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The Effect of Growth of Net Premium, Claim Ratio, RBC, and Retention Ratio on the Financial Performance of Insurance Companies in the ASEAN Region

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ABSTRACT: This research aims to find out the constraints that can affect the financial performance of insurance service companies in the ASEAN region that are currently running. Insurance companies operating in the ASEAN Region can use the research results. This research can be used as a basis for making a policy related to information on net premium growth, claims ratio, risk-based capital, and retention ratio.

This study uses the research object of insurance companies in the ASEAN region. Insurance companies are overgrowing. This issue happened because Southeast Asia is one of the regions with the fastest development globally over the last 10 years. The use of insurance services in the Southeast Asia Region reached 3.77%. This percentage reflects that half of the use of services in the Southeast Asia Region represents half the use of insurance globally. The population in this study is Insurance Service Companies in the ASEAN Region. In contrast, the sample in this study is Insurance Service Companies in the ASEAN Region that are listed on the Stock Exchange in each country in the 2017-2019 period. Partially, net premium growth has a positive effect on financial performance, and claim ratios, risk-based capital, and retention ratios do not affect financial performance.

KEYWORDS: Financial performance, net premium growth, claims ratio, risk-based capital, and retention ratio.

I. INTRODUCTION

Insurance companies operate in the non-bank financial sector. However, they have operational activities that are not much different from bank operations (Marimin & Romdhoni, 2017). This statement is in accordance with the instructions of Law Number 40 of 2014 regarding the definition of an insurance company as a public insurance entity and a life insurance entity.

Insurance entities are engaged in providing public services to deal with risks that arise unexpectedly in the future (Amanita, 2017). The development of insurance companies in the ASEAN region is developing very rapidly. This issue happened because Southeast Asia is one of the regions with the fastest development globally over the last 10 years. The level of use of insurance services in the Southeast Asia Region reaches 3.77% (Ferrika Sari ; Khomarul Hidayat, 2021). This percentage reflects that users of insurance services in the Southeast Asia Region have represented almost half of the level of users of insurance services globally.

The development of insurance companies is felt to have increased during the Covid-19 pandemic. Countries in the ASEAN Region are starting to commit to universal health care and a national-scale health insurance system to become the main driving factor in changing people's behavior in the ASEAN Region to maintain health (Trias & Cook, 2021). This phenomenon makes consumers from insurance companies more health conscious, which can lead to more demand and spending in the healthcare sector. A large number of Covid-19 survivors in the ASEAN Region also drive this awareness of health. Countries with the most Covid-19 sufferers, such as Indonesia and the Philippines, have successfully implemented national-scale insurance programs (Prabowo, 2020). Indonesia itself is considered to be among the largest in the world, including more than 180 million consumers (Medina, 2020).

Awareness of the use of insurance services is in contrast to the performance of insurance service providers. The phenomenon that emerged was the case of default by Jiwasraya Insurance, which was caused by less-than-optimal risk management (Rini & Pratama, 2021). The lack of strengthening governance has not been maximized in spurring more optimal industrial growth (Laucereno, 2021). Public trust in using insurance services was getting smaller when cases of loss to state-owned insurance companies such as ASABRI (Persero) Ltd. began to be revealed. Investments that are not based on the principle of prudence and management systems that are less controlled result in ASABRI Ltd. suffering massive losses worth 23 trillion (Idris,

2021). This value is far greater than the loss experienced by Jiwasraya Insurance, which is worth 16.8 trillion (CNBC Indonesia, 2021). Similar to Indonesia, Malaysia also experiences public distrust of insurance companies. This was due to insurance companies experiencing decreased total business premiums and restrictions on face-to-face sales during Movement Control Orders (MCO). The total premiums decreased by 7.2% from RM471.3 Billion in 2019 to RM437.2 Billion (Markets, 2021).

These problems oblige the public to see the financial performance of insurance companies. Net premium growth can represent its effect on financial performance. This is because higher premium growth will improve the financial performance of insurance entities in Indonesia (Markonah *et al*., 2019). Claim ratio can also represent its effect on financial performance, so the claim ratio is a factor that significantly affects the performance of insurance companies in Zimbabwe (Dube et al., 2017). RiskBased Capital (RBC) and Retention Ratios are also felt to affect financial performance. Risk-Based Capital has a significant effect on financial performance. This is because RBC also influences the profitability of sharia-based insurance entities in Indonesia (Nasution *et al*., 2019). *The retention ratio affects financial performance due to the high retention rate indicating that the company has funds at risk items assessed by the company itself. This reflects that high retention ratios can affect high financial performance.*

Several previous studies regarding the link between Net Premium Growth and Financial Performance stated that the premium income generated was not only used as profit, but part of the premium income was used as a premium reserve so that in the future, insurance companies could pay claims (Tarsono *et al*., 2020). This means that net premium growth does not affect financial performance (Marsanto *et al*., 2021; Mwangi & Iraya, 2014). Other research states that higher premium growth will improve the financial performance of insurance entities in Indonesia. This means that net premium growth affects financial performance (Isseveroglu, 2015; Markonah *et al*., 2019; Olalekan, 2018).

Previous research regarding the relationship between Claims Ratio to Financial Performance stated that the ability of insurance companies to pay claims by looking at the large percentage of premium income used in paying claims. This means that the claim ratio does not affect the financial performance of insurance companies (Tarsono *et al*., 2020). Other research states that the claims ratio is considered minimal for positive and prolonged insurance company performance (Dar & Thaku, 2015). This means that the claims ratio affects financial performance(Dube et al., 2017; Marsanto et al., 2021).

The link between Risk-Based Capital and Financial Performance in previous studies stated that the higher the RBC value, the higher the company's risk. Thus, it can affect company profits, which means that if profits decrease, the life insurance company's financial performance will decrease. This means that RBC does not influence insurance entities' financial performance (Marsanto *et al*., 2021; Tarsono *et al*., 2020). Other research states that obtaining a high RBC score reflects the solvency rate of an insurance company so that it can be said to be healthy and meets the requirements imposed by the government. This means that RBC positively influences the financial performance of insurance entities (Hidayat & Yusniar, 2021; Nasution *et al*., 2019; Sumartono & Harianto, 2018).

The Influence of Retention Ratios and Financial Performance in previous studies stated that high retention values align with insurance company performance which is also improving. This means that retention ratios do not affect financial performance (Pujiharjo, 2019). Other research states that the high value of the retention ratio reflects that the amount of funds owned by the company is withheld for risk assessment within the company. This means that the retention ratio affects financial performance (Fadrul & Simorangkir, 2019; Sumartono & Harianto, 2018).

This study examines the effect of net premiums, claims ratios, RBC, and retention ratios on financial performance disclosed by insurance companies in ASEAN through their financial reports. This research was conducted to answer the inconsistency of previous research regarding the effect of net premium growth, claims ratio, RBC, and retention ratio on financial performance. This research is also essential because ASEAN countries experience the same financial performance problems by adjusting to different economic, social, economic, and regulatory conditions in several countries. The research question is whether the insurance company's financial performance can be reflected in the growth in net premiums, claims ratio, RBC, and retention ratio. Or are there only a few factors that can reflect the condition of the financial performance of insurance companies in ASEAN? It is essential to answer this question because the financial performance of an insurance company is a benchmark for people's willingness to use insurance services.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The Signaling Theory

The signaling theory is a shareholder perspective that reviews the ability to increase company value in the future when the information is provided to shareholders by company management (Brigham & Houston, 2014). The signaling theory can also be defined as information signals investors need to consider and determine whether they will invest their shares in the company concerned (Suwardjono, 2016). Financial and non-financial information can be taken into consideration by investors or

stakeholders. They will analyze this information so that results are obtained, whether it is a positive or negative signal (Fidhayatin, S. K., & Dewi, 2012). These results arise because of asymmetric information between the company (management) and external parties, where management knows more and faster internal company information than outside parties such as investors and creditors. In connection with the existence of the signaling theory is the impact of the existence of information asymmetry (Andriyanto, 2015).

Insurance Company

The IFRS 4 makes the insurance industry have participated proactively in the International Insurance Working Group formed by the IASB for several years (Alnodel, 2018). Applying IFRS 17 regarding Insurance Contracts requires investors to face difficulties in analyzing the financial statements of various insurance entities, thereby minimizing the presence of inappropriate information (Lapiņkaia, 2018). The presentation of inappropriate information is minimized by IFRS 17 by requiring insurance entities to report information explicitly, whether the entity has insurance contracts that result in losses. This reporting is done by determining the Contractual Service Margin. If the result is negative, the policy will result in a loss (Muskitta *et al*., 2019). Insurance companies, in their operations, are also required to know their financial performance. Financial performance results from many individual decisions made on an ongoing basis by management. This requires managers to assess the financial performance of an entity based on financial report data presented in the financial statements based on applicable standards. Management of companies carried out by management usually involves targets to be achieved in the future, often referred to as planning (Munawir, 2010).

Net Premium Growth

Net premium growth does not affect financial performance. This is because the premium income generated is used not only as profit but partly as a premium reserve so that insurance companies can pay claims (Tarsono *et al*., 2020). Net premium growth does not affect financial performance. Researchers did not find a relationship between growth and performance for life insurance companies registered in Pakistan from 2001 to 2007. (Mwangi & Iraya, 2014). Net premium growth affects financial performance. This is because higher premium growth will improve the financial performance of insurance companies in Indonesia (Markonah *et al*., 2019). Net premium growth affects financial performance because premium growth has a positive relationship with return on assets and was found not statistically significant (Olalekan, 2018). Net premium growth affects financial performance, which means that net premium growth with the TOPSIS method can assess a company's financial performance (Isseveroglu, 2015). The greater the net premium earned, the more controllable the amount of net claim expense will result in an underwriting surplus. This shows the company's success rate in managing the risks received from the insured (Kirmizi & Agus, 2011).

Claim Ratio

The claim ratio does not affect financial performance. This is due to the insurance company's ability to pay claims by looking at the large percentage of premium income used in paying claims (Tarsono et al., 2020). The claim ratio has a positive effect on financial performance because the claim ratio is considered minimal for positive and prolonged insurance company performance (Dar & Thaku, 2015). The claim ratio positively affects financial performance, so the claim ratio is a factor that significantly affects the performance of insurance companies in Zimbabwe (Dube et al., 2017).

Risk-Based Capital

Risk-based capital does not affect financial performance, while this behavior is because the higher the RBC value, the higher the company's risk, so it can affect a decrease in company profits, which means that if profits decrease, the life insurance company's financial performance will decrease (Tarsono *et al*., 2020). Risk-based capital has a significant effect on financial performance. This is because RBC also influences the profitability of Islamic insurance companies in Indonesia (Nasution *et al*., 2019). Risk-based capital affects financial performance. This is because a high RBC value indicates that the company's solvency value has met the requirements set by the government. A company with a high RBC can be said to be solvent or healthy, so the company's high RBC and financial performance can be high, too. (Sumartono & Harianto, 2018).

Retention Rate

The retention ratio does not affect financial performance. This is because the higher or increases the retention value, the better the company's performance. The retention ratio has no standard limit, but the higher, the better (Pujiharjo, 2019). The retention ratio affects financial performance. This is because a high retention ratio indicates that the company has a number of funds withheld for self-estimated risk items within the company, so that a high retention ratio can result in high financial performance as well (Fadrul & Simorangkir, 2019; Sumartono & Harianto, 2018). A higher retention ratio can improve its financial performance.

This resulted in increased gross premiums as well (Arifin, 2014). A high level of retention ratio can illustrate that the insurance company can bear the risks that arise without affecting the performance of the reinsurance company.

Net Premium Growth and Financial Performance

The premium income generated is used not only as profit but partly as a premium reserve so that insurance companies can pay claims (Tarsono *et al*., 2020). The greater the net premium earned, the more controllable the amount of net claim expense will result in an underwriting surplus. This shows the company's success rate in managing the risks received from the insured (Kirmizi & Agus, 2011). The same thing is stated by research (Isseveroglu, 2015; Markonah *et al*., 2019; Olalekan, 2018) which states that the greater the growth in net premiums, the better the financial performance of insurance companies will be.

H1: Net premium growth has a positive effect on the financial performance of insurance companies

Claim Ratio and Financial Performance

An increase in the claim's ratio, which is realized by the ability of the net premium to cover claims expenses, can impact increasing profitability. Conversely, a relatively low claims ratio will decrease the profitability value of insurance entities. (Marsnto *et al*., 2021). The same thing is stated by research (Dar & Thaku, 2015; Dube et al., 2017) which states that the lower the value of the claims ratio, the lower the financial performance of insurance entities will be.

H2: Claims Ratio positively affects the Financial Performance of insurance companies.

Risk-Based Capital and Financial Performance

A high RBC value indicates that the company's solvency value has met the requirements set by the government. This company's high RBC can be said to be solvent or healthy. The higher the insurance company's RBC value, the higher the financial performance (Sumartono & Harianto, 2018). The same thing is stated by research (Hidayat & Yusniar, 2021; Nasution *et al*., 2019) which states that the higher the RBC value of an insurance company, the higher the financial performance of the insurance company will be.

H3: Risk-Based Capital positively affects the financial performance of insurance companies.

Retention Ratio and Financial Performance

The high value of the retention ratio indicates that the number of company funds retained can help value the company; therefore, a high retention ratio can also result in high financial performance. The higher the retention ratio, the higher the financial performance of insurance entities (Arifin, 2014). The same is stated in research (Fadrul & Simorangkir, 2019; Sumartono & Harianto, 2018) which states that the higher the retention ratio, the higher the financial performance of insurance entities will be.

H4: Retention ratio has a positive effect on the financial performance of insurance companies.

III. RESEARCH METHODS

A. Population and Sample

The population in this empirical study is insurance service companies in the ASEAN region. The purposive sampling method was used in the sampling of this study. Purposive sampling is a technique for determining samples with specific criteria (Sugiyono, 2019). The sample in this study is Insurance Service Companies in the ASEAN Region, with the criteria of Insurance Companies Registered on the Stock Exchange in each country in the ASEAN region in 2017-2019.

Table 1. List of Stock Exchanges in ASEAN

Country	Stock Exchanges	Number
Indonesia	Bursa Efek Indonesia	19
Malaysia	Bursa Malaysia	9
Singapore	Singapore Exchange Limited	3
Brunei Darussalam		0
Timor Leste		0
The Philippines	Philippine Stock Exchange	1
Vietnam	Large Cap (Big Cap) Stocks	9
Thailand	The Stock Exchange of Thailand	13
Laos		0
Myanmar		0
Cambodia		0

TOTAL	**54**

Source: Simply Wall Street Pty Ltd.

B. Operation Definition and Variable Measurement

Dependent Variable

This study uses Financial Performance as the dependent variable. Company performance in the accounting sector regulated in IFRS 17 refers to financial aspects such as profit (Ibanichuka & Asukwo, 2018). Financial performance is a company's ability to manage and control its resources (*PSAK 1*, 2013). Calculations in financial performance use the following formula:

$$FP = \frac{\text{Net Profit}}{\text{Total Assets}} \quad (1)$$

In equation (1), FP uses ROA as a calculation formula by dividing the insurance company's net profit after tax by the insurance company's total assets.

Independent Variable

This study uses Net Premium Growth, Claims Ratio, Risk-Based Capital, and Retention Ratio as independent variables. The net premium has been regulated in IFRS 17, which can be applied to profitable short-term insurance contracts (Owais & Dahiyat, 2021). Net premium growth is a gross premium obtained from reducing reinsurance premiums and deducting paid commissions (self-retention premiums) (Kirmizi & Agus, 2011). IFRS 4 also allows insurance companies to choose the most accurate method for estimating liability for insurance claims (Stafievskaya *et al*., 2015). Claim Ratio is the ratio used in measuring claims that occur and obligations that must be settled. Claim ratios that occur in insurance companies have a standard limit of 100% (*PSAK 28*, 2012). IFRS uses RBC to calculate risk adjustments that entities must disclose (England *et al*., 2019). RBC is a tool used in measuring the level of solvency against risk losses borne with a minimum RBC of 120% (*Keputusan Menteri Keuangan*, 2003). The retention ratio in IFRS 9 is defined as a form of an insurance entity's ability to manage its business risks (Hasibuan *et al*., 2020). The retention ratio describes how much the retention rate is for the risk borne. A high retention ratio can reflect good company performance *(Arifin, 2014).* The calculation of net premium growth uses the following formula:

$$\frac{\text{Net Premium}_t - \text{Net Premium}_{t-1}}{\text{Net Premium}_{t-1}}$$

$$\frac{\text{Acquired Claims}}{\text{Premium Income}}$$

$$\frac{\text{Solvability Level}}{\text{Minimum Solvency Level Limit}}$$

$$\frac{\text{Net Premium}}{\text{Gross Premium}}$$

NPG = (2)

CR = (3)

RBC = (4)

RR = (5)

In equation (2), NPG is used as a formula for calculating net premium growth by dividing the difference between the current year's net premium and the previous year's net premium at the insurance company by the previous year's net premium at the insurance company. In equation (3), CR is the formula for calculating the claim ratio, namely gross claims to insurance companies with premium income generated by insurance companies. In equation (4), RBC is the formula for calculating riskbased capital by dividing the level of solvency into insurance companies by the minimum value limit for solvency in insurance entities, which is 120%. In equation (5), RR is used as a retention ratio calculation formula, dividing the net premium to the insurance entity by the gross premium.

Data Analysis Method

Statistical analysis in this study used the Model Estimation Test, Normality Test, Classical Assumption Test, and Hypothesis test. Panel data in the estimation test uses 3 methods: the Common Effect method, the Fixed Effect method, and the Random Effect method. The most appropriate method for analyzing panel data can be selected with the Chow Test, Hausman

Test, and Lagrange Multiplier Test. The classic assumption test for panel data in this study uses the Multicollinearity Test, Autocorrelation, and Heteroscedasticity. Hypothesis testing for panel data in this study uses the t-test, f-test, and test of the coefficient of determination (R^2) (Ghozali & Ratmono, 2017).

The independent variable can be known for its effect on financial performance using the multiple regression test method. The following are the multiple regression equation models in this study:

$$FP_{it} = \alpha + \beta_1 NPG_{it} + \beta_2 CR_{it} + \beta_3 RBC_{it} + \beta_4 RR_{it} + \varepsilon it \quad (6)$$

In equation (6), FP_{it} is the financial performance score of company i in period t, NPG_{it} is the score of net premium growth of company i in period t, CR_{it} is the claim ratio score of company i in period t, RBC_{it} is the score of company i's risk-based capital in period t, RR_{it} is the score of the retention ratio of company i in period t, α is a constant, β_1-β_4 is the regression coefficient, and ε is the error rate.

IV. ANALYSIS AND DISCUSSION

Descriptive Statistical Analysis

Table 2 reflects the lowest value of the financial performance of insurance companies in ASEAN by -20%. In contrast, the maximum value of the financial performance of insurance companies in ASEAN is 505%. The average value of the financial performance of insurance companies in ASEAN is 10.43%. This reveals that the financial performance of insurance companies tends to be high. The net premium growth for insurance companies in ASEAN has a minimum value of -84%. In comparison, the maximum value for net premium growth for insurance companies in the ASEAN region is 282%. The average value of net premium growth for insurance entities in the ASEAN region is 13.43%. This reveals that net premium growth for insurance entities in ASEAN tends to be high.

The claim ratio for insurance companies in ASEAN has a minimum value of 20%. The maximum claim ratio for insurance companies in ASEAN is 766%. The average claim ratio value for insurance companies in ASEAN is 223.12%. This reveals that the claim ratio for insurance companies in ASEAN tends to be high. RBC for insurance companies in ASEAN has a minimum percentage of 20%. In comparison, the maximum percentage for RBC for insurance companies in the ASEAN region is 3,899%. The average RBC value for insurance companies in ASEAN is 177.69%. This reveals that the RBC for insurance companies in ASEAN tends to be high. The retention ratio for insurance companies in ASEAN has a minimum value of 0.0%. In comparison, the maximum retention ratio for insurance companies in ASEAN is 455%. The average value of the retention ratio at insurance companies in ASEAN is 64.08%. This reveals that the retention ratio at insurance companies in ASEAN is still low.

Table 2. Descriptive Statistics

	N	Minimum	Median	Maximum	Mean	Standard Deviation
FP	162	-0.20	0,03	5.05	0.1043	0.41723
NPG	162	-0.84	0.07	2.82	0.1343	0.38123
CR	162	0.20	1.86	7.66	2.2312	1.41315
RBC	162	0.00	1.20	38.99	1.7769	4.20332
RR	162	0.00	0.65	4.55	0.6408	0.45408

Financial Performance of Insurance Companies in ASEAN

Figure 1 shows the financial performance of insurance entities in ASEAN listed on each country's capital market, totaling 162 data. Figure 1 illustrates that Malaysia has the highest financial performance of insurance companies, with an average percentage of 0.380. At the same time, the Philippines has the lowest financial performance insurance company, with an average value of 0.011. The average financial performance of insurance companies in ASEAN is known to be 0.104, so from Figure 1, it can also be seen that Malaysia and Vietnam are countries with financial performance above the average financial performance of insurance companies in ASEAN, as well as Indonesia, Thailand, the Philippines, and Singapore is a country with financial performance below the average financial performance of insurance entities in the ASEAN region. Differences in the financial performance of insurance entities in the ASEAN region are influenced by several factors, such as differences in policies applied in each country, differences in environmental and cultural conditions, and differences in the quality of human resources in each country.

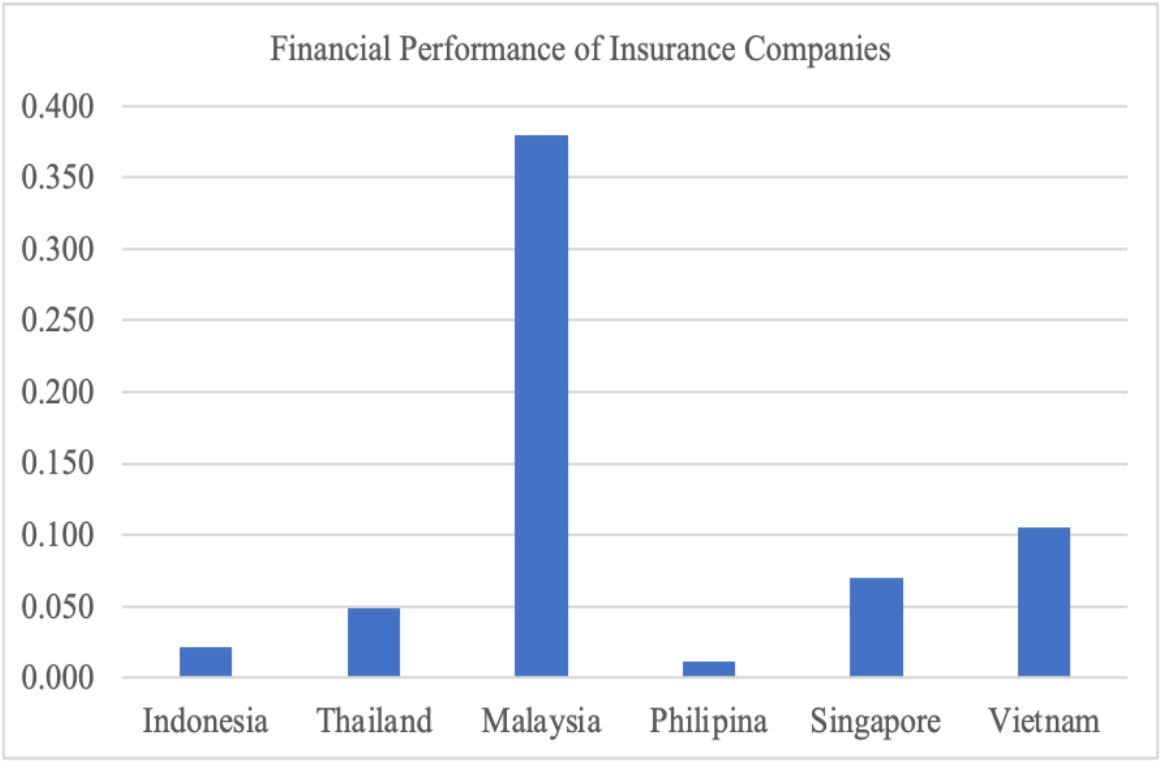

Figure 1. Financial Performance of Insurance Companies in ASEAN

Hypothesis Test

Table 3. Regression Test Results

Model	Coeficient	t-test	Sig
(Constant)	-3.091	-6.849	0.000
NPG	0.579	2.292	0.024*
CR	-0.01	-0.395	0.694
RBC	0.005	0.191	0.849
RR	-0.180	-0.377	0.707
R Square	0.829		
Adjusted R Square	0.724		
F	7.870		
Sig	0.000		
Information.			
(*) Significance on the level 5%			

Table 3 describes the output of the multiple regression test, which reflects an Adjusted R^2 of 0.724. This output means that 72.4% of the variable growth in net premiums, claims ratios, risk-based capital, and retention ratios can affect the financial performance of insurance companies in ASEAN, and 27.6% is influenced by other indications that are not included in this research model. F test worth 7.870 with a significance of 0.000 < 0.05 reflects that this research simultaneously in the regression model meets the requirements.

Net Premium Growth and Financial Performance

Table 3 shows the significant value of the net premium growth variable of 0.024 <0.05. This table shows that net premium growth has a positive effect on financial performance. The positive influence is reflected in the net premium growth coefficient, which is positive, which is equal to 0.579. These results accept the hypothesis that net premium growth positively influences the financial performance of insurance companies in ASEAN. This relationship is indicated by the higher the net premium growth, the higher the financial performance of insurance companies in ASEAN will be.

The Effect of Growth of Net Premium, Claim Ratio, RBC, and Retention Ratio on the Financial Performance of Insurance Companies in the ASEAN Region

The results of this research analysis are in line with previous studies, which show that net premium growth positively affects financial performance because premium growth which tends to be high, can improve the financial performance of insurance companies in Indonesia (Markonah *et al*., 2019). Other research shows that net premium growth affects financial performance because net premium growth has a positive relationship with return on company assets (Olalekan, 2018). Other research also shows the results that net premium growth influences financial performance. This means that the measurement of net premium growth using the TOPSIS method can determine the assessment of a company's financial performance. (Isseveroglu, 2015) (Olalekan, 2018). The same results were also shown by research regarding the influence between net premium growth and financial performance because premium growth can reflect an increase in company income if the costs incurred are stable (Fadrul & Simorangkir, 2019).

Ratio and Financial Performance

Table 3 shows the claim ratio variable with a significance value of 0.694 > 0.05. This table shows that the claim ratio does not affect financial performance. These results reject the hypothesis, which indicates that the claim ratio positively influences the financial performance of insurance companies in ASEAN. Thus, the claims ratio does not affect financial performance.

The results of the analysis of this study are in line with previous research, which reflects that the Claim Ratio does not influence the financial performance of insurance companies because the ability of insurance companies to pay claims is required to look at the large percentage of premium income used in paying claims (Tarsono *et al*., 2020). Other research also shows that the claim ratio does not affect the financial performance of insurance companies because the claim ratio is considered to be within normal limits. Insurance company claim ratios can adjust to the entity's line of business with a minimum percentage of 30% and a maximum percentage of 45% (Hidayat & Yusniar, 2021).

Risk-Based Capital and Financial Performance

Based on Table 3, it is known that the significance value of the RBC variable is 0.849 > 0.05. This table illustrates that RBC does not affect financial performance. These results reject the hypothesis that RBC positively influences the financial performance of insurance companies in the ASEAN region. Thus, RBC does not influence financial performance.

The results of the analysis of this study are in line with previous studies, which show that RBC does not affect the financial performance of insurance companies because the higher the RBC value reflects, the higher the company's risk, so it can affect the decline in company profits. A decrease in profit can result in a decline in the insurance company's financial performance (Tarsono *et al*., 2020). The results of the analysis of this study are in line with previous studies, which show that Risk-Based Capital does not affect the financial performance of insurance companies because excess solvency in companies can cause idle funds to be unproductive and can also waste opportunities for profit or profitability (Fadrul & Simorangkir, 2019). This research agrees with other studies regarding RBC, which does not affect financial performance. This is because one component of assessing the solvency level of an insurance company must involve asset value (Marsanto *et al*., 2021) .

Retention Ratio and Financial Performance

Table 3 shows the significant value of the retention ratio variable of 0.707 > 0.05. This table shows that the retention ratio does not affect financial performance. These results reject the hypothesis, which indicates that the retention ratio positively affects the financial performance of insurance entities in the ASEAN region. Thus, the retention ratio does not affect financial performance.

The analysis of this study agrees with previous research, which shows that the retention ratio has no effect on the financial performance of insurance entities. Due to the increase in the company's retention value, the company's performance is also getting better. The retention ratio has no reasonable limit, but the higher the retention ratio, the better the entity's performance (Pujiharjo, 2019). Other research shows that there is no effect between the retention ratio and the financial performance of insurance entities because the measurement of the retention ratio cannot only be calculated according to the net premium compared to the gross premium presented in the statement of financial position (Hidayat & Yusniar, 2021).

CONCLUSION

Based on the test results and discussion, it is concluded that there are differences in the financial performance of insurance entities in the ASEAN region. These differences are due to differences in regulations in force in each country, differences in environmental and cultural conditions, and differences in the quality of human resources owned by each country. These factors resulted in Malaysia being the country with the highest financial performance in ASEAN and the Philippines with the lowest financial performance in ASEAN.

ACKNOWLEDGMENT

Suggestions that can be given from this research are for the governments of countries in ASEAN to make the latest regulations that can address insurance constraints and can encourage the financial performance of companies providing insurance services. In the future, insurance companies operating in ASEAN can be responsible for their financial performance. This paper can also provide implications for customers of insurance services to determine the decision to use insurance services.

The results of the tests should have limitations that need to be considered. The limitation is that we have not tested more in-depth research on other factors that are not included in the research model, such as the constraints of each country in ASEAN. This study also uses only 3 years of observation to analyze the influence on the financial performance of insurance entities in the ASEAN region. Future studies are expected to conduct a more in-depth analysis and expand the research period in order to review more in-depth issues.

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