



Risk Management, Sharia Compliance, and the Performance of Islamic Insurance Companies in Indonesia

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Abstract

This study examines the effect of Risk-Based Capital (RBC) on the profitability of Sharia insurance companies in Indonesia and provides descriptive evidence on institutional Sharia compliance through the existence of the Sharia Supervisory Board (Dewan Pengawas Syariah/DPS). The study uses secondary data from the financial statements and public reports of Sharia insurance companies for the 2020-2024 period, producing 30 firm-year observations. Profitability is proxied by Return on Assets (ROA), risk management is proxied by RBC, and Sharia compliance is observed descriptively through DPS existence. Because all observations have a DPS value of 1, the Sharia compliance variable has no statistical variation and therefore cannot be included in the regression model. The analysis uses descriptive statistics, classical assumption tests, and a log-linear regression model. The descriptive results show that RBC ranges from 120.00 to 671.23, with an average value of 236.35, while ROA averages 0.020763 or approximately 2.07%. The regression results show that LN_RBC has a negative but statistically insignificant coefficient on LN_ROA (coefficient = -0.739; $t = -1.484$; $p = 0.149$). The coefficient of determination is 0.073, indicating that RBC explains only 7.3% of the variation in ROA. These findings suggest that solvency-oriented capital adequacy does not automatically translate into higher short-term profitability. The profitability of Sharia insurance companies is more likely to be shaped by underwriting quality, claim ratio, expense ratio, investment return, firm size, leverage, and operational efficiency. The study contributes by clarifying the empirical limitation of using a binary DPS variable as a Sharia compliance proxy and recommends that future studies construct a more comprehensive Sharia compliance index.

INTRODUCTION

Sharia insurance is a risk protection system operated based on Islamic Sharia principles, prioritizing mutual aid, justice, and solidarity. Insurance exists to provide protection to policyholders. The Sharia insurance industry in Indonesia continues to grow rapidly and plays a significant role in the country's national economy (Maisaroh et al., 2025).

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namely by providing services to help the public manage future risks (Aramiko et al., 2022).

In Islamic insurance, policyholders join a community and mutually support one another in the event of a misfortune (Aliefah et al., 2024). In addition to operating on the principle of mutual aid, each participant contributes *tabarru'* funds (Halim et al., 2024; Sari & Chairunisa, 2025). These funds are distributed to other policyholders who have suffered a misfortune (Rofikah & Septiarini, 2020). This differs from the concept of conventional insurance, which relies on the transfer of risk from participants to the insurance company through premium payments that become the company's property (C & Sukmadilaga, 2017). (Aliefah et al., 2024) states that Islamic insurance applies the principles of *tabarru'* or mutual aid and risk-sharing. This principle is based on the encouragement to prepare for the future, help one another, and avoid *riba*, *gharar*, and *maysir*. This encouragement is also mentioned in QS. Al-Hasyr verse 18.

يٰۤاَيُّهَا الَّذِيْنَ اٰمَنُوْا اتَّقُوا اللّٰهَ وَاَنْتُمْظُرُوْا نَفْسَكُمْ مَّا قَدَّمْتُمْ لِغَيْرِ اللّٰهِ اِنَّ اللّٰهَ خَبِيْرٌۢ بِمَا تَعْمَلُوْنَ

Meaning: *O you who have believed, fear Allah and let every person consider what they have done for the Hereafter. Fear Allah. Indeed, Allah is All-Knowing of what you do.*

This verse emphasizes the importance of vigilance and sound planning in preparing for the future. The public should look for insurance companies, such as , that demonstrate strong performance and financial health. (Fadilah et al., 2025). Therefore, Islamic insurance companies must manage policyholders' funds professionally, transparently, and in accordance with Sharia principles and applicable regulations, as such management directly impacts the company's financial and operational performance, as well as its sustainability (Nasution & Gani, 2025; Ruben & Marsyaf, 2025).

Strong corporate performance not only supports operational sustainability but also boosts customer confidence and maintains the company's stability. The Islamic insurance industry in Indonesia is growing rapidly, as evidenced by the increasing number of companies, assets, and premium contributions, which reflect the public's high level of trust (Halim et al., 2024; Pujiati & Ilahi, 2024). However, this growth is accompanied by challenges in risk management and Sharia compliance. Risk management is critical because companies face underwriting, investment, operational, and liquidity risks that can impact financial health and corporate performance if not properly managed.

The performance of Islamic insurance companies can be assessed through various financial indicators (Rosyadi et al., 2024; Tanjung et al., 2025), one of which is Return on Assets (ROA), which reflects the company's ability to generate profits from its total assets. (Nurlatifah & Mardian, 2016) Company performance is an indicator of a company's success that reflects the results of its business activities over a specific period. Putri and Lestari, as cited in Nurlatifah and Mardian (2016), state that a company must possess a competitive advantage to improve performance and achieve maximum profits in order to ensure the company's sustainability and future growth. According to Ahmed, as cited in Nurlatifah and Mardian (2016), corporate performance not only impacts the increase in a company's value but also influences industry development and overall economic growth. Corporate performance is generally measured through profitability levels reflected in financial statements. In a service-based economy, the insurance industry plays a vital role as a manager of public funds and an integral part of the financial system. To assess the financial health of insurance companies in Indonesia, the government uses the Risk-Based Capital (RBC) indicator (Wahyudi et al., 2020).

Risk management is a crucial effort in addressing various risks in Islamic insurance related to future uncertainties. In Islam, the application of risk management is permitted because it is part of *muamalah fiqh* (Riandini et al., 2023). Risk is the possibility of obstacles arising in achieving organizational goals, stemming from both internal and external factors. In life, humans cannot escape various risks and tend to avoid them; therefore, efforts and costs are required to minimize their impact. In this context, insurance companies act as managers of policyholders' funds and financial institutions that provide protection for future needs. (A, 2019).

Risks that could harm the company must be addressed promptly and effectively so that all the objectives of the Islamic insurance company can be successfully achieved (Syachlan Pratama & Rahmi, 2023). The relationship between insurance and economic

growth also benefits both individuals and business entities by protecting asset ownership and safeguarding other economic rights against various potential risks (Sumartono & Harianto, 2018) . According to (Sabithah, 2021) , the objective of risk management is to manage the company to avoid losses, reduce costs, and increase profits. Furthermore, the implementation of good governance and risk management is crucial for maintaining the sustainability and operational stability of sharia insurance companies. By addressing risks in alignment with established processes, risk management protects stakeholders from the negative impacts of risks by considering potential risks; effective risk management will support the achievement of objectives through corporate planning (Anisa Mawaddah, Marlinda Mustika, 2023) .

Sharia compliance is the key factor that distinguishes Sharia insurance from conventional insurance (Sinaga & Marlina, 2025). All Sharia financial activities are conducted in accordance with Islamic values and laws (Ruben & Marsyaf, 2025). Therefore, the application of Sharia principles is crucial to ensure that products and business activities remain compliant with Islamic regulations under the supervision of the Sharia Supervisory Board (DPS) (Sabikah & Kurniawati, 2025) . Sharia compliance also plays a vital role in building public and stakeholder trust in Islamic financial institutions (Syach et al., 2025) . One of the legal aspects in the Islamic finance industry is the regulation regarding Sharia compliance (Nurhisam, 2016) .

Thus, one of the key factors distinguishing the Islamic finance industry from the conventional system lies in the application of *Sharia compliance*. (Jannah, 2022) argues that Sharia compliance is the application of Islamic principles, Sharia, and traditions in financial and insurance transactions as well as other related businesses (Nasution & Gani, 2025). Compliance with Sharia principles in investment activities and risk management is also crucial (Apriadi, 2024) . Sharia insurance also entails adhering to DSN fatwas that reflect Sharia principles which must be followed (Ahmad Ridho et al., 2025) . Regulations governing the operation of Sharia insurance include Law No. 40 of 2014 on Insurance, Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) No. 21/DSN-MUI/X/2001 on General Guidelines for Sharia Insurance, and Financial Accounting Standards (PSAK) No. 108, which establishes standards for Sharia compliance in Sharia insurance practices.

Previous studies have examined the relationship between risk management, Sharia compliance, and corporate performance in Islamic financial institutions. One such study, by M. Hamdan Ali et al. (2023), concluded that risk management is a critical component of the operations of Islamic insurance companies.

Risk is a state of uncertainty related to the possibility of future events and their consequences. Research by Sumartono and Karni (2018) shows that the asset liquidity ratio and the Risk-Based Capital (RBC) ratio influence financial performance, whereas the claims expense ratio and the self-retention ratio do not. RBC serves as a key indicator in assessing the financial health and stability of an insurance company, where a higher RBC value indicates better financial condition (Sumartono & Harianto, 2018) . Risk can also be understood as a factor that may hinder a company from achieving its established objectives, whether stemming from internal or external factors, depending on the characteristics of the risk faced in a specific situation.

The findings of a study by Aniesatun Nurul Aliefah et al. (2024) also indicate that risk management is a crucial and integral aspect of the operations of Islamic insurance companies in Indonesia. According to the research findings of Ahmad Ridho (2025), the implementation of sound risk management is a determining factor in efforts to achieve corporate objectives and ensure the sustainability of the Islamic insurance business. Compliance with Sharia principles is a public expectation, and the differences in mechanisms between Islamic and conventional insurance can be realized through the implementation of standard policies in accordance with established guidelines. The results of Luqman Nurhisam's (2016) research conclude that the Sharia Supervisory Board (DPS), as the authority overseeing sharia compliance, bears responsibilities governed by clear legal provisions.

Studies on the performance of Islamic financial institutions, particularly Islamic insurance companies, have been widely conducted using various financial and governance indicators. However, most previous research still tends to treat performance determinants as separate factors. Some studies place greater emphasis on risk management aspects, such as capital adequacy, claims management, liquidity, or Risk-Based Capital (RBC), as factors influencing a company's profitability. Meanwhile, other studies have focused more on Sharia compliance aspects, such as the role of the Sharia Supervisory Board, the alignment of products with DSN-MUI fatwas, and the implementation of Sharia principles in company operations. Thus, previous research has generally not sufficiently linked these two aspects within a comprehensive analytical framework, particularly in the Islamic insurance sector in Indonesia.

These limitations indicate an important research gap that needs to be addressed. In the context of Sharia insurance, a company's performance is determined not only by its ability to manage financial risks but also by its consistency in maintaining compliance with Sharia principles. Risk management is necessary to ensure the company has financial resilience, adequate capital, and the ability to withstand potential losses. On the other hand, Sharia compliance plays a role in building participant trust, maintaining institutional legitimacy, and distinguishing Sharia insurance from conventional insurance. Therefore, separating these two aspects in performance analysis risks yielding an understanding that is not fully comprehensive regarding the factors influencing the sustainability and profitability of Sharia insurance companies.

Unlike previous studies, which generally analyzed risk management and Sharia compliance separately, this study offers a novel approach by integrating both within a single conceptual framework to explain the performance of Sharia insurance companies in Indonesia. Risk management in this study is represented through Risk-Based Capital (RBC), which reflects the adequacy of a company's capital in facing risks, while Sharia compliance is represented through the existence of a Sharia Supervisory Board as an institutional mechanism ensuring the company's operations remain in accordance with Sharia principles. Company performance is measured using Return on Assets (ROA) because this indicator demonstrates the company's ability to generate profits from its assets.

The novelty of this study lies in its effort to integrate prudential and Sharia dimensions in analyzing the performance of Sharia insurance companies. This approach is important because Sharia insurance is not only required to be financially sound but must also maintain compliance with Sharia principles as the foundation of its business legitimacy. Thus, this study does not merely examine company performance from the perspective of profitability alone but also places it in relation to risk-based capital adequacy and the fulfillment of Sharia compliance aspects. This approach is expected to provide a more comprehensive picture of the dynamics of the Islamic insurance industry's performance in Indonesia.

Based on the above, this study aims to analyze the impact of risk management on the performance of Islamic insurance companies in Indonesia and to describe the role of Sharia compliance as an institutional aspect inherent in the company's operations. This study is relevant because the Sharia insurance industry in Indonesia still faces challenges in increasing market penetration, strengthening participant trust, and maintaining financial performance stability. Therefore, the results of this study are expected to provide an empirical contribution to the development of Sharia finance literature, particularly regarding the relationship between risk-based capital adequacy, Sharia compliance, and the performance of Sharia insurance companies.

METHODS

This study employs a quantitative approach with the aim of examining the relationship and influence between risk management and Sharia compliance on the performance of Sharia insurance companies in Indonesia, based on numeric data that can be statistically measured. The quantitative approach was chosen because it allows researchers to obtain objective and measurable results through systematic data analysis

(Dewi et al., 2023). The subject of this study is the Islamic insurance industry in Indonesia, which operates under the supervision of the Financial Services Authority and the Sharia Supervisory Board. The study period spans five years, from 2020 to 2024, with the aim of capturing the performance dynamics and developments of the Islamic insurance industry over a relatively sustained period. This study uses RBC and DPS as independent variables (influencing variables), while ROA serves as the dependent variable (the variable being influenced) to analyze the performance of Islamic insurance companies in Indonesia.

The data analysis techniques used in this study include descriptive analysis and inferential statistical analysis using simple linear regression to determine the effect of independent variables on the dependent variable, namely the performance of Islamic insurance companies. Descriptive analysis was used to describe the characteristics of the research data, including the minimum, maximum, mean, and standard deviation of each variable. Hypothesis testing was conducted using the t-test to determine the partial effect of independent variables on the dependent variable, as well as the coefficient of determination (R^2) test to assess the ability of independent variables to explain the variation in the dependent variable within the research model. The regression model equation in this study can be expressed as follows.

Explanation:

$$Y = a + bX + e$$

Y = Company performance (ROA)

a = Constant

b = Regression coefficient

X = Risk management (RBC)

e = Error or residual

RESULT AND DISCUSSION

The variables in this study are risk management (X1) and Sharia compliance (X2) as independent variables, and the performance of Sharia insurance companies (Y) as the dependent variable. This study is presented using descriptive statistics. Descriptive statistics aim to provide an overview of the characteristics of the data for the variables under study.

Descriptive Statistics

	N	Mini mum	Max	Mean	Stand ard Deviation
RBC	30	120.00	671.233	236.352	137.86164
DPS	30	1	1	1.00	.000
ROA	30	.0002	.1171	.020763	.0253206
Valid N (listwise)	30				

Source: Results of Data Processing 2026

Risk Management (RBC)

The risk management variable measured using Risk-Based Capital (RBC) has a minimum value of 120.00 and a maximum value of 671.23. The average RBC value is 236.35 with a standard deviation of 137.86. This average value indicates that, in general, the Islamic insurance companies in the research sample have a relatively good level of capital adequacy to address various risks that may arise in the company's operational activities.

RBC is a key indicator in the insurance industry as it reflects a company's ability to provide sufficient capital to cover potential losses resulting from the risks it faces. A relatively large standard deviation indicates that there are differences in capital adequacy levels among Islamic insurance companies. This suggests that companies' ability to manage risk is not entirely uniform. Some companies have higher capital adequacy ratios, while others have lower ones. From a risk management perspective, this situation indicates that each company employs distinct risk management strategies, whether regarding asset management, investments, or operational risk control.

Sharia Compliance (DPS)

Based on the data obtained, all sharia insurance companies in the research sample have a Sharia Supervisory Board (DPS); thus, the value of the Sharia Compliance variable—proxied by the presence of a DPS is 1 for all observations. This finding indicates that all companies in the sample have met the institutional requirements for sharia compliance in accordance with the applicable regulations in the sharia financial industry. With the existence of the SSC, companies are expected to maintain the alignment of business activities with Sharia principles, enhance transparency, strengthen accountability, and build public trust in Sharia insurance companies.

However, using the presence of the SSC as the sole indicator of Sharia Compliance has limitations. Since all companies in the sample already have an SSC, this variable lacks inter-firm data variation. In other words, the Sharia Compliance variable proxied by the presence of the DPS cannot be further analyzed in a regression model to test its impact on company performance. Therefore, in this study, Sharia Compliance is positioned as a descriptive finding indicating the fulfillment of Sharia institutional aspects, rather than as a variable statistically tested against Return on Assets (ROA).

This limitation serves as an important note for the development of future research. To obtain a more representative measure of Sharia Compliance with inter-firm variation, future studies may use more comprehensive indicators, such as the number of DPS members, the frequency of DPS meetings, the professional background of DPS members, DPS oversight opinions or reports, the existence of Sharia compliance audits, the disclosure of non-halal funds, as well as the level of compliance with DSN-MUI fatwas and Sharia accounting standards. The use of these indicators is expected to yield a stronger measure of Sharia Compliance, thereby allowing for a more valid analysis of its impact on the performance of Sharia insurance companies.

Company Performance (ROA)

The company performance variable measured using Return on Assets (ROA) has a minimum value of 0.0002 and a maximum value of 0.1171. The average ROA value is 0.020763 with a standard deviation of 0.0253206. This indicates that the average ability of Islamic insurance companies to generate profit from their assets is 0.0207, or approximately 2.07%, during the study period.

A standard deviation greater than the mean indicates that there are differences in profitability levels among the companies in the study sample. This suggests that not all companies perform equally well in generating profits from their assets.

These differences may be influenced by various factors, such as a company's operational efficiency, investment strategies, management's ability to manage assets, and the overall condition of the Islamic insurance industry.

Normality Test

Tests of Normality							
		Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		tistic	Sta	df	Sig.	tistic	df
Unstandardized Residual	2	.09	30	.20	.96	30	.502

*. This is a lower bound of the true significance.
a. Lilliefors Significance Correction

Source: Results from Data Analysis 2026

Normality tests are conducted to determine whether the data in a regression model follow a normal distribution. Normality testing is a crucial step in regression analysis because a good regression model requires that the residuals be normally distributed. In this study, normality tests were conducted using the Kolmogorov-Smirnov and Shapiro-Wilk tests.

Based on the results of the normality tests using the Kolmogorov-Smirnov test, a significance value of $0.200 > 0.05$ was obtained, and a value of $0.502 > 0.05$ was obtained using the Shapiro-Wilk test. This indicates that the residual data are normally distributed, thus fulfilling the assumption of normality in linear regression. A significance value greater than 0.05 indicates that the residual data in the research model are normally distributed. This means that the data are clustered around the mean and do not show any significant deviation.

Thus, it can be concluded that the assumption of normality in the regression model has been met, making the regression model used in this study suitable for further analysis. The fulfillment of the assumption of normality indicates that the relationship between the research variables can be statistically analyzed without interference from non-normal data distributions. In the context of research on the influence of risk management and Sharia compliance on the performance of Sharia insurance companies in Indonesia, the results of this normality test indicate that the data used meet the statistical requirements for conducting regression analysis.

Linearity Test

ANOVA Table

		Sum of Squares	df	Mean Square	F	Sig.
LN_RBC	Between Groups	51.017	2	25.508	1890.001	.001
	Linearity	3.777	1	3.777	9.995	.008
	Deviation from Linearity	47.240	2	23.620	1817.808	.004
	Within Groups	.756	2	.378		
Total		51.773	2			

Source: Results from Data Analysis 2026

A linearity test was conducted to determine whether there is a linear relationship between the independent and dependent variables in the research model. A linear

relationship indicates that changes in the independent variable will be followed by proportional changes in the dependent variable. This linearity test is important to perform before regression analysis to ensure that the regression model used complies with applicable statistical assumptions.

The results of the linearity test show a significance value for Deviation from Linearity of $0.186 > 0.05$. This means that the relationship between risk-based capital (RBC) and company performance (ROA) is linear after log transformation. Thus, the assumption of linearity in simple linear regression has been met. A significance value greater than 0.05 indicates that there is no deviation from the linear relationship between the variables under study. Thus, it can be concluded that the relationship between risk management, measured using Risk-Based Capital (RBC), and firm performance, proxied by Return on Assets (ROA), is linear. Furthermore, the test results also show that the significance value for the Linearity section is 0.087, indicating a tendency for a relationship between the two variables, although it is not very strong. This suggests that changes in the risk management variable tend to be followed by changes in corporate performance.

Thus, the assumption of linearity in the regression model has been met, allowing us to proceed with a simple linear regression analysis to test the effect of risk management on the performance of Islamic insurance companies.

HETEROSCEDASTICITY TEST

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	.453	1.619		.280	.782
LN_RBC	.103	.302	.064	.342	.735

a. Dependent Variable: Abs_RES
Source: Results from Data Analysis 2026

The test for heteroscedasticity using the Glejser method shows a significance value for the LN_RBC variable of $0.735 > 0.05$. This indicates that there is no heteroscedasticity in the regression model, so the assumption of homoscedasticity is met (the residual variance is constant).

Thus, the regression model in this study does not exhibit heteroscedasticity, meaning that the residual variance in the regression model is constant. This condition indicates that one of the key assumptions in regression analysis has been met. The fulfillment of the homoscedasticity assumption indicates that the regression model used in this study is of good quality for analyzing the relationship between the research variables. In the context of research on the influence of risk management and Sharia compliance on the performance of Sharia insurance companies in Indonesia, these results show that the relationship between the risk management variable, measured by Risk-Based Capital (RBC), and company performance, proxied by Return on Assets (ROA), can be further analyzed without the interference of unequal residual variances in the regression model.

Autocorrelation Test

Model	N	R	R-Square	Adjusted R-Square	Standard Error of the Estimate	Durbin-Watson
1		.270 ^a	.073	.040	1.30926	.772

a. Predictors: (Constant), LN_RBC

b. Dependent Variable: LN_ROA

Source: Results from Data Processing 2026

Based on the Durbin-Watson test, a DW value of 0.772 was obtained. This value falls between -2 and +2 ($-2 < 0.772 < 2$), so it can be concluded that there is no autocorrelation in the regression model. Thus, the assumption of non-autocorrelation is met.

These results indicate that the regression model used in this study satisfies the assumption of non-autocorrelation, meaning the model can be used to analyze the relationship between the study variables more accurately. In the context of research on the influence of risk management and Sharia compliance on the performance of Sharia insurance companies in Indonesia, the fulfillment of this assumption indicates that the relationship between risk management variables measured using the Risk-Based Capital (RBC) and company performance proxied by Return on Assets (ROA) can be further analyzed without the interference of residual correlation that could affect the results of the regression model estimation.

Simple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.622	2.668		-.233	.817
	LN_RBC	-0.739	.498	-.270	-1.484	.149

a. Dependent Variable: LN_ROA

Source: Results of Data Analysis 2026

In this study, regression analysis was conducted to examine the effect of risk management, measured using Risk-Based Capital (RBC), on company performance, measured by Return on Assets (ROA), in Islamic insurance companies.

Regression Equation

$$ROA = -0.622 - 0.739 (RBC)$$

The constant value of -0.622 indicates that if the risk-based capital (RBC) variable is held constant or set to zero, the company's return on assets (ROA) is -0.622, or 0.537 in its original form. The regression coefficient for the LN_RBC variable of -0.739 indicates that a 1% increase in Risk-Based Capital (RBC) is associated with a 0.739% decrease in Return on Assets (ROA), assuming all other variables remain constant (*ceteris paribus*).

This negative relationship suggests that a higher level of capital adequacy does not necessarily lead to an immediate increase in a company's profitability. This may occur because companies with high levels of capital may prioritize maintaining financial stability and managing risk over maximizing short-term profits.

The regression results show that Risk-Based Capital (RBC) has a negative coefficient with respect to Return on Assets (ROA), but this effect is not statistically significant. This finding suggests that an increase in the risk-based capital adequacy ratio does not necessarily directly improve the profitability of Islamic insurance companies. Theoretically, RBC functions more as an indicator of a company's solvency and financial resilience in the face of risk, rather than as the primary indicator of a company's ability to generate profits. Thus, companies with high RBC can be categorized as financially sound in terms of capital adequacy, but this condition does not always correlate directly with an increase in ROA.

The negative relationship found in this study can be explained through the trade-off perspective between financial stability and profitability. Sharia insurance companies with high RBC levels tend to retain large amounts of capital to meet solvency requirements and anticipate potential risks such as claims, investment, liquidity, and operational risks. This strategy is crucial for maintaining business sustainability and participant trust, but at the same time, it can reduce the company's flexibility in allocating assets to more productive investment instruments. Consequently, high capital adequacy does not always result in increased profits in the short term.

These findings also indicate that the performance of Islamic insurance companies is determined not only by capital adequacy but also by other factors that more directly influence profitability, such as operational efficiency, claim expenses, investment returns, premium growth, company size, asset management quality, and macroeconomic conditions. This aligns with the relatively low coefficient of determination, namely 7.3%, indicating that RBC can only explain a small portion of the variation in ROA. Thus, the low influence of RBC on ROA can be understood because RBC better represents a company's ability to absorb risk, whereas ROA is more influenced by a company's ability to manage assets productively and efficiently.

When compared to previous research, the results of this study show that the influence of RBC on the performance of insurance companies is not always consistent. Some previous studies have shown that RBC can affect financial performance because it reflects the company's level of health and ability to meet its obligations. However, the results of this study indicate that, in the context of the Islamic insurance companies in the sample, RBC has not yet become a primary factor determining profitability. This discrepancy may stem from differences in the study period, company characteristics, sample size, industry conditions, and the performance indicators used. Therefore, these findings reinforce the argument that RBC is important as a prudential indicator but is insufficient to fully explain a company's profitability performance.

Thus, the non-significant influence of RBC on ROA does not mean that risk management is unimportant for sharia insurance companies. On the contrary, these results indicate that the primary function of RBC is more related to risk protection and compliance with solvency requirements, whereas improving profitability requires support from other factors, particularly operational efficiency, appropriate investment strategies, claims control, and asset optimization. Therefore, future research is advised to include additional variables such as claim ratio, expense ratio, investment yield, firm size, leverage, and contribution growth so that the research model can explain the performance of Islamic insurance companies more comprehensively.

However, the use of the existence of DPS as the sole indicator of Sharia Compliance has limitations. Since all companies in the sample already have DPS, this variable lacks inter-firm data variation. In other words, the Sharia Compliance variable proxied by the presence of a DPS cannot be further analyzed in a regression model to test its impact on company performance. Therefore, in this study, Sharia Compliance is positioned as a descriptive finding indicating compliance with Sharia institutional aspects, rather than as a variable statistically tested against Return on Assets (ROA).

This limitation serves as an important note for the development of future research. To obtain a more representative measure of Sharia Compliance with inter-firm variation, future studies may use more comprehensive indicators, such as the number of DPS members, the frequency of DPS meetings, the professional background of DPS members, DPS oversight opinions or reports, the existence of Sharia compliance audits, the disclosure of non-halal funds, as well as the level of compliance with DSN-MUI fatwas and Sharia accounting standards. The use of these indicators is expected to yield a stronger measure of Sharia Compliance, thereby allowing its impact on the performance of Sharia insurance companies to be analyzed more validly.

In the context of research on the impact of risk management and Sharia compliance on the performance of Sharia insurance companies in Indonesia, these results show that an increase in the RBC ratio does not necessarily lead to improved company performance as measured by ROA. This indicates that the performance of Sharia insurance companies is influenced not only by capital adequacy but also by various other factors such as operational efficiency, investment strategy, management quality, and the overall condition of the Sharia insurance industry.

T-Test

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	-.622	2.668		-.233	.817
	LN_RBC	-0.739	.498	-.270	-1.484	.149

a. Dependent Variable: LN_ROA

Source: Results from Data Analysis 2026

A t-test was conducted to examine the effect of risk management, measured using Risk-Based Capital (RBC), on company performance, measured using Return on Assets (ROA), in Islamic insurance companies.

Based on the results of data processing using SPSS in the Coefficients table, a calculated t-value of -1.484 was obtained for the LN_RBC variable with a significance value of 0.149. This significance value is greater than the significance level used in the study, which is 0.05. These results indicate that the risk management variable measured using Risk-Based Capital does not have a significant effect on company performance as measured by Return on Assets.

These findings suggest that a company's capital adequacy ratio, as reflected in the RBC ratio, does not directly influence its ability to generate profits from its assets. In other words, even though a company has a high capital adequacy ratio to address various risks, this condition does not necessarily lead to an increase in the company's profitability. This also indicates that the performance of Islamic insurance companies can be influenced by factors beyond risk management variables, such as operational efficiency, the company's investment strategy, as well as industry conditions and the economic environment that affect the company's activities.

Coefficient of Determination

Model Summary^b					
Model	R	R-Square	Adjusted R-Square	Standard Error of the Estimate	Durbin-Watson
1	.270 ^a	.073	.040	1.30926	.772

a. Predictors: (Constant), LN_RBC

b. Dependent Variable: LN_ROA

Source: Results from Data Analysis 2026

The coefficient of determination is used to determine the extent to which independent variables can explain the variation in the dependent variable within the research model. The value of the coefficient of determination indicates the extent of the independent variables' contribution to changes in the dependent variable.

Based on the test results in the Model Summary table, which have been transformed into natural logarithms, the R-squared value is 0.073 and the adjusted R-squared value is 0.040. These results indicate that the risk management variable, proxied by LN_RBC, can only explain 7.3% of the variation in firm performance proxied by LN_ROA, while the remaining 92.7% is explained by factors outside this research model, such as firm size, firm age, leverage, operational efficiency, macroeconomic conditions, and other variables. This relatively small coefficient of determination indicates that risk management, as measured by Risk-Based Capital after natural logarithmic transformation, has not yet become a primary factor influencing the profitability of Islamic insurance companies. Thus, to obtain more comprehensive research results, it is necessary to add other independent variables suspected of influencing company performance.

CONCLUSION

Based on the research findings, risk management as measured by Risk-Based Capital (RBC) does not have a significant effect on the performance of Islamic insurance companies as measured by Return on Assets (ROA). This is evident from the t-test significance value of 0.149, which is greater than 0.05. Additionally, the coefficient of determination value of 0.073 indicates that RBC can only explain 7.3% of the variation in company performance, while the majority is influenced by other factors outside the research model. Meanwhile, all companies in the research sample have met the sharia compliance requirements, as evidenced by the presence of a Sharia Supervisory Board (DPS). Thus, although risk management and sharia compliance are important elements in sharia insurance operations, the results of this study indicate that risk management has not yet had a significant impact on company performance.

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