

## ABSTRACT

This research examine environment-diversification-performance paradigm, especially for life insurance industries in Indonesia. In specific this research proposed to analyze and examine external and internal environment variables influence consisted of Monetary Minister Decision of 224, 1993, insured population ratio, time deposit interest, Rupiah exchange rate to US\$, solvability ratio, solvency margin ratio, CAR, commission ratio, management expenses ratio, and claim expenses to life insurance business diversification consisted life product diversification income ratio and investment diversification income ratio and to performance. Furthermore analyze and examine influence differences of environment, life insurance business diversification consisted product diversification income ratio and investment diversification income ratio and to performance before economic crisis 1995 to 1996 and economy crisis moment 1998 to 1999.

This research as causality and comparative and research data, observationally with samples total approach in 1995 to 1999, published the insurance activities report. The data analyzed as pooling between time series. To examine environment influences to insurance business diversification consisted life product diversification income ratio and investment diversification income ratio, environment to performance and also diversification to performance simultaneously used path analysis.

The result indicate that simultaneously all variables of environment consisted of Monetary Minister Decision of 224, 1993, insured population ratio, time deposit interest, Rupiah exchange rate to US\$, solvability ratio, solvency margin ratio, CAR, commission ratio, management expenses ratio, and claim expenses have significant influence to life product diversification income ratio and investment diversification income ratio. Direct effect of all environment variables and insurance business diversification consisted life insurance product diversification income ratio and investment diversification income ratio simultaneously have significant influence to performance and high relative with ability of explaining of before economy crisis relative great more than economy crisis moment although both of them still have the high rate. The differences exist because increasing positive influence from life insurance product diversification income ratio was great, but followed by positive influence from investment diversification income ratio also great relative, although the proportion lower than the increasing of positive influence from life insurance product diversification income ratio on economy crisis moment.

Direct influence each variables external and internal environment and insurance business diversification to financial performance have significant influence and dominated by life insurance product diversification income ratio and investment diversification income ratio before economy crisis and economy crisis moment. This research result support environment-insurance business diversification-performance paradigm with the value is high relative.

**Keywords:** *External and internal environment, business diversification, product diversification, investment diversification, performance and life insurance*