ABSTRACT

This research aims to test the effect of financial ratios which are solvency margin ratio (SMR), *liability to liquid asset ratio* (LLAR), *incurred loss ratio* (ILR), *premium growth ratio* (PGR) *and return on asset ratio* (ROA) *to predict the probability of financial distress general insurance companies listed in Indonesia Insurance's Directory for the period 2008 - 2012.*

Data used in this research are secondary ones which obtained from Indonesia Insurance's Book. Financial data in 2007 - 2012 are used as guidance to determine financial distress status using a negative net profit of 2 (two) consecutive years. The research model used was logistic regression. The samples taken by purposive sampling with certain criteria that general insurance companies listed in Indonesia Insurance's Directory for the period 2008 - 2012 which still standing during the observation period and the companies was published their financial statements. This study used 73 general insurance companies as samples which consist of 62 non-financial distress and 11 financial distress.

The results showed that premium growth ratio (PGR) *has significant and positively influence on financial distress. Return on asset* (ROA) *had a influential negative significant on financial distress. Solvency margin ratio* (SMR), *liability to liquid asset ratio* (LLAR), *and incurred loss ratio* (ILR) *had no significant influence on financial distress.*

Keywords: ***financial distress, financial ratios, logistic regression***