

The Effect of Minimum Equity Requirements on the Profitability of General Insurance Companies in Indonesia

Siti Ayu Setia Nastiti*, Lenny Suardi

Universitas Indonesia, Indonesia

Email: siti.ayu42@ui.ac.id*, lennys@ui.ac.id

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ABSTRACT

Indonesia's general insurance industry plays an important role in maintaining financial system stability and providing protection against various financial risks. However, the introduction of Financial Services Authority Regulation (POJK) No. 23 of 2023, which increases minimum equity requirements, has created challenges for insurers, particularly regarding capital adequacy and profitability. This study aims to examine the effect of minimum equity requirements on the profitability and equity structure of general insurance companies in Indonesia. A quantitative approach was employed using panel data regression based on secondary data obtained from OJK Insurance Statistics and companies' annual financial statements for 2021–2025. The sample comprised 67 general insurance companies, resulting in 335 observations. The results indicate that the implementation of POJK No. 23 of 2023 significantly increased insurers' total equity, suggesting that the regulation encouraged companies to strengthen their capital structures. The regulation also demonstrated a positive effect on profitability, particularly Return on Equity (ROE), while its effect on Return on Assets (ROA) was comparatively weaker. However, compliance with the minimum equity threshold itself did not significantly affect either ROA or ROE. In conclusion, POJK No. 23 of 2023 is more effective in strengthening capital resilience and financial stability than in directly enhancing profitability among compliant general insurance companies.

INTRODUCTION

As one of the main pillars of the non-bank financial services industry, insurance services in Indonesia contribute significantly to the resilience of the financial system and national economic development (Faqih et al., 2026; Irwandi & Arifin, 2025; Prihandini & Safaria, 2025; Riswanda, 2025; Siswantoro, 2024; Widjaja, 2026; Zuhri et al., 2024). The Financial Services Authority (OJK) emphasized that the insurance industry is part of the non-bank financial services sector that has a crucial role in supporting financial system stability and national economic development, especially through the risk protection function against financial losses that occur due to uncertain conditions. In general, insurance and pension funds contribute steadily between 0.76-0.83 percent to Indonesia's Gross Domestic Product (GDP) from the third quarter of 2023 to the second quarter of 2025. (Otoritas Jasa Keuangan, 2015)

Based on Law Number 40 of 2014 Article 1 Paragraph 4, the insurance business includes all activities related to insurance services and risk management, risk re-closure (reinsurance),

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marketing and dissemination of insurance products and sharia insurance, consulting services and insurance intermediaries, the implementation of sharia insurance and reinsurance, as well as loss assessment activities in insurance or sharia insurance.

Institutionally, the insurance industry in Indonesia is categorized into two main classifications, namely general insurance companies that provide protection against the risk of property loss and liability, and life insurance companies that focus on financial protection related to the risk of death, health, and the future of the individual's economy.

Referring to Law No. 40 of 2014, general insurance is a risk assurance service that provides reimbursement to the insured or the policyholder due to losses, unexpected expenses, loss of profits, or legal obligations to third parties that may be borne by the policyholder due to an uncertain event. General insurance plays an important role because of its broad coverage coverage, including the risk of property loss, legal liability, and business risks (He & Faure, 2023; Majka, 2024; Mishra & Kushwaha, 2023; Pandiri, 2025).

OJK routinely publishes premium data as the main indicator in monthly and annual reports of the insurance industry. This confirms the position of premiums as an important benchmark in the supervision and assessment of the health of the national insurance industry. Based on Insurance Statistics data published by the OJK, during the period 2018 to 2024, the general insurance industry in Indonesia made positive developments in premium income, with a value that increased from Rp893.17 billion in the 2018 period to Rp1,439.16 billion in the 2024 period.

Based on the data, the compound annual growth rate (CAGR) over the past seven years has reached around 8%. This figure reflects consistent expansion despite the industry facing external challenges such as the pandemic, profitability pressures, and regulatory changes. This growth is an important indicator that the general insurance sector still has the resilience and potential to grow, especially when supported by the right capital policies and adaptive risk management strategies.

The increase in insurance industry premiums does indicate revenue growth and potential market expansion, but this is not fully reflected in the relatively low general insurance penetration rate. This condition indicates that the increase in premiums comes more from concentration on certain segments, not from the expansion of the customer base as a whole. In the context of the latest regulations, the determination of minimum equity by the OJK is becoming increasingly relevant, as companies with strong equity have greater capacity to expand market reach, increase insurance literacy, and strengthen public trust. Thus, the relationship between rising premiums, low penetration, and minimum equity obligations reflects both challenges and opportunities for the general insurance industry to strengthen its role in the national economy.

Based on data released by the Indonesian General Insurance Association (2025), the penetration rate of insurance, especially general insurance, is still too low and tends to stagnate. This condition shows that the growth of the insurance industry has not been fully able to keep pace with national economic growth and the need for protection of the public at large. The increase in premiums in the general insurance industry that is not followed by the relatively low level of general insurance penetration makes the determination of the minimum equity by the OJK even more relevant, because companies with strong equity have a greater capacity to expand market reach, increase insurance literacy, and strengthen public trust. Thus, the

relationship between rising premiums, low penetration, and minimum equity obligations reflects both challenges and opportunities for the general insurance industry to strengthen its role in the national economy.

According to Insurance Core Principles and Common Framework for the Supervision of Internationally Active Insurance Groups (International Association of Insurance Supervisors, 2024), capital adequacy is a fundamental element in insurance industry supervision because it serves as the main mechanism to provide protection for policyholders and maintain financial sector stability. Furthermore, IAIS emphasized that insurance companies are required to have adequate capital and be sensitive to risks to cover losses that occur through a number of risk sources, including underwriting risk, market risk, credit risk, and operational risk.

Sufficient capital allows insurers to continue to meet their contractual obligations even in stressful conditions, thereby reducing the probability of insolvency and potential systemic impacts on the economy. Furthermore, IAIS emphasizes that the capital adequacy framework does not only focus on the nominal amount of capital, but also on the quality, structure, and suitability of capital with the company's risk profile. Thus, the application of the risk-based capital adequacy principle is an important instrument for regulators to ensure the sustainability of insurance companies' businesses while strengthening public confidence in the insurance industry.

Equity provides the main benefit for financial institutions as a reserve against risks that function to absorb losses due to uncertainty in the value of assets and liabilities. Because the assets and liabilities of financial institutions are highly susceptible to valuation risks such as changes in market conditions, revaluation of financial instruments, or the default of counterparties, equity is the first buffer to protect creditors and policyholders from the impact of such losses. The higher the risk of the asset owned, the greater the need for equity so that the institution remains able to bear the risk (Handschin, 2012)

According to The Geneva Association in its report *The Nature and Role of Capital in Insurance*, capital is a core component of an insurance company's business model because it serves as a buffer to bear the liabilities arising from the policy contract and as a tool to effectively understand, measure, and manage a company's risk exposure. In addition, The Geneva Association emphasizes that the existence of strong capital reserves increases the company's resilience to external shocks, strengthens resilience to various risks that may arise and provides policyholders with greater confidence that their contractual obligations will be met. The health of an insurance company is measured not only by its capacity to meet current obligations, but also by its ability to absorb unexpected risks on a sustainable basis through appropriate capitalization.

In addition, adequate capital also serves to maintain the recovery rate of claim payments when the company defaults, because without sufficient equity support, the company can take excessive risks that benefit shareholders but harm policyholders. The study confirms that capital measurement is not only important to reduce the probability of bankruptcy, but also to ensure that most obligations to policyholders remain payable when crisis conditions occur.(Munari, Weber, & Wilhelmy, 2021)

Before 2023, regulations regarding equity are regulated in POJK No. 67/POJK.05/2016 related to Business Licensing and Institutional Insurance Companies, the capital provisions regulated are only limited to the minimum paid-up capital at the time of company

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establishment. Article 6 stipulates that general and life insurance companies must have paid-up capital of at least IDR 150 billion, reinsurance companies IDR 300 billion, sharia general and life insurance companies IDR 100 billion, and sharia reinsurance companies IDR 175 billion. The regulation also regulates the obligation to place a Guarantee Fund of 20% of the minimum paid-up capital. However, there is no explicit provision regarding the minimum equity that must be maintained by insurance companies after operating, so POJK 67/2016 emphasizes more on the initial capital of establishment as a condition for obtaining a business license, rather than on equity as a measure of the company's real financial ability in the long term.

In the last five years, the OJK has no longer granted business licenses to two general insurance companies that were explicitly reported due to capital (equity) problems and solvency level achievement ratio (RBC), namely PT Asuransi Purna Artanugraha (Aspan) whose license was revoked on December 1, 2023 and PT Berdikari Insurance whose license was revoked on January 17, 2025 after previously being sanctioned for Business Activity Restrictions due to violations of the Solvency Level Achievement Ratio provisions. Investment Adequacy Ratio, as well as the minimum total equity required for insurance companies.

Quoting from the OJK website, the issuance of POJK Number 23 of 2023 can be understood as part of the institutional reform agenda of the insurance industry in Indonesia which aims to strengthen competitiveness while increasing domestic risk absorption capacity. This regulation was born out of the need to adjust the minimum capital and equity structure so that insurers have a stronger financial foundation in the face of claims volatility. In addition to the capital aspect, this policy also emphasizes the importance of improving the quality of human resources in the insurance sector and encouraging synergy between companies in one ownership through a sharing function mechanism. Thus, POJK not only functions as an instrument to strengthen capital, but also as a comprehensive strategy to build a more resilient, efficient, and competitive insurance industry at the national and regional levels. (Otoritas Jasa Keuangan, 2023)

This regulation sets the stages of fulfilling the minimum equity, with the first phase of IDR 250 billion which must be complied with by all insurance companies by the end of the 2026 period, IDR 500 billion for insurance companies included in KPPE 1 and IDR 1 trillion for insurance companies included in KPPE 2 at the end of 2028. Capital increase is carried out by harmonizing policies related to minimum paid-up capital for new entrepreneurs or strengthening minimum equity for entrepreneurs who have obtained business licenses.

The implementation of POJK poses significant challenges for many general insurance companies, especially small and medium-sized ones. The obligation to meet a higher minimum equity force the company to make strategic adjustments in a relatively short period of time, such as restructuring portfolios, operational efficiency, or even seeking additional capital from external investors. This is a problem because not all companies have the same ease of financing sources or managerial capacity to respond effectively to regulatory changes. On the other hand, the pressure to meet capital requirements can interfere with a company's focus on customer service and product development. If not balanced with supportive transitional policies and adaptive oversight, these regulations risk creating structural inequalities in the industry, where only large companies can survive, while small companies are threatened with exiting the market.

Until the end of 2023, 24 out of 71 insurance companies have not met the provisions of phase 1. This condition proves that there is a relatively large gap between regulatory provisions and the real capacity of the company. General insurance companies consistently strive to meet the provisions described in POJK Number 23 of 2023 through adjustments to capital structures, strengthening equity, and implementing sustainable operational efficiency. This step is a form of commitment to regulatory compliance and business sustainability, while supporting the Financial Services Authority's goal in strengthening the stability and resilience of the insurance industry in Indonesia.

Entering the end of 2024, the number of companies that have not met the minimum equity phase 1 has decreased to 20 companies, reflecting efforts to adjust the equity structure through additional paid-up capital, rights issues, and an increase in profit balances. However, this figure still shows that almost a third of industries still face difficulties in meeting the new capital standards. Furthermore, in the September 2025 financial position, the number of companies that have not met the minimum equity phase 1 decreased again to 16 companies, indicating an improvement trend, but at the same time confirming that compliance challenges are still significant.

The regulatory change through POJK No. 23 of 2023 which stipulates an increase in the minimum equity requirement for general insurers in Indonesia raises academic questions about its impact on the industry's performance. This regulation not only has an impact on the compliance aspect, but also has the potential to affect profitability (measured by ROA and ROE) and company solvency. On the one hand, increasing equity can strengthen the financial resilience of insurance companies in the face of risks, thereby strengthening the stability of the financial system. However, from another point of view, capital increase obligations can reduce short-term profitability, especially for companies with limited capital capacity. This raises a dilemma: whether the regulations actually improve the performance of the industry, or actually create a burden that reduces the competitiveness of the company.

Furthermore, there is a difference between companies that can comply with minimum equity rules and those that cannot. This distinction opens up space to test whether regulatory compliance provides a significant financial advantage, or is simply an administrative requirement with no real impact on profitability. In addition, the dynamics before and after the implementation of regulations are also an important aspect. Have there been significant changes in the company's total equity after the POJK has been implemented? This question is relevant to assess the effectiveness of policies in encouraging the strengthening of the capital structure of the insurance industry.

Considering the strategic role of the insurance industry in maintaining financial system stability and the existence of regulatory changes through POJK No. 23 of 2023 which demands an increase in minimum equity, there is a need to empirically examine how these policies affect the profitability performance and capital structure of general insurance companies. This analysis is important not only for regulators, but also for industry players and academics to understand the policy implications for the competitiveness and resilience of the insurance sector in Indonesia.

METHOD

Research Design

The following research applies a quantitative approach and uses a panel data model that combines time-series data and cross-sectional data. The focus of the research is limited to general insurance companies in Indonesia that have a business license through the OJK and are registered in the 2024 OJK Insurance Statistics. Panel data analysis is appointed because it has the ability to identify the direction of movement that takes place periodically while facilitating the heterogeneity of criteria between companies. The data used is sourced from OJK Insurance Statistics and annual financial statements owned by general insurance companies in Indonesia. The sample appointed is all general insurance companies that are recorded as active in the 2024 OJK Insurance Statistics (67 General Insurance Companies).

In analyzing the relationship between the minimum equity required by the OJK and the company's profitability, the following research uses the panel data regression method. The independent variables analyzed are the company's total equity measured before and after the POJK is determined and the company that meets and does not comply with the POJK rules while the dependent variable is the company's profitability which is analyzed based on profit margin, ROA and ROE. To obtain a valid analysis and control for potential bias, a number of control variables were also included in the model. These control variables include profit margin, RBC and Combine Ratio.

Through this approach, the research is expected to be able to contribute to how the minimum equity determination relates to the profitability of insurance companies, especially in the Indonesian context. In addition to the theoretical contribution, the findings of the following research are also expected to be able to present relevant policy recommendations for regulators and industry players in setting the minimum equity limit for insurance companies.

Research Data

Sample Selection Method

The following research uses the Non-Probability Sampling sample selection method by purposive sampling where samples are selected based on specific characteristics that have been previously determined. Purposive sampling is superior because it allows researchers to choose respondents who are in accordance with the research focus, as a result the data obtained is more detailed, focused, and relevant to the context.

Data observation was carried out to obtain an empirical picture of the actual condition of the general insurance industry in Indonesia. The following process includes the collection, recording, and analysis of quantitative data sourced from OJK Insurance Statistics and annual financial statements of general insurance companies in Indonesia. The designated sample is all general insurance companies that are listed as active in the 2024 OJK Insurance Statistics and have financial statements that are available in full and consistently throughout the observation period, namely the period 2021 to 2025.

The time range set from 2021 - 2025 is used to see if there have been any changes related to total equity before and after POJK 23 of 2023 is established and which companies have complied with this rule since the POJK was issued.

Population and Sample

Based on the selection characteristics that have been determined, the final total of general insurance companies that are suitable for research samples is recorded as 67 insurances. All

companies that are sampled have official business licenses through the OJK and present financial statements in their entirety and relevant to research needs throughout the 2021–2025 observation period. The stages of the sample screening process are described in Table 3.1 in sequence, which displays the elimination mechanism based on inclusion and exclusion criteria until the final number of insurance companies is obtained as an analysis unit in the empirical study.

RESULT AND DISCUSSION

The following chapter explains the research findings related to the influence of equity structure on the profitability of general insurance companies in Indonesia due to the influence of the determination of POJK 23 of 2023, as explained in chapters 1 and 2. The following research uses the panel data regression method that has been described in detail in chapter 3. Then, this section also discusses in depth the suitability of the research results with the hypotheses that have been set previously. Systematically, the following research presents the acquisition of descriptive statistics, testing the selection of regression models, testing of classical assumptions, and analysis of the acquisition of regression of research models.

Descriptive Statistical Analysis

The following analysis provides an overview of the average results, middle values, standard deviations, minimum results, and maximum results on dependent and independent variables in the research carried out.

Table 1. Descriptive Statistics of Research Variables

<i>Variabel</i>	<i>N</i>	<i>Mean</i>	<i>Hours</i>	<i>Min</i>	<i>Max</i>
<i>LENGTH</i>	335	31.3%	31.7%	0.5%	269.1%
<i>ROE</i>	335	91.9%	116.6%	-1028.3%	907.5%
<i>Equity ('000 Rupiah)</i>	335	1,272,351	2,344,257	- 37,353	12,600,000
<i>CR</i>	335	55.9%	87.6%	5.2%	1574.4%
<i>ER</i>	335	50.2%	51.8%	0.7%	888.6%
<i>RBC</i>	335	342%	191%	-171%	1691%
<i>PM</i>	335	12%	30%	-220%	199%

Based on the results of data processing, a total of 335 observations were obtained for each variable analyzed. The following observations include 67 companies with a data collection period of 5 years.

The ROA variable has an average result of 31.3% through a standard deviation of 31.7%. The minimum ROA yield was recorded at 0.5% owned by PT Asuransi Perisai Listrik Nasional, while the maximum value reached 269% for the company PT Asuransi Staco Mandiri. The following proves that on average, the company in the sample can provide a profit of 31.7% of the number of assets it owns.

The ROE variable has an average result of 91.9% and a standard deviation of 116.6%. The minimum ROE yield is -1028%, while the maximum value reaches 907%. The following proves that there is a relatively high variation in the company's ability to generate profits from its own capital. The Risk Based Capital (RBC) variable has an average yield of 345% and a standard deviation of 190%. The minimum RBC yield is -171%, while the maximum yield is

1691%. The average results prove that generally the insurance companies in the sample have a relatively good level of capital in fulfilling solvency obligations. However, the existence of a negative minimum result shows that it is found that companies with very low capital conditions or even below the stipulated conditions are found.

The Equity variable has an average result of 1,272,351 and a standard deviation of 2,344,257. The minimum equity yield is -37,353, while the maximum yield is 12,600,000. The results of the standard deviation that exceeded the average proved that there was a relatively significant difference in the size of the company in the research sample, which reflects the existence of companies that have a very large capital scale compared to other companies.

The Claim Ratio (CR) variable has an average result of 55.9% and a standard deviation of 87.6%, as well as a minimum result of 5.2% and a maximum of 1574%, which proves that on average the company pays claims of around 55.9% of the premiums obtained, but there is a relatively large variation between companies. The Variable Expense Ratio (ER) has an average value of 50.2% with a standard deviation of 51.8%, which proves that on average the company incurs operational costs of 50.2% of the premiums obtained, with varying levels of operational efficiency. Meanwhile, the PM variable has an average result of 12% and a standard deviation of 30% which proves that generally companies obtain relatively positive profit margins, although there are some companies that record a decrease in profitability in a certain time.

Selection of Regression Models

Before carrying out the main regression analysis, the authors first run a series of test processes to determine the panel regression model that is most relevant to the characteristics of the data used. In the panel regression, there are three alternative models, namely PLS, FEM, and REM, which are selected based on the results of statistical testing. The selection of suitable models is carried out through three phases of testing, namely the Chow test and the Hausman test. Both tests are applied to ensure that the selected model is able to optimally describe the data structure and produce consistent and reliable estimates.

Classical Assumption Test Results

After a series of test processes were carried out on the classical assumptions in the regression model, it was found that the model used did not meet the two main assumptions, namely heteroscedasticity and autocorrelation. This violation was identified through the results of the Modified Wald Test which showed a difference in error variance between companies (heteroscedasticity), and the Wooldridge Test which indicated a serial correlation in the residual in the panel data (autocorrelation). Both of these violations need to be handled seriously because they can cause bias in the estimation of variance, potentially affecting the accuracy of statistical results. Therefore, to obtain accurate prediction results, cluster-robust standard errors are used to correct for both heteroscedasticity and serial correlation (autocorrelation) in a single observing entity.

Manuscripts can be written in Indonesian or English with a maximum number of 20 pages of figures and tables. Manuscripts must be written according to this article template in camera ready form. Articles must be written in A4 (210 x 297 mm) writing area and with the format left margin of 4 cm, right margin of 3 cm, bottom margin of 4 cm, and bottom margin of 3 cm. Manuscripts must be written in Times New Roman with a font size of 12 pt, one spaced apart, and in one column format (except for the article title, author's name and abstract). The distance between the columns is 1 cm.

Regression Result Analysis

Table 2. Panel Data Regression Results

Variabel	Model 1	Model 2	Model 3	Model 4	Model 5
PostOJK	t = 2.64**	t = 1.65	t = 2.67**		
MeetOJK				t = -1.06	t = -1.26
lnEq		t = -1.24	t = 0.15	t = -0.24	t = 0.88
RBC	t = 4.07***	t = -0.27	t = -1.09	t = -0.25	t = -1.22
CombRatio	t = -5.33***	t = -5.07***	t = -14.10***	t = -4.92***	t = -13.43***
PM	t = 2.49**	t = 1.17	t = 0.87	t = 1.03	t = 0.50
Constant	t = 5.37***	t = 2.18**	t = 0.06	t = 1.31	t = -0.69
Lines	t = 8.24***				
N	334	334	334	334	334
Model	Fixed Effect	Random Effect	Fixed Effect	Random Effect	Fixed Effect
R-Square	0.9234	0.0359	0.0343	0.0206	0.0085
F-Value	0.0000	0.0000	0.0000	0.0000	0.0000

Description: ***, **, * indicates significance levels at levels 1%, 5%, and 10%

The following research uses five panel data regression models to test the influence of Financial Services Authority (OJK) policy variables, company characteristics, and operational efficiency on the company's equity and financial performance of insurance companies. The dependent variables used include Return on Assets (ROA), Return on Equity (ROE) and natural equity logarithm (lnEquity). The model is estimated using the Fixed Effect Model (FEM) and Random Effect Model (REM) approaches with robust standard errors clustered at the enterprise level to address the potential heteroscedasticity and autocorrelation.

Table 3. Summary of Hypothesis Testing Results

Hipotesis	Model	Correlation Direction	Conclusion
The relationship between the implementation of POJK 23 of 2023 on the total Equity of General Insurance companies in Indonesia	Model 1	Positive	Totak H_0
The relationship between the implementation of POJK 23 of 2023 on the profitability of General Insurance companies in Indonesia (ROA)	Model 2	Positive	Failed to Reject H_0
The relationship between the implementation of POJK 23 of 2023 on the profitability of General Insurance companies in Indonesia (ROE)	Model 3	Positive	Totak H_0
The relationship between insurance companies that meet the minimum equity requirements to the profitability of General Insurance companies in Indonesia (ROA)	Model 4	Negatives	Failed to Reject H_0

The relationship between insurance companies that meet the minimum equity requirements to the profitability of General Insurance companies in Indonesia (ROE)	Model 5	Negatives	Failed to Reject H_0
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The Effect of the Determination of POJK 23 of 2023 on the Total Equity of General Insurance Companies in Indonesia

The results of the estimation show that the PostOJK variable has a significant influence on the total equity of general insurance companies in Indonesia. The value of the PostOJK variable coefficient of 0.0617 with a significance level of $p = 0.010 (< 0.05)$ indicates that after the regulation is enacted, there is an increase in equity that can be proven statistically. These findings indicate that minimum equity enhancement policies encourage companies to strengthen their capital structure through increased paid-up capital, increased retained earnings, or operational efficiency. Other control variables such as Company Assets (InAs), Risk Based Capital (RBC), and Profit Margin (PM) have a positive and significant influence on equity. Meanwhile, the Combined Ratio variable has a negative and significant influence on equity. This shows that these factors play a greater role in strengthening the capital structure than in increasing profitability

The Effect of the Determination of POJK 23 of 2023 on the Performance of General Insurance Companies in Indonesia

The results of the estimation show that the PostOJK variable has an inconsistent influence on the company's performance. In the ROA model, this variable is only significant at a significance level of 10%, while in the ROE model it shows a positive and significant influence at a significance level of 5%. This indicates that OJK policies have a stronger impact on equity-based profitability (ROE) than on asset-based profitability (ROA).

In contrast, the MeetOJK variable that reflects the company's level of compliance with OJK regulations did not show a significant effect on both ROA and ROE. This shows that regulatory compliance does not necessarily directly improve a company's profitability performance. In other words, regulatory compliance is more administrative and maintains stability, but does not directly increase the efficiency or profits of the company.

CONCLUSION

This study aims to examine the effect of new regulations concerning minimum equity requirements for insurance companies in Indonesia on company profitability, as well as to identify the factors that influence the equity of insurance companies. Based on the results of data processing using the financial statement data of general insurance companies in Indonesia for the 2021–2025 period, it can be concluded that the implementation of POJK No. 23 of 2023 has a significant effect on increasing the total equity of general insurance companies in Indonesia. The positive and significant coefficient of the PostOJK variable indicates that, after the regulation was enacted, companies tended to strengthen their capital structure through additional paid-up capital, increased retained earnings, and operational efficiency strategies. This finding is in line with Berger, Herring, and Szego (1995), who emphasized that capital plays a very important role in maintaining the solvency and sustainability of insurance companies. Their study also confirms that insurance companies should not merely comply with

the regulator's minimum capital requirements, considering the uncertainty of risk and potential changes in market conditions that may increase the likelihood of default.

Furthermore, the implementation of POJK No. 23 of 2023 has a significant effect, at both the 5% and 10% significance levels, on the profitability of general insurance companies in Indonesia. These results indicate that the implementation of POJK No. 23 of 2023 is able to improve the profitability performance of general insurance companies, as measured by both Return on Equity (ROE) and Return on Assets (ROA). Therefore, the implementation of POJK No. 23 of 2023 can be understood as a regulatory policy that has successfully strengthened the stability and soundness of the insurance industry, thereby contributing to increased profitability among general insurance companies in Indonesia.

However, the fulfillment of minimum equity requirements, proxied by the MeetOJK variable, does not have a significant effect on the profitability of general insurance companies in Indonesia. This is indicated by the probability value of the MeetOJK variable, which is 0.289 in the ROA model and 0.214 in the ROE model. These values show that companies that have met the minimum equity requirements do not necessarily achieve higher profitability than other companies. This finding is consistent with previous studies explaining that the fulfillment of solvency capital requirements is primarily intended to maintain a company's ability to meet its obligations and reduce the risk of insolvency, rather than solely to increase profitability. In addition, capital adequacy in the insurance industry plays a greater role in maintaining stability and protecting policyholders than as the main determinant of company profitability. Therefore, the results of this study indicate that the minimum equity policy in Indonesia's general insurance industry is more effective as an instrument for strengthening industry resilience and risk mitigation than as a direct driver of increases in company ROA and ROE (Gatzert & Schmeiser, 2008; Sherris, 2026).

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