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THE IMPACT OF RISK-BASED CAPITAL, PREMIUM INCOME, AND ASSET GROWTH ON FINANCIAL PERFORMANCE: THE MODERATING ROLE OF GOOD CORPORATE GOVERNANCE

Fikry Agustian[1], Andry Priharta[2]

[1,2]Universitas Muhammadiyah Jakarta, Indonesia

Corresponding author: fikry.agustian21@gmail.com

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ABSTRACT

This study examines the effects of Risk-Based Capital (RBC), premium growth, and asset growth on the financial performance of insurance companies, with Good Corporate Governance (GCG) as a moderating variable. Financial performance is proxied by Return on Assets (ROA). The study employs panel data from insurance companies listed on the Indonesia Stock Exchange during the 2020–2024 period and applies Moderated Regression Analysis (MRA) using EViews 12. The empirical results indicate that RBC has a significant negative effect on ROA, suggesting that excessive capital reserves may lead to inefficiencies in capital utilization. Premium growth is also found to have a significant negative impact on financial performance, implying that higher premiums are not necessarily accompanied by improved profitability due to increased claims and operational costs. Asset growth shows no significant effect on ROA, indicating that asset expansion alone does not guarantee better financial performance. Furthermore, GCG positively moderates the relationship between RBC and financial performance, mitigating the negative impact of high RBC levels. However, GCG does not significantly moderate the effects of premium growth and asset growth on ROA. These findings highlight the importance of effective corporate governance in optimizing capital management and improving financial performance in insurance companies.

Keywords: Risk-Based Capital; Premium Growth; Asset Growth; Good Corporate Governance; Financial Performance

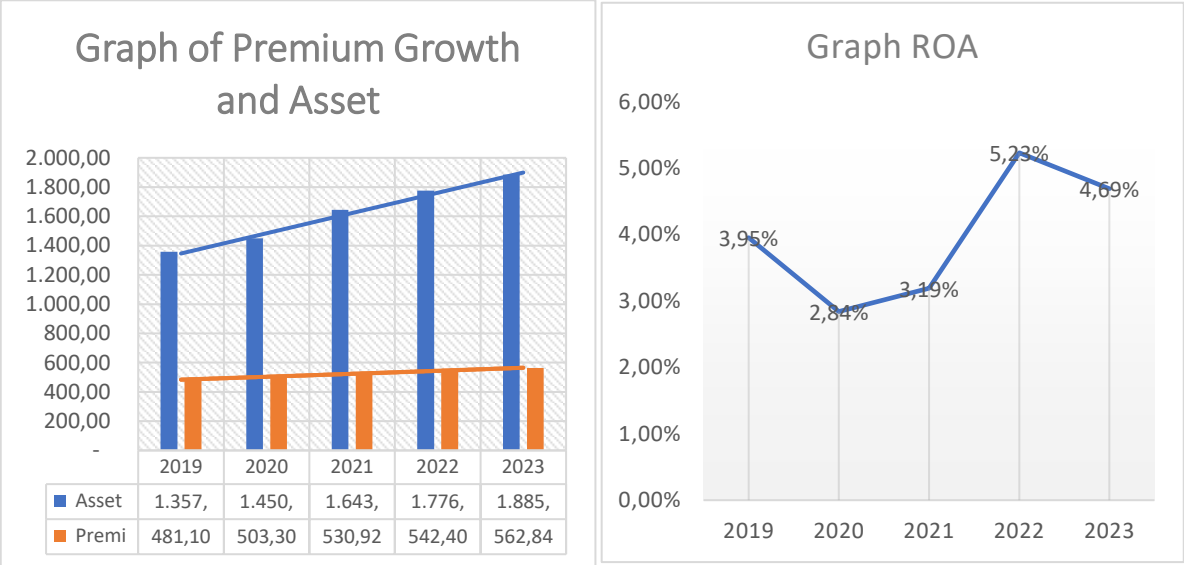
INTRODUCTION

Profitability reflects management's ability to generate earnings and provides essential information for stakeholders in evaluating managerial success or failure (Fitriana, 2024). A higher profitability ratio indicates better managerial performance in operating the business (Lestari & Prabowo, 2022). In insurance companies, profitability plays a crucial role not only

in attracting investors but also as a fundamental requirement for sustaining operations alongside solvency considerations Febriyanti et al. (2021). As insurance firms function as risk guarantors within risk management systems, they are inherently exposed to various forms of negative risk that must be managed effectively (Sabir, 2024).

Empirical data from the Indonesian Financial Services Authority (OJK) reveal that the financial performance of insurance companies, proxied by Return on Assets (ROA), experienced fluctuations during the 2019–2023 period (OJK, 2024). ROA declined from 3.95% in 2019 to 2.84% in 2020, increased in 2021 and 2022, and decreased again in 2023, indicating instability in profitability. This occurred despite continuous growth in total assets and insurance premium income over the same period. Asset growth and premium growth are generally perceived as positive signals, reflecting expanding resources, increasing customer participation, and rising market confidence (OJK, 2024). Premium growth, in particular, represents policyholder responses that significantly influence financial performance by supporting market expansion and long-term sustainability Ningrum et al. (2024); Vitalis, (2024)

Fugyre 1. Graph Premium, Asset Growth and ROA



Sources : OJK

Asset growth also serves as a positive signal to stakeholders, indicating that firms possess sufficient resources to generate future profits. Prior studies consistently demonstrate that asset growth positively affects financial performance when assets are managed efficiently Febrian,(2025); Angelia et al.,(2025); Amelya & Elizabeth, (2024); Wahyuni et al.,(2025); Firdausi et al.,(2024); Annatalia & Kadarningsih,(2023); Anggraini & Purwaningsih, (2021); Savitri et al.,(2024). Effective asset utilization enables insurance companies to transform resource growth into improved profitability and financial stability.

Febrian (2025) demonstrates that investors tend to focus on firm growth as a key indicator of future performance. Accordingly, the study finds that asset growth has a significant influence on profitability, suggesting that firms can leverage asset expansion to enhance operational capacity and generate higher revenues. Asset growth enables companies to scale their business activities and improve income-generating capabilities, thereby supporting financial performance.

Similarly, Wahyono et al. (2021) report a positive relationship between premium growth and financial performance, emphasizing that premium income constitutes a core revenue component in insurance companies. However, contrasting evidence is provided by Markonah et al. (2023), who find a negative effect of premium income on financial performance. This adverse relationship is attributed to the possibility that premium growth may be accompanied by a simultaneous increase in claim expenses, which can offset revenue gains. These mixed findings indicate that premium and asset growth alone do not necessarily guarantee improved financial performance. Therefore, effective corporate governance is essential to strengthen the positive impact of growth in premiums and assets by ensuring efficient risk management, cost control, and value-oriented decision-making.

Another important determinant of insurance company performance is solvency, commonly measured by Risk-Based Capital (RBC). The Financial Services Authority mandates a minimum RBC level of 120% to protect policyholders and prevent claim defaults (OJK Regulation No. 71/POJK.05/2016). Several studies report that RBC has a positive effect on financial performance, suggesting that adequate solvency strengthens financial resilience and stakeholder confidence Handriani & Arif, (2022); William & Colline,(2022); Candra et al.,(2023); Agustina et al.,(2024); Pamungkas et al.,(2024); Sayekti & Santoso,(2020); Novela & Yanti,(2022). However, other empirical findings indicate that RBC has no significant or even a negative effect on financial performance due to excessive cash holdings and limited capital utilization Pamungkas et al.,(2024); Sinaga & Indrawati,(2022); Vitalis, (2024)

The coexistence of increasing assets and premium income with fluctuating profitability suggests the presence of information asymmetry and agency problems within insurance companies. From a signaling theory perspective, asset growth, premium growth, and solvency ratios function as signals conveyed by management regarding the firm's prospects. However, when such signals are not supported by consistent profitability improvements, their credibility may be weakened, thereby increasing information asymmetry between management and stakeholders (Fitriana, 2024; Lestari & Prabowo, 2022). Agency theory further explains that managerial decisions driven primarily by regulatory compliance or self-interest—such as excessive capital retention to meet solvency requirements—may increase agency costs and reduce financial performance (Pamungkas et al., 2024; Sinaga & Indrawati, 2022).

In this context, Good Corporate Governance (GCG) plays a critical role in mitigating agency conflicts and enhancing the effectiveness of financial signals. Governance mechanisms based on transparency, accountability, responsibility, independence, and fairness improve internal control systems, align managerial actions with shareholder interests, and strengthen risk management practices (Wardoyo et al., 2022). Effective governance reduces conflicts of interest, improves decision-making quality, and ensures that assets, premiums, and capital are utilized efficiently to support sustainable financial performance.

Empirical evidence consistently shows that Good Corporate Governance positively influences financial performance by improving information quality, strengthening investor confidence, and supporting corporate sustainability (Afriana et al., 2025; Maharani et al., 2024). Transparent financial reporting and comprehensive disclosure of material information enhance corporate credibility and reputation among investors, policyholders, and regulators. Therefore, governance quality is expected to moderate the relationship between financial fundamentals and profitability by amplifying positive effects and mitigating inefficiencies arising from agency problems.

Based on the observed phenomena and existing research gaps, this study positions Good Corporate Governance as a moderating variable in examining the effects of Risk-Based Capital, premium income, and asset growth on financial performance, proxied by Return on Assets (ROA). The study focuses on insurance companies listed on the Indonesia Stock Exchange during the 2020–2024 period and aims to provide empirical evidence on how governance

mechanisms strengthen the relationship between financial indicators and corporate performance.

LITERATURE REVIEW

Signaling Theory

Signaling theory is widely applied in finance and accounting to explain how corporate management conveys information to external parties, such as investors and policyholders, in order to reduce information asymmetry. Information asymmetry arises when management possesses superior knowledge about a firm's internal conditions compared to external stakeholders. According to Downes and Heinkel (1982), in environments characterized by uncertainty, informed parties send observable and credible signals such as financial statements, earnings announcements, dividend policies, and capital structure decisions—to less informed parties to mitigate informational imbalance.

In the context of financial reporting, firms with strong prospects tend to disclose information more transparently to differentiate themselves from poorly performing firms, whereas limited or opaque disclosure may be interpreted as a negative signal by the market. Within the insurance industry, premium growth also functions as a positive signal to investors and policyholders, reflecting business expansion and market confidence (Anggraini et al., 2022). Furthermore, the implementation of Good Corporate Governance (GCG) strengthens the credibility of such signals by enhancing transparency and trust, thereby supporting business sustainability (Afriana et al., 2025).

Overall, signaling theory emphasizes the importance of credible communication between management and stakeholders in imperfect markets. Effective signaling reduces information asymmetry, enhances stakeholder confidence, lowers the cost of capital, and ultimately contributes to improved corporate performance.

Agency Theory

Agency theory is a fundamental framework for explaining the relationship between firm owners and managers arising from the separation of ownership and control. This separation creates a contractual relationship in which owners (principals) delegate decision-making authority to professional managers (agents). Jensen and Meckling (1976)define an agency relationship as a contract whereby principals appoint agents to perform services on their behalf, which may lead to conflicts of interest when agents' objectives diverge from those of principals.

Agency conflicts occur because managers tend to pursue personal interests, such as higher compensation or job security, while principals seek to maximize firm value and financial performance. These conflicts are intensified by information asymmetry, where managers possess superior information about the firm's operations and financial condition (Eisenhardt, 1989) Information asymmetry enables opportunistic behavior, including earnings manipulation, inefficient resource allocation, and excessive risk-taking.

As a consequence, agency conflicts generate agency costs, which consist of monitoring costs incurred by principals, bonding costs borne by agents, and residual losses resulting from suboptimal managerial decisions (Jensen & Meckling, 1976). These costs reduce operational efficiency and negatively affect corporate financial performance.

To mitigate agency conflicts and agency costs, effective control mechanisms are required. Good Corporate Governance (GCG) serves as a key mechanism for aligning the interests of principals and agents by promoting transparency, accountability, and responsibility in corporate management. Shleifer and Vishny (1997) argue that corporate governance refers to the mechanisms through which capital providers ensure that managers deliver returns on their investments.

From an agency theory perspective, GCG is implemented through internal monitoring structures such as independent boards of commissioners, audit committees, and transparent financial reporting systems. Independent directors oversee managerial performance, while audit committees enhance the reliability of financial statements and reduce information asymmetry. In addition, ownership structures, including managerial and institutional ownership, function as governance mechanisms that align managerial incentives with shareholder interests and strengthen external monitoring, thereby reducing agency conflicts and improving corporate performance.

Regulation Theory

Regulation Theory explains the role of government intervention in shaping economic behavior to promote stability, efficiency, and the protection of public interests, particularly in the presence of market failure. Stigler (1971) argues that regulation is fundamentally created to protect specific interests within society, especially economic groups with strong influence over public policy. However, the theory has evolved beyond this narrow view, recognizing regulation as a mechanism to maintain order and stability within economic systems.

Posner (1974) emphasizes that regulation aims to enhance economic efficiency by addressing externalities, information asymmetry, and harmful market practices. From this perspective, regulation functions as a control mechanism to align corporate activities with broader economic and social objectives and to maximize social welfare through supervision and behavioral constraints.

Regulation Theory is commonly classified into three main approaches. First, Public Interest Theory views regulation as a neutral instrument designed to correct market failures and protect the public. In the financial and insurance sectors, regulations such as minimum capital requirements, solvency supervision, and disclosure obligations are intended to safeguard policyholders and ensure financial system stability. The Risk-Based Capital (RBC) framework, for example, requires insurers to maintain adequate capital to absorb risks, thereby reducing default risk and enhancing public confidence.

Second, Capture Theory challenges the public interest view by arguing that regulators may be influenced or "captured" by the industries they oversee. According to Stigler (1971), regulation can be used to protect dominant firms through entry barriers or policies that favor specific industry groups rather than the public at large.

Third, the Economic Theory of Regulation extends Capture Theory by conceptualizing regulation as an outcome of political and economic interactions among regulators, policymakers, and interest groups. Posner (1974) suggests that regulation operates as an economic commodity traded within the political process, reflecting the relative power and interests of competing actors rather than purely social welfare considerations.

In the insurance industry, Regulation Theory is particularly relevant due to the sector's high-risk nature and direct connection to public interests. Regulatory instruments such as Risk-Based Capital requirements, corporate governance rules, and supervision by authorities like the Financial Services Authority aim to ensure insurers' financial soundness and protect policyholders. According to the World Bank (2020), financial regulation reduces systemic risk and enhances institutional stability, which indirectly influences firms' financial performance by strengthening market discipline and stakeholder trust.

Corporate financial performance

Corporate financial performance is a key indicator used to assess a firm's effectiveness in managing its resources to achieve economic and operational objectives. In insurance companies, financial performance reflects the ability to generate profits, fulfill policyholder obligations, and maintain long-term financial stability. According to Harahap (2016) financial performance represents the outcomes achieved by a company over a specific period, indicating the efficiency and effectiveness of its operations. In the insurance industry, performance

measurement extends beyond net profit to include indicators such as Risk-Based Capital (RBC), solvency, claim retention, underwriting profit, Return on Equity (ROE), and Return on Assets (ROA).

Previous studies indicate that insurance companies' financial performance is influenced by various factors, including operational efficiency, claim expense management, premium growth, asset growth, and investment policies (Anggraini & Purwaningsih, 2024). High claim expenses, in particular, may reduce profitability and increase the risk of future claim default, emphasizing the importance of sound corporate governance to ensure financial sustainability (Tanujaya & Rochdianingrum, 2023). Consequently, effective governance practices are essential to mitigate financial risk and enhance overall performance.

In practice, financial performance is commonly measured using financial ratios such as ROA, ROE, and loss ratio. These ratios provide insights into how efficiently insurance companies manage funds collected from premiums and how effectively they control claim-related risks. Financial performance therefore serves as a reflection of a company's financial strength and operational efficiency in performing its risk intermediation function, making it a critical indicator for policyholders, investors, and regulatory authorities.

The primary objective of financial performance measurement is to evaluate a company's ability to manage financial resources efficiently in terms of liquidity, solvency, profitability, and operational activity. Financial performance analysis supports strategic decision-making for management, investors, creditors, and shareholders related to investment, financing, and working capital management, while also serving as a tool for accountability and future performance prediction (Harahap, 2016).

Return on Assets (ROA) is one of the most widely used indicators of financial performance, measuring a company's ability to generate net income from its total assets. ROA reflects managerial efficiency in utilizing both current and non-current assets to produce profits and is calculated as net income divided by total assets. A higher ROA indicates more effective asset utilization, whereas a lower ROA suggests inefficiencies or underutilization of resources. Harahap (2016) emphasizes that ROA is a critical measure of operational effectiveness and is widely applied for both internal performance evaluation and inter-firm comparisons within the same industry. Consequently, ROA is not only a key managerial metric but also an important indicator for investors and creditors in assessing corporate financial performance and operational efficiency.

$$\text{ROA} = \frac{\text{Nett Profit}}{\text{Total Aset}}$$

Risk Based Capital

Risk-Based Capital (RBC) is a key indicator used to assess the financial soundness and solvency of insurance companies. RBC reflects a firm's ability to meet its financial obligations, particularly claim payments, by considering the level of risk exposure faced by the company. In the insurance industry, RBC ensures that insurers maintain sufficient capital in line with their risk profiles, including underwriting risk, investment risk, operational risk, and reinsurance risk.

According to the Financial Services Authority Regulation No. 71/POJK.05/2016, insurance companies in Indonesia are required to maintain a minimum solvency level of 120% of risk-based capital requirements. This regulation aims to protect policyholders and maintain stability in the insurance sector, positioning RBC not only as an internal risk management tool but also as a key regulatory instrument under strict supervisory oversight. Ismail (2011) explains that RBC represents a risk-adjusted capital approach, whereby higher risk exposure necessitates higher capital reserves, allowing solvency assessments to reflect firm-specific risk characteristics rather than uniform standards.

In practice, a high RBC level indicates strong financial capacity and resilience in absorbing operational risks, while a low RBC may signal potential imbalance between assets and liabilities and indicate financial vulnerability. Empirical studies suggest that stable RBC levels above regulatory thresholds provide positive signals to stakeholders regarding insurers' risk management capabilities and financial strength (Candra et al., 2023). However, some studies report that RBC does not directly enhance profitability, as insurers may face trade-offs between risk absorption and premium pricing, potentially leading to reduced profit margins (Handriani & Arif, 2022). These mixed findings suggest that while RBC is essential for solvency and stability, its direct relationship with financial performance remains conditional.

RBC is measured by comparing available capital with required capital based on the firm's risk profile (Ismail, 2011). Available capital represents the company's solvency margin, including equity, retained earnings, and approved reserves, while required capital reflects the minimum capital needed to cover various risk exposures. These risks include underwriting risk, asset or investment risk, credit risk, and operational risk, as stipulated by OJK Regulation No. 71/POJK.05/2016. An RBC ratio of at least 120% indicates that a company's available capital is at least 1.2 times greater than its required capital. Firms falling below this threshold are considered to have low solvency levels and face an increased risk of failing to meet obligations to policyholders.

$$\text{RBC} = \frac{\text{Available Solvency Margin}}{\text{Minimum Margin of Solvency}}$$

Insurance Premiums

Insurance premiums constitute a core component of insurance companies' operations, as they represent the primary source of revenue obtained from policyholders in exchange for risk coverage. Beyond their role as income, premiums also reflect public trust in the insurer's services and performance. Premiums must be set at a level that adequately reflects the risks borne by the company, covers claim obligations and operational costs, and ensures profitability.

According to Vaughan and Vaughan (2014), an insurance premium is the amount paid by a policyholder to an insurer as consideration for the transfer of specified risks from the insured to the insurer. Premium determination is influenced by factors such as the type and magnitude of risk, insured value, policyholder characteristics, claim history, and coverage period. Insurers must balance competitive pricing with sufficient risk coverage in setting premium levels.

From a financial perspective, premium income—particularly gross and net premiums—is a key indicator of business scale and performance in insurance companies. Harahap (2016) explains that gross premiums represent total premiums collected before reinsurance deductions, while net premiums reflect the portion retained by the insurer after transferring part of the risk to reinsurers. Stable and sustainable premium growth is therefore essential for maintaining financial performance. Empirical evidence by Maharani and Purwanto (2023) demonstrates that premium growth positively affects insurance company profitability by expanding opportunities for investment income and operational efficiency, although such growth must be accompanied by effective risk management to prevent excessive claim burdens.

Premium growth is commonly used to assess an insurer's competitiveness in the market. Companies that consistently increase premium income are generally perceived as having effective marketing strategies and strong customer confidence. However, high premium volumes without adequate claims management and technical reserves may lead to financial imbalance and negatively affect solvency. Consequently, efficient premium management aligned with the company's risk profile is crucial to ensuring long-term financial stability and optimal policyholder protection.

Premium growth is typically measured using financial ratios, particularly the Premium Growth Ratio, which compares current-period premiums with those of the previous period

(Kasmir, 2019). This ratio reflects the company's ability to expand market share and increase insurance sales volume. Accurate measurement and management of premium growth not only influence profitability but also play a strategic role in maintaining long-term stability and customer trust within the dynamic insurance market.

Asset growth

Asset growth reflects a firm's ability to expand its resources through retained earnings, capital accumulation, and the acquisition of productive assets that enhance operational capacity. Weston and Brigham (1985) emphasize that asset growth is a crucial indicator of business sustainability, as increasing assets signal ongoing investment activities with the potential to generate future income. Firms with sound financial management are more capable of transforming asset expansion into higher profitability and firm value.

However, Gitman and Lawrence (2009) caution that excessively rapid asset growth without prudent financial management may increase financial risk due to higher funding requirements, potentially reducing efficiency and profitability. Asset Growth Theory focuses on how firms increase total assets as a reflection of expansion strategies, operational efficiency, and long-term value creation. In this context, asset growth represents the firm's capability to convert resources into economic returns.

Empirical studies support the positive role of asset growth in enhancing financial performance. Febrian (2025) finds that asset growth has a positive and significant effect on financial performance, reinforcing the argument that expanding assets can be optimized as strategic resources to improve firm outcomes. Similarly, Amelya and Elizabeth (2024) report that asset growth significantly and positively affects profitability in mining companies. Consistent evidence is also provided by Putra et al. (2022), who demonstrate that asset growth, together with capital structure and asset structure, influences corporate profitability.

Asset growth is commonly measured as the percentage change in total assets between consecutive financial periods by comparing current-year assets with those of the previous year (Kasmir, 2019). Positive asset growth indicates business expansion and new investments that may enhance future revenue, while negative growth may signal contraction or inefficiencies in asset management. Therefore, asset growth measurement is essential for assessing a firm's expansion activities, reinvestment strategies, and effectiveness in utilizing resources to support long-term growth and value creation.

Good Corporate Governance (GCG)

Good Corporate Governance (GCG) refers to the system that regulates relationships among shareholders, boards of commissioners, management, and other stakeholders to ensure that firms are managed effectively, transparently, and responsibly. Shleifer and Vishny (1997) define corporate governance as the mechanisms through which providers of capital ensure that managers deliver appropriate returns on their investments, emphasizing GCG's role in protecting investors from managerial opportunism.

From an agency theory perspective, GCG serves as a monitoring mechanism to mitigate conflicts arising from the separation of ownership and control. Jensen and Meckling (1976) explain that agency conflicts may reduce firm performance if not properly controlled; therefore, effective governance mechanisms are required to reduce agency costs and align managerial decisions with shareholder interests. Similarly, Solomon and Solomon (2004) describe corporate governance as a system of checks and balances that ensures corporate accountability not only to shareholders but also to broader stakeholders, highlighting the importance of transparency, accountability, and social responsibility.

Gillan (2006) further argues that corporate governance consists of a set of internal and external mechanisms such as board structure, audit committees, internal control systems, and shareholder rights that guide and control corporate behavior to enhance firm value and performance. Accordingly, consistent implementation of GCG is expected to improve

managerial decision-making, strengthen financial performance, and support long-term value creation.

In Indonesia, the principles of GCG generally follow five core principles: transparency, accountability, responsibility, independence, and fairness, as outlined by the National Committee on Governance Policy (Nabila et al.,(2025). Transparency emphasizes the disclosure of material, accurate, and timely information to reduce information asymmetry and enhance stakeholder trust (Aminul Amin et al.,(2025). Accountability requires corporate organs, particularly management and directors, to be responsible for their decisions and actions, thereby reducing agency conflicts and supporting corporate sustainability (Kaya et al.,(2025).

The principle of responsibility refers to corporate compliance with laws, ethical standards, and social and environmental responsibilities, reinforcing stakeholder relationships and improving social reporting quality (Aminul Amin et al., 2025). Independence highlights the importance of governance structures that are free from conflicts of interest, particularly through independent commissioners who ensure objective monitoring and evaluation of managerial performance. Fairness ensures equitable treatment of all stakeholders, including minority shareholders, which is essential for maintaining trust and corporate stability (Aminul Amin et al., 2025).

In this study, Good Corporate Governance is measured using the proportion of independent commissioners on the board. Independent commissioners play a crucial role as objective supervisors who are not affiliated with management or controlling shareholders, thereby strengthening transparency and oversight (Pham & Ho,(2024). The ratio of independent commissioners to the total number of commissioners reflects the effectiveness of governance structures in safeguarding stakeholder interests and promoting balanced, accountable, and sustainable corporate governance.

Hypotheses

Risk-Based Capital (RBC) is a solvency indicator that reflects an insurance company's capacity to absorb potential losses arising from its operational risks. RBC is designed to ensure that insurers maintain adequate capital in accordance with their risk profiles, thereby protecting policyholders and maintaining financial stability (Cummins & Sommer, 1996). From the perspective of Signaling Theory (Downes & Heinkel, 1982), firms possess superior internal information relative to external stakeholders, which motivates them to convey signals through observable financial indicators to reduce information asymmetry.

A high RBC level serves as a positive signal indicating strong financial resilience, regulatory compliance, and prudent risk management, particularly given the minimum solvency threshold of 120% mandated by the Financial Services Authority (OJK). Firms with strong RBC are perceived as more capable of fulfilling claim obligations and sustaining long-term operations, which enhances public trust, corporate reputation, and business growth. Empirical studies support this view, showing that higher RBC levels are associated with stronger financial capacity, higher credibility, and improved profitability (Anita & Kusumaningtias, 2024; Syafira & Rahmi, 2022; Narang & Turi, 2024; Mahfudoh et al., 2025). Conversely, RBC below regulatory thresholds generates negative signals and weakens market confidence (Sinaga & Indrawati, 2022; Azhari & Sukmaningrum, 2021).

Based on signaling theory and empirical evidence, the following hypothesis is proposed:

H1: Risk-Based Capital (RBC) has a positive effect on the financial performance of insurance companies.

According to Signaling Theory (Downes & Heinkel, 1982), management conveys information regarding firm quality and prospects through measurable financial indicators. In the insurance industry, premium growth represents a crucial signal reflecting public trust, market expansion, and underwriting effectiveness. Increasing premium income indicates a

growing customer base, improved risk management, and enhanced financial stability, while declining premiums may signal weakening competitiveness or loss of market confidence.

Numerous empirical studies document a positive relationship between premium growth and financial performance. Premium growth has been shown to significantly improve profitability in both conventional and Islamic insurance companies (Ningrum et al., 2024; Anita & Kusumaningtias, 2024; Vitalis, 2024; Indriyantini & Karnasi, 2025; William & Colline, 2022). These findings suggest that increasing premium income strengthens underwriting revenue, investment capacity, and operational efficiency. Although some studies report insignificant effects due to high claim ratios or operational costs (Tarsono et al., 2020; Tresnawati et al., 2022; Erfan & Indrabudiman, 2024), the dominant empirical evidence supports premium growth as a positive financial signal.

Therefore, the second hypothesis is formulated as follows:

H2: Premium growth has a positive effect on the financial performance of insurance companies.

Asset growth reflects a firm's ability to expand its economic capacity through reinvestment, capital accumulation, and productive resource allocation. Within the framework of Signaling Theory, consistent asset growth signals strong managerial capability, expansion potential, and long-term sustainability to external stakeholders. Firms with growing asset bases are better positioned to enhance operational capacity and generate future income.

Empirical studies consistently demonstrate that asset growth positively and significantly affects financial performance across various sectors, including insurance (Putra et al., 2022; Annatalia & Kadarningsih, 2023; Firdausi et al., 2024; Febrian, 2025; Amelya & Elizabeth, 2024; Anggraini & Purwaningsih, 2024). These findings indicate that asset growth functions as a stable determinant of financial performance by strengthening firms' resource advantages and income-generating capacity.

Accordingly, the third hypothesis is proposed:

H3: Asset growth has a positive effect on the financial performance of insurance companies.

Although RBC reflects capital adequacy and financial safety, its impact on profitability is often indirect and conditional. From a signaling perspective, the effectiveness of RBC as a financial signal depends on its credibility (Connelly et al., 2011). Without strong governance mechanisms, high capital levels may be inefficiently allocated, resulting in excessive cash holdings and reduced profitability (Pamungkas et al., 2024; Vitalis, 2024).

Good Corporate Governance (GCG) enhances the credibility and economic meaning of financial signals by ensuring transparency, accountability, and effective managerial oversight. From an agency theory perspective, GCG reduces opportunistic behavior and agency costs, enabling firms to utilize capital more efficiently. Empirical evidence indicates that governance mechanisms strengthen the relationship between financial indicators and firm performance, particularly in regulated and high-risk industries such as insurance (Al-Homaidi et al., 2021).

Thus, RBC is expected to exert a stronger positive influence on financial performance when supported by effective GCG practices. Accordingly, the fourth hypothesis is stated as follows:

H4: Good Corporate Governance (GCG) strengthens the positive effect of Risk-Based Capital (RBC) on financial performance.

Premium growth represents a positive signal regarding market acceptance and operational success. However, without adequate governance, management may pursue aggressive premium expansion without proper risk control, increasing claim exposure and agency costs. From an agency theory perspective, weak governance allows managerial opportunism, which can undermine the financial benefits of premium growth.

Effective GCG mechanisms—such as independent boards, audit committees, and transparent reporting—ensure that premium growth strategies are implemented prudently and aligned with long-term firm objectives. By enhancing information credibility and managerial discipline, GCG strengthens the positive signaling effect of premium growth. Empirical studies confirm that governance mechanisms reinforce the relationship between growth indicators and financial performance (Khatik et al., 2025).

Therefore, the following hypothesis is proposed:

H5: Good Corporate Governance (GCG) strengthens the positive effect of premium growth on the financial performance of insurance companies.

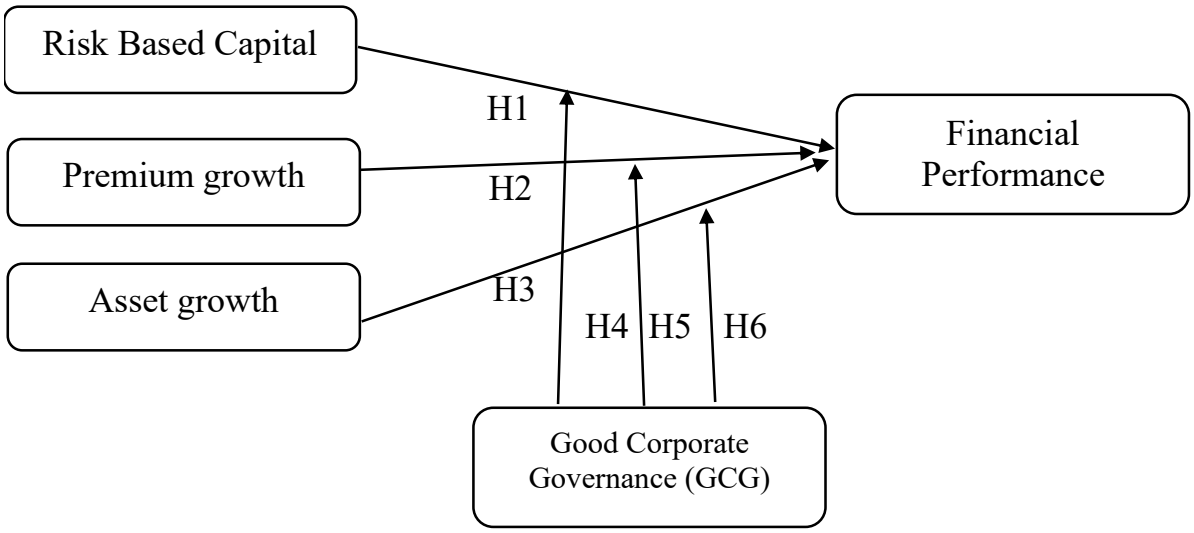
Asset growth signals expansion and increased resource availability, yet its contribution to financial performance depends on how effectively assets are managed. Information asymmetry may cause stakeholders to misinterpret asset growth if it is not accompanied by improved profitability. GCG functions as an organizational capability that ensures assets are utilized efficiently, transparently, and accountably.

Empirical evidence shows that both asset growth and GCG independently enhance financial performance (Safitri & Indira, 2024; Silitonga et al., 2025; Aliyah et al., 2025). Integrating signaling and agency theories suggests that asset growth will generate stronger financial outcomes when supported by robust governance structures that reduce agency costs and optimize resource utilization.

Accordingly, the final hypothesis is formulated as follows:

H6: Good Corporate Governance (GCG) strengthens the positive effect of asset growth on the financial performance of insurance companies.

Figure 2. Framework of Thinking



Source: Processed by the author

METHODOLOGY

This study employs a quantitative research design grounded in the positivist paradigm, which emphasizes objective measurement and statistical hypothesis testing. A survey-based approach is adopted by collecting secondary data from the official website of the Indonesia Stock Exchange (www.idx.id) and the official websites of the sampled companies. The research aims to examine the effects of Risk-Based Capital (RBC), premium growth, and asset growth on the financial performance of insurance companies, with Good Corporate Governance (GCG) serving as a moderating variable. The observation period covers 2020–2024, focusing on insurance companies listed on the Indonesia Stock Exchange.

Operational variable definitions follow the framework proposed by Indriantoro and Supomo (2009), which conceptualizes operationalization as the translation of abstract constructs into measurable variables. Consistent with Sugiyono (2011), variables are defined as observable attributes determined by researchers to generate relevant empirical information. The independent variables include Risk-Based Capital (RBC), premium growth, and asset growth; the dependent variable is financial performance, proxied by Return on Assets (ROA); and Good Corporate Governance (GCG) functions as the moderating variable. RBC is measured as the ratio of own capital to minimum required capital, premium growth and asset growth are measured using annual growth ratios, GCG is proxied by the proportion of independent commissioners, and financial performance is measured using ROA.

The study utilizes secondary data, obtained from published financial statements of insurance companies listed on the Indonesia Stock Exchange. The population consists of 18 insurance companies, from which samples are selected using purposive sampling. The sampling criteria include: (1) conventional insurance companies listed on the IDX during 2020–2024, (2) availability of complete and consecutive financial reports, (3) positive net income, and (4) completeness of data required for analysis. This sampling technique ensures the relevance and accuracy of the data in addressing the research objectives.

Data collection is conducted using the documentation method, involving the systematic compilation of financial data from balance sheets, income statements, and cash flow statements, as well as relevant theoretical and empirical literature on RBC, insurance premiums, asset growth, financial performance, and GCG. Data analysis is performed using EViews 12, applying panel data multiple regression analysis to examine both direct and moderating effects among variables.

The analytical procedure begins with descriptive statistical analysis to summarize the characteristics of the data, including mean, minimum, maximum, and standard deviation (Ghozali in Amrudin et al.,2022). This is followed by correlation analysis to assess the strength and direction of linear relationships among variables, based on the interpretation guidelines proposed by Sugiyono (2011).

Panel data regression is estimated using three alternative models: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) (Widarjono, 2018). Model selection is conducted through the Chow test, Hausman test, and Lagrange Multiplier test, ensuring the most appropriate estimation technique is applied. To validate the regression model, classical assumption tests are conducted, including normality, heteroskedasticity, and autocorrelation tests, following the procedures outlined by Basuki and Yuliadi (2014).

To examine the moderating role of Good Corporate Governance, the study employs Moderated Regression Analysis (MRA) by incorporating interaction terms between GCG and each independent variable. Hypothesis testing is conducted using partial t-tests, which assess the individual significance of each independent variable and interaction term at a 5% significance level (Ghozali in Amrudin et al.,2022). This approach enables a comprehensive evaluation of both direct and conditional effects on the financial performance of insurance companies.

RESULTS

This study aims to examine and analyze the effects of Risk-Based Capital, premium income, and claim expenses on financial performance, with Good Corporate Governance serving as a moderating variable. The analysis is conducted using EViews version 12, employing secondary data obtained from financial statements published on the official website of the Indonesia Stock Exchange. The population of this study consists of financial service companies in the insurance sub-sector listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period.

This study employs purposive sampling, a non-probability sampling technique in which samples are selected based on specific criteria aligned with the research objectives. The selected firms must meet the following requirements: (1) insurance sub-sector financial service companies that are publicly listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period; (2) conventional insurance companies; (3) companies that consistently publish complete financial statements throughout the 2020–2024 period; (4) companies reporting positive profits during the observation period; and (5) companies that provide comprehensive information required for the research analysis.

Tabel 1. Research Sample

NO	Company Code	Company Name
1	ABDA	Asuransi Bina Dana Arta Tbk
2	AMAG	Asuransi Multi Artha Guna Tbk
3	ASDM	Asuransi Dayin Mitra Tbk
4	ASRM	Asuransi Ramayana Tbk
5	BHAT	Bhakti Multi Artha Tbk
6	LPGI	Lippo General Insurance Tbk
7	MTWI	Malacca Trust Wuwungan Insurance Tbk
8	LIFE	Asuransi Jiwa Sinarmas MSIG Tbk
9	TUGU	Asuransi Tugu Pratama Indonesia Tbk
10	VINS	Victoria Insurance Tbk

Source: Processed by the author

CONCLUSIONS

The determination of the best model is conducted to identify the most appropriate estimation technique for this study. Since this research employs panel data, a model selection procedure is required to ensure the accuracy and reliability of the estimation results. The outcomes of the model selection tests are presented as follows:

Tabel 3. Estimation Model Results

Pengujian	Effect Test	Prob
Uji Chow	Cross-Section F	0.0059
Uji Hausman	Cross-Section Random	0.0779
Uji Lagrange Multiplier	Breusch Pagan	0.2512

Source: Processed by the author

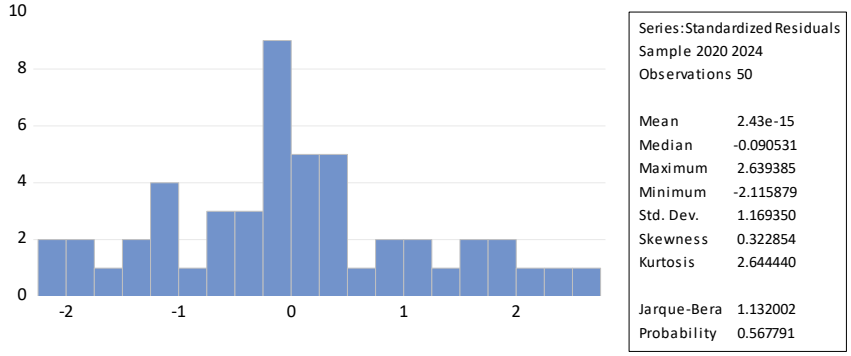
The Chow test results indicate a probability value of 0.0059, which is lower than 0.05, suggesting that the Fixed Effect Model (FEM) is preferable to the Common Effect Model. Subsequently, the Hausman test yields a probability value of 0.0779, which exceeds 0.05, indicating that the Random Effect Model (REM) is more appropriate than the Fixed Effect

Model. Furthermore, the Lagrange Multiplier test produces a probability value of 0.2512, which is also greater than 0.05, implying that the Common Effect Model (CEM) is more suitable than the Random Effect Model. Therefore, based on the results of these three tests, the Common Effect Model is selected as the most appropriate estimation model for this study.

Classical Assumption Tests

Normality Test

Figure 3. Normality Test

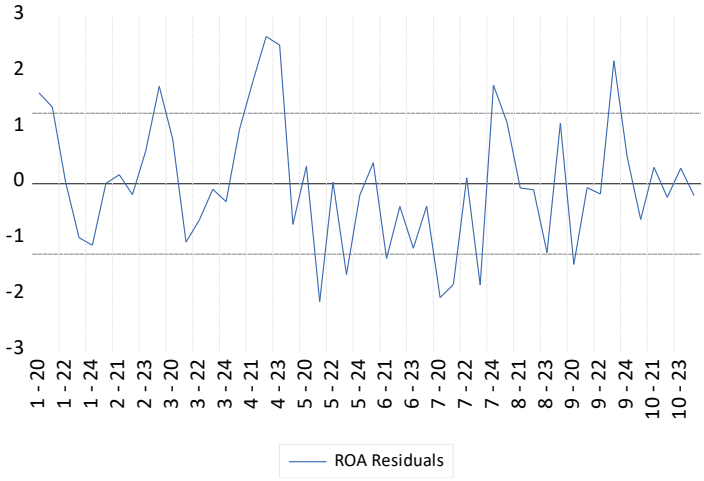


Source: Processed by the author

The normality test results indicate a probability value of 0.567791, which exceeds the significance level of 0.05. This finding suggests that the data used in this study are normally distributed, indicating that the sample is drawn from a population with a normal distribution. Consequently, the normality assumption required for further econometric analysis is fulfilled, ensuring the validity and reliability of the regression results.

Heterokedasitas Test

Figure 4. Heterokedasitas Test



Source: Processed by the author

Based on the graphical analysis, the residual values are observed to remain within the upper and lower bounds of 500 and −500. This indicates that the variance of the residuals is relatively constant across observations, suggesting the absence of heteroskedasticity in the regression model.

Moderated Regression Analysis (MRA)

Moderated Regression Analysis (MRA) is applied as a regression model in panel data analysis when the study involves a moderating variable. In this model, the regression equation

incorporates interaction effects by multiplying one or more independent variables with the moderating variable, thereby allowing the strength or direction of the relationship between the independent and dependent variables to vary depending on the level of the moderator.

In this study, Good Corporate Governance (GCG) is employed as the moderating variable to examine its moderating role in the relationship between Risk-Based Capital (RBC), Premium Income Growth, and Asset Growth on Financial Performance, which is proxied by Return on Assets (ROA). Accordingly, the panel data regression model with moderation can be specified by including interaction terms between GCG and each independent variable.

The general form of the moderated panel data regression model is expressed as follows:

$Y = \alpha + \beta 1\ RBC + \beta 2\ PP + \beta 3\ PAS + \beta\ GCG + \beta 4(RBC \times GCG) + \beta 5(PP \times GCG) + \beta 6(PAS \times GCG) + \varepsilon$

Notes :

Y = Financial Performance

α = Konstanta

β = Koefien Determinasi

RBC = Risk Based Capital (RBC)

PP = Premium Growth

PAS = Aset Growth

GCG = Good Corporate Governance (Moderation)

ε = Error

Accordingly, the estimated moderated regression model is expressed as follows:

$$ROA = 4.8387 - 0.8868\ RBC - 2.5780\ PP - 0.1913\ PAS - 4.9945\ GCG + 1.5548\ (RBC \times GCG) + 0.4197\ (PP \times GCG) - 0.1104\ (PAS \times GCG)$$

The interpretation of the regression results indicates that when all independent and moderating variables are equal to zero, the firm's financial performance, as measured by Return on Assets (ROA), is expected to increase by 4.8387 units. This constant term represents the baseline level of financial performance in the absence of the effects of Risk-Based Capital, Premium Growth, Asset Growth, Good Corporate Governance, and their respective interaction terms.

Hypothesis Testing

Figure 5. Common Efect Model

Dependent Variable: ROA
Method: Panel Least Squares
Date: 01/14/26 Time: 16:15
Sample: 2020 2024
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.838689	1.602365	3.019718	0.0043
RBC	-0.886846	0.257983	-3.437620	0.0013
PP	-2.577956	0.983140	-2.622167	0.0121
PAS	-0.191321	1.255411	-0.152397	0.8796
GCG	-4.994526	3.145628	-1.587768	0.1198
RBC_GCG	1.554804	0.485778	3.200649	0.0026
PP_GCG	0.419690	0.246511	1.702520	0.0960
PAS_GCG	-0.110419	0.235903	-0.468071	0.6422

Root MSE	1.157598	R-squared	0.416573
Mean dependent var	2.458400	Adjusted R-squared	0.319335
S.D. dependent var	1.530916	S.E. of regression	1.263043
Akaike info criterion	3.450571	Sum squared resid	67.00164
Schwarz criterion	3.756495	Log likelihood	-78.26428
Hannan-Quinn criter.	3.567069	F-statistic	4.284059
Durbin-Watson stat	1.482369	Prob(F-statistic)	0.001189

Source: Processed by the author

The Effect of Risk-Based Capital on Financial Performance

The empirical results indicate that Risk-Based Capital (RBC) has a significant effect on financial performance, as evidenced by a p-value of 0.0013 (< 0.05). However, the negative regression coefficient (−0.8868) suggests that an increase in RBC is associated with a decline in financial performance, proxied by Return on Assets (ROA).

This finding implies that although RBC serves as a solvency safeguard in the insurance industry, excessive capital reserves may lead to inefficient capital utilization. When capital is overly concentrated as a risk buffer, it limits the firm's ability to allocate resources toward productive investments, thereby reducing profitability. This result is consistent with Vitalis (2024), who finds that excessive capital reserves can constrain operational flexibility and lower financial returns.

From the perspective of signaling theory, high RBC levels may be interpreted by stakeholders as a positive signal of financial strength. However, the negative impact on ROA indicates that such signals do not always reflect actual value creation, highlighting the presence of information asymmetry between management and investors.

The Effect of Premium Growth on Financial Performance

The results show that premium growth significantly affects financial performance (p-value = 0.0121), but with a negative coefficient (−2.5779). This indicates that higher premium growth does not necessarily improve financial performance in insurance companies.

This negative relationship suggests that rapid premium growth may increase claim expenses, technical reserves, and operational costs. Without effective underwriting and risk management, premium expansion can deteriorate profitability rather than enhance it. This finding aligns with Melania et al. (2025), who report that premium growth may negatively affect financial performance when not accompanied by efficient cost and risk controls.

In the context of signaling theory, premium growth may signal market expansion and revenue potential; however, when such growth is not managed efficiently, it fails to translate into improved financial outcomes.

The Effect of Asset Growth on Financial Performance

The results indicate that asset growth does not have a significant effect on financial performance (p-value = 0.8796). This finding suggests that increases in total assets do not automatically enhance profitability, particularly ROA.

This may be attributed to the composition and productivity of assets. Asset growth driven by low-yield investments, non-productive assets, or increased technical reserves may not generate sufficient returns. This result supports Andhitiyara et al. (2025), who find that asset expansion without operational efficiency does not significantly improve financial performance.

From a signaling theory perspective, asset growth may signal corporate expansion, yet such signals lose credibility when assets are not optimally utilized to generate income.

The Moderating Effect of GCG on the Relationship between RBC and Financial Performance

The findings demonstrate that Good Corporate Governance (GCG) significantly moderates the relationship between RBC and financial performance, as indicated by a p-value of 0.0026 and a positive interaction coefficient (1.554). This suggests that GCG weakens the negative impact of RBC on financial performance.

This result supports agency theory, which posits that effective governance mechanisms—proxied in this study by the proportion of independent commissioners—enhance managerial oversight and reduce agency conflicts. With strong governance, excess capital can be managed more efficiently and allocated toward productive activities, thereby improving financial performance.

The Moderating Effect of GCG on the Relationship between Premium Growth and Financial Performance

The interaction between GCG and premium growth shows a positive coefficient (0.4196), indicating that GCG tends to mitigate the negative effect of premium growth on financial performance. However, the moderating effect is not statistically significant (p-value = 0.0960).

This suggests that while GCG may improve oversight and decision-making, it is not sufficient on its own to ensure that premium growth translates into higher profitability. Operational efficiency and effective claim management remain critical determinants.

The Moderating Effect of GCG on the Relationship between Asset Growth and Financial Performance

The results show that GCG does not moderate the relationship between asset growth and financial performance, as indicated by a p-value of 0.6422. This finding implies that governance mechanisms do not significantly influence how asset growth affects profitability.

This suggests that GCG primarily functions as a monitoring and compliance mechanism rather than a determinant of asset utilization efficiency. Consequently, investment strategy and asset productivity play a more dominant role in determining financial performance than governance structure alone.

Conclusion ~~and Implications~~

This study provides empirical evidence on the determinants of financial performance in insurance companies. The results show that Risk Based Capital (RBC) has a significant negative effect on financial performance, as measured by Return on Assets (ROA). However, the negative coefficient indicates that excessively high capital buffers may reduce profitability by limiting the firm's ability to allocate resources efficiently.

Furthermore, premium growth is found to have a significant but negative effect on financial performance. Although premium growth generally signals market confidence and business expansion, the findings suggest that such growth does not necessarily translate into higher profitability. This implies that premium growth may act as a weak or misleading signal when it is not accompanied by effective risk management and operational efficiency.

In contrast, asset growth does not significantly affect financial performance, indicating that an increase in total assets alone is insufficient to improve profitability. Within the framework of signaling theory, asset growth may fail to function as a credible signal of performance when assets are not managed productively.

Regarding the moderating variable, the results show that Good Corporate Governance (GCG) significantly moderates the relationship between RBC and financial performance, weakening the negative impact of RBC on ROA. Meanwhile, GCG tends to weaken the negative effect of premium growth on financial performance, although the moderating effect is not statistically significant. Lastly, GCG does not moderate the relationship between asset growth and financial performance.

Overall, the findings highlight that financial indicators such as RBC, premium growth, and asset growth do not automatically serve as positive signals of firm performance unless supported by effective governance and efficient resource management.

This study strengthens Regulation Theory, particularly the Public Interest perspective, by demonstrating that the minimum Risk-Based Capital (RBC) requirement of 120% imposed by the Financial Services Authority (OJK) serves primarily as a stability and protection mechanism within the insurance industry. Nevertheless, the findings reveal that higher RBC levels do not inherently lead to superior financial performance, implying that capital regulation must be complemented by effective internal management to ensure capital is deployed productively rather than remaining purely precautionary.

From a Signaling Theory standpoint, sustained growth in premiums and assets constitutes a positive signal to investors and stakeholders regarding firm prospects. However, when such growth fails to consistently enhance return on assets (ROA), the credibility of these signals diminishes, indicating information asymmetry. This highlights that growth signals must be supported by efficient asset utilization and risk management to translate into measurable financial outcomes.

Finally, consistent with Agency Theory, this study shows that Good Corporate Governance, particularly the presence of independent commissioners, plays a critical moderating role by mitigating agency conflicts and strengthening the impact of RBC management on financial performance. Effective governance mechanisms ensure that managerial decisions are aligned with value creation and stakeholder interests, thereby enhancing the effectiveness of regulatory capital in improving firm performance.

Practical Implications

The findings of this study provide important practical insights for insurance company management in designing and implementing effective capital and growth strategies. While maintaining a high level of Risk-Based Capital (RBC) is essential for regulatory compliance and financial resilience, excessive capital buffers may reduce efficiency if they are not accompanied by sound investment allocation, disciplined underwriting practices, and effective asset–liability management. Poorly deployed capital can result in idle funds, lower asset productivity, and weakened profitability. Therefore, managers are encouraged to adopt a value-oriented approach to capital management, in which capital is actively utilized to support risk-adjusted returns rather than being held solely as a precautionary buffer.

In addition, premium and asset growth should be strategically directed toward improving performance quality rather than merely achieving quantitative expansion. Sustainable growth requires that increases in scale be aligned with underwriting profitability, prudent risk management, and efficient asset utilization. When growth is not supported by these internal capabilities, it may fail to enhance financial performance and undermine long-term sustainability. Collectively, these practical implications highlight the need for insurance companies to integrate capital adequacy, growth quality, and operational efficiency into a coherent managerial framework to achieve sustainable financial performance.

Regulatory Implications

From a regulatory and stakeholder perspective, the results indicate that the effectiveness of capital regulation extends beyond the specification of minimum capital thresholds. Regulatory outcomes are strongly conditioned by the governance environment within firms, particularly the consistency and quality of Good Corporate Governance (GCG) implementation. Weak governance structures may limit the ability of capital regulation to influence managerial behavior and financial outcomes, while strong governance mechanisms enhance accountability, reduce information asymmetry, and align managerial incentives with prudential objectives. The moderating role of GCG identified in this study suggests that regulatory frameworks should increasingly integrate governance-based supervision alongside capital-based requirements. In this regard, regulators may benefit from placing greater emphasis on board effectiveness, the independence of commissioners, and internal control systems to ensure that capital adequacy, growth signals, and managerial decision-making operate cohesively. Such an approach would strengthen the transmission of regulatory intent into sustainable financial performance and contribute to the long-term resilience of the insurance industry.

Limitations of the Study

Although this study was conducted in accordance with established scientific research standards, several limitations should be acknowledged. First, this study relies on secondary data derived from publicly available financial statements and annual reports of insurance

companies. As a result, the analysis is highly dependent on the quality, consistency, and transparency of the disclosed data. Differences in accounting policies, measurement methods, and disclosure practices across firms may affect the calculation of key variables, including Risk-Based Capital (RBC), premium growth, asset growth, and Return on Assets (ROA). Moreover, the measurement of Good Corporate Governance (GCG) based solely on the proportion of independent commissioners may not fully capture the multidimensional nature of corporate governance practices. Consequently, the moderating role of governance identified in this study may not entirely reflect the complexity of governance mechanisms in influencing insurance firms' financial performance.

Second, the sample is limited to insurance companies listed on the Indonesia Stock Exchange (IDX) over the 2020–2024 period. Therefore, the findings may not be readily generalizable to non-listed insurance firms, other segments of the financial sector, or industries beyond insurance.

Third, this study focuses on a limited set of explanatory variables, namely Risk-Based Capital, premium growth, asset growth, and Good Corporate Governance as a moderating variable. While these variables provide important insights, other firm-specific and macroeconomic factors—such as underwriting risk, investment performance, market competition, and economic conditions—may also influence financial performance but are not incorporated into the model.

Recommendations for Future Research

Building upon the conclusions, implications, and limitations of this study, several recommendations are proposed for future research and relevant stakeholders. First, future studies are encouraged to extend the research model by incorporating additional variables that may influence the financial performance of insurance companies, such as claim expenses, underwriting results, operational efficiency, investment policies, liquidity, leverage, and retention ratios. Including these factors would enable a more comprehensive assessment of the key determinants of financial performance in the insurance sector.

Second, future research should consider employing a broader set of financial performance indicators beyond Return on Assets (ROA). The inclusion of measures such as Return on Equity (ROE), loss ratio, and underwriting profit would allow researchers and practitioners to evaluate insurance firm performance more holistically, capturing both profitability and risk dimensions.

Third, the measurement of Good Corporate Governance (GCG) should be further refined by utilizing multiple governance indicators, including the presence and effectiveness of audit committees, institutional ownership, and the quality of transparency and disclosure practices. A more comprehensive governance framework is expected not only to enhance the robustness of empirical findings but also to provide practical guidance for firms seeking to strengthen governance structures.

From a managerial perspective, insurance company management is advised to move beyond a narrow focus on regulatory compliance with Risk-Based Capital (RBC) requirements and quantitative growth in premiums or assets. Greater emphasis should be placed on risk management quality, operational efficiency, and the optimization of investment strategies to ensure that business growth is translated into sustainable financial performance.

Moreover, investors and other stakeholders are encouraged to consider corporate governance quality alongside traditional financial indicators when assessing the performance and long-term viability of insurance firms, given the critical role of governance in mitigating agency conflicts and reducing information asymmetry.

Finally, for regulators—particularly the Financial Services Authority (Otoritas Jasa Keuangan/OJK)—this study provides insights suggesting that risk-based capital regulation should be complemented by strengthened oversight of Good Corporate Governance

implementation. Such an integrated regulatory approach would enhance industry stability and ensure optimal protection for policyholders.

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