

SYSTEMATIC LITERATURE REVIEW (SLR): THE EFFECT OF CLAIMS EXPENSE AND UNDERWRITING ON INSURANCE COMPANY PROFITS

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Abstract

This study aims to map the effect of claim and underwriting expenses on insurance company profits. In a study using the Systematic Literature Review method, 16 out of 200 articles fit the criteria, with search strings from 2018 to 2022. The results showed that (RQ1) the problems contained in various research journals, namely differences in results from previous studies on the cost of claims, underwriting on profits, and the decline in insurance company profits. In research conducted by Yana, Melvi Muchlian, and Arsita (2022), the profit obtained is sensitive to stakeholders. In research conducted by Fitrianty et al. (2022), the gaps that occurred in previous research concluded that not all empirical events were by theory. The research method often used is quantitative, a robust and reliable approach that views the 'Facts / Truths' that are the object of research out there, and researchers must be neutral about whatever is found in the field and impartial. Every year, some journals discuss the effect of claims and underwriting expenses on insurance company profits; even in 2022, most journals use quantitative methods with different publications.

Keywords: Claim Expenses, Insurance, Profit, SLR, Underwriting

Introduction

Society until now continues to grow, so the need for economic security (losses) has increased (Benu, N. M., & Moniaga, V. R., 2016). This need is also based on the risk that it can come from things that cannot be foreseen. The development of an increasingly modern era requires every economic behavior, both individuals and a company or institution to minimize risks that may occur or will endanger oneself, property, and even the future of a person or a company or an institution (Sriwidodo, U., & Indriastuti, D. R., 2019). For this reason, insurance companies have an important role in meeting the community's needs.

The number of insurance companies growing in Indonesia continues to increase, including national, foreign, and multinational (Abdul Aziz Labbaika, N., 2020). The increasing number of insurance companies influences competition between insurance companies; they compete to attract the public by implementing various marketing strategies and offering a variety of insurance products, each with the advantage of attracting public interest in becoming their customers.

One way to assess the success of a company's performance is to look at the profits generated; if profit growth over several periods continues to improve, it can be said that company management can manage company finances effectively and efficiently to provide an increase in company value (Winarno, S. H., 2017). The performance of insurance companies is very close to profit; the basis of the insurance business is public trust by having good profit growth in terms of financial ability (bona fide) the company can fulfill obligations, namely paying dividends to shareholders, fulfilling claim obligations, and other obligations on time (Sinaga, J. B. L. A., 2021). Factors that affect insurance profit include claim expenses and Underwriting (Alifianingrum, R., & Suprayogi, N., 2018).

Karyati, Mulyati, and Icil (2019: 1) analyzed differences in the effect of premiums, claims, and investment returns on profit growth in Sharia insurance companies with conventional insurance for 2011 – 2013. Shows that claim expenses and investment returns have a significant effect on the profits of Islamic insurance companies.

Muchlaso, Maslichah, and Afifudin (2017: 2) examined the effect of premiums, investment returns, claims, and underwriting on sharia insurance profits in Indonesia for the period 2013 -2016. They showed that investment returns, claims, and underwriting did not significantly affect sharia insurance profits in Indonesia.

Based on the results of the inconsistencies (research gap) above, researchers are interested in further researching the journal mapping the Effect of Claims and Underwriting Expenses on Insurance Company Profits.

Methods

The object of this study is the expense of claims and Underwriting to Insurance Profit. This study used the Systematic Literature Review (SLR) approach. Systematic Literature Review, according to (Triandini et al., 2019), is a term used to refer to certain research methodologies or research and development carried out to collect and evaluate research related to a particular topic focus. It was previously founded by Kitchenham & Charters. This method has three stages. (Dani, R., Romadhon, R., Zahara, A. E., & Usdeldi, U., 2023) Research questions or research questions are made based on the needs of this research topic. The formulation of research questions on claims and Underwriting expenses on Insurance Profit should focus on 5 elements known as PICOC, namely

1. Population (P), the target group for investigation (e.g. people, software, etc.)
2. Intervention (I), determines the aspect of the investigation or problem of interest to the researcher.
3. Comparison (C), the aspect of the investigation to be compared with the intervention
4. Outcomes (O), the effects of the intervention.
5. Context (C), the setting or environment of the investigation.

Table 1. PICOC Structure.

PICOC The Effect of Claims and Underwriting Expenses on Insurance Company Profits	
<i>Population</i>	Claim Expenses, Underwriting, Insurance Company Profits.
<i>Intervention</i>	Inconsistencies in the results of previous research on claim expense variables on insurance company profits.
<i>Comparison</i>	Claims and Underwriting Expenses on insurance company profits.
<i>Outcomes</i>	Increased insurance company profits.
<i>Context</i>	Variable Performance of Claim Expenses, Underwriting.

Source: Data Processed, 2023

A search process or data search process is needed in this study. Data obtained from the Google Scholar site <https://scholar.google.co.id/> site address with the help of the Publish or Perish (PoP) application or software to make it easier to find the journal needed. Then search the journal by entering the keywords "claim expense," "underwriting," and "insurance profit."

These input criteria and limitations are to know whether the data is feasible or not to be used in this study. Here are the feasible criteria in this study:

1. Data used in the period 2018-2022.
2. Data is obtained from <https://scholar.google.co.id/> sources.
3. The data used is only about claim expenses, underwriting, and insurance profits.
4. The data used are only quantitative research.

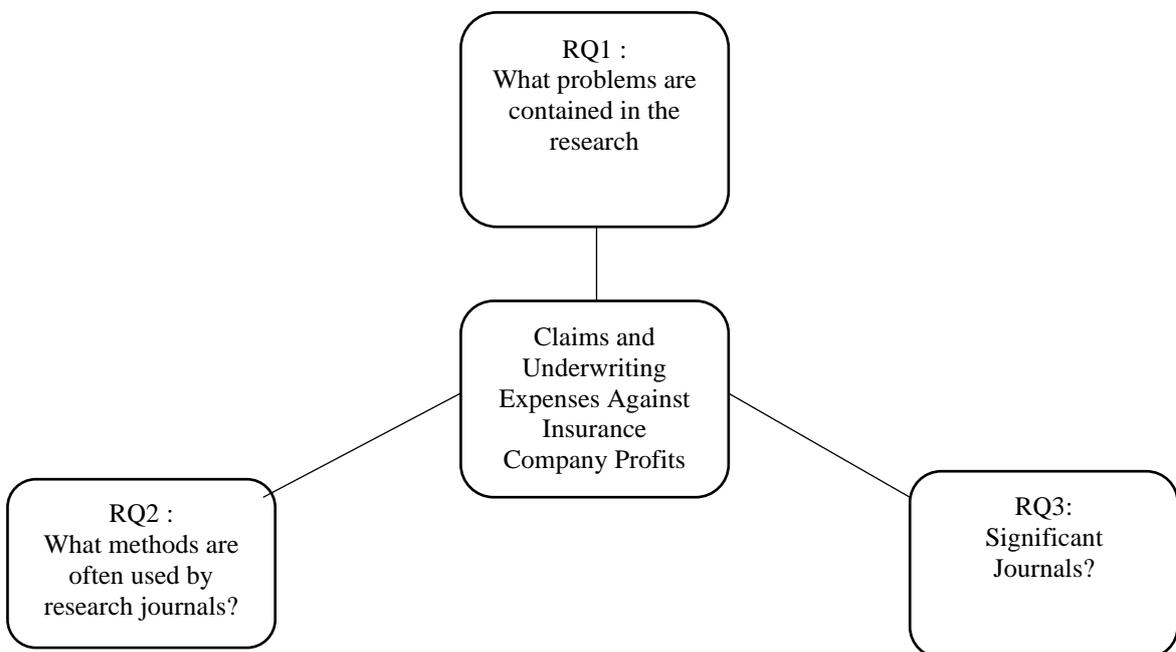


Figure 1. Research Framework

Result and Discussion
Research Data

The literature search was carried out in June 2023, the initial search process was carried out based on the year of publication in the 2018-2022 time frame using the keywords "Claim Expenses", "Underwriting" and "Insurance Profit". Search results from Publish or Perish (PoP) software there are 200 articles obtained from the Google Scholar site, then articles are selected. The literature used is only journal papers, the research study selection process is also carried out by looking at the title, abstract and full text and obtained the results of the main study that will be used for further analysis.

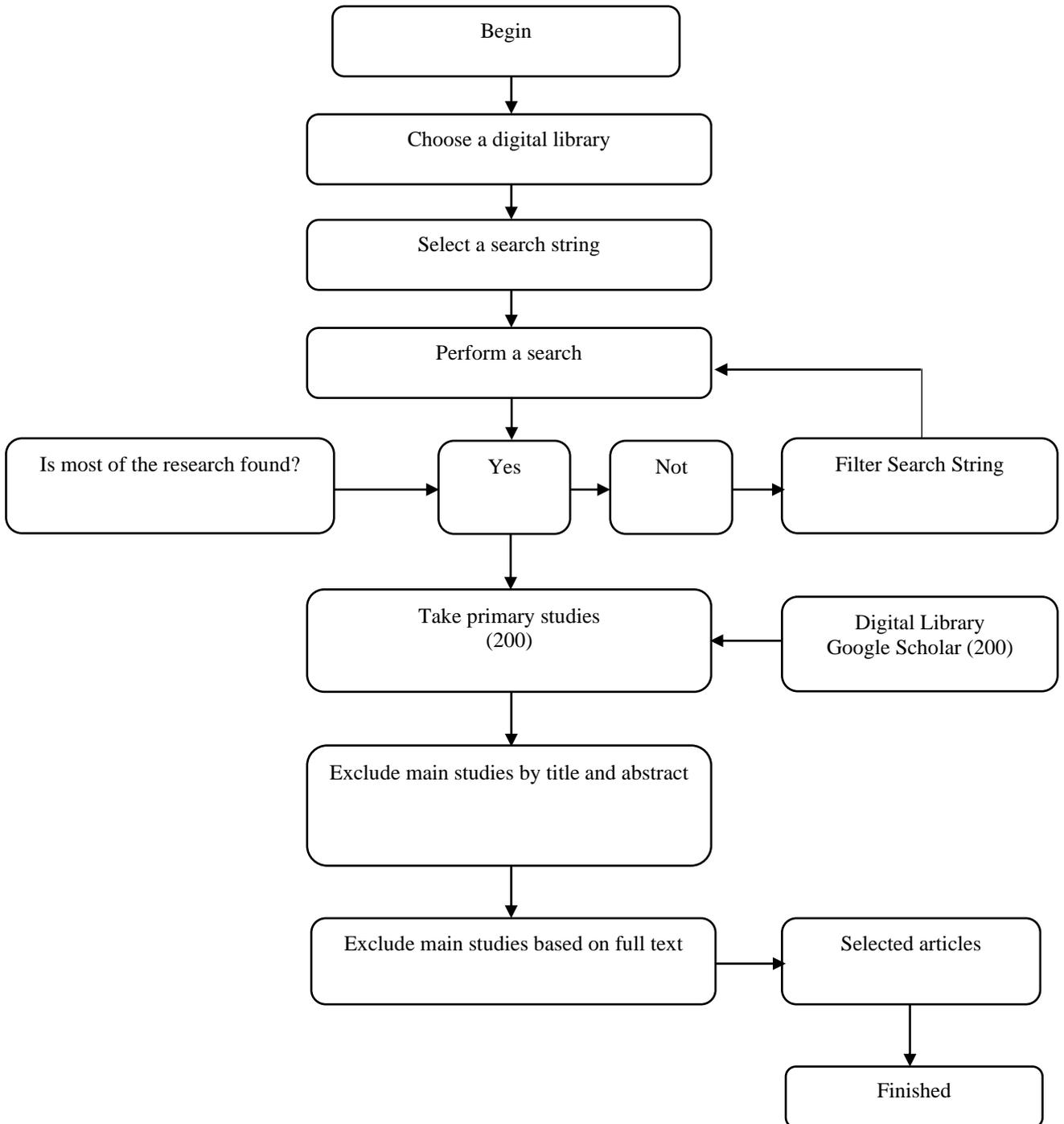


Figure 2. Primary Study Search.

After getting 200 articles, they were selected manually to perfect the search results to get the desired main study. Here are the details below:

No.	Search Filtering	Number of Articles
1	Invalid (not a journal paper).	150
2	Title and abstract do not match.	34
3	The title and abstract are appropriate but the content is not discussed.	-
4	Selected articles.	16

Source : Data Processed, 2023.

From the table above, it can be seen that there are as many as 150 invalid articles, which are meant by invalid, namely not the journal paper presented but the thesis of the researcher. Journals and abstracts that are not in accordance with the topic or theme of research, there are as many as 34 articles. So those selected for further analysis are 16 articles. Then the information obtained will be divided into several types of journals.

Quality Assessment is used to determine the rigor and credibility of the research methods used and the relevance of the study. In order to strengthen the conclusions presented by the researcher. The following are the results of the quality assessment in the form of a table:

Table 3. Quality Assesment Result.

No.	Researcher	Year	QA1	QA2	QA3	Result
1	Firdaus Budhy Saputro.	2018	Yes	Yes	Yes	Accepted
2	Mega Aprillia Kartika Sari, Untung Sriwidodo, Dorothea Ririn Indriastuti.	2019	Yes	Yes	Yes	Accepted
3	Rukmi Juwita, Novia Rindiati.	2020	Yes	Yes	Yes	Accepted
4	Vani Prahasti.	2020	Yes	Yes	Yes	Accepted
5	Muammar Khaddafi, Agung.	2021	Yes	Yes	Yes	Accepted
6	Nur Maisunatul Aflachiyah Al awwaliyah, Abdul Kodir Djaelani, Fahrurrozi Rahman.	2021	Yes	Yes	Yes	Accepted
7	Wahyono, Nurochim, Indarti Diah Palupi.	2021	Yes	Yes	Yes	Accepted
8	Patrick Immanuel Sinaga, Nur Khusniyah Indrawati.	2022	Yes	Yes	Yes	Accepted
9	Angela Fitra, Yuni Sukandani.	2022	Yes	Yes	Yes	Accepted
10	Minah Handriani, Abubakar Arif.	2022	Yes	Yes	Yes	Accepted
11	Muhammad Reza Pahlevi, Lisandri.	2022	Yes	Yes	Yes	Accepted
12	Raden Akbar Alif.	2022	Yes	Yes	Yes	Accepted
13	Amalia Ramadhani Suci Ardi, Maryam Batubara, Muhammad Ikhsan Harahap.	2022	Yes	Yes	Yes	Accepted
14	Fanny Oktivia Denovis, Sari Arsita, Nurhayati.	2022	Yes	Yes	Yes	Accepted
15	Dwi Ayu Fitrianty, Fatmi Hadiani, Setiawan, Hendra Sanjaya Kusno.	2022	Yes	Yes	Yes	Accepted
16	Puja Yana, Melvi Muchlian, Sari Arsita.	2022	Yes	Yes	Yes	Accepted

Source : Data Processed, 2023.

Result of data analysis

Table 4. Author, Title, Method and Problem.

No.	Author	Title	Method	Problem
1	Firdaus Budhy Saputro.	Pengaruh Risk Based Capital Dan Beban Klaim Terhadap Laba Pada Perusahaan Asuransi Jiwa Periode 2014 - 2016	Quantitative	To survive and compete with companies in attracting advantage in the market, the company must have a good and effective strategy implemented by all stakeholders. Therefore, companies must compete in capturing the trust market in their business.
2	Mega Aprillia Kartika Sari, Untung Sriwidodo, Dorothea Ririn Indriastuti.	Analisis Pengaruh Hasil Investasi, Hasil Underwriting Dan Beban Klaim Terhadap Laba Perusahaan (Survei Pada Perusahaan Asuransi Yang Terdaftar Di Bursa Efek Indonesia Tahun 2016 – 2018)	Quantitative	There are inconsistencies in previous research.
3	Rukmi Juwita, Novia Rindiati.	Pengaruh Pendapatan Premi Dan Hasil Underwriting Terhadap Laba Pada Pt Asuransi Jiwasraya (Persero) Periode 2008-2015	Quantitative	Measuring profit is not the only thing important for determining performance company but important as information for profit sharing.
4	Vani Prahasti.	Pengaruh Pendapatan Premi, Hasil Underwriting, Hasil Investasi Dan Risk Based Capital Terhadap Laba Perusahaan Asuransi Umum Yang Terdaftar Di Bursa Efek Indonesia Periode 2014-2018	Quantitative	Knowing the relationship between factors that influence Insurance Profit.
5	Muammar Khaddafi, Agung.	Pengaruh Hasil Investasi, Pendapatan Premi, Beban Klaim, dan Beban Operasional Terhadap Laba Perusahaan Asuransi Yang Terdaftar Di bursa Efek Indonesia	Quantitative	Further testing regarding investment returns, premium income, claims expenses, and operational expenses, which will be examined as factors that influence insurance profits.
6	Nur Maisunatul Aflachiyah Al awwaliyah, Abdul Kodir Djaelani, Fahrurrozi Rahman.	Pengaruh Pendapatan Premi, Hasil Underwriting, Beban Operasional Dan Hasil Investasi Terhadap Laba Pada Perusahaan Asuransi Umum Yang Terdaftar Di BEI Periode Tahun 2017-2019	Quantitative	There are gaps in previous research so this can be used as a research gap for further research.

7	Wahyono, Nurochim, Indarti Diah Palupi.	The Effect of Premium Income, Claim Payment, Risk-Based Capital, Investment Return, and Underwriting Result on the Profits of Insurance Companies Listed on the Indonesia Stock Exchange for the 2015-2018 Period	Quantitative	The amount of profit earned from 2015 to 2018 has declined. In 2015, the total profit was Rp 769.313 billion. In 2016, total profit decreased to Rp 640.773 billion. Then in 2017, the amount of profit decreased to Rp 594.076 billion. In 2018, the amount of profit declined to Rp 435.005 billion.
8	Patrick Immanuel Sinaga, Nur Khusniyah Indrawati.	Leverage, Risk Based Capital, Underwriting Result, Dan Profitabilitas Perusahaan Asuransi Di Indonesia	Quantitative	The phenomenon of decreasing profitability that occurs continuously will reduce investors' interest in investing in insurance company. In addition, insurance companies attempt to increase trust and public interest in insurance will increasingly weaken, which could then impact the insurance industry's economic downturn.
9	Angela Fitra, Yuni Sukandani.	Pengaruh Pendapatan Premi Dan Beban Klaim Terhadap Laba Pada Perusahaan Asuransi	Quantitative	Do premium income and claims expenses have an effect on profits, and do claims expenses and premium income have a simultaneous effect on company profits? insurance registered on the IDX.
10	Minah Handriani, Abubakar Arif,	Pengaruh Pendapatan Premi, Beban Klaim, Risk Based Capital, Investasi dan Dividen Terhadap Profitabilitas	Quantitative	Proving the truth of the hypothesis that has been described by researchers. Describes the relationship between the variables independent, namely premium income, claims expenses, risk based capital, investment and dividends profitability.
11	Muhammad Reza Pahlevi, Lisandri.	Pengaruh Pendapatan Premi Hasil Underwriting, dan Beban Operasional terhadap Laba pada Perusahaan Asuransi Umum yang terdaftar di OJK Periode 2017-2019	Quantitative	The development of general insurance profits from 2014-2018 shows that in the 2016-2018 period there was negative profit growth where the amount of insurance business profits was obtained continues to decline, although in 2018 the decline was not as large as 2017 but there was still a decline of -1.6% compared to 2017 (AAUI, 2019). In 2017 there was the largest negative profit growth in recent periods, namely -7.6% from 2016.
12	Raden Akbar Alif	Analysis of Premium Income and Claim Expenses on Risk Based Capital and Profit of Life Insurance Companies in Indonesia for the 2016-2020 Period	Quantitative	From statistical data from the Financial Services Authority (OJK), premium growth has decreased from 2019-2020 Gross claims show that in 2016-2019 there has been a significant increase but in 2020 gross claims have decreased by -2.1%

13	Amalia Ramadhani Suci Ardi, Maryam Batubara, Muhammad Ikhsan Harahap	Pengaruh Pendapatan Premi, Hasil Investasi Dan Klaim Terhadap Laba Pada Pt Asuransi Multi Artha Guna Tbk (Amag)	Quantitative	PT Asuransi MuTI Artha Guna Tbk (AMAG) period 2012-2021 experienced fluctuations in the company's profits In 2012-2014 there was an increase but in 2015-2019 it experienced a decline which then increased again in 20202021. A quite significant decline occurred in 2018, which was the year the company only made a profit of 28,246,915 which is the value This is the lowest among the years before and afterwards.
14	Fanny Oktivia Denovis, Sari Arsita, Nurhayati	Pengaruh Pendapatan Premi, Hasil Underwriting, Hasil Investasi dan Risk Based Capital terhadap Laba Perusahaan Asuransi	Quantitative	Impact of premium income, underwriting results, investment returns, and risk-based capital on profitability insurance sector.
15	Dwi Ayu Fitrianty, Fatmi Hadiani, Setiawan, Hendra Sanjaya Kusno	Analisis Faktor-Faktor yang Mempengaruhi Laba Perusahaan Asuransi Umum Unit Usaha Syariah di Indonesia	Quantitative	The gap that occurred in previous research, the conclusion was that not all empirical events were in accordance with theory.
16	Puja Yana, Melvi Muchlian, Sari Arsita	Analisis Pengaruh Pendapatan Premi, Beban Klaim Dan Hasil Investasi Terhadap Laba Pt Asuransi Wahana Tata	Quantitative	The amount of profit obtained is a sensitive matter for stakeholders interest. The increase or decrease in profits generated by the company has a big impact on the owner companies, investors or long-term investors and other parties, government and society in general.

Source: Data Processed, 2023.

From the 16 journals the method that is often used is quantitative methods, this method is very relevant to what is needed to determine the results that affect claims and underwriting expenses on insurance company profits. Because quantitative research presents proposals that are complete, detailed, specific procedures, complete literature, and clearly formulated hypotheses.

Quantitative methods have advantages in terms of efficiency. Quantitative analysis works using samples to solve the problem at hand. Apart from the sample side, for certain things quantitative methods provide a more precise explanation of the facts faced. Based on this Systematic Literature Review (SLR) review, there are 16 journals of claims and underwriting expenses on insurance company profits. Every year there are journals that discuss the cost of claims and underwriting on insurance company profits, even the most in 2022 several journals with a quantitative approach discuss the cost of claims and underwriting to insurance company profits and different publishers or publication websites.

Conclusion

Based on the results of the literature study that has been conducted, it can be concluded that systematic literature review is the process of identifying, evaluating, and interpreting all research evidence to answer certain research questions. There were 200 articles, then selected and the final results of the main study selected 16 journals according to inclusion and exclusion criteria. The results obtained are many things that encourage researchers to take the title, evidenced by the inconsistency of results from previous studies, differences in research results, insurance companies need more effective information to increase profits.

The results of the research question (RQ1) problems contained in various research journals, namely the difference in results from previous studies on the cost of claims and underwriting on profits and the decline in

insurance company profits. In research conducted by Puja Yana, Melvi Muchlian, and Arsita (2022), the amount of profit obtained is sensitive for stakeholders, and the increase or decrease in profits generated by the company has a major impact on company owners, investors, or long-term investors and other parties, the government and the general public. In research conducted by Fitrianty et al. (2022), the gaps in previous research concluded that not all empirical events were in accordance with theory.

Research question results (RQ2): The research method that is often used is quantitative research. This method is very relevant because quantitative research views the "Facts / Truths" that are the object of research, and researchers must be neutral and impartial to whatever is found in the field.

Furthermore, the results of the research question (RQ3) show that every year, journals discuss the effect of claims and underwriting expenses on insurance company profits. Even in 2022, most journals used quantitative methods to discuss claims and underwriting expenses on insurance company profits and different publications.

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