

PERFORMANCE OF LIFE INSURANCE IN INDONESIA BEFORE COVID-19 PANDEMIC AND DURING THE COVID-19 PANDEMIC

Vani Prahasti

Master of Management
Ahmad Dahlan University
Yogyakarta

Abstract

This study aims to determine the performance of life insurance companies based on indicators of net premium income, claims, investment yield and net profit by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic. The population of this study is life insurance companies in Indonesia registered with the Financial Services Authority for the period March 2019 to February 2020 and the period March 2020 to February 2021. The research uses saturated sample and data analysis tool used was the paired T test. The results show that there are differences in net premium income and investment yield received by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic. This is evident from the movement of the life insurance performance graph on each research variable for 12 months. Meanwhile, there is no difference between claims and Net Profit received by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic.

Keywords: *Net Premium Income, Claims, Investment Yield, and Net Profit*

BACKGROUND

An increasingly modern era accompanied by technological advances and increasingly sophisticated digital economy makes human needs increase, both the need for goods and services. The variety of human needs makes no one can predict what will happen in the future perfectly. Corona virus disease or called covid-19 that hit Indonesia in March 2020 had a big impact on the survival of the Indonesian people. The uncertain situation due of the covid-19 pandemic has triggered human concerns about the risks that occur to them, especially to their health and mental safety.

According to Djojosoedarso (2003:3) various types of risk can be distinguished according to their nature, whether or not the risk can be transferred and the source or cause of its emergence. The risks that can be insured by life insurance are:

1. Pure risk; is a risk that occurs purely unintentionally usually related to nature, such as fire and death.
2. Speculative risk; is a risk that has two possibilities, it can lead to gains as well as losses, for example investing in stocks on the stock exchange.
3. Fundamental risk; is a risk that can have a broad impact, for example the renewal of government policies that are set.
4. Special risks; is a risk whose impact only affects the local environment, for example unemployment which affects itself.
5. Property risk; is the risk associated with the ownership of an object that causes loss, can be in the form of loss, theft or damage.
6. Risks that can be transferred to other parties; the risk of bearing the loss of others due to events or things caused by us.

These risks (losses) can occur anytime and anywhere, but can be avoided or controlled by taking preventive measures. Minimizing the possibility of the occurrence of these risks can be transferred to the company that is willing to overcome the risk, namely the insurance company. Insurance companies are companies engaged in services that are able and able to bear every risk faced by individuals and business entities. The main functions of insurance is the transfer of risk, therefore life insurance is now becoming increasingly important, because its activities provide benefits and guarantees to people who entrust themselves to insurance companies. Based on Law Number 40 of 2014 concerning insurance, insurance is an agreement between two parties, namely the insurance company and the policy holder, which is the basis for receiving premiums by the insurance company in return (www.ojk.go.id). The compensation is in the form of reimbursement to the insured party given by the company in the event of an unwanted risk. This compensation will be given to the insured if it is true that a loss occurs with the evidence of the facts included. So that not all risks can be transferred to insurance companies, but what often happens is fundamental risk and pure risk.

Covid-19 pandemic that occurred at the end of 2019, is now felt by the Indonesian people in early March 2020. Not only health is threatened, but almost all sectors in Indonesia are affected by the corona virus pandemic. Restrictions on human activities affect business activities which have an impact on the economy in Indonesia. The report from the Central Statistics Agency (BPS) this August stated that economic growth in Indonesia in the second quarter of 2020 was minus 5.32% (www.kompas.com). As a result, many companies are laying off employees to work from home system (*Work from Home*) and even do layoffs (layoffs) to its employees. The impact of the pandemic that creates uncertainty has made people realize that they have to register themselves with a life insurance company in the hope of getting protection in the event of an unwanted event.

Life Insurance is a non-bank financial institution that collects funds from the public and then the funds are managed by the company, one of which is to fulfill obligations, such as claim obligations and other obligations on time. Life insurance companies (*life insurance*) provide

protection against unexpected financial losses, caused by dying too soon or living a long life. There are several types of life insurance products, each of which has different benefits. Life insurance products comprise Term Life Insurance, Whole Life Insurance), Dwiguna Life Insurance, and Unit Link Life Insurance (www.ojk.go.id). The various types of life insurance products have their respective uses, the goal is to serve various needs, both production and consumption.

The determination of the insurance company to be *Best Insurance* by the Jury is *Insurance Award 2020* based on a number of indicators for each type of insurance. Life Insurance assessment indicators (<https://finansial.bisnis.com>) are as follows:

No	Indicator
1	Net Premium Growth.
2	Growth of Technical Reserves.
3	Load Ratio.
4	Investment Return Growth.
5	Net Profit Growth.
6	Investment to Reserve Ratio.
7	Asset Quality Ratio.
8	Total Assets Turn Over (TATO).
9	Return on Equity (ROE).

Source: <https://finansial.bisnis.com>

Based on the indicators above, the researcher chose Net Premium Income, Claim, Investment Yield, and Net Profit to assess the performance of life insurance companies before the covid-19 pandemic in March 2019 to February 2020 and during the covid-19 pandemic took place in March 2020 to February 2021. Net Premium Income is the initial income of a life insurance company which is obtained from contributions from insurance participants for service fees that will be obtained when a risk occurs.

Premium is a sum of money paid by the insured party to the insurer (insurance company) for services rendered by the insurance company as a form of coverage in accordance with the initial agreement that has been agreed. The premium income obtained by the insurance company is not fully the company's profit, but some can become the company's liability in the future (Sastri, Sujana, and Sinarwati, 2017). The corona virus pandemic has made people aware of the importance of life insurance companies for themselves, this is evidenced by the Indonesian Life Insurance Association which recorded the number of the insured life insurance in the first quarter of 2020 reached 63,97 million people; an increase of 20,3% compared to the first quarter of 2019 of 53,17 million people (<https://finansial.bisnis.com>).

According to Ruben in Lifepal's research results obtained by the business (14/9/2020) The performance of the life insurance industry also grew by 23,7% in June 2020 compared to premium income in June 2019 (<https://m.bisnis.com>). Likewise, the life insurance statistical

report registered with the OJK shows the recovery of gross premium income for life insurance in 2020 exceeding premium income in 2019 has proven the increase in life insurance participants. The statement shows the performance of the life insurance industry is growing, because premiums have increased from 2019 to 2020 which indicates an increase in insurance participants. The insurance company must also reserve a portion of its premium income to meet obligations and claims made by the insured or the policyholder.

Claim is part of the process underwriting which is known to be how much risk the company can bear. Claims can be submitted to the life insurance company when a loss event occurs on the object insured in the insurance. Insurance companies in fulfilling claims obligations on time cannot be separated from the profits they earn. However, if the claim request is too large, it can have an impact on the company's profits. Basically, rising profits mean the company is getting better and its share price tends to rise, thus making investors interested in investing in the company.

Investment yield will be a measure of whether a company is good or bad, so that life insurance companies are able to convince investors to invest in insurance companies. The main objective of the investment portfolio is to get a high rate of return with a small level of risk to meet obligations to both policyholders and company growth (Amrin, 2006). In addition, there are three things that need to be considered in determining investment objectives, namely: the expected rate of return, the level of risk and the willingness of the amount of funds to be invested (Halim, 2005:4). Some of the income earned by life insurance companies will be withheld before being paid as insurance benefits in order to obtain return a profitable or called profit.

Profit is a profitable result of the business carried out by the company in a certain period, usually the end of the week, the end of the month or the end of the year. Through profit the insurance company can get additional costs in running its business as well as a tool to maintain the survival of the company. Maximum profit means that the company has sufficient capital to allocate and can be a source of income, one of which is the acquisition of premiums paid by insurance participants. In addition, net profit of life insurance is information for the public or related parties in order to assess the performance of the life insurance company.

METHOD

This research uses quantitative methods, namely research paired t-test. Study was conducted by accessing secondary data in the form of annual financial statements of life insurance companies in Indonesia registered with the Financial Service Authority (OJK) period 2019 until 2021. The purpose of this study is to find out and prove whether there are differences in the performance of life insurance companies registered with the Financial Service Authority (OJK) before the covid-19 pandemic (March 2019 to February 2020) and during the covid-19 pandemic (March 2020 to February 2021). The method of selecting samples using saturated sample, where the entire population is used as the sample, the life insurance company in Indonesia, which is registered in the Financial Services Authority (OJK), the period from March 2019 to February 2020 and March 2020 to February 2021.

Paired t-test is a method of testing hypotheses that uses dependent (paired) data (Effendi and Wardani 2016). The object of this research will experience two different treatments so as to produce two kinds of samples. According to Sugiyono (2017: 31) testing the comparative hypothesis of two paired samples means testing whether there is a significant difference between the variable values of the two paired samples. The following formula t count to determine the difference between variable values:

$$T \text{ value} = t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}}$$

\bar{X}_1 = Sample average 1
 \bar{X}_2 = Sample average 2
 S_1^2 = Sample variance 1
 S_2^2 = Sample variance 2
 n_1 = Number of group data 1
 n_2 = Number of group data 2

RESULTS

1. Net Premium Income received by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic. Based on data for the period March 2019 to February 2020 and March 2020 to February 2021, the net premium income of life insurance companies registered with the Financial Services Authority is as follows:

Table 1

Period	Before Pandemic Covid-19 (Rp)	Period	During Pandemic Covid-19 (Rp)
March 2019	41.665.501,6	March 2020	38.064.212
April 2019	55.319.886	April 2020	48136.776
May 2019	69.446.261,8	May 2020	59.747.995

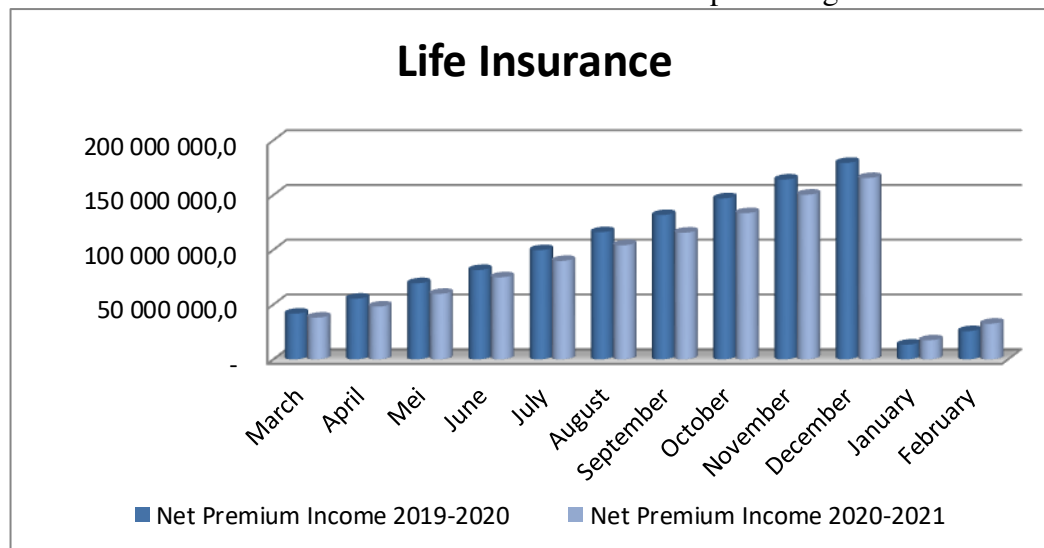
June 2019	81.564.677,9	June 2020	74.852.086
July 2019	99.603.177,1	July 2020	89.846.313
August 2019	116.067.944,3	August 2020	104.163.167
September 2019	131.685.808,5	September 2020	115.645.649
October 2019	146.930.284,4	October 2020	133.463.046,5
November 2019	164.144.975,5	November 2020	150.311.836
December 2019	179.350.182,5	December 2020	165.572.608
January 2020	13.346.686	January 2021	17.280.910
February 2020	25.681.159	February 2021	32.459.875

Source: www.ojk.go.id

$$T \text{ value} = \frac{7.938.505,91}{2.070.029,418} = 3,835$$

Figure 1

Graph of Net Premium Income Growth of Life Insurance Companies registered with OJK



- Claim managed by life insurance companies in Indonesia before the covid-19 pandemic and during the Covid-19 pandemic. Based on data for the period March 2019 to February 2020 and March 2020 to February 2021, the claim of life insurance companies registered with the Financial Services Authority is as follows:

Table 2

Period	Before Pandemic Covid-19 (Rp)	Periode	During pandemic Covid-19 (Rp)
March 2019	32.831.624,9	March 2020	36.947.845
April 2019	44.999.794,7	April 2020	38.505.008
May 2019	55.902.097,7	May 2020	47.348.866

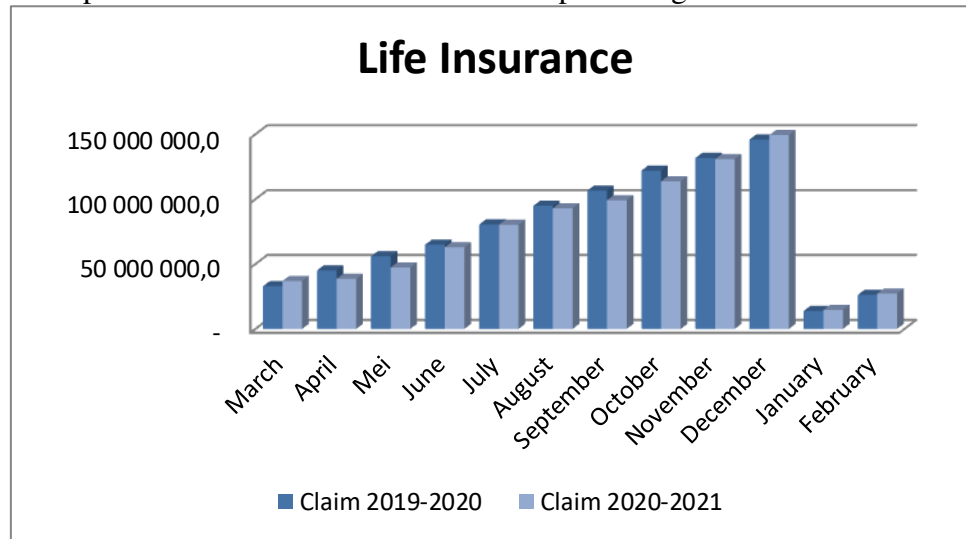
June 2019	64.814.189,8	June 2020	62.891.324
July 2019	80.438.113,3	July 2020	80.295.306
August 2019	94.788.204,2	August 2020	92.970.230
September 2019	106.505.503,2	September 2020	99.154.685
October 2019	121.917.247,9	October 2020	113.705.737,9
November 2019	131.688.680,1	November 2020	130.904.043
December 2019	145.948.732,8	December 2020	149.292.723
January 2020	13.787.545	January 2021	14.659.842
February 2020	26.144.903	February 2021	27.278.886

Source: www.ojk.go.id

$$T \text{ value} = \frac{2.151.011,89}{1.288.328} = 1,670$$

Figure 2

Graph of Claims for Life Insurance Companies registered with the OJK



3. Investment Yield received by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic. Based on data for the period March 2019 to February 2020 and March 2020 to February 2021, investment yield of life insurance companies registered with the Financial Services Authority are as follows:

Table 3

Period	Before Pandemic Covid-19 (Rp)	Period	During Pandemic Covid-19 (Rp)
March 2019	10.008.681,2	March 2020	-43.641.475
April 2019	10.105.645,4	April 2020	-40.578.513

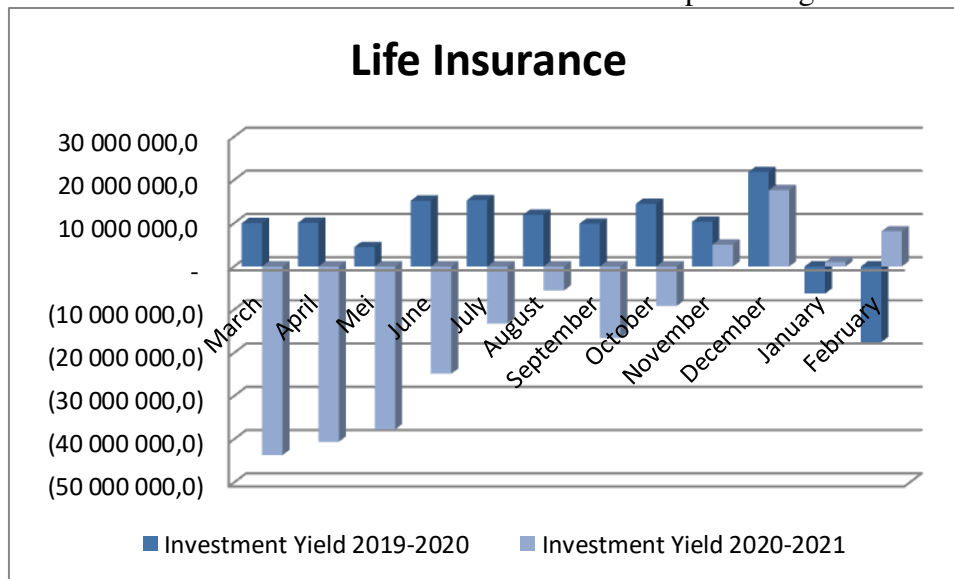
May 2019	4.492.846	May 2020	-37.715.897
June 2019	15.199.537,6	June 2020	-24.804.360
July 2019	15.342.418	July 2020	-13.212.967
August 2019	11.973.702,4	August 2020	-5.563.877
September 2019	9.913.127,4	September 2020	-16.555.995
October 2019	14.468.666,3	October 2020	-9.147.089,7
November 2019	10.332.012,9	November 2020	5.072.932
December 2019	21.853.833,8	December 2020	17.675.592
January 2020	-6.268.260	January 2021	998.168
February 2020	-17.490.609	February 2021	8.120.093

Source: www.ojk .go.id

$$T \text{ value} = \frac{21.607.082,49}{6.942.317} = 3,112$$

Figure 3

Graph of Investment Yield Growth of Life Insurance Companies registered with OJK



- Net profit received by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic. Based on data for the period March 2019 to February 2020 and March 2020 to February 2021, the net profit of life insurance companies registered with the Financial Services Authority is as follows:

Table 4

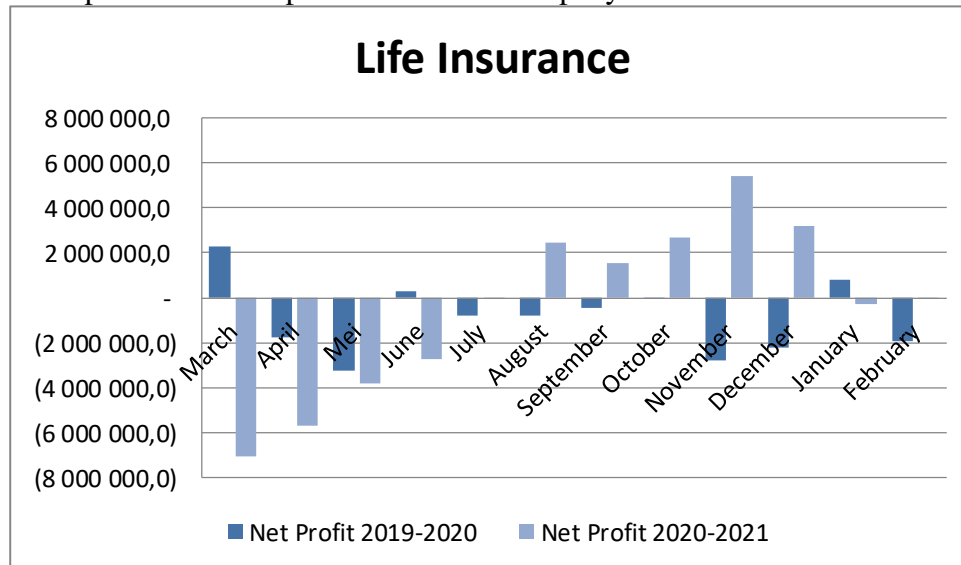
Period	Before Pandemic Covid-19 (Rp)	Period	During Pandemic Covid-19 (Rp)
March 2019	2.308.056,7	March 2020	-7.052.913
April 2019	-1.789.111,2	April 2020	-5.714.767
May 2019	-3.250.840,9	May 2020	-3.796.594
June 2019	313.869,3	June 2020	-2.732.527
July 2019	-771.515	July 2020	-60.892
August 2019	-768.060,1	August 2020	2.435.128
September 2019	-448.173,4	September 2020	1.525.185
October 2019	-22.553,5	October 2020	2.667.727,2
November 2019	-2.787.150,8	November 2020	5.389.068
December 2019	-2.206.469,2	December 2020	3.198.574
January 2020	793.659	January 2021	-291.552
February 2020	-1.932.131	February 2021	-2.278

Source: www.ojk.go.id

$$T \text{ value} = \frac{-510.381,53}{1.326.751} = -0,385$$

Figure 4

Graph Growth Net profit Insurance Company listed on the OJK



DISCUSSION

Based on the results of statistical analysis and hypothesis testing net premium income has a T-value more than T-table ($3,835 > 2,201$), thus H_a is accepted. So in conclusion, there are differences performance life insurance in the premium income of life insurance companies in

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Indonesia before the covid-19 pandemic and during the covid-19 pandemic. Based on the graph of net premium income, it can be seen that the difference in premium income received by life insurance companies in Indonesia experienced a downward movement from March to December 2019 to 2020. This is not appropriate with Ruben's statement (14/9/2020) regarding the performance of the life insurance industry, it grew by 23.7% in June 2020 compared to premium income in June 2019 (<https://m.bisnis.com>). Services Life insurance companies are still not aware of the importance of long-term benefits received by the community when they entrust themselves to life insurance companies.

Based on the the results of statistical analysis and hypothesis testing claims has a T-value less than T-table ($1,670 < 2,201$), thus H_a is rejected. So in conclusion, there is no difference in the claim received by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic. Based on the graph above, the movement of claims expenses shows that there is almost no difference in the claims expense received by life insurance companies in Indonesia every month from 2019 to 2020 is stable. So the performance of life insurance companies is based on indicators claims can be controlled properly, so that the burden of claims managed by the company before the covid-19 pandemic with the ongoing covid-19 pandemic did not experience a significant increase. So it can be concluded that life insurance companies are able to survive in the midst of the covid-19 pandemic, even though the company is affected by the same economy as other economic sectors.

Based on the results of statistical analysis and hypothesis testing investment yield has a T-value more than T-table ($3,112 > 2,201$) thus H_a is accepted. So in conclusion, there are differences performance life insurances in investment yield received by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic. Based on the graph of investment yield, it is clear that there are differences in the movement of investment returns received by life insurance companies, which are unstable, even experiencing a drastic decline during the covid-19 pandemic. So the performance of life insurance companies based on investment yield indicators cannot be controlled, perhaps one of the consequences of the company's burdens that must be completed so that it requires a lot of income to cover it. The movement of the claim burden during the covid-19 pandemic was stable as before the covid-19 pandemic, although there was a not too high increase every month. It is possible if the income received by the company is allocated other than investment activities so that the company's operations can continue to run, so that the company does not get sufficient returns.

Based on the results of statistical analysis and hypothesis testing net profit have T-value less than T-table ($-0,385 < -2,201$) thus H_a is rejected. So in conclusion, there is no difference performance life insurance in the profit received by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic. Seen from the graph of premium income earned by the company over the last 2 years. Based on the graph above it is clear that there are differences in the movement of net income received by life insurance companies are unstable, even experienced ups and downs drastically during the covid-19 pandemic. The performance of life insurance companies based on net profit indicators can be controlled starting in August or after the *new normal* is established in various regions in

Indonesia. Life insurance companies in Indonesia are starting to rise from their difficult times and the results are visible after the new normal era has been established, so they can cover the failure of company performance in the pre-pandemic period and the pandemic lasted for 8 months. The *new normal* era is an era where people start to return to their activities and live side by side with the corona virus. Life insurance companies earn income from various sources in order to generate maximum profit. Life insurance company performance appraisal mainly lies in the net profit received by the company. Because the greater the company's profits will indicate the success of a company in managing its operational activities.

CONCLUSION

1. There is difference in life insurance performance based net premium income variable received by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic.
2. There is no difference in life insurance performance based claim variable received by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic.
3. There is a difference in life insurance performance based investment yield variable received by life insurance companies in Indonesia before the covid-19 pandemic and during the Covid-19 pandemic.
4. There is no difference in life insurance performance based net profit variable received by life insurance companies in Indonesia before the covid-19 pandemic and during the covid-19 pandemic.

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