ABSTRACT

This research has a purpose to provide empirical evident about factors that affect financial distress of life insurance companies. The examined factors on this research are typical financial ratio of life insurance included change in capital ratio, net premium to capital ratio, return on capital ratio, investment to technical reserve ratio, expense ratio, investment yield ratio, investment yield to net premium ratio, and investment to total assets ratio.

The samples consist of 30 of life insurance companies which had not financial distress and 13 of life insurance companies had financial distress in 2006 and 2007. The statistic method used to test on the research hypothesis is logit regression. The model that used to examine financial ratios that affect financial distress of life insurance companies consist of 3 models: prediction model in 2006, prediction model in 2007 and prediction model in 2006 and 2007.

The result show that return on capital ratio, investment to technical reserve ratio and expense ratio had classification power to predict financial distress life insurance companies. Accuracy of model to predict financial distress life insurance companies shows as 83,7% for prediction model in 2006, 90,7% for prediction model in 2007 and 87,2% for prediction model in 2006 and 2007.