

ABSTRACTS

Insurance, the second biggest financial industry in Indonesia, is still facing many problems such as solvency, capital adequacy and claim payments. In the other side, the financial market is become more competitive, so the insurance companies must be able to compete in the global market with various competitors, not only with the fellow insurance companies but also with other financial institution. Thus, efficiency performance measurement and evaluation is needed in order to prevent same problem and to help insurance companies survive in such high competition. Efficiency would result on improved profitability, greater amount of funds channeled in, better prices and services quality and greater safety in terms of improved capital buffer in absorbing risk (Saad, 2006). This research examined the efficiency score of general insurance companies in Indonesia over 2008-2012 in order to improve insurance industry sustainability and to fulfill the public needs information about insurance performance. This research also tries to evaluate environmental variables (the variables that are not figured in the firm's choice of the nature or level of inputs and outputs) which affect company's ability to optimally produce a set of output via the use of inputs by using regression analysis. Those variables which would be examined in this research are premium growth, size, liquidity and solvency. This research applies two non-parametric approaches, data envelopment analysis (DEA) to investigate technical efficiency and Tobit regression model to analyze the influence of environmental variables, explained by premium growth, total asset, liquidity ratio and achievement ratio toward efficiency. The samples is 14 general insurance firms over 2008-2012. It finds that on average, general insurance companies in Indonesia are still far from technical efficient categories. However, by conducting Tobit regression model, this research finds that total asset, liquidity ratio and achievement ratio have positive relation to efficiency. Meanwhile, premium growth have no influence on the firms' efficiency.

Keyword : *Efficiency, DEA, Environmental Variables, Tobit Regression Model*