

ABSTRACT

Financial distress is a financial condition that declines before the occurrence of bankruptcy, which is marked by one negative profit for two consecutive years which if this condition is not handled immediately it will lead to bankruptcy. Insurance companies also have special characteristics which use the ratios set by The National Association of Insurance Commissioners (NAIC).

The purpose of this study was to determine the effect of the independent variables, namely the ratio of changes in surplus, premium growth, claims expense, liquidity, margin solvency, firm size and Risk Based Capital (RBC) on the dependent variable, namely financial distress in life insurance companies in Indonesia registered in Indonesia. Financial Services Authority (OJK) in 2015-2019.

The research method in this study uses quantitative methods with logistic regression analysis techniques using SPSS 25 software. The sample selection technique uses purposive sampling and obtained 13 life insurance companies in Indonesia registered with the Financial Services Authority (OJK) in 2015-2019.

The results showed that the variables of changes in surplus, premium growth, claims expense, liquidity, margin solvency, firm size and Risk Based Capital (RBC) had a simultaneous effect on financial distress. Meanwhile, changes in surplus, premium growth and firm size partially have a significant effect on financial distress and claims expense, margin solvency and Risk Based Capital (RBC) partially have no significant effect on financial distress.

Keywords: financial distress, insurance companies, logistic regression, early warning system