 = Cost Ratio Factor Coefficient
e= Standard Error

Before entering the regression model, several classical assumption tests are needed, namely data multicollinearity tests, data normality tests, data autocorrelation tests, and data heteroscedasticity tests. Statistical software, namely the IBM SPSS Statistics version 28 program, is the main tool in regression analysis and classic assumption tests.

EMPIRICAL FINDINGS/RESEARCH RESULTS

Normality test

The results of the normality test from the SPSS program are as shown in the following table:

Table 3

Kolmogorov-Smirnov Test Results

		Unstandardized Residuals
N		177
Normal Parameters, b	Means	.0000000
	std. Deviation	.07853771
Most Extreme Differences	absolute	059
	Positive	059
	Negative	-.048
Test Statistics		059
asymp. Sig. (2-tailed)		.200c,d

The data shows that the data is normally distributed, which is indicated by the value of Asymp. Sig is 0.200 which is greater than 0.05.

Heteroscedasticity Test

The heteroscedasticity test with the help of the SPSS program shows the results of the scatterplot graph. The graph concludes that there are no symptoms of heteroscedasticity in the

regression model because the points spread randomly, and are spread both above and below the number 0 (zero) on the Y axis.

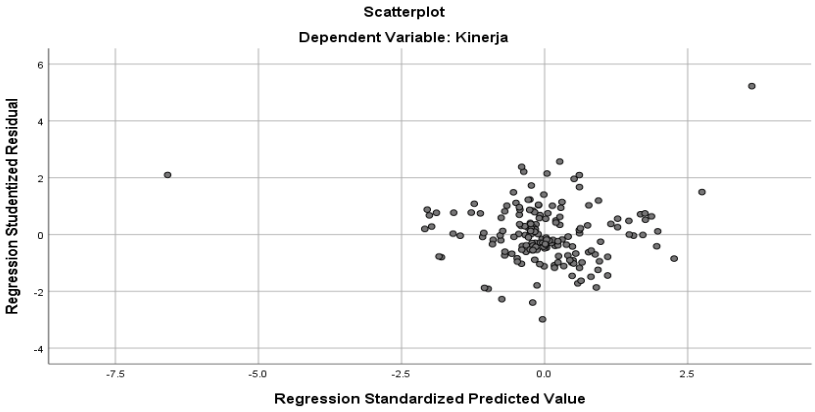


Figure 2
Scatterplot Graph

Multicollinearity Test

The multicollinearity test with the help of the SPSS program concludes that there is no multicollinearity among the independent variables by looking at the tolerance value or the Variance Inflation Factor (VIF) value which is within the resulting t limit, namely tolerance> 0.10 and VIF limit <10.00, so can be concluded.

Table 4
Multicollinearity Test

Model		Collinearity Statistics	
		tolerance	VIF
1	(Constant)		
	Foreign Ownership	.940	1,063
	Market share	.764	1310
	Self Retention Ratio	.442	2,260
	Claim Ratio	.912	1,097
	Cost Ratio	.402	2,485

Autocorrelation Test

The test results show that the DW (d) value is 2.186. Using a significance table value of 5% with a sample size of 177 (n) and a number of independent variables of 5 (k=5), a dL value of 1.696 and a dU value of 1.812 are obtained. The DW (d) value is 2.186, which means that it is greater than the dU value, which is 1.812 and less than (4-dU) or 4 – 1.812 = 2.188. This means that it can be concluded that there is no autocorrelation problem.

Table 5
Autocorrelation Test

Summary model b					
Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	.569a	.324	.304	.0796776	2,186

t test

Based on the results of data processing with the SPSS program, the results of the t test to see the effect of each independent variable on the dependent variable are as shown in the following table:

Table 6
Test Results t Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	.151	.020		7,492	.000
	Foreign Ownership	041	012	.213	3,286	001
	Market share	-.836	.387	-.155	-2.158	032
	Self Retention Ratio	.293	042	.655	6,927	.000
	Claim Ratio	-.081	.031	-.170	-2,580	011
	Cost Ratio	-.489	.069	-.704	-7.101	.000

From the table above it is known that the calculated t value for each independent variable is:

1. for Foreign Ownership is 3,286,
2. for market share is -2.158,
3. for Own Retention Ratio is 6.927,
4. for Claims Ratio is -2.580, and
5. for the Expense Ratio is -7.101,

Furthermore, the value of the t-value table used in conducting the analysis is the t-table value at α=0.05, the amount of data (n) is 177, and the number of variables X (k) is 5, which is 1.654.

The regression equation that can be used to predict the performance of general insurance companies is obtained from data processing using the SPSS program, namely:

$\hat{Y} = 0.151 + 0.041X1 - 0.836X2 + 0.293X3 - 0.081X4 - 0.489X5$

With:

$\hat{Y}$: ROE
X1 : Foreign Insurance Affiliates
X2 : Market share
X3 : Self-Retention Ratio
X4 : Claim Ratio
X5 : Cost Ratio

Test f

The influence of the five independent variables together (simultaneously) on the dependent variable is carried out by the f test. The results of the f test with the help of the SPSS program are as follows:

Table 7
Test results f test

ANOVAa						
Model		**Sum of Squares**	**Df**	**MeanSquare**	**F**	**Sig.**
1	Regression	.519	5	.104	16,361	.000b
	residual	1,086	171	006		
	Total	1605	176			

The significance value of f is 0.000 and the fcount value is 16.361. The magnitude of the ftable at α=0.05, the amount of data (n) is 177, and the number of variables X (k) is 2.27. Thus, because of the significance of f <0.05 or 0.001 <0.05 and the value of fcount> ftable or 16.36 > 2.27, which means that foreign ownership, market share, claims ratio, own retention premium, and expense ratio, have a significant effect on ROE is simultaneously received.

Determination Coefficient Test

The correlation coefficient between market share, claims ratio, own retention premium, expense ratio, and foreign affiliation to ROE is 0.569 and the coefficient of determination (R2) is 0.324. These figures mean that foreign insurance affiliation, market share, claims ratio, own retention ratio, and expense ratio have an influence on ROE of 32.4% with a strong correlation value and the remaining 67.6% is influenced by other variables not examined. .

Table 8
Determination Coefficient Test Results
Summary model b

Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	.569a	.324	.304	.0796776	2,186

Conclusion Research Hypothesis

Table 9
Conclusion Research Hypothesis

Research Hypothesis	Mark t count	T table value	Sig. Value	Conclusion Hypothesis
H1: Foreign insurance affiliation with general insurance companies has a positive effect on ROE	3,286	1,654	0.001	**Acceptable**
H2: Market share has a positive effect on general insurance company ROE	-2.158	1,654	0.032	**Not acceptable**
H3: Own retention ratio has a positive effect on general insurance company ROE	6,927	1,654	0.000	**Acceptable**
H4: The claim ratio has a negative effect on general insurance company ROE	-2,580	1,654	0.011	**Acceptable**
H5: Expense ratio has a negative effect on ROE of general insurance companies	-7,101	1,654	0.000	**Acceptable**

DISCUSSION OF RESULTS

Analysis of Influence of Foreign Insurance Affiliates

Foreign shareholders are required to have good knowledge and experience regarding the insurance industry and be able to provide expertise in the insurance sector through transfer of knowledge to insurers in Indonesia. Contributions from foreign parties are expected to develop the insurance industry and improve the performance of the insurance industry.This is in line with Shameem D (2021), which concludes that the effects of foreign direct investment in the insurance sector include increasing product innovation and customer service, optimal use of resources, healthy competition, improvement of infrastructure facilities and new approaches to risk management. .

AsShareholders in general, including foreign shareholders, certainly have a goal, namely that the invested capital can produce results in the form of a good rate of return on capital. Associated with agency theory, this goal ultimately causes shareholders as principals to have an interest in placing management who has the capacity to run a business. Research by Mwangi, Mirie & Murigu, Jane (2015) found that the greater the leverage, share capital, and qualitative factors of management capabilities, the better the company's performance.

Based ondescriptionTherefore, with good knowledge of insurance companies, strengthening capital and good management appointed by shareholders, foreign ownership of the insurance industry in Indonesia is expected to improve the performance of insurance companies as measured in ROE.

Resultsanalysislinear regression shows that foreign affiliation The magnitude of the valuetcount for foreign affiliates (3.286) > ttable (1.654) and the sig value (0.001) is less than 0.05, which means that foreign affiliates have a significant effect on the performance of general insurance companies.Furthermore, the data also shows that in the 2018-2021 period the average ROE value of foreign affiliated general insurance companies is significantly better than that of local insurance companies. The ROE of local insurance companies is 5% to 7.51% while the average ROE of foreign affiliated companies is 9.62 to 12.29%.

Market Share Influence Analysis

The results of the linear regression analysis show that market share has a negative effect on the performance of insurance companies.Based on the results of the analysis, the value of $t_{count}$for market share is (2.158) > t_{table} (1.654) but in the opposite direction (negative) and the sig value (0.032) is less than 0.05.This is not in line with the initial hypothesis that market share has a positive effect on insurance company performance.

Market share has a negative effect on performance, which can be explained through the existing data condition approach in the general insurance industry. The large number of actors in the general insurance industry has led to quite tight competition in the general insurance industry. Many general insurance companies have a market share below 1%. The table of market share distribution is as follows:

Table 10
Distribution of Market Share and Performance of Insurance Companies Period 2018-2021

Year	ROE	Market Share Above 1%				Market Share Below 1%			
	Industry Average	Amount	Average Performance	Number of Companies Performing Below the Industry Average	Total market share	Amount	Average Performance	Number of Companies Performing Above the Industry Average	Total market share
2018	13,19	23	13.60	11	74,42	23	12.78	6	10.91
2019	13,26	23	13.89	9	73.55	23	12.62	10	10.49
2020	10,14	22	8,83	14	74,89	26	11.25	10	11.60
2021	10.39	23	12,20	11	75.99	27	8.85	10	14,34
		91		45		99		36	

Based on the table above, in the last four years there were 91 companies that had a market share above 1% and there were 99 companies that had a market share below 1%. Of the 91 companies that have a market share above 1% in the last 4 years, there are 45 companies that have performance below the industry average. Meanwhile, of the 99 companies that have a market share below 1%, there are 36 companies that have performance above the industry average. Thus it can be concluded that having a large market share does not always have good performance or conversely having a small market share does not mean having poor performance.

Furthermore, the not too strong relationship between market share and performance in Rajendra Maharjan's research (2016) concluded that insurance companies generate profits through the effective use of resources where this can lead to the emergence of monopoly power.

Analysis of the Effect of Own Retention Ratio

The greater the retention ratio itself means the greater the premium received by the company which will become the company's income and the greater the risk borne by the company. Conversely, if the retention ratio is small, then the portion of the premium that becomes the income of the insurance company is also small and the premium received by the reinsurance company becomes the income of the large reinsurance company. Based on this description, under conditions of a reasonable claims ratio, as well as a good expense ratio, a large self-retention ratio can make a large contribution to the company's profits. As research from Ozcan Isik (2021), the retention premium ratio has a significant effect on the profit performance of domestic insurance companies and foreign affiliated insurance companies.

Based on the regression analysis, the retention premium ratio itself has a positive and significant impact on ROE. Thus, the more retained, the more positive impact on ROE. The amount of the calculated t value for Own Retention Premium (6.927) > t table, (1.653), with a sig value of 0.001 <0.05 thus Self-Retention Premiums for the Indonesian general insurance industry have a positive and significant effect on ROE.

The positive and significant impact of self-retention premium on profit is also supported by the condition that the risk profile of general insurance industry products in Indonesia is quite good. Based on the data, the claim ratio in the 2018-2021 period is in the range of 40% to 46%, which means that general insurance companies generate premiums that exceed the claims that occur.

Claims Ratio Influence Analysis

Claim payments are recorded as an expense in the insurance company's income statement. Thus, in theory, the payment/claim expense will reduce the insurance company's profit. The number of claims paid divided by the premium received is the claims ratio.

This claim ratio basically assesses the quality of the insurance company's underwriting when carrying out risk selection and handling claims. In general, a smaller claims ratio indicates better underwriting quality. Claims ratio with a percentage of more than 100% is very dangerous for the company's financial condition considering that the funds collected from incoming premiums are not enough to make claim payments and are not enough to pay for the company's operational costs. These conditions will erode the company's profits and will reduce financial performance including the ratio of return on equity. Angga Firmansyah Putra Hasibuan, Isfenti Sadalia, Iskandar Muda (2020), the claim ratio has a significant influence on the profitability of insurance companies.

In other studies it is known thatcost ratios, claim ratios, and company size significantly affect company performance, namely research from Mazviona W, Dube M, Sakahuwa T (2017).

Based on the results of the regression analysis, the value of t is calculated for the claims ratio2.580 > t table, (1.6536), but in the opposite direction, with a sig value (0.011) <0.05, thus for general insurance companies in Indonesia, the claim ratio has a negative effect on performance/ROE. This result is in line with several previous studies.

Cost Ratio Influence Analysis

Ascompany in general, there is also a cost component for the companyinsurancein addition to claim costs, namely other operational costs. These operational costs are incurred by insurance companies in obtaining insurance premiums which are usually dominated by acquisition/commission costs. Thus, in theory, these costs will reduce the insurance company's income, meaning that costs in theory have a negative impact on insurance income which ultimately has a negative impact on performance. To assess efficiency, operational costs are compared with the premium earned by the company, otherwise known as the cost ratio. The expense ratio is calculated by comparing the costs incurred with the premiums earned.

Previous research, Arintoko, Ahmad Abdul Aziz, Habibah (2021) concluded that the BOPO variable and debt ratio have a negative and significant effect on company profitability. Company efficiency can also increase profits compared to market share. Sugiharto's research, Toto (2022) concluded that the expense ratio has a significant negative correlation with the performance of life insurance companies.

Based on the results of the regression analysis, the t value for the Cost Ratio is 7.101 > t table, (1.6536), but in the opposite direction, with a sig value of 0.000 <0.05, thus for the general insurance industry in Indonesia, the cost ratio negative effect on ROE. This result is in line with several previous studies.

CONCLUSION

The research aimed at assessing the impact of foreign affiliation, market share, own retention, claims ratio, and expense ratio on insurance companies' performance yields several key findings. First, foreign ownership and the own retention ratio emerge as significant factors influencing insurance company performance. Second, market share, claims ratio, and cost ratio exhibit a negative and noteworthy impact on insurance companies' performance. Moreover, when considering all these factors together, including foreign affiliation, market share, claims ratio, own retention premium, and expense

ratio, they collectively exert a substantial influence on an insurance company's performance. Lastly, foreign affiliates, market share, claim ratio, own retention premium, and expense ratio contribute to 32.4% of the performance variation, displaying a strong correlation. However, it's important to note that the remaining 67.6% of performance variability is influenced by unaccounted variables not examined in this study.

Benefits of research

For Regulators

Practical policy implications for regulators based on the results of this study are as follows:

a) There is a positive impact from the presence of foreign parties on the insurance industry in Indonesia, so that regulators can continue to apply this policy to remain in effect in the insurance industry.
b) Regulators can review the rules for minimum self-retention and maximum self-retention that are currently being implemented, in order to optimize the performance of insurance companies.

For Entrepreneurs

Practical policy implications for business actors based on this research can be described as follows:

a) Local shareholders may consider working with qualified foreign shareholders in order to improve company performance.
b) To pursue performance, business actors should implement cost efficiency policies, compared to efforts to pursue a large market share.
c) Insurance company management in accordance with the capital they have and with a prudent risk assessment must review their own retention premium management policies so that performance can be optimal

Further Research Suggestions

Suggestions for the next research agenda are:

1. Conducting research with foreign ownership variable using a percentage scale, to see the impact of the foreign ownership percentage on the performance of insurance companies.
2. The research was conducted with a longer data time period in order to obtain more optimal research results.
3. Research can be carried out for the life insurance industry because it has different market structures, ownership, products compared to general insurance so that it can also be useful for life insurance industry stakeholders, both regulators, business actors, and policyholders.

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