Financial Analysis of PT. Asuransi Harta Aman Pratama, Tbk. Using The Financial Ratio In Statement of Financial Accounting Standards (PSAK) No. 28

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Abstract
PT. Asuransi Harta Aman Pratama, TBk. is General Insurace which net income began to experience a drastic decline in 2015 and suffered heavy loss in 2017. The aim of this research is to analyze the financial performance of PT. Asuransi Harta Aman Pratama, Tbk using the financial ratio in Statement of Financial Accounting Standards (PSAK) No.28, that is about Insurance. This analisys will reveal the cause of loss. There is one ratio that is not used in this research, that is Premium Receivable to Surplus Ratio. This company has decreased of net profit in 2015, then in 2017 suffered losses. The result of analyze to find out which part are concern of the company to improve its performance. Used in this research is a quantitative approach of descriptive method. The present research methodology analyzes financial reports from PT. Asuransi Harta Aman Pratama, Tbk. between 2010 and 2017. It also analyzes correlated factors based on supporting data. the overall of research show ratios show poor performance and a comprehensive strategy is needed to improve performance.

Keywords: Analysis Financial Ratio, Insurance

1.0 Introduction

The growth of insurance in Indonesia is currently undergoing a very rapid progress. Various insurance companies are competing to offer insurance programs from both the public and companies. The insurance industry in Indonesia has recently developed quite rapidly after the government issued deregulation in the 1980s. Further reinforced is the issue of Law of the Republic of Indonesia Number 2 of 1992 concerning Insurance Business (Permata et all., 2016).

Insurance is one way that people can use to help them in providing financial security (Nopriansyah, 2016). The insurance industry opportunity in Indonesia is indeed still very large, but the competition between insurance companies is also very tight. Chief Executive of the Non-Bank Financial Industry Supervisor (IKNB) Financial Services Authority (OJK) Firdaus Djaelani said, since Indonesia would enter the ASEAN free market or better known as the ASEAN Economic Community (AEC), of course the domestic insurance industry must be able to advance. Furthermore, he revealed four concrete steps that could be taken by the insurance industry in order to grow continuously; one of which is by strengthening financial capacity (Jannah, 2016).

Financial performance is a work performance that has been achieved by the company in a certain period and stated in the financial statements of a certain company (Isbanah, 2015). Evaluation of financial performance can be conducted using financial statement analysis, where the main data as input in this analysis are the balance sheet and income statement. Analysis of financial statements can be done using financial ratios. Financial ratio analysis allows financial managers and other interested parties to evaluate financial conditions immediately, because the presentation of financial ratios will indicate the health condition of a company. Ratio analysis connects the elements of the plan and the calculation of profit and loss so the effectiveness and efficiency of the company can be assessed (orniati, 2009).

PT. Asuransi Harta Aman Pratama, Tbk. (PT. AHAP) is a company engaged in financial services, especially general insurance services. This company is a company that has gone public. In 2015 net income began to experience a drastic decline, in 2016 there was no significant increase and in 2017 suffered heavy losses.

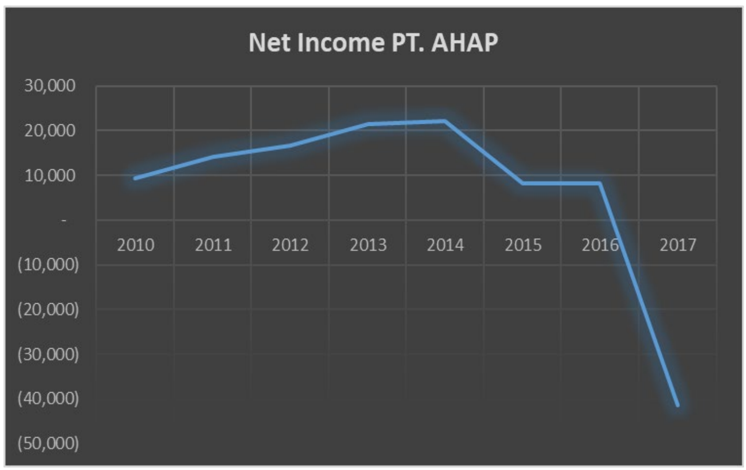

Figure 1: Net Income Trend

Furthermore, return of asset ratio and return on equity ratio in 2015 also began to experience a drastic decline. Then in 2017, it decreased to the minus point.

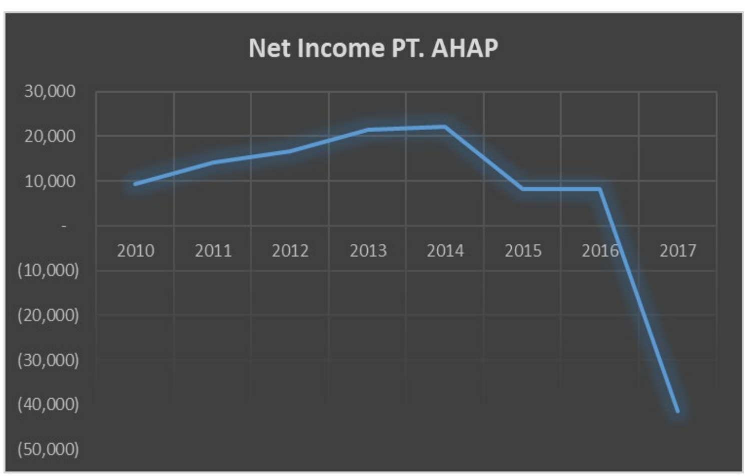

Figure 2: Return of Asset Ratio and Return on Equity Ratio

Based on Figure 1 and Figure 2, it is interested to further analyze the performance of PT. AHAP for eight years using financial ratio analysis based on Statement of Financial Accounting Standards No.28, concerning insurance, where This analisys will reveal the cause of loss.

The author presents the problem as how the performance and financial position of PT. AHAP from the period 2010 to 2017 financial ratio analysis based on Statement of Financial Accounting Standards (PSAK) No.28.

2.0 Material and methods

Financial ratios have been used as inputs to forecast a number of business such as financial distress, credit ratings, risk, future cash flows [6]. The method used to calculate the financial ratios in the insurance business is the Early Warning System. In Indonesia, the financial ratio of the Early Warning System method used for insurance companies are regulated in the Statement of Financial Accounting Standards (PSAK). The analysis of financial ratios for insurance companies is formulated in PSAK No. 28, there are The financial ratios contained in PSAK No. 28 (IAI, 2009; Nurfadilla, 2015; Putri *et all*, 2015; Sapari, 2017)

2.1 Solvency ratio

Solvency Margin Ratio shows how much the company's financial ability to allow the risks covered. Solvency Margin Ratio has a normal limit is 33,3% (PSAK No.28). Solvency margin ratio can be calculated using the formula:

$$Solvency\ Margin = \frac{Shareholder\ Fund}{Net\ Premium}$$

2.2 Profitability ratio

a. Underwriting ratio

Underwriting ratio shows the level of the obtained underwriting results and is used to measure the level of profit from a loss effort by comparing it with premium income. Underwriting ratio has a normal limit of at least 40%. Underwriting ratio is calculated by the formula:

$$\text{R}atio\ Underwriting = \frac{underwriting\ Income}{premium\ income}$$

b. Loss ratio

Loss ratio shows claims that incurred by the company. This ratio has a maximum normal limit of 47%. The formula for loss ratio is:

$$Claim\ Expenses\ Ratio = \frac{claim\ expenses}{premium\ income}$$

c. Commission expense ratio

Commission expenses ratio is used to measure the commission expenses incurred from the business conducted so that the company earns income. There is no normal limit for this ratio. The commission ratio formula is as follows

$$Commission\ Expenses\ Ratio = \frac{commission\ expenses}{premium\ income}$$

d. Investment yeld ratio

Investment yield ratio gives a general indication of the quality of each type of investment and measures the return of investment. This ratio has a minimum normal limit is 15%. Investment yield ratio formula:

$$Investment\ Yield\ Ratio = \frac{net\ investment\ income}{average\ investment}$$

2.3 Liquidity ratio

a. Liability to liquid assets ratio

Liability to liquid assets ratio measures the company's ability to meet its obligations with the assets they own. This ratio has a maximum limit of 120%. Calculation of liability to liquid assets ratio:

$$Asset\ Liquidity\ Ratio = \frac{liability}{allowed\ activa}$$

b. Premium receivable to surplus ratio

This ratio shows at what extent the premium receivable could support surplus. This ratio is important because premiums from individual premiums are difficult to expect to be collected when financial difficulties occur. If the ratio has been calculated, we must also have an aging schedule for premium receivable.

$$Premium\ Receivable\ to\ Surplus\ Ratio = \frac{P_{remium\ receivable}}{Surplus}$$

The author does not use the ratio because there is no data of premium receivable with aging schedule more than 90 days.

c. Investment to Technical Reserve Ratio

Investment to Technical Reserve Ratio is used to find out how much the technical obligations formed by insurance companies are reflected in investments. There is no normal limit for this ratio. The investment to technical reserve ratio formula is as follows:

$$Investment\ to\ Technical\ Reserve\ Ratio = \frac{investment}{technical\ iability}$$

2.4 Premium stability ratio

a. Net premium growth

Net premium growth shows how much the premium increase in the current year compared to the previous year. The normal limit for the premium growth ratio is at least 23%. If the increase is too low does not reach the normal or negative limit is included in the group "outside the normal limit". Calculation of premium growth ratio can be done by:

$$Premium\ Growth\ Ratio = \frac{Increase\ /\ decrease\ in\ net\ premiums}{last - year\ net\ premium}$$

b. Own retention ratio

Own retention ratio shows the level of company retention in bearing the risks that occur. There is no normal limit for this ratio, but the higher the result the better. The formula for calculating self-retention ratio is:

$$Own\ Retention\ Ratio = \frac{net\ premium}{gross\ premium}$$

2.5 Technical ratio

a. Technical reserve ratio

Technical reserve ratio describes the level of reserve sufficiency needed to deal with liabilities from risk closure. There is no normal limit for this ratio, but it should be noted whether or not this ratio gives a good indication.

$$Technical\ Liability\ Ratio = \frac{technical\ liability}{net\ premium}$$

2.6 Research methodology

This type of research used in this research is descriptive qualitative research with a quantitative approach. Data source are annual reports from 2010 to 2017, from the annual report will be calculated financial ratios. Ratio analysis conducted using the time series comparison method analysis analysis is comparing financial ratios company from year to year. Interview is done as additional data for better analysis.

2.7 Framework

Based on the existing problems and the support of the obtained theoretical foundation, a framework is arranged in Figure 3

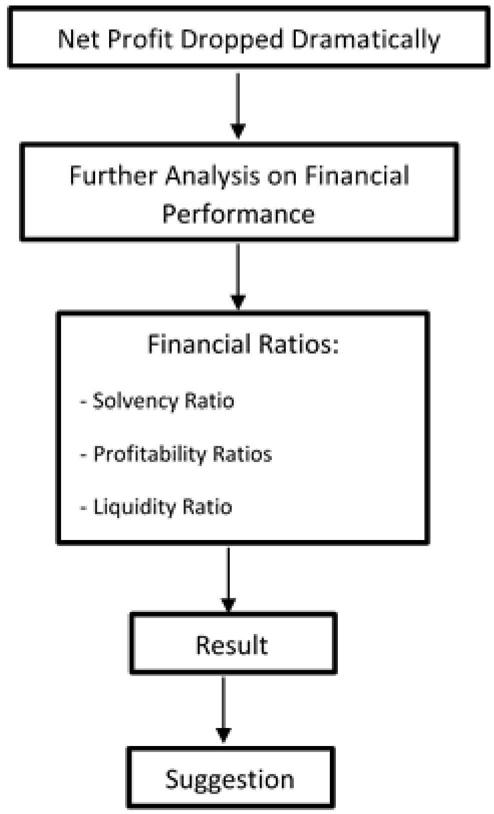

Figure 3: Framework

The framework above explain because net profit dropped in 2017, the author do analysis financial ratio for found couse of loss wih solvency ratio, profitability ratio, liquidity ratio, premium stability ratio and technical ratio. From the result of analysis, it can be suggested which part should be taken into account to increase the financial performance.

3.0 Results and discussion

Financial ratio analysis at PT. Asuransi Harta Aman Pratama, Tbk. taken from the financial statements and income statement. Ratio analysis conducted using the time series comparison method analysis is comparing financial ratios company from year to year. In this research Financial ratio analysis is carried out for the period 2010-2017. Financial ratio calculation results
The company is as follows:

a. Solvency Ratio

Solvency margin ratio (SMR) is as in the **Table 1.**

Table 1: Solvency Margin Ratio (SMR) PT. AHAP

Year	SMR
2010	50,17%
2011	48,07%
2012	45,46%
2013	45,07%
2014	47,46%
2015	76,13%
2016	88,80%
2017	113,61%

Based on **Table 1**, it is obtained that the Solvency Margin Ratio of PT. AHAP has exceeded the normal limit of 33.3%, a significant increase in 2015 and 2017. That is due to an increase in the capital of 33.25 billion rupiah in 2015 and 50 billion rupiah in 2017.

In addition, based on solvency margin in risk based capital calculation prescribed in degree of Finance Minister of Republic Indonesia No. 424/KMK.06/2003, the ratio is **in Table.2**

Table 2: Solvency Margin Ratio in Risk Based Capital (RBC) PT. AHAP

Year	RBC
2010	176%
2011	149%
2012	159%
2013	175%
2014	179%
2015	216%
2016	206%
2017	209%

Based on **Table 2**, it is obtained that PT. AHAP has minimum limit of 120%, it can be concluded that the owner manage this ratio is far better than minimum required by Decree of Finance Minister of Republic Indonesia, which one of them is by add capital.

Solvency is company's ability of financial obligation if the company liquidated both short-term and long-term obligations (Halim *et all*, 2015). But based pecking order theory from Steward C. Myear (1984), the greater the solvency ratio shows that the greater the costs to the company to meet its obligations. This can reduce the profitability of the company. So the higher the solvency of the company, the lower the company's ability to generate profits (Sari *et all*, 2018).

b. Profitability Ratio

The calculated profitability ratio consists of underwriting ratio (UR), loss ratio (LR), commission expenses ratio (CER) and investment yield ratio (IYR) as in **table 3.**

Table 3: Profitability Ratio PT. AHAP

Year	RU	LR	CER
2010	21%	41%	38%
2011	23%	31%	45%
2012	23%	30%	48%
2013	25%	33%	42%
2014	26%	38%	36%
2015	25%	44%	31%
2016	32%	43%	25%
2017	12%	59%	29%

Based on **Table 3**, it is obtained that the Underwriting Ratio of PT. AHAP still below the minimum normal limit of 40%, even in 2017 showed a drastic decline. Underwriting is to maximize profits through the acceptance of a risk distribution that is expected to give profits. Without efficient underwriting, a company will not be able to compete. It can be concluded that the level of underwriting income that can be obtained by PT. AHAP is very low.

Loss ratio PT. AHAP for 7 years it is still below the maximum limit, but in 2017 it experienced a drastic increase and exceeded the maximum normal limit of 47%. This shows the experience of claims that occurred and the quality of the closing business has decreased.

Commission expenses ratio of PT. AHAP tend to decrease. There is no normal limit for this ratio, if costs are reduced, one of the impacts is the increased of income, but what needs to be considered is that the reduction in commission expenses for insurance agents does not result in a decrease in insurance agent loyalty to the company.

Related to the investment yield ratio, in addition to data for the analysis of the investment amount of PT. AHAP as in **table 4**

Table 4: The Investment Amount of PT. AHAP

Year	Investment (Rp)
2010	56,629,742,741
2011	64,550,545,148
2012	78,976,987,861
2013	95,080,330,776
2014	32,345,836,931
2015	30,734,971,529
2016	36,299,859,947
2017	35,343,884,805

Based on **Table 4**, for investment yield ratio and table 3, it is obtained that the investment made by PT. AHAP is above the minimum normal limit in 2014, when the amount of investment was reduced from 95.08 billion Rupiahs in 2013 to 32.35 billion Rupiahs in 2014. However, in 2017 the ratio of investment returns has decreased dramatically from 20.21% in 2016 to 7.87% in 2017. The low ratio can provide information that the investments are not quite correct, so the investment assignment needs to be reviewed.

Based on the results of analysis above, it can be concluded that profitability ratio of PT. AHAP experienced, from a very low of underwriting income, quality of closure by underwriting department is low then claim increases, reduced commission fees and inadequate investment.

c. Liquidity Ratio

Liquidity is a ratio that shows the relationship of the company's cash and other current assets to its current liabilities [12]. The effect of liquidity on profitability is that if the value of the company's liquidity is too high, it will have a bad impact on the company's ability to earn profits because of the unused funds or show an excess of the needed working capital, this excess will reduce the opportunity to earn the company profits

The calculated liquidity ratio consists of liability to liquid assets ratio (LLAR) and investment to technical reserve ratio (ITRR), as in **table 5**

Table 5: Liquidity Ratio PT. AHAP

Year	LLAR	ITRR
2010	70%	108.61%
2011	67%	115.22%
2012	67%	117.17%
2013	66%	117.86%
2014	66%	32.31%
2015	60%	26.77%
2016	57%	46.16%
2017	52%	47.11%

Based on Table 5, it is obtained that the liability to liquid assets ratio of PT. AHAP for 8 years is very good because despite the results are still far below the maximum limit, this ratio has also decreased every year indicating the company is in a solvent condition.

But, Investment to technical reserve ratio PT. AHAP experienced a significant decline in 2014 which meant the technical liabilities reflected in the investment experienced a significant reduction. The low ratio shows the tendency that the estimated dependency claims themselves are less supported by adequate funding.

d. Premium Stability Ratio

The calculated premium stability ratio consists net premium growth (NPG) and own retention (OR) as in **table 6**

Table 6: Premium Stability Ratio PT. AHAP

Year	NPG	OR
2010	47%	45 %
2011	26%	38 %
2012	24%	37 %
2013	22%	36 %
2014	16%	39 %
2015	-5%	47 %
2016	-11%	36 %
2017	-21%	44 %

Based on Table 6, it is obtained that the Premium Growth Ratio of PT. AHAP for 8 years continuously suffered the decreased of premium growth. In 2013, premium growth began below the normal minimum limit, until in 2015 - 2017 the growth exceeds the minus level which was getting bigger every year.

The own retention ratio of PT. AHAP for 8 years is unstable. The ratio below 50% shows that the amount of premium that can be withheld is only less than 50% compared to premiums received directly. Based on the results of analysis above, it can be concluded that premium stability ratio of PT. AHAP is very poor.

e. Technical Ratio

Technical ratio is technical reserve ratio (TRR), as in **table.7**

Table 7: Technical Ratio PT. AHAP

Year	Technical Reserve Ratio
2010	13%
2011	3%
2012	8%
2013	12%
2014	1%
2015	4%
2016	13%
2017	8%

Based on Table 7, it is obtained that the Technical Reserve Ratio of PT. AHAP for 8 years is unstable with the ratio still too low. If it is too low, the consequences is that the technical reserves formed by the company will not be sufficient to pay for their obligations in the future.

f. Performance Evaluation Of PT. AHAP

Based on the above analysis, found that there was decline in almost all financial ratios, a summary of the results and suggestion can be made as in **Table 8.**

Table 8: Summary of Financial Ratio Analysis PT. AHAP

No	Ratio	Result	Suggestion
1	Solvency Margin Ratio	Having exceeded the normal limit, owners continue to increase capital, especially in 2017	In managing a company, it is important to have reliable management
2	Underwriting ratio	Still below the normal 40% limit	Increase the premium Income while well coordinating with the underwriting department
3	Loss Ratio	There is an upward trend and in 2017 has exceeded the maximum limit	
4	Commission Ratio	There is a tendency to decline every year	Pay close attention to insurance agent commissions in the insurance industry to increase agent loyalty
5	Investment yield ratio	The average is still below the minimum limit of 15%	Reviewing the investment
6	Liability to liquid assets ratio	Tend to decrease every year, the company is in a solvent condition	
7	Investment to Technical Reserve Ratio	There is a tendency for the ratio to decrease	Better management of the estimation of own retention claim and unearned premiums
8	Net premium growth	Experience minus growth since 2015 and continues to decline until 2017	A comprehensive marketing strategy to increase premium income with good risk analysis
9	Own Retention Ratio	Presentation is still below 50%	Comprehensive strategy to improve the company's ability to endure risk
10	Technical Reserve Ratio	The ratio tends to be too small and unstable	

4.0 Conclusion and suggestion

Based on the results of the above studies it can be concluded that there was a decline in almost all financial performance at PT. AHAP and a comprehensive management strategy to improve the condition of the company is essential. Suggestion for further researchers, when examining cases the same as in this study can adding other analysis such as in terms of marketing and underwriting.

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