

ABSTRACT

Solvability is company's long term ability to finance its long term debt or the ability to finance all of its current and long term debt at maturity. Given numbers of factors that affect firm's solvability rate, this study will analyze the effect of profitability, underwriting risk, and the size of the firm in general insurance companies. The objectives of this research are to investigate and analyze the effect of profitability, underwriting risk, and firm size in companies listed on the Indonesia Stock Exchange (IDX) at the period of 2006 to 2012.

As many as 9 general insurance firms are used as samples and where the method used in this research is purposive sampling, that is a sampling method that chooses object with certain criterions. Regression test analysis tools are used and are preceded by the classical assumption that consists of a normality test, multicollinearity, autocorrelation, and heteroscedasticity test trials. Hypothesis testing is done by using the F-test and t-test.

Results of data analysis or the regression test indicates that profitability, underwriting risk, and firm size simultaneously affect firm's solvability rate. While firm size is the variable that partially affect solvability rate, other variables such as profitability and underwriting risk do not partially affect firm's solvability rate. The coefficient of determination (adjusted R square) is 0,552 which means that 55,2% of the dependant variable, i.e solvability rate, can be explained by the three independent variables, which are profitability, underwriting risk, and firm's size. Meanwhile the rest 44,8% of solvability rate can be explained by other variables and causes which are not incorporated within this model.

Keywords: Solvability rate, Profitability, Underwriting risk, firm's size.