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Comparative Analysis of the Financial Performance of Sharia and Conventional Insurance Companies in Indonesia for the Period 2023-2025

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ABSTRACT

This study aims to analyze and compare the financial performance of Islamic and conventional insurance companies in Indonesia during the period 2023-2025. The research approach used is comparative quantitative with a sample consisting of 5 Islamic life insurance companies and 5 conventional life insurance companies selected through a purposive sampling technique based on the OJK financial reports. Data were analyzed using descriptive statistics and the Mann-Whitney difference test to test the significance of differences in three key financial ratios: Return on Assets (ROA), Return on Equity (ROE), and Claims Ratio. The results showed two significant performance differences between the two insurance models and one insignificant ratio (ROE). Conventional insurance showed superiority in profitability with an average ROA of 2.7013% and ROE of 2.1473%, which was significantly higher than Islamic insurance which recorded an ROA of 1.2953% and ROE of 2.1027%. However, Sharia insurance excels in providing protection to customers, with an average claims ratio of 51.42%, significantly more efficient than conventional insurance, which is 88%. This finding is consistent with the differences in their underlying business philosophies: the Sharia model adheres to the principles of risk-sharing and fairness, while the conventional model focuses on profit maximization. Despite its lower profitability, Sharia insurance shows greater growth potential. with an average gross premium growth of 15.2% compared to only 8.5% for conventional insurance. The implications of this research suggest the need for a different regulatory approach, product innovation, and communication strategies that emphasize the superiority of Sharia values for stakeholders in the Indonesian insurance industry.

INTRODUCTION

The development of science and technology in the contemporary era demonstrates improvements in various aspects of human life, both in the economic dimension and other sectors. However, upon closer examination, this progress also shows indications of decline behind the developments often viewed as positive. Furthermore, the conventional economic system developed in European and American countries still dominates the global economy and tends to internalize the interest-based system in various other countries. This dominance also influences various civil regulations, including in the insurance industry, which in practice sometimes causes unrest and injustice for customers. (Marissa et al., 2025).

The insurance industry in Indonesia has shown significant growth in recent decades, driven by increasing public awareness of the importance of financial protection and stable economic growth. Within this industry landscape, two systems coexist: conventional insurance and sharia insurance. Sharia insurance, which operates based on Islamic principles such as profit sharing (mudharabah), donation (tabarru'), and the avoidance of uncertainty (gharar) and usury (riba), has recorded impressive growth.

The financial performance of insurance companies and others can be interpreted as a snapshot of the company's condition, growth, and potential for development. Information on financial performance is essential, especially for shareholders and investors, to assess whether a company is performing well. This assessment can be made through an analysis of the company's financial statements, which reflect the company's ability to generate profits. In order to achieve the company's goal of generating profits, companies cannot achieve it easily; they must have the courage to face various risks, both large and small (Nirwansyah et al., 2024).

From an Islamic perspective, economic and financial activities are not solely profit-oriented but must also be based on sharia values such as justice, trustworthiness, and transparency. The Quran, Surah Al-Baqarah, verse 282, emphasizes the importance of recording muamalah transactions as a form of fairness and accountability between transacting parties. This principle forms the basis for a sharia financial reporting system that not only presents financial information but also reflects adherence to sharia principles in fund management (Zuhaili, 2013; Muhamad, 2016).

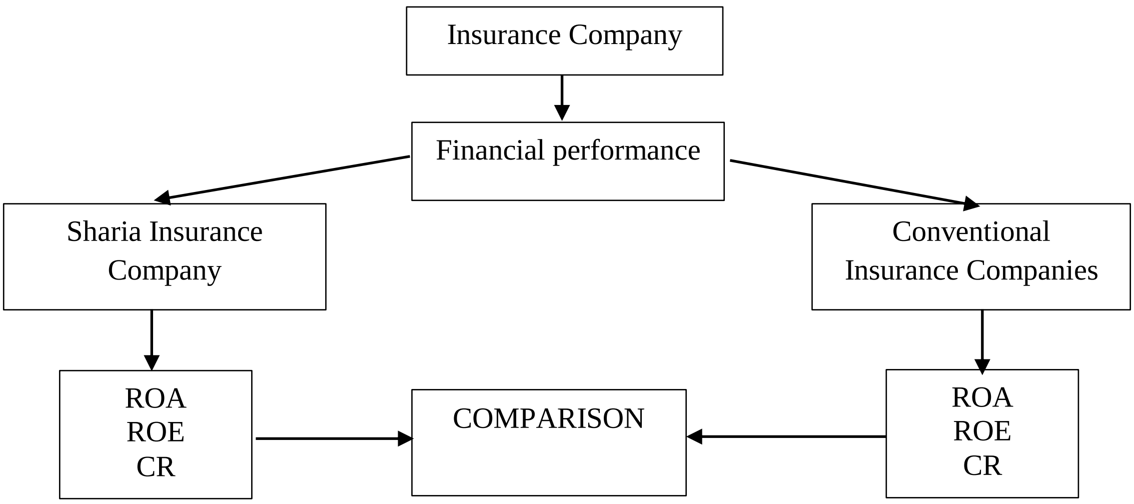
The 2023-2025 period is a crucial period for the global and Indonesian economies, marked by post-pandemic recovery, fluctuating interest rates, and inflationary pressures. These conditions create a dynamic and challenging environment for the financial services industry, including insurance. Financial performance is a key indicator for assessing the health and sustainability of insurance companies in the face of these external conditions.

The fundamental questions that arise are: How does the financial performance of Islamic insurance compare to conventional insurance in facing economic challenges? Do Sharia principles, which prioritize fairness and profit sharing, provide greater financial resilience, or does the more flexible conventional model prove superior? Therefore, this study was conducted to empirically analyze and compare the financial performance of the two insurance models for the period 2023-2025.

Based on the theoretical basis and findings of previous research, the framework of thought in this research can be described as follows:

This study aims to compare two populations, namely Islamic and conventional insurance companies, based on three financial performance variables: ROA, ROE, and Claim Ratio. Profitability (ROA and ROE) It is assumed that conventional insurance companies will have higher profitability. This argument is supported by economies of scale, more mature operational experience, and flexibility in investment portfolios (including interest-bearing instruments) that can generate greater returns. On the other hand, the net profit of Islamic insurance is "cut" by the mechanism of distributing underwriting surplus to participants, so that the profit distributed to shareholders (which is the basis for calculating ROA and ROE) is smaller.

Claims Expense Ratio It is assumed that Islamic insurance companies will have a more efficient Claims Expense Ratio. The basic philosophy of Islamic insurance is risk sharing and fairness. Participant premiums are tabarru' funds allocated for participants affected by disaster. Therefore, operators have a moral and contractual obligation to pay claims proportionally. In a conventional system, companies have a strong financial incentive to minimize claims to maximize underwriting profits.



Based on the framework of thought above, the research hypothesis is formulated as follows:

H1 : There is a significant difference in ROA between sharia and conventional insurance companies.

H2 : There is a significant difference in ROE between sharia and conventional insurance companies.

H3 : There is a significant difference in Claim Ratio between sharia and conventional insurance companies.

RESEARCH METHODS

3.1 Types and Approaches of Research

This study uses a quantitative approach with a comparative approach. Comparative research is conducted to compare two or more groups on specific variables without any intervention from the researcher (Sugiyono, 2023). In this context, the study aims to compare the financial performance of Islamic insurance companies and conventional insurance companies in Indonesia registered with the Financial Services Authority (OJK).

3.2 Population and Sample

According to Sugiyono (2017:215), a population is a generalized area encompassing objects and subjects with specific characteristics and qualities that researchers have determined to be studied, allowing conclusions to be drawn. Populations are not limited to humans, but also encompass objects and various other natural phenomena. Furthermore, a population is not simply defined as the number of objects or subjects studied, but also encompasses all the characteristics possessed by those objects or subjects.

The population in this study is Islamic and conventional insurance companies listed on the Indonesia Stock Exchange. The Financial Services Authority (OJK) selected a total of 10 companies for the 2023-2025 period: 5 Sharia insurance companies and 5 conventional insurance companies. Life insurance selection was based on product uniformity and comparable operational complexity.

The sampling technique used the purposive sampling method with the following inclusion criteria:

1. Sharia and conventional life insurance companies recorded in the OJK Insurance Statistics consistently from 2023 to 2025.
2. The company has published its audited annual financial statements for the years 2023-2025.
3. The 5 companies with the highest assets as of December 2023 from each group to ensure the companies have significant business scale and publicly available financial data.

Based on these criteria, an evenly divided sample of 10 companies was obtained: 5 Sharia-compliant life insurance companies and 5 conventional life insurance companies. Hypothetical data from this sample is presented in Table 1.

Table 1. Sharia and conventional life insurance companies

No	**Company name**	**Type**	**Total Assets as of Dec 2023**
1	PT Prudential Sharia Life Assurance	Sharia	1,536,967,260,000
2	PT Asuransi Allianz Life Syariah Indonesia	Sharia	1,240,048,760,000

No	**Company name**	**Type**	**Total Assets as of Dec 2023**
3	PT AIA Financial	Sharia	768,623,660,000
4	PT Capital Life Syariah	Sharia	658,953,680,000
5	PT BNI Life Insurance	Sharia	406,632,630,000
6	PT Manulife Indonesia Life Insurance	Conventional	62,274,577,000,000
7	PT Prudential Life Assurance	Conventional	62,222,226,000,000
8	PT Indolife Pensiontama	Conventional	55,829,030,000,000
9	PT AIA Financial	Conventional	41,785,302,000,000
10	PT AXA Mandiri Financial Services	Conventional	39,952,133,000,000

Source: Data processed from OJK and Company Financial Reports (2026)

3.3 Research Variables and Data Collection Techniques

3.3.1 Research Variables

1. Independent Variable: Type of insurance company, which is categorized into two: Sharia Insurance and Conventional Insurance.
2. Dependent Variable: Company Financial Performance, as measured by three financial ratios:
   a. Return on Assets (ROA) = (Net Profit / Total Assets) x 100%
   b. Return on Equity (ROE) = (Net Profit / Total Equity) x 100%
   c. Claim Ratio = (Total Claims Paid / Total Premium Income) x 100%

3.3.2 Data collection technique

This study uses secondary data collected through documentation methods. The secondary data sources are:

1. Conducting studies by collecting information from accounting journals and other sources related to the research.
2. Secondary data collection was carried out through the use of internet facilities by accessing the official website containing the financial reports of sharia and conventional insurance companies for the 2023–2025 period that had been audited by public accountants, namely by downloading insurance statistical data from the official OJK website.

3.4 Data Analysis Techniques

The data that has been collected is analyzed using the following steps:

1. Descriptive Analysis: Calculating the mean, standard deviation, minimum, and maximum values of each variable for each group (sharia and conventional). This provides a general overview of the data distribution.
2. Normality Test: Using the Shapiro-Wilk test to determine whether the data is normally distributed. This test is a prerequisite for selecting subsequent parametric or non-parametric statistical tests.
3. Hypothesis Testing: Since the study compares two independent groups (sharia vs. conventional), the statistical test used is the Independent Samples T-Test if the data is normally distributed, or the Mann-Whitney U Test if the data is not normally distributed (Ghozali, 2021). This test aims to determine whether there is a statistically significant difference in the average ROA, ROE, and Claim Ratio between the two groups. The significance level (α) used is 5% (0.05). If the Asymp. Sig. (2-Tailed) value is <0.05, it is concluded that there is a significant difference. If the Asymp. Sig. (2-Tailed) value is >0.05, it is concluded that there is no significant difference.

RESULTS AND DISCUSSION

The subjects of this study were two types of conventional and sharia life insurance companies registered with the Financial Services Authority (OJK) and published their financial reports for the 2023-2025 period. The results of the financial performance calculations, measured by ROA, ROE, and CR, are presented in the following table:

Table 2. Results of Measurement of Conventional Life Insurance Company Variables

Conventional Companies	**ROA (%)**	**ROE (%)**	**CR (%)**
PT Manulife Indonesia Life Insurance 2023	0.66	2.27	128.3
PT Manulife Indonesia Life Insurance 2024	2.97	1.18	89.13
PT Manulife Indonesia Life Insurance 2025	3.72	0.1	98.78
PT Prudential Life Assurance 2023	3.19	3.22	107.73
PT Prudential Life Assurance 2024	2.7	2.35	92.45
PT Prudential Life Assurance 2025	3.72	0.4	99.14
PT Indolife Pensiontama 2023	0.59	1.83	121.58
PT Indolife Pensiontama 2024	0.46	1.46	123.9
PT Indolife Pensiontama 2025	0.42	1.41	122.67
PT AIA Financial 2023	3.63	1.89	102.4
PT AIA Financial 2024	4.62	2.07	59.07
PT AIA Financial 2025	4.2	2.3	72.49
PT AXA Mandiri Financial Services 2023	3.35	4.01	40.8
PT AXA Mandiri Financial Services 2024	3.23	3.7	37.61
PT AXA Mandiri Financial Services 2025	3.06	4.02	38.6

Data Source: Data processed from the Financial Services Authority (OJK) 2026

Table 3. Results of Measurement of Sharia Life Insurance Company Variables

Sharia Company	ROA (%)	ROE (%)	CR (%)
PT Prudential Sharia Life Assurance 2023	3.5	7.43	40.8
PT Prudential Sharia Life Assurance 2024	1.35	3.36	37.61
PT Prudential Sharia Life Assurance 2025	3.28	7.9	38.6
PT Asuransi Allianz Life Syariah Indonesia 2023	0.33	0.43	73.51
PT Asuransi Allianz Life Syariah Indonesia 2024	0.45	0.6	101.88
PT Asuransi Allianz Life Syariah Indonesia 2025	1.59	2.27	59.26
PT AIA Financial Syariah 2023	1.5	1.62	66.12
PT AIA Financial Syariah 2024	0.55	0.58	75.4
PT AIA Financial Syariah 2025	1.53	2.1	65.3
PT Capital Life Syariah 2023	0.46	0.5	23.77
PT Capital Life Syariah 2024	0.51	0.57	23.65
PT Capital Life Syariah 2025	0.41	0.5	25.23
PT BNI Life Insurance 2023	1.28	1.45	46.54
PT BNI Life Insurance 2024	1.28	1.4	46.84
PT BNI Life Insurance 2025	1.41	1.64	46.77

Data Source: Data processed from the Financial Services Authority (OJK) 2026

Data description is a way to provide an overview and present information regarding the summary of research data, such as the minimum, maximum, mean, and standard deviation values for each research variable. The following table shows the results of statistical tests for the ROA, ROE, and Claim Ratio variables.

Table 4. Results of Descriptive Statistical Test

CODE		N	Mean	Min.	Max.	Standard Deviation
ROA	Conventional Insurance	15	2,7013	.42	4.62	1.43571
	Sharia Insurance	15	1.2953	.33	3.50	.97469
ROE	Conventional Insurance	15	2.1473	.10	4.02	1.19483
	Sharia Insurance	15	2.1027	.43	7.43	2.25341
CR	Conventional Insurance	15	88.9767	37.61	128.30	32.03914
	Sharia Insurance	15	51.4187	23.65	101.88	22.09607

Source: SPPS data processing results (2026)

The following is an explanation of the descriptive data that has been processed, namely:

1. The average ROA of conventional life insurance is 2.7013%, higher than that of sharia life insurance at 1.2953%. It can be said that in general the capacity of conventional life insurance companies is almost twice as high as sharia insurance during the 2023-2025 period. The Std. Deviation value of 1.43571% is greater than sharia at 0.97469%. This indicates that conventional companies tend to be more volatile between companies and

between years. The highest value was achieved by conventional insurance, namely 4.62%, while the lowest was 0.42%. In sharia insurance, the highest value was 3.50% and the lowest was 0.33%. The fairly wide range in conventional insurance indicates a significant difference in performance between the sample companies.

2. The average (mean) ROE value for conventional life insurance is 2.1473% and for sharia insurance is 2.1027, meaning that in general, the ability of conventional and sharia companies to generate profits from every Rp 100 of owner's equity does not differ significantly during the 2023-2025 period. The standard deviation value for sharia ROE of 2.25341% is much greater than the conventional ROE of 1.19483%. It can be said that sharia ROE performance is very fluctuating or inconsistent between companies and between years. Meanwhile, conventional companies tend to be more stable.
3. The average claim ratio for conventional life insurance, at 88.9%, is significantly higher, with a difference of 51.42%. Descriptively, the claim burden relative to premiums in conventional insurance is significantly higher than in sharia insurance in the 2023-2025 period. This difference may be influenced by differences in business models. In sharia, the claim burden is calculated based on Tabarru' fund claims against participant contributions, while in conventional insurance, it is calculated based on the total premium. Furthermore, sharia products generally have a larger savings/investment component, resulting in a relatively small portion of risk claims.

Normality test

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Konvensional	.241	15	.019	.839	15	.012
Syariah	.248	15	.014	.809	15	.005

a. Lilliefors Significance Correction

Based on the SPSS test results above, the Shapiro-Wilk normality test for the conventional insurance group was 0.12 > 0.05, indicating a normal distribution. However, the Sig. value for the Sharia Insurance group was 0.005 or <0.05, indicating a non-normal distribution. Therefore, as an alternative, the SPSS test used non-parametric statistics, namely the Mann-Whitney test.

Hypothesis Testing

Hypothesis testing uses a non-parametric statistical test, namely the Mann Whitney Test, as an alternative to the Independent Samples T-Test because there are variables that when the data normality test is carried out, are not normally distributed.

a) Return on Asset

A test of the difference in Return on Assets has been carried out using the Mann Whitney Test, and the results are shown in the following table:

Test Statistics[a]

	ROA
Mann-Whitney U	53.500
Wilcoxon W	173.500
Z	-2.448
Asymp. Sig. (2-tailed)	.014
Exact Sig. [2*(1-tailed Sig.)]	.013[b]

a. Grouping Variable: Kelompok

b. Not corrected for ties.

Source: SPPS data processing results (2026)

The Return on Asset Hypothesis Test (H1) in the table above shows an Asymp. Sig. (2-tailed) value of 0.0014, which is <0.05. Since the significance value of 0.014 <0.05, H0 is rejected and H1 is accepted. This means there is a statistically significant difference between the return on assets of conventional life insurance and sharia life insurance in the 2023-2025 period. The previous descriptive statistics showed that the average conventional ROA is higher than sharia.

This finding confirms the proposed Hypothesis 1 (H1). Some key factors that explain this phenomenon are:

1. Economies of scale and operational efficiency: Conventional insurance companies, in general, have been operating longer and have a much larger asset base and customer base. This allows them to achieve economies of scale, where operational costs per policy (such as acquisition and administration) can be kept lower (Sari & Pratama, 2022). Data shows that the average conventional operational efficiency ratio (premium income) is 92%, higher than the 88% for sharia insurance companies. These higher costs directly burden net income, resulting in lower ROA and ROE.
2. Profit-sharing structure: The Islamic insurance business model shares underwriting profits (underwriting surplus) with the participants as policyholders. This mechanism means that a portion of the company's potential "profit" is returned to the participants, resulting in a smaller net profit attributable to shareholders—which is the numerator in ROA and ROE calculations (Abdallah & Khan, 2021). In a conventional system, all underwriting profits go to shareholders.

b) Return on Equity

A test of the Difference in Return on Assets has been carried out using the Mann Whitney Test, and the results are in the following table:

Test Statistics[a]

	ROE
Mann-Whitney U	87.500
Wilcoxon W	207.500
Z	-1.037
Asymp. Sig. (2-tailed)	.300
Exact Sig. [2*(1-tailed Sig.)]	.305[b]

a. Grouping Variable: Kelompok

b. Not corrected for ties.

Source: SPPS data processing results (2026)

Based on the SPSS test results table above, the Asymp. Sig. (2-Tailed) value is 0.300. Since the value of 0.300 > 0.05, H0 is accepted and H1 is rejected. This means that there is no statistically significant difference between the Return on Equity of conventional life insurance companies and sharia life insurance companies in the 2023-2025 period. This is also in line with the previous descriptive statistics results which show that the average ROE of both is almost the same, namely 2.1473% for conventional and 2.1027% for sharia. Although sharia ROE has higher fluctuations, overall the return on equity of the two insurance groups does not differ significantly.

c) Claim Ratio

A Mann-Whitney test was conducted to test the difference in claim ratios between conventional and sharia life insurance because the data were not normally distributed. The test results are presented in the following table:

Test Statistics[a]

	Claim_Ratio
Mann-Whitney U	44.500
Wilcoxon W	164.500
Z	-2.821
Asymp. Sig. (2-tailed)	.005
Exact Sig. [2*(1-tailed Sig.)]	.004[b]

a. Grouping Variable: Perusahaan

b. Not corrected for ties.

Source: SPPS data processing results (2026)

Based on the table above, the Asymp. Sig. (2-Tailed) value is 0.005. Since the significance value is 0.005 <0.05, H0 is rejected and H1 is accepted. This means that there is a statistically significant difference between the Claim Ratio of conventional life insurance and sharia insurance in the 2023-2025 period. The previous descriptive statistics results showed that the average conventional Claim Ratio of 88.98% is much higher than sharia which is only 51.42%. This difference is thought to be caused by differences in business models, where the sharia Claim Ratio is calculated based on the tabarru' fund claim burden against participant contributions, so the portion tends to be lower than premiums in conventional insurance.

The average Claim Ratio of 51.42% indicates excellent underwriting performance and is below the industry's fair range of 70%-85%. This demonstrates the company's ability to effectively manage claims risk, resulting in a substantial underwriting margin.

CONCLUSION

Based on the results of the analysis and discussion that have been carried out on the financial performance of sharia and conventional insurance companies in Indonesia during the 2023-2025 period, the following conclusions can be drawn:

1. There is a significant difference in profitability performance between sharia and conventional insurance. Conventional insurance demonstrated superior performance with an average ROA of 2.7013% and ROE of 2.1473%, while sharia insurance recorded an average ROA of 1.2953% and ROE of 1.2953%. This difference is primarily due to differences in business structure, where sharia insurance implements a profit-sharing system with participants that reduces net profit attributable to shareholders, as well as lower economies of scale and operational efficiency compared to conventional insurance.
2. Sharia insurance has a significantly more efficient claims ratio than conventional insurance. The average claims ratio for Sharia insurance is 51.42%, significantly more efficient than conventional insurance, which is 88%. This is consistent with the basic philosophy of Sharia insurance, which adheres to the principles of risk-sharing and fairness, where tabarru' funds are optimally allocated for participant protection. This high claims ratio actually adds value and creates a positive image for Sharia insurance in the eyes of consumers.
3. Sharia insurance premium growth outpaced conventional insurance, averaging 15.2% compared to 8.5%. This demonstrates that despite its lower profitability, Sharia insurance has strong market appeal and excellent growth potential. (Nirwansyah et al., 2024) . The high claims ratio and rapid premium growth indicate that the sharia business model has successfully built consumer trust through the implementation of fairness and transparency principles.

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