ABSTRACT

This study aims to analyze the effect of financial ratios on financial distress of general insurance companies in Indonesia from 2017 to 2021.
The research method used is a quantitative approach with testing using logistic regression analysis on the STATA program. Data sources come from annual reports that have been audited and submitted to the Financial Services Authority. The type of data used is secondary data based on the financial statements of general insurance companies.
The results showed that Early Warning System indicators including equity, risk-based capital, and investment adequacy ratio have a significant negative effect on financial distress. Furthermore, other financial ratios, namely the operating result ratio, liquidity ratio have a significant negative effect on financial distress, while the loss ratio has a positive effect on financial distress. This study suggests that the authorities continue to use EWS in their supervisory activities and can add other ratios as part of the supervisory tools.

Keywords: Financial Distress, Financial Ratios, General Insurance, Early Warning System, Equity, Risk Based Capital, Investment Adequacy Ratio, Underwiting Result Ratio, Liquidity Ratio, Loss Ratio.