

Operational Efficiency Assessment of PT Asuransi Jasa Tania Tbk: Analyzing Operating Expense to Revenue Ratio

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ABSTRACT

This study aims to evaluate the operational efficiency of PT Asuransi Jasa Tania Tbk in 2023 using the operating expense to revenue ratio (Expense Ratio). The data used is the company's financial statements for the year ended December 31, 2023. The results show that PT Asuransi Jasa Tania Tbk successfully improved its operational efficiency significantly, with a decrease in the Expense Ratio by 17.24% to 48% compared to the previous year. This efficiency improvement was driven by strong net premium income growth, effective operating expense control, and investments in digitalization. Compared to the general insurance industry average in Indonesia, PT Asuransi Jasa Tania Tbk demonstrates a better level of efficiency. These findings highlight the importance of operational efficiency for the profitability and competitiveness of insurance companies, as well as the relevance of technology adoption in enhancing efficiency. Practical and theoretical implications are discussed.



1. INTRODUCTION

The insurance industry plays a vital role in ensuring financial stability and safeguarding society from unexpected risks. However, increasing competition and economic pressures demand that insurance companies enhance their operational efficiency [1];[2]. As one of Indonesia's leading insurance providers, PT Asuransi Jasa Tania Tbk faces similar challenges in sustaining profitability and maintaining competitiveness.

In 2023, PT Asuransi Jasa Tania Tbk experienced a notable rise in operational expenses, as reported in its financial statements. The company's operating expenses grew from IDR 53.77 billion in 2022 to IDR 56.24 billion in 2023, while its underwriting income only increased from IDR 92.78 billion to IDR 117.19 billion during the same period [3]. This disproportionate growth in operational expenses compared to revenue raises concerns about the company's operational efficiency.

Operational efficiency is a critical determinant of the profitability and sustainability of insurance companies [4];[5]. One commonly used metric to evaluate this efficiency is the operating expense to revenue ratio (Expense Ratio) [6]. A higher ratio indicates lower efficiency, which can adversely affect a company's financial performance [7];[8];[9]. Thus, assessing PT Asuransi Jasa Tania Tbk's operational efficiency by analyzing its operating expense to revenue ratio is crucial.

While several studies have examined the efficiency of insurance companies in Indonesia [10];[11], there is a lack of research focusing specifically on PT Asuransi Jasa Tania Tbk. Furthermore,

most prior studies have analyzed data from periods before 2023, underscoring the need for a more recent evaluation. This study seeks to address this gap by providing an updated analysis of PT Asuransi Jasa Tania Tbk's operational efficiency based on its 2023 financial data.

Efficiency Theory

Efficiency theory is grounded in the principle of optimizing resource utilization in the production of goods and services. According to Farrell (1957), efficiency comprises two key components: technical efficiency and allocative efficiency [12]. Technical efficiency reflects a company's ability to maximize output given specific inputs, while allocative efficiency pertains to the optimal selection of input combinations based on prevailing input prices [13]. Within the context of insurance firms, technical efficiency denotes the capacity to manage operations by minimizing input usage (operational expenses) to achieve a defined output level (premium revenue). In contrast, allocative efficiency involves determining the most effective combination of inputs, such as labor, technology, and other resources, while considering input costs [6].

Measuring Operational Efficiency

The expense ratio, which assesses operational expenses relative to revenue, is a widely adopted indicator of operational efficiency in the insurance sector. This ratio quantifies the proportion of premium revenue allocated to cover operational costs [1]. A lower expense ratio signifies greater operational efficiency. However, the interpretation of this ratio should consider contextual factors, including business mix, operational scale, and market conditions [4]. Beyond the expense ratio, additional metrics are employed in the literature, such as the combined ratio, which integrates the expense ratio and the loss ratio [7] and frontier-based approaches like Data Envelopment Analysis (DEA) and Stochastic Frontier Analysis (SFA) [14].

Determinants of Operational Efficiency

Research has identified multiple determinants influencing the operational efficiency of insurance companies. Firm size is frequently associated with higher efficiency levels due to economies of scale and the ability to distribute fixed costs across a larger number of policies [4]. However, the relationship between firm size and efficiency may exhibit non-linearity, as extremely large firms may encounter diseconomies of scale [1]. Ownership structure also impacts operational efficiency. Privately or foreign-owned insurance companies tend to demonstrate higher efficiency than government-owned entities, which may be constrained by non-commercial objectives or political interference [7]. Additionally, firms with higher product diversification may experience reduced efficiency due to operational complexities and increased coordination costs [15].

Other firm-specific factors, including capital adequacy, risk management, and technological adoption, also play a significant role in operational efficiency. Well-capitalized firms are often better equipped to invest in efficiency-enhancing technologies and manage risks more effectively [1]. The adoption of advanced technologies, such as automated underwriting systems and digital customer service platforms, has been shown to reduce operational costs and improve efficiency [16].

Operational Efficiency and Firm Performance

Operational efficiency significantly influences the financial performance of insurance companies. Firms with higher efficiency levels generally achieve superior profitability, as they can generate greater revenue while utilizing fewer inputs [4]. Efficient firms are also better positioned to competitively price their products while maintaining adequate margins, thereby increasing market share [1].

However, the relationship between efficiency and performance can be moderated by contextual variables. For instance, in highly competitive markets, firms may face pressures to reduce prices, which could diminish profitability despite achieving high efficiency [7]. Moreover, prioritizing efficiency at the expense of service quality or thorough underwriting may expose firms to reputational risks or higher claims in the long term [6].

Operational Efficiency in the Indonesian Context

Indonesia's insurance industry has undergone substantial growth in recent years, driven by economic expansion, urbanization, and increased awareness of insurance products [17]. Nevertheless, insurance penetration in Indonesia remains relatively low compared to other Asian countries, indicating considerable growth potential [18].

In this landscape, operational efficiency is a critical factor in enabling Indonesian insurance companies to remain competitive and expand their market presence. Previous studies have revealed significant variations in efficiency among Indonesian insurers, with larger and more established firms generally displaying higher efficiency levels [19];[10]. Conversely, many smaller and newer firms face challenges in enhancing their operational efficiency [20].

Based on this background, the research question addressed in this study is: "What is the operational efficiency level of PT Asuransi Jasa Tania Tbk in 2023 based on an analysis of the expense ratio?" This study aims to contribute to the body of literature on insurance efficiency in Indonesia and provide actionable recommendations for PT Asuransi Jasa Tania Tbk to improve its operational efficiency.

2. METHOD

Types and Sources of Data

This study employs a quantitative approach with secondary data analysis. The data used consists of the annual financial statements of PT Asuransi Jasa Tania Tbk for the year ending December 31, 2023. These financial statements were obtained from the company's official website or other publicly available publications.

Comparison with Industry Ratios

Data Analysis Techniques

a. Calculating the Expense Ratio

The expense ratio is calculated using the following formula [1]:

$$Expense\ Ratio = \frac{Beban\ Operasional}{Pendapatan\ Premi\ Neto}$$

Operational expenses include acquisition costs, administrative expenses, and other general expenses. Net premium revenue is derived by subtracting reinsurance premiums from gross premium revenue.

b. Trend Analysis of the Expense Ratio

To provide a more comprehensive overview of the operational efficiency of PT Asuransi Jasa Tania Tbk, the expense ratio will be compared with ratios from previous years (if data is available) to identify trends over time [7].

c. Comparison with Industry Ratios

The expense ratio of PT Asuransi Jasa Tania Tbk will be compared with the average industry expense ratio in the Indonesian insurance sector (if data is available) to evaluate the company's performance relative to its competitors [4]. Industry data can be obtained from reports published by industry associations or regulatory authorities.

d. Analysis of Factors Affecting Operational Efficiency

To provide further insights into the operational efficiency of PT Asuransi Jasa Tania Tbk, the study will analyze key factors that may influence the expense ratio, such as business mix, operational scale, and technology adoption [6]. This analysis will be based on information available in the company's financial statements and management reports.

e. Interpretation of Results and Recommendations

Based on the analysis of ratios, trends, industry comparisons, and influencing factors, the study will interpret the operational efficiency level of PT Asuransi Jasa Tania Tbk in 2023. The study will also provide recommendations for improving operational efficiency, if necessary, drawing from industry best practices and previous research [1].

3. RESULT AND ANALYSIS

Based on the financial statement analysis of PT Asuransi Jasa Tania Tbk for the year ending December 31, 2023, the following results were obtained:

a. Expense Ratio

The Expense Ratio of PT Asuransi Jasa Tania Tbk in 2023 was 0.48 or 48%. This means that for every Rp 1 of net premium revenue earned, the company spent Rp 0.48 on operational expenses. In 2022, the company's Expense Ratio was 0.58 or 58%. This indicates that the operational efficiency of PT Asuransi Jasa Tania Tbk improved from 2022 to 2023, as evidenced by a 10 percentage point decrease in the Expense Ratio.

Table 1. Calculation of Expense Ratio of PT Asuransi Jasa Tania Tbk for 2022-2023

Description	2023	2022
Operating Expenses	56,240,233,043	53,767,777,382

Net Premium Income	117,193,699,302	92,777,347,555
Expense Ratio	0.48	0.58

- b. The comparison of the Expense Ratio between 2023 and 2022 shows a decreasing trend of 17.19%. This significant decrease indicates the company's efforts to improve operational efficiency, both through cost control and optimizing premium revenue.

Table 2. Trend Analysis of Expense Ratio of PT Asuransi Jasa Tania Tbk for 2022-2023

Year	Expense Ratio	Change
2022	0.58	-
2023	0.48	- 17.24 %

- c. The Expense Ratio of PT Asuransi Jasa Tania Tbk for 2023, which is 48%, is below the average of the general insurance industry in Indonesia for 2022, which reached 55% [21]. This indicates that the company has relatively good operational efficiency compared to other insurance companies in Indonesia.

Table 3. Comparison of Expense Ratio of PT Asuransi Jasa Tania Tbk with Industry Average

Description	Expense Ratio
PT Asuransi Jasa Tania Tbk (2023)	48%
Indonesian General Insurance Industry Average (2022)	55%

- d. The improvement in operational efficiency of PT Asuransi Jasa Tania Tbk in 2023 can be attributed to several factors, including:

- 1) A 26.36% increase in net premium income from 2022, indicating strong business growth. This growth has allowed the company to absorb fixed costs more efficiently [1].
- 2) Effective control of operational expenses, with an increase in expenses of only 4.60%, compared to a significantly higher increase in premium income. This reflects the management's efforts to optimally manage resources [6].
- 3) Investment in digitalization and automation of business processes, as outlined in the management report, which may contribute to operational efficiency [16].

Based on the analysis above, it can be concluded that the operational efficiency of PT Asuransi Jasa Tania Tbk in 2023 showed significant improvement compared to the previous year. This is reflected in the decrease of the Expense Ratio by 17.24% and the achievement of an Expense Ratio of 48%, which is better than the industry average. The improvement in efficiency was driven by strong premium income growth, effective expense control, and initiatives in digitalization and automation of business processes.

4. DISCUSSION/CONCLUSION

The findings of the study reveal that PT Asuransi Jasa Tania Tbk significantly enhanced its operational efficiency in 2023. This is evident from the decrease in its Expense Ratio by 17.24%, dropping to 48%, indicating the company's ability to manage its operational costs more effectively in relation to the premium income. These results support prior research highlighting the crucial role of operational efficiency in the profitability and competitiveness of insurance firms [4];[1].

The improvement in operational efficiency at PT Asuransi Jasa Tania Tbk can be attributed to several factors. Firstly, the company achieved an impressive net premium income growth of 26.32% in 2023. This growth allowed the company to capitalize on economies of scale, distributing fixed costs across a larger pool of policies, thus boosting efficiency [1]. Secondly, the company effectively controlled its operational expenses, with only a 4.60% increase in costs, much lower than the significant rise in premium income. This reflects the management's effective resource allocation and cost control, which are essential for improving operational efficiency [6].

Furthermore, PT Asuransi Jasa Tania Tbk's investments in digitalization and automation, as noted in its management report, have also played a key role in enhancing operational efficiency. The adoption of technology helps insurance companies streamline operations, reduce costs, and speed up service delivery [16]. Digital initiatives like automated underwriting systems, online customer service

platforms, and data analytics have the potential to significantly boost overall productivity and efficiency [1].

When compared to the industry's average, PT Asuransi Jasa Tania Tbk's Expense Ratio shows positive results. With a 48% Expense Ratio, the company is below the 2022 industry average of 55% [21]. This suggests that PT Asuransi Jasa Tania Tbk enjoys a competitive edge in terms of operational efficiency compared to other players in the local market. Greater efficiency allows the company to offer more competitive pricing, improve profitability, and invest in further business growth [4].

However, it remains crucial for PT Asuransi Jasa Tania Tbk to continually monitor and improve its operational efficiency. The insurance industry faces challenges such as regulatory changes, rising competition, and shifting customer preferences [1]. To maintain its competitive advantage, the company must keep adapting and optimizing its operations. This could involve further technological investments, process simplification, stringent cost control, and better underwriting practices [6].

In addition, PT Asuransi Jasa Tania Tbk should also consider other long-term factors that might affect operational efficiency. For instance, the company must manage its business growth carefully to avoid issues like adverse selection and moral hazard, which could lead to higher claims losses and reduced efficiency [1]. The company should also invest in employee development to ensure its workforce possesses the skills and knowledge necessary for efficient operations [6].

From a public policy perspective, the research highlights the importance of operational efficiency for the financial stability of the insurance industry. Regulatory bodies, such as the Financial Services Authority (OJK), can use efficiency metrics like the Expense Ratio to monitor the performance of insurance companies and identify potential concerns. Policies that foster competition, transparency, and technology adoption within the industry can drive overall efficiency improvements, benefiting consumers with better prices and services [1].

In conclusion, the study shows that PT Asuransi Jasa Tania Tbk made significant strides in improving its operational efficiency in 2023, as reflected in its Expense Ratio. This improvement was fueled by strong premium income growth, effective cost control, and investments in digitalization. The company's performance surpasses the industry average, offering a competitive edge. However, maintaining and enhancing operational efficiency will continue to be a top priority for PT Asuransi Jasa Tania Tbk to ensure its long-term success and sustainability in the dynamic insurance market.

Based on the results of the research and discussion, the following conclusions can be drawn:

- a. PT Asuransi Jasa Tania Tbk successfully improved its operational efficiency significantly in 2023, as measured by the Expense Ratio, which decreased by 17.24% to 48% compared to the previous year.
- b. The improvement in operational efficiency at PT Asuransi Jasa Tania Tbk was driven by strong net premium income growth of 26.32%, effective control of operational expenses with only a 4.60% increase in costs, and investments in digitalization and business process automation.
- c. Compared to the average expense ratio of general insurance companies in Indonesia, which was 55% in 2022, PT Asuransi Jasa Tania Tbk demonstrated better operational efficiency with an Expense Ratio of 48% in 2023.

Although this study provides valuable insights into the operational efficiency of PT Asuransi Jasa Tania Tbk, there are several limitations that need to be considered:

- a. This study focuses solely on one insurance company, PT Asuransi Jasa Tania Tbk, so the findings may not be generalizable to the insurance industry as a whole in Indonesia.
- b. The research period only covers two years (2022-2023), so long-term dynamics and trends in operational efficiency may not be fully captured in the analysis.
- c. This study uses only the Expense Ratio as a measure of operational efficiency. While the Expense Ratio is a commonly used metric, using additional efficiency measures such as Loss Ratio, Combined Ratio, or frontier-based approaches like Data Envelopment Analysis (DEA) could provide a more comprehensive perspective.
- d. The analysis of the factors influencing PT Asuransi Jasa Tania Tbk's operational efficiency is based on information available in the financial reports and management reports. Qualitative factors, such as management quality, organizational culture, and market dynamics, may not be fully reflected in the analysis.

This study contributes to the existing literature on operational efficiency in the insurance industry, particularly in the context of Indonesia. The findings of this research support the production efficiency theory [12] and the concept of economies of scale in the context of insurance companies,

where premium income growth enables companies to enhance efficiency by more optimally utilizing fixed costs. Furthermore, this study expands the application of financial ratios, specifically the Expense Ratio, as a measure of operational efficiency in the insurance industry, as suggested by Cummins & Weiss (2023)[1]. The study also highlights the important role of digitalization and automation in improving the operational efficiency of insurance companies [16].

The findings of this study have practical implications that are relevant for insurance company management, regulators, and other stakeholders in the insurance industry in Indonesia:

- a. For the management of PT Asuransi Jasa Tania Tbk, these findings emphasize the importance of continuing efforts to improve operational efficiency. The company needs to consistently monitor and control the Expense Ratio, optimize operational expense control, and invest in digitalization and automation of business processes to maintain and further enhance operational efficiency.
- b. For other insurance companies in Indonesia, PT Asuransi Jasa Tania Tbk can serve as a benchmark in terms of operational efficiency. Insurance company managers can learn from PT Asuransi Jasa Tania Tbk's best practices in controlling operational costs, leveraging technology, and optimizing business processes to improve their own operational efficiency.
- c. For regulators, such as the Financial Services Authority (OJK), this study highlights the importance of regularly monitoring and evaluating the operational efficiency of insurance companies. Regulators can use the Expense Ratio and other efficiency measures as part of the supervisory framework to assess the financial health and operational performance of insurance companies.
- d. For investors and financial analysts, these findings demonstrate the importance of considering operational efficiency as a key factor in evaluating the performance and prospects of insurance companies. Investors can use the Expense Ratio as one indicator to identify insurance companies that are efficient and have the potential to deliver better returns.

Overall, this study underscores the significance of operational efficiency as a key driver of financial performance and competitiveness in the insurance industry. The findings are expected to encourage further discussion and future research on the factors that influence operational efficiency in insurance companies, as well as strategies and best practices for improving efficiency in this dynamic and competitive industry.

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