THE DETERMINANT OF FINANCIAL HEALTH ON SHARIA LIFE INSURANCE COMPANY

(Empirical Research on Sharia Life Insurance Company in Indonesia Period 2010-2015)

UNDERGRADUATE THESIS

Submitted as a requirement to complete Undergraduate Degree (S1)
at Undergraduate Program of Faculty of Economics and Business
Diponegoro University

Written by:

ASIH PRIMAYANTI
12010112130266

FACULTY OF ECONOMICS AND BUSINESS
DIPONEGORO UNIVERSITY
SEMARANG
2016

PERSETUJUAN SKRIPSI

Nama Penyusun   :   Asih Primayanti

Nomor Induk Mahasiswa   :   12010112130266

Fakultas/ Jurusan   :   Ekonomika dan Bisnis/Manajemen

Judul Skripsi   :   "**THE DETERMINANT OF FINANCIAL HEALTH ON SHARIA LIFE INSURANCE COMPANY"(Empirical Research on Sharia Life Insurance Company in Indonesia Period 2010-2015)**

Dosen Pembimbing   :   Erman Denny Arfianto, S.E., M.M.

Semarang, 16 Juni 2016

Dosen Pembimbing,

(Erman Denny Arfianto, S.E., M.M.)

NIP. 19761205 200312 1001

PENGESAHAN KELULUSAN UJIAN

Nama Penyusun   : Asih Primayanti

Nomor Induk Mahasiswa : 12010112130266

Fakultas/Jurusan   : Ekonomika dan Bisnis/Manajemen

Judul Skripsi   : "**THE DETERMINANT OF FINANCIAL HEALTH ON SHARIA LIFE INSURANCE COMPANY" (Empirical Research on Sharia Life Insurance Company in Indonesia Period 2010-2015)**

Telah dinyatakan lulus ujian pada tanggal 23 Juni 2016.

Tim Penguji:

1. Erman Denny Arfianto, S.E., M.M   (......................................)

2. Dr. Harjum Muharam, S.E., M.E.   (......................................)

3. Drs. A. Mulyo Haryanto, M.Si.   (......................................)

PERNYATAAN ORISINALITAS SKRIPSI

Yang bertanda tangan di bawah ini saya, Asih Primayanti, menyatakan bahwa skripsi dengan judul: "**THE DETERMINANT OF FINANCIAL HEALTH ON SHARIA LIFE INSURANCE COMPANY"(Empirical Research on Sharia Life Insurance Company in Indonesia Period 2010-2015)**adalah hasil tulisan saya sendiri. Dengan ini saya menyatakan dengan sesungguhnya bahwa dalam skripsi ini tidak terdapat keseluruhan atau sebagian tulisan orang lain yang saya ambil dengan cara menyalin atau meniru dalam bentuk rangkaian kalimat atau simbol yang menunjukkan gagasan atau pendapat atau pemikiran dari penulis lain, yang saya akui seolah-olah sebagai tulisan saya sendiri, dan/atau tidak terdapat bagian atau keseluruhan tulisan yang saya tiru, atau yang saya ambil dari tulisan orang lain tanpa memberikan pengakuan penulis aslinya.

Apabila saya melakukan tindakan yang bertentangan dengan hal tersebut di atas, baik sengaja maupun tidak, dengan ini saya menyatakan menarik skripsi yang saya ajukan sebagai hasil tulisan saya sendiri. Bila kemudian saya terbukti melakukan tindakan menyalin atau meniru tulisan orang lain seolah-olah hasil pemikiran saya sendiri, berarti gelar dan ijazah yang telah diberikan oleh universitas batal saya terima.

Semarang, 16 Juni 2016

Yang membuat pernyataan,

(Asih Primayanti   )
NIM: 12010112130166

MOTTO DAN PERSEMBAHAN

"Karena sesungguhnya sesudah kesulitan itu ada kemudahan. Sesungguhnya sesudah kesulitan itu ada kemudahan."

(QS. Al-Insyirah: 5-6)

"Setiap luka pasti ada duka
Setiap duka pasti ada ma'na
Setiap ma'na pasti ada kata untuk menertejemahkannya
Pembuktian ada di setiap langkah
Pembuktian ada di setiap do'a
Pembuktian ada di setiap niat
Jadilah mawar, walaupun berduri tetap tegak dengan keindahan dan
keharumannya, yang mengabaikan durinya
Dan selalu menikmati anugerahNya."
(Ustadzah Ayu Nailul Muna Almunawwar)

"Allah berada pada prasangka hamba-Nya,
Maka berprasangka baiklah kepada Allah atas apa yang akan menimpamu
Berusaha yang terbaik,
Namun, yang bisa merubah Qodho, hanyalah doa
Maka berdoalah sebanyak-banyaknya
Yang yakin wal khusyu' kepada Allah SWT......"
(Ustadzah Zennah Almunawwar)

Skripsi ini saya persembahkan untuk*:*
Kedua orang tua dan keluarga yang sangat saya sayangi
Mama, Ayah, Mamas, Mbak Tia, dan Mbak Anggun
Serta, Sahabat – sahabat terkasih

ABSTRACT

Financial health is a term used to describe the state of one's personal or company financial situation. Considering the many factors that affect the level of health of the company, this research will develop research to analyze the effect of Firm Size (siz), Investment Performance (IP), Liquidity Ratio (LR), Incurred Loss Ratio (ILR) on Financial Health of Sharia Insurance company. The purpose of this study was to determine and analyze the factors that affect the Financial Health of Sharia Life Insurance Company in Indonesia the period 2010 to 2015.

The Financial Health measured by two methods, namely by Altman Zscore and the second with a Risk Based Capital (RBC) with Firm Size (siz), Investment Performance (IP), Liquidity Ratio (LR), Incurred Loss Ratio (ILR) as independent variables . Samples used in this study as many as 14 Sharia Life Insurance, where the method used is purposive sampling is a sampling method that takes an object with certain criteria and using cross section data, where every year the amount of data taken is not same. Analysis of data using multiple regression analysis.

The results of data analysis or regression results indicate that simultaneous Firm Size (siz), Investment Performance (IP), Liquidity Ratio (LR), and Incurred Loss Ratio (ILR) affects Financial Health (Z) and Financial Health (RBC). While partially produced different results, which is only variable Investment Performance (IP) which partially affects Financial Health (Z), but on the Financial Health (RBC), Investment Performance (IP), Liquidity Ratio (LR), Incurred Loss Ratio (ILR) partially affect the Financial Health (RBC). The magnitude of the coefficient of determination (adjusted R-square) Financial Health (Z) is equal to 0.376. This means that 37.6% dependent variable, namely the Financial Health 1 (Z) can be explained by four independent variables, ie variables Firm Size (siz), Investment Performance (IP), Liquidity Ratio (LR), Incurred Loss Ratio (ILR) while the remaining 62.4% level Financial Health (Z) is explained by variables or other causes beyond the model. Then, magnitude of the coefficient of determination (adjusted R-square) Financial Health (RBC) is approximately 0.567. This means that 56.7% dependent variable 2, namely the Financial Health (RBC) can be explained by four independent variables are variables Firm Size (siz), Investment Performance (IP), Liquidity Ratio (LR), Incurred Loss Ratio (ILR) while the remaining 43.3% Financial Health (RBC) is explained by variables or other causes beyond the model.

Keywords: Financial Health (Z), Financial Health (RBC), Firm Size (siz), Investment Performance (IP), Liquidity Ratio (LR), Incurred Loss Ratio (ILR)

ABSTRAKSI

Kesehatan keuangan adalah istilah yang digunakan untuk menggambarkan keadaan situasi keuangan pribadi atau perusahaan seseorang. Mengingat belum banyaknya faktor yang berpengaruhterhadap tingkat kesehatan perusahaan maka penelitian ini akan mengembangkan penelitian dengan menganalisis pengaruh Firm Size (SIZ), Investment Performance (IP), Liquidity Ratio (LR), Incurred Loss Ratio (ILR) pada Kesehatan Keuangan perusahaan Asuransi Jiwa Syariah, dimana Kesehatan Keuangan diukur dengan 2 metode, yakni dengan Altman Zscore dan yang kedua dengan Risk Based Capital (RBC). Tujuan penelitian ini adalah untuk mengetahui dan menganalisis faktor-faktor yang mempengaruhi Kesehatan Keuangan perusahaan Asuransi Jiwa Syariah periode tahun 2010 sampai dengan 2015.

Sampel penelitian yang digunakan sebanyak 14perusahaan Asuransi Jiwa Syariah dimana metode yang digunakan adalah *purposive sampling* yaitu suatu metode pengambilan sampel yang mengambil obyek dengan kriteria tertentu dan menggunakan Cross Section Data, dimana jumlah tahun setiap data yang diambil tidak sama . Analisis data menggunakan alat analisis uji regresi berganda yang didahului dengan uji asumsi klasik yang terdiri dari uji normalitas, uji multikolinearitas, dan uji heteroskedastisitas. Pengujian hipotesa dilakukan dengan menggunakan uji F dan uji t.

Hasil analisis data atau hasil regresi menunjukkan bahwa secara simultan Firm Size (SIZ), Investment Performance (IP), Liquidity Ratio (LR), dan Incurred Loss Ratio (ILR) mempengaruhi Kesehatan Keuangan (Z) dan Kesehatan Keuangan (RBC). Sedangkan secara parsial menghasilkan hasil yang berbeda, yaitu hanya variabel Investment Performance (IP) yang secara parsial mempengaruhi Kesehatan Keuangan (Z), namun pada Kesehatan Keuangan (RBC), Investment Performance (IP), Liquidity Ratio (LR), Incurred Loss Ratio (ILR) secara parsial mempengaruhi Kesehatan Keuangan (RBC). Besarnya koefisien determinasi (adjusted R square) Kesehatan Keuangan (Z) adalah sebesar 0,376. Hal ini berarti bahwa 37,6% variabel dependen 1 yaitu Kesehatan Keuangan (Z) dapat dijelaskan oleh empat variabel independen, yakni variabel Firm Size (SIZ), Investment Performance (IP), Liquidity Ratio (LR), Incurred Loss Ratio (ILR) sedangkan sisanya 62,4% tingkat Kesehatan Keuangan (Z) dijelaskan oleh variabel atau sebab-sebab lainnya di luar model. Lalu, Besarnya koefisien determinasi (adjusted R square) Kesehatan Keuangan (RBC) adalah sebesar 0,567. Hal ini berarti bahwa 56,7% variabel dependen 2, yaitu Kesehatan Keuangan (RBC) dapat dijelaskan oleh empat variabel independen yaitu variabel Firm Size (SIZ), Investment Performance (IP), Liquidity Ratio (LR), Incurred Loss Ratio (ILR) sedangkan sisanya 43,3% Kesehatan Keuangan (RBC) dijelaskan oleh variabel atau sebab-sebab lainnya di luar model.

Kata kunci : Kesehatan Keuangan (Z),Kesehatan Keuangan (RBC), Firm Size (SIZ), Investment Performance (IP), Liquidity Ratio (LR), Incurred Loss Ratio (ILR)

KATA PENGANTAR

Assalamu'alaikum Warrahmatullahi Wabarakatuh

Alhamdulillah, segala puji dan syukur kehadirat Allah SWT yang telah melimpahkan rahmat dan hidayah-Nya wal barakah Al Musthofa Nabi Muhammad SAW, sehingga penulis dapat menyelesaikan skripsi yang berjudul "**THE DETERMINANT OF FINANCIAL HEALTH ON SHARIA LIFE INSURANCE COMPANY"(EmpiricalResearchon Sharia Life Insurance Company in Indonesia Period 2010-2015**)dengan lancar dan tepat waktu, sebagai syarat untuk menyelesaikan Program Sarjana (S-1) pada Program Sarjana Fakultas Ekonomika dan Bisnis Universitas Diponegoro.

Selama proses penyusunan skripsi ini penulis mendapatkan bimbingan, arahan, bantuan, dan dukungan dari berbagai pihak. Oleh karena itu, dalam kesempatan ini penulis mengucapkan terima kasih kepada :

1. Allah SWT, Rasul SAW, dan terkhusus kepada kedua orang tua tecinta, Mama Hj.Sri Nuryatun, M.Pd dan Ayah Kompol. H.Ali Qodar, SH yang telah memberikan dukungan baik moril maupun materiil, do'a, kesabaran, motivasi, dan kasih sayang yang tak terhingga kepada penulis. Terimaksih atas segala perjuangan, pengorbanan, dan keikhlasan yang telah kalian diberikan.

2. Bapak Dr. Suharnomo, S.E, M.Si, selaku Dekan Fakultas Ekonomika dan Bisnis Universitas Diponegoro.

3. Bapak Erman Denny Arfianto, S.E., M.M. selaku dosen pembimbing, sudah menjadi teman sharing, seperti menjadi seorang ayah buat saya yang dengan sabar dan bijaksana memberikan bimbingan dan arahan serta senantiasa meluangkan waktunya selama penyusunan skripsi ini.

4. Bapak Dr. Harjum Muharam, SE., ME., selaku Ketua Jurusan Manajemen.

5. Seluruh Dosen Fakultas Ekonomika dan Bisnis Universitas Diponegoro yang telah memberikan dan mengajarkan ilmu yang bermanfaat kepada penulis selama menempuh studi.

16. Teman-teman seperjuangan bimbingan Bapak Erman Denny alias Ermanoelse, Shofia Adha Nastika, Haninna, Yusuf Effendi, Supriono, Yudha Chandra, Vera Carolina, Vijay Sembiring, dan Jaya Riadi yang telah berbagi pengalaman-pengalaman selama proses bimbingan dan penyusunan skripsi.

17. Teman-teman HMJM 2012-2013, BEM FEB 2015-2016, dan terkhusus anak-anak Akademik 2015-2016, terimakasih atas kebersamaan, perjuangan, pengalaman, dan pengajaran yang telah sama-sama kita lewati.

18. Seluruh teman-teman Manajemen Angkatan 2012, yang menemani masa perkuliahan penulis di Fakultas Ekonomika dan Bisnis Universitas Diponegoro selama 3 tahun lebih.

19. Teman – teman KKN PPM Tematik Desa Sumur, Kecamatan Brangsong, Kendal, Semarang Tahun 2015 atas motivasi, semangat, keceriaan, dan dukungan yang telah diberikan.

Di dalam penulisan skripsi ini masih terdapat banyak kekurangan karena keterbatasan pengetahuan dan pengalaman penulis. Oleh karena itu, segala kritik dan saran sangat penulis harapkan untukkemajuanpenelitianselanjutnya. Semoga skripsi ini dapat bermanfaat bagi semua pihak yang membutuhkan.

Wassalamu'alaikum Warrahmatullahi Wabarakatuh

Semarang, 16 Juni 2016

Penulis,

Asih Primayanti

DAFTAR TABEL

DAFTAR GAMBAR

DAFTAR LAMPIRAN

CHAPTER I

INTRODUCTION

1.1 Background

The rapid growth of industry in the global market as well as domestic market, triggering high competition among these industries. With the high competition, the various risk-emerged, either low risk or high risk, and this is what lead to the need for insurance. According to Law Number 2 of Article 1 Paragraph 1 of 1992, insurance is an agreement between two or more parties where the insurer bind themselves to the insured, to receive insurance premium payments to reimburse the insured for loss, damage, or the emergence of legal liability to a third party suffered by the insured of an uncertain events, or to provide payment based on the life or death of an insured person.

Insurance company is one of the perfect place for people to obtain bail. However, with the increasing need for insurance that might occur, causing doubt for Muslims to obtain such guarantees from conventional insurance. This is because transactions in conventional insurance contains elements of Ribawi, Maisyir and Gharar. That's why muslims need an alternative insurance in accordance with Islamic principles.

The development of the Islamic finance industry in the national and international level is amazing, one of the Islamic finance industry is growing rapidly namely Takaful(Citra, 2012). Since the time of the Prophet Muhammad SAW to the present, the Muslims have an important role in introducing insurance

system. In 200 H, many Muslim businessmen who started pioneering system of takaful, which is a system of collecting funds that will be used to help an entrepreneurs to each other which are suffering losses, such as when the ship transport of goods hit a reef and sank, or when someone robbed so resulting in loss of part or all of his property. The term is better known as the sharing of risk (Amrin, 2011). Aside from being a means of dividing the risks (sharing of risk), insurance is also a means to invest.

The development of Takaful (Islamic insurance) in Indonesia develops rapidly. Based on Indonesia Sharia Economic Outlook (ISEO) in 2015, Sharia Insurance in Indonesia itself is ranked 4th in the world, and according to estimates of Takaful in 2015, Sharia Insurance in Indonesia will grow 20% optimistic, because first, OJK will refer to the rules set forth IFSB related industry oversight sharia. Second, starting January 1, 2015, the Takaful industry will begin to implement the basic principles of business operation Takaful and Retakaful. Third, the growing number of middle-class people (people who are shopping 2-20US dollars/day). Fourth, the rules of OJK regarding the spin-off Takaful get positive feedback from various parties. Fifth, in October 2015, OJK launched the development of Islamic micro insurance. Sixth, OJK and Bank Indonesia were preparing a program of financial services without an office (Branchless Banking) in order to increase financial inclusion.

Based on the Finance Minister Regulation (PMK) No.18 of 2010 on the Implementation of Basic Principles of Sharia Business Insurance and Reinsurance, Islamic insurance or takaful (Islamic insurance) is an attempt to

help each other (Ta'awun) and protect (Takaful) among the participants through the establishment of a collection of funds (funds tabarru) are managed according to islamic principles to deal with certain risks. So Takaful system can be defined as a system ta'awun (mutual help) which aims to cover loss events or calamities by the insured to the group of people affected by the accident.

In the Takaful divided into several categories of products in it, namely the Sharia Insurance, Unit Sharia Insurance and Life Insurance Sharia. But, in this study only focus on analyzing the Sharia Life Insurance only. According to data obtained in 2014 from the Association of Indonesian Islamic Insurance (AASI), Sharia Life Insurance still be a power house of market share in Indonesia that contributed by 6,48%, while the Unit Sharia Insurance at 2,54%. Total asset growth and the growth of investment also outperformed the Sharia Life Insurance than Sharia General Insurance & Reinsurance. But, eventhough the performance market share of sharia life insurance in Indonesia is good than others, the performance as a whole a still not make sure for determine whether the financial of the company is health or not for short and long term.

Life Insurance provides services in risk management and related to the life or death of an insured person and the nature of long-term (long term). Life insurance companies are financial intermediaries of the risk taker(Chen and Wong,2004). According to the Law of the Republic of Indonesia Number 40 Year 2014 About Insurance, in Article 9, "Sharia Business Life Insurance is a business risk management is based on the concept of Sharia in order to help each other and protect by providing payment based on the death or life of the participants, or

other significant payments to participants or any other party has the right at any particular time of the agreement, the amount of which has been established and/or based on the results of fund management.". So, the Sharia Life Insurance is little bit differenst with the life insurance because Sharia Life Insurance is based on concept of Islam for help each other.

Insurance as a financial institution, is able to collect funds from the public. The large funds can be used by insurance companies to invest in bonds and shares of companies that, insurance has an important role as a driver of the nation's economy. According to Dahlan Siamat (2006), insurance benefits for the insurer, among others:

a) Sense of security and protection. By choosing an insurance policy, the insured will be protected from losses that may arise.

b) The distribution of costs and benefits more equitable. The greater of risk makes the greater of losses and damages, so it will makes the greater of the premium coverage.

c) The insurance policy can be used as collateral to obtain credit.

d) Functioning as savings.

e) Help boost business activities.

f) Assured will be investing in a business field where such investment can be covered by insurance which is intended to reduce the risk.

In order for the insurance benefits to be realized, of course, need to be encouraged by the condition of the insurance company itself. The condition of life sharia insurance company can be seen through analysis of the financial statements

of the company, which became the most obvious benchmark company performance in each period.

Figure 1.1

RBC Graph of Sharia Life Insuranc in Indonesia
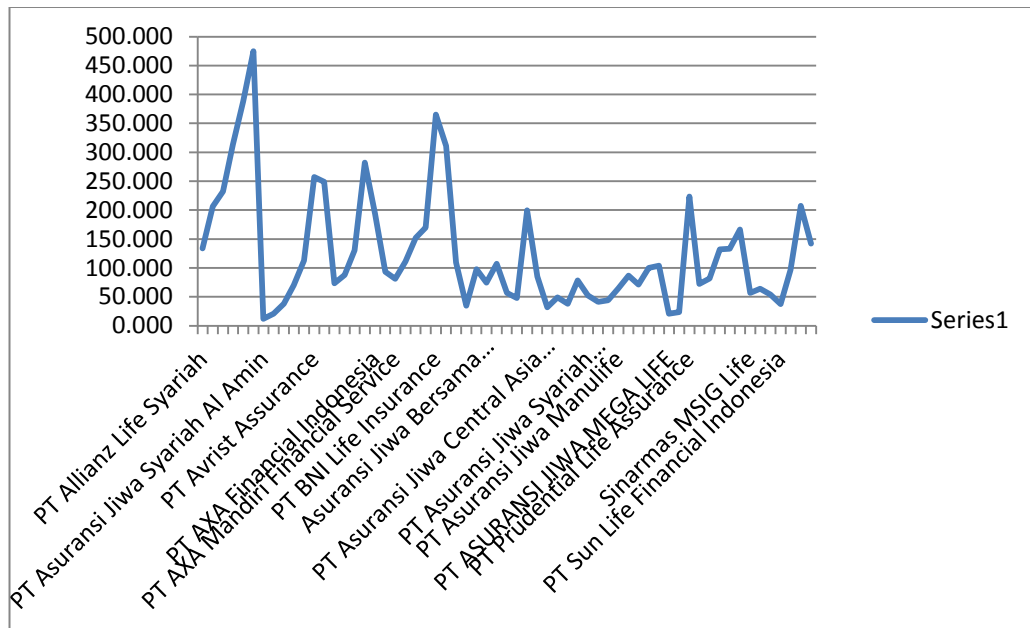
From the figure 1.1, we can see that there is so much Fluctuation of RBC as the measurement of Solvency in Indonesia. It indicates that even has the same measurement, every company should be affected with different factors and condition that build the different result of perfomance.

The healthy of insurance industry can be reliable and competitive indispensable in the national economy. Activities insurers in managing risk is expected to boost economic growth in a country. In this last decade of the insurance industries, solvency became a major issue in the regulator of the insurance policy. Therefore, the insurance company did the strategies and techniques in managing losses in order to prevent insolvency. (Pitselis, 2006).

For assessing health of sharia life insurance company in the future can be seen from the calculation of financial ratios contained in the financial statements. To determine the extent of the company's development, can be done by comparing the financial statements. Ratio analysis is a useful tool for finding answers that can not be obtained on the financial statements. The resulting financial ratios can help the Insurance or a third party to analyze and determine the risk of lending to companies.

Soekarso (2009) suggests the financial company is one of the strategic functions that include management of wealth and the transformation of value-added (added value) and also control the company's health. The financial statements such as balance sheet (balance sheet), the list of income (income statement), and financial ratios (financial ratio) reflect the company's performance and health conditions.

Analysis of financial ratios (financial ratio analysis) related to the health of the company through the ratios of effectiveness, efficiency, productivity, profitability, liquidity and solvency. Analysis showed that the actual value of financial ratios over the standard means healthy companies, and the actual value of financial ratios below the standards mean the company is not healthy.

There are two ways for determinant the financial health of a company. first is the solvency and second is Zscore by Altman. First is Solvency, the solvency according Holzmuller (2009) demonstrate the company's ability to pay off all the debt that is using all its assets. It is indeed rare exception of insolvent companies (Chava and Jarrow, 2004). Altman et al. (2004) say the ability of the company's

operations are reflected on the assets owned by the company. Solvency ratios emphasis on the amount of capital that can protect the excess premiums from unfavorable influences (Kashyap & Stein, 2003).

The way to measures the solvency level of a company, usually use the Risk Based Capital Ratio (RBC) (Hsiao and Whang, 2009). The National Association of Insurance Commissioners (NAIC) adopted the RBC model of life-health insurer in 1993. Feaver (1994) and Barth (2001) noted the RBC ratio as used to evaluate the capital adequacy for the life insurers. Supervisions could monitor the financial soundness and determine their action level, if insurers become inadequately capitalized, based on the RBC ratio. According to Government Regulation (PP) No. 63 of 2004 states that "Health Risk Based Capital Ratio is a measure that informs the level of financial security or a health insurance company that must be met by insurance companies amounted to 120%. The greater the Risk Based Capital ratio of a health insurance company, the healthier the company's financial condition " .

The second ways for determinant the financial health of a company is use Zscore. According Altman, Zscore as a measure of corporate performance are used to predict the tendency of bankruptcy or not on a company. Altman Z-score has been used in research as defined in the original presentation (Altman, 1983). Altman started with 22 ratio that seems intuitively plausible as a predictor of bankruptcy. After the research process is running, he excluded ratio of at least at least contributes to the strengthening of the model. In the end, produce a model of mathematical equations which only contain five elements of a ratio that is

working capital to total assets (X1), retained earnings to total assets (X2), earnings before interest and tax to total assets (X3), the market value to book value of total debt (X4) and total revenue to total assets (X5). This model can also be applied to the company's non-manufacturing industry to modify the formula. To do so, the first component up to four (X1 s-d X4) in the formula used and the fifth component (X5) is ignored (Auchterlonie, 1997). The ratios describe the ratio of management capabilities in managing the assets of the company, so the Altman Z-score can also be used as a measure of corporate performance, namely in terms of the potential bankruptcy of a company.

The ability to determine the level of health of the company will benefit many parties, especially creditors and investors. For investors, lacking or not healthy companies would have the consequence of reduced investment or even lost overall investment, whereas for creditors, statement with less healthy will result in the loss of principal receivable bills, with interest (Wing et al. 2003). For the company itself in bankruptcy proceedings will bear no small cost. However, in this study, financial health showed by two kinds of dependent variable. First, in this study, financial health showed by the solvency that measured by Risk Based Capital (RBC) and secondly showed by Zscore.

In this study, The sharia life insurance company's financial health can be affected by some factors, they are Firm Size (SIZ), Investment Performance (IP), Liquidity Ratio (LR), and Incurred Loss Ratio (IL). According Fachrudin (2008), the better the performance during financial difficulties, the greater the chances of the company to survive.

Firm Size (SIZ) is the total of asset in a company, that's one of the indicators that probability can affect the financial solvency. Several studies confirm that firm size effects have been the most important factor influencing financial performance (Baker, 1997; Greening, 1995; Hoskinsson, 1987). The effects of firm size on corporate performance have gained important attentions in the research of the firm. According to common intuition, the size of the firm has an important role in firm performance for many reasons. In a certain perspective of studies, size can be a proxy of firm resource. Since larger firms have more organizational resources, they give larger firms the better equipment to achieve their goals (Penrose, 1959; Koh and Venkataraman, 1991). Size can also proxy for the probability of default and the volatility of firm assets. It assumes that larger firms are more difficult to liquidate. The larger firms should have better performance due to financial crisis in 1997 in Indonesia than smaller ones. So, it indicates that the larger firms can describe that the the profitability of the company is good, and the higher of profitability will give a positive impact for financial solvency.

According to Chen and Wong (2004) investment performance is an investment performance that reveals the effectiveness and efficiency of investment decisions. According to Chen and Wong (2004) investment performance is an investment performance that reveals the effective and efficient investment decisions. In this study, researchers used a Return on Assets or Return On Investment to calculate investment performance. The importance of investment performance in life insurance business extends beyond the ability to design competitive products. Good investment performance assists the insurer in

generating a higher actuarial surplus to contribute to insurer's profitability, and generate further free assets beyond the liabilities of the insurance funds. Adequate free assets allow insurers to write higher volumes of new business by providing the capital necessary to set up the required reserves. So when the better Investment perfomance will make better of financial health in life insurance.

Liquidity Ratio (LR) is a ratio that measures a company's ability to meet short-term obligations maturing (David, 2009). Liquidity can be assessed with the current ratio. Current Ratio (current ratio) is the availability of current assets to meet current liabilities. In general, North Sumatra University 22 investors and lenders want to see a high current ratio, the higher the value of this ratio, then the better. Investors and creditors may believe that the company has the money to be able to repay short-term obligations. Thus, the higher the liquidity ratio, the better the company's financial performance which indicate financial health.

Incurred Loss Ratio (IL) is calculated by dividing the total incurred losses by the total collected insurance premiums. The lower the ratio, the more profitable the insurance company and vice versa. If the loss ratio is above 1, or 100%, the insurance company is unprofitable and may be in poor financial health because it is paying out more claims than it is receiving premiums. For example, say the incurred losses, or paid-out claims, of insurance company ABC are $5 million and the collected premiums are $3 million. The loss ratio is 1.67 or 167%. Therefore, the company is in poor financial health and unprofitable because it is paying more in claims than it receives in revenues.

Due to the explanation above, the researchers want to do a development research about the factors that affecting financial health of sharia life insurance with the financial statement of sharia life insurance in Indonesia period of 2010-2015. So, the title of this study is "Analysis of Factors that Affecting Financial Health of Sharia Life Insurance Company in Indonesia (2010-2015)."

1.2 Formulation of the problem

The sharia life insurance is still a leader in its contribution to the country's economy compared with other types of Takaful products. The performance sharia life insurance can be seen from the financial statements of the company, to gauge whether the company sharia life is in good condition or not. To continue maintaining the existence of sharia life insurance, it is important to analyze the factors that affect the health sharia insurance companies as the growth of sharia life insurance company that is increasingly high, for decrease the risk or insolvency in the company.

However, in Indonesia still very limited research about syariah life insurance, especially research on factors that affect the health of the company. The higher the growth of sharia life insurance in Indonesia, then it should make more researchers who studied the factors that affect the state of health of the company.

Table 1.1

Reasearch Gap

No	Researchers	Title	Variables	Analysis Method	Results
1.	**Hariandy Hasbi**	Sistem Peringa	**Dependen:** 1. RBC	1. Descri ptive	The result of this study

No	Researchers	Title	Variables	Analysis Method	Results
	Jurnal Keuangan dan Perbankan, Vol.17, No.2 Mei 2013, hlm. 243–252 Terakreditasi SK. No. 64a/DIKTI/Kep/2010 http://jurkubank.wordpress.com	tan Dini Sebagai Pendukung Kinerja Perusahaan Asuransi Syariah	Ratio **Independen :** 1. Surplus aggregate ratio (SAR) 2. Management Ratio (MER) 3. Ratio of premiums to surplus (PSR)	and verifikative 2. Multiple Regression	indicated that the early warning system had a significant Contribution to the level of Islamic insurance company solvency, while the minimum level of Islamic insurance Company solvency amounted 65.753% of the minimum regulation (120%).
2.	**Sindi Nurfadila, Raden Rustam Hidayat, dan Sri Sulasmiyati** Jurnal Administrasi Bisnis (JAB)|Vol. 22 No. 1 Mei 2015| *administrasibisnis.studentjournal.ub.ac.id* 4 Fakultas Ilmu Administrasi	Analisis Rasio Keuangan Dan Risk Based Capital Untuk Menilai Kinerja Keuangan Perusahaan Asuransi (Studi Pada Pt. Asei Reasuransi Indones	**Dependen :** Risk Based Capital (RBC) **Independen :** Early Warning System **a. Solvency Ratio** 1) Solvency Margin Ratio **b. Profitability ratios** 1)Underwriting Ratio 2) Ratio Expense Claims 3) Ratio Commission	1. Descriptive and kuantitative 2. Comparing Method with *time series analysis*	The whole result of research show that the financial performance of insurance company PT. Asei Reasuransi Indonesia (Persero) in period 2011-2013 is very good. The result of financial ratio analysis and Risk Based Capital show that all of ratio meet the normal limit, except Investment Yield Ratio. Investment yield ratio is still

No	Researchers	Title	Variables	Analysis Method	Results
	Universitas Brawijaya Malang	ia (Persero) Periode 2011-2013)	4) Ratios Return on Investment **c. Liquidity ratio** 1) Liquidity Ratio Assets 2) Premium Receivable to Surplus Ratio 3) Investment to Technical Reserve Ratio **d. Stability Ratio** Premiums 1) Ratio of Growth in Premiums 2) Retention Ratio Self **e. Technical ratio** 1) Ratio Technical		under the minimal limit.
3.	**Muhammad Rizza Perdana Kusuma, Erman Denny Arfianto** DIPONEGORO JOURNAL OF MANAGEMENT Volume 3, Nomor 2, Tahun 2014, Halaman 1	Pengaruh Profitabilitas, Risiko Underwriting Dan Ukuran Perusahaan Terhadap Tingkat Solvabilitas Perusah	**Dependen:** Solvability rate, **Independen :** 1. Profitability 2. Underwriting risk, 3. Firm's size	Regression test analysis tools are used : a. classical assumption that consists of a normality test, multicollinearity, autocorrelation, and	Results of data analysis or the regression test indicates that profitability, underwriting risk, and firm size simultaneously affect firm's solvability rate. While firm size is the variable that partially affect solvability rate, other variables such

No	Researchers	Title	Variables	Analysis Method	Results
	http://ejournal - s1.undip.ac.id /index.php/db r ISSN (Online): 2337-3792	aan Asuran si Di Indones ia (Studi Perusah aan Asuran si Kerugia n Di Indones ia Tahun 2006- 2012)		heterosc edasticit y test trials b. Hypothe sis testing is done by using the F-test and t-test	as profitability and underwriting risk do not partially affect firm's solvability rate
4.	**Maria Oktaviani** Jurnal Keuangan dan Perbankan Vol.19 No.2 Mei 2015	Early Warnin g System dan pertum buhan pendap atan kontrib usi pada perusah aan asurans i jiwa syariah di Indones ia	**Dependen :** Contribution Revenue Growth Ratio **Independen :** Early Warning System 1) *Solvency Margin Ratio* 2) Change in surplus ratio **3)** Return on Investment Ratio 4) **Likuidity Ratio** 5) **Agent balance to Ratio** 6) **Technical Ratio**	Multiple regression	The result of this study was the early warning system has silmutantly and partially positive influenced the Contribution Revenue Growth Ratio

From Table Research Gap, we can see that the reserach about Sharia Insurance in Indonesia actually provide by any reasearch, but the reasearch about the financial health of Sharia Life Insurance is very limited. But, for the reasearch Gap, we will adapt the finance ratio that suitable for used to analyzing the sharia Insurance Indonesia.

On the basis of the research problem is formulated as follows: the limited research that describes the health indicators sharia life insurance company in Indonesia, this makes people generally have difficulty in analyzing the companies which are the company's performance is very good. with limited indicators that serve as factors that affect the company's financial health sharia life insurance, and also the phenomenon of fluctuation of Solvency on Sharia Life Insurance become the basis reasearch problem of this thesis. So, with the all of the basis problem above, the researchers want to develop further research on the factors that affect the health sharia insurance companies (2010-2015), So the research question can be formulated as follows :

a) How is the effect of the Firm Size (SIZ) to Financial Health (Z) of Sharia Life Insurance Company in Indonesia?

b) How is the effect of the Investment Performance (IP) to Financial Health (Z) of Sharia Life Insurance Company in Indonesia?

c) How is the effect of the Liquidity Ratio (LR) to Financial Health (Z) of Sharia Life Insurance Company in Indonesia?

d) How is the effect of the Incurred Loss Ratio (IL) to Financial Health (Z) of Sharia Life Insurance Company in Indonesia?

e) How is the effect of the Firm Size (SIZ) to Financial Health (RBC) of Sharia Life Insurance Company in Indonesia?

f) How is the effect of the Investment Performance (IP) to Financial Health (RBC) of Sharia Life Insurance Company in Indonesia?

g) How is the effect of the Liquidity Ratio (LR) to Financial Health (RBC) of Sharia Life Insurance Company in Indonesia?

h) How is the effect of the Incurred Loss Ratio (IL) to Financial Health (RBC) of Sharia Life Insurance Company in Indonesia?

1.3 Research Objectives and Utility

1.3.1 Research Objectives

In accordance with the formulation proposed in this study, the research objectives can be broken down as follows:

a) To Analyze the effect of the Firm Size (SIZ) to Financial Health (Z) of Sharia Life Insurance Company in Indonesia

b) To Analyze the effect of the Investment Performance (IP) to Financial Health (Z) of Sharia Life Insurance Company in Indonesia

c) To Analyze the effect of the Liquidity Ratio (LR) to Financial Health (Z) of Sharia Life Insurance Company in Indonesia

d) To Analyze the effect of the Incurred Loss Ratio (IL) to Financial Health (Z) of Sharia Life Insurance Company in Indonesia

e) To Analyze the effect of the Firm Size (SIZ) to Financial Health (RBC) of Sharia Life Insurance Company in Indonesia

f) To Analyze the effect of the Investment Performance (IP) to Financial Health (RBC) of Sharia Life Insurance Company in Indonesia

g) To Analyze the effect of the Liquidity Ratio (LR) to Financial Health (RBC) of Sharia Life Insurance Company in Indonesia

h) To Analyze the effect of the Incurred Loss Ratio (IL) to Financial Health (RBC) of Sharia Life Insurance Company in Indonesia

1.3.2 Research Utility

1. Theoretical Benefits

This research is expected to increase and expand the literatures about the factors that affect the health of sharia life insurance companies in Indonesia. This reasearch also gives a contributions for an optional model for analyze the factors that affecting the financial health of sharia life insurance so that can give an early warning and the company also can be increasing the quality of their financial report.

2. Practical Benefits

This research is expected to provide benefits to related parties, are as follows:

a) For the government
This research is expected to be input for improved regulation of sharia life insurance in Indonesia and may be monitoring the performance of sharia life insurance

  b) **For life insurance companies sharia**

   This study is expected to be considered in the decision and in anticipation of all the factors affecting the company's financial health.

  c) **For academics and students**

   This research is expected to provide benefits in terms of development economics, especially regarding life insurance sharia-based, approach and scope of variables used. In addition, this study is expected to encourage for further research.

  d) **For the people**

   This study is expected to be a reference in determining an alternative investment when it wants sharia insured on life insurance.

1.4 Thesis Structure

This thesis has structure as following :

1. **CHAPTER I INTRODUCTION**

   This first chapter examines the background of the sharia insurance, formulation of the sharia life insurance, the purpose and usefulness of the research, as well as the systematic writing.

2. **CHAPTER II LITERATURE REVIEW**

This chapter outlines the theoretical basis of sharia life insurance, previous research to support ongoing research about the factors that affecting the financial health of sharia life insurance, framework, and the hypothesis proposed in this study about the factors that affecting the financial health of sharia life insurance.

3. **CHAPTER III RESEARCH METHODS**

This chapter describes the study variables and operational definitions, sampling, types and sources of data, data collection methods, as well as the analytical methods used.

4. **CHAPTER VI RESULTS AND ANALYSIS**

This chapter explains the description the result of regression about factors that affecting the financial health of sharia life insurance of study and discussion of the data analysis.

5. **CHAPTER V CLOSING**

The last chapter contains the conclusions and findings of the research conducted, the limitations of the study, and suggestions related to similar studies in the future.