The Role of Sharia Committee and Board of Director in Improving The Performance of Islamic Insurance Companies

by Dedi Kusmayadi

Research Article

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Abstract: The purpose of this study is to determine the role of sharia committee and board of directors in Islamic insurance companies on financial performance.The emergence of this study is because the Islamic finance industry not only runs a business but also needs to comply with Islamic sharia principles.This study involved Islamic Insurance companies that run sharia business units from 2011 to 2019. The research method used in this study is the moderated regression analysis using computer software SPSS ver 22. The variable used to measure financial performance is the surplus on contribution (SoC), while the independent variable is the debt to equity ratio, size, and age. The results show that the surplus on contribution is only influenced by size. Besides, only the Sharia committee successfully strengthens the relationship between size and financial performance. Meanwhile, the board of directors has no significant impact on financial performance.Therefore, this study explains that the Sharia committee not only maintained sharia compliance but also succeeded in improving the performance of Islamic insurance companies, especially for large companies.

Keywords:board of director, sharia committee, surplus on contribution, size, performance, Islamic insurance

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1. Introduction

The Non-Bank Financial Industry, especially the Islamic Insurance sector in Indonesia, continues to grow. This further explains that the public's understanding of the benefits of insurance is getting better, especially in risk management, so that people will prepare it as part of self-protection, business portfolios, and others.

The rapid growth of Islamic banks in Indonesia is currently an opportunity to develop Islamic insurance. A study conducted by Effendi (2018) reveals that there is a strong relationship between the development of Islamic banks and Islamic insurance. Commonly, Islamic banks in Indonesia should direct their customers financingIslamic insurance so that Islamic banks are one of the markets for Islamic insurance. In line with this, Sherif and Shaairi (2013) confirmed that the development of Islamic banks positively affects the demand for Islamic insurance.

Also, according to Herdhyaksa & Hikmah (2019), Indonesia with a majority of the Muslim population has a low penetration rate of conventional insurance. This is because Islam prohibits conventional insurance practices. As a result, Islamic insurance tends to develop in Indonesia (Ramadhani, 2015).

Indonesian people are highly interested in Islamic insurance. Unfortunately, this great interest was not responded well by Islamic insurance companies (Nugraha, 2019). So there must be a change in company management policy to take advantage of this good opportunity.

Concerning their current existence, Islamic insurance companies must have good performance to survive and meet the needs of the community. Good performance improvement shows that the Islamic Insurance business has been successful, especially in Indonesia. Therefore, the existence of management greatly influences the success of the company's business,because it will control the potential resources owned by the company.

However,the management's policies in running the company are certainly quite influenced by the existence of a sharia committee in supervising their work, so that there will be work irregularities which are quite disturbing to the company, although the sharia committee is assigned to keep the company always adheres to the sharia principles (PBI, 2009). This condition is expected to trigger the company in motivating their management to work better under the supervision of the sharia committee.

Mollah & Zaman (2015) have proven in their research that the sharia committee influences performance. Hence, more sharia committees will encouragebetter performance (Muttakin & Ullah, 2012; Darwanto & Chariri, 2019). Likewise, Neifar, Salhi, & Jarboui (2020) found that the high-quality sharia supervisory board is a moderating variable in improving performance.

Another condition is that the board of directors will also have an impact on management. In this case, the number of directors is expected to improve the company's performance. However, too many directors will result in a decrease in performance, as in the studies conducted by Kramaric, Aleksic, & Bach (2018) and Endraswati & Cahya (2020). On contrary, several studies proved that the board of directors plays an important role in improving performance (Pesämaa, Klaesson, & Haahti, 2008; Dhouibi, 2013; Datta, 2018; Khan, Arman, & Eneizan, 2019; Kader, et al, 2014; Najjar, 2012, Tornyeva & Wereko, 2012). Therefore, it is important for the existence of a board of directors to improve company performance (Bouaziz & Triki, 2012), since directors usually have access to relevant information and specific knowledge on the company (Coles, Daniel, & Naveen, 2005), especially from internal directors (Kaymak & Bektas, 2008) who are proven to be able to increase return on assets (performance).

Financial statement analysts usually use financial data as a tool to measure performance. Afinancial ratio thatis commonly used to measure the performance of Islamic insurance companies is the Surplus on Contribution (SoC). Therefore, this study will focus on financial performance using SoC. The surplus shows the difference between tabarru funds' collected in the insurance company which is then reduced by reinsurance contribution claims or compensation payments as well as technical reserves in a certain period.In this regard, the contribution is the gross amount Of the insurance participants' obligation, which is used to pay claims for certain risks due to life, bodies, and/or objects accidence experienced by those who are entitled to pay the ujrah.

The more important factor is knowing the determinants of the increase in financial performance. According to the results of the collection of literature studies, capital structure is one of the factors that is thought to affect financial performance. The capital structure can be described by the debt to equity ratio, which is a ratio that compares debt to equity so that this ratio shows the risks faced by the company.

However, empirical studies state that insurance companies with high leverage ratios can have a good and harmful impact depending on the variety of products they have (Foong & Idris, 2012). For that reason, leverage becomes an interesting problem to investigate (Zeitun & Tian, 2007; Kester, 1986).

The level of risk is usually directly proportional to the benefits that will be obtained so that the leverage ratio will reduce financial performance (Campbell, 2002;Miyajima, Omi, & Saito; 2003; Cassar & Holmes, 2003; Hall et al, 2004; Mwangi & Murigu, 2015). On contrary,Hidayat & Firmansyah (2017)stated otherwise.

Another factor that influencesthe performance is the size (Mwangi & Murigu, 2015). Companies that have large assets usually find it easier to improve performance than those with smaller assets. Therefore, size is one of the factors that have a role in improving the performance of an insurance company(Derbali & Jamel, 2014). Empirical studies have proven that company size is a factor that determines the success of a company's operations (Almajali et al, 2012). Even the research conducted by Hidayat & Firmansyah (2017), Aregawi, Patnaik, & Satpathy (2018), and Batool & Sahi (2019) confirmed it in the insurance industry. However, distinctive research results focusing on insurance companies were discovered (Mwangi & Murigu, 2015; Omondi & Muturri, 2013; Mazviona et al, 2017).

Furthermore, another important variable that determines the performance of an insurance company is age (Derbali & Jamel, 2018). Companies that have a longer age have more experience so that they can control the company better to improve their performance. This is supported by several previous studies conducted by Batrinca & Burca (2014), Batra, (1999), Alomari & Azzam (2017), Lumpkin & Des (2001), Almajali et al, (2012), Kaya (2015), and Chen & Wong (2004). Mehari & Aemiro (2013), and Derbali (2014) more specifically prove that age has a positive effect. However, some studies have different results, such as those conducted by Malik (2011), Mwangi & Murigu (2015), and Sambasivam & Ayele (2013), which found no relationship. Moreover, Berteji & Hammami (2016) has proven a negative relationship.

This study will re-examine several variables that are predicted to determine the financial performance of Islamic insurance in Indonesia. Then place the board of directors and sharia committee variables which are a form of good corporate governance mechanism(Chapra and Umar, 2002),as a moderating variable. It is supported by several previous studies, which found that Good Corporate Company (GCG) is implemented with the aim that the company can achieve its goals (good performance).

In carrying out company operations, the GCG mechanism in Islamic financial institutions can be seen from the board of directors and the sharia committee. The results of Klapper, Leora, & Love (2002)explain that the implementation of GCG in company operations that successfully build the company becomes better so that goals can be achieved. This explanation shows that the composition of the board of directors and the sharia committee is a factor that also disturbs management in running the company. The existence of directors and supervisors is certainly expected to be a factor that can increase the relationship between leverage, assets, and company age in improving the performance of Islamic insurance companies.

Therefore, the study aims to find the factors that determine the performance of Islamic insurance companies in Indonesia which consist of leverage, size, and age with the sharia committee and the board of directors as moderating variables.

2. Literature Review

2.1. Agency Theory

Concerning the operational of the company organization, it requires a management that can improve company performance. Financial institutions are a type of company that has different business models from other types of business because financial management is very different from managing goods and services. Management in financial institutions, including sharia insurance companies, must demonstrate the ability to manage the company because this is the responsibility of the mandate given by the owner of the company as stated in a contract. The contractual relationship between owner and management is in accordance with Agency Theory (Jensen and Meckling, 1976).

The relationship made by several parties, namely the shareholder as the owner of the company, will appoint another party (namely management as the agent) to carry out the work as assigned by the owner (principal), this is known as an agency relationship contract.

In carrying out its duties, management is also given the task of making strategic decisions so that the principal expects that management can carry out its duties as well as possible, including releasing all its capabilities and optimizing company resources so that goals can be achieved.

Both the principal and the agent will have a good relationship if both of them spend their respective resources maximally because the mission of both parties will be accomplished well. Principals who have long-term goals for the sustainability of the company hope that management can support these goals. Conversely, management who has short-term goals expects that their interests can be realized with the help of principals. Therefore, the relationship between the two can be well established and objectives can be carried out well if the principal provides appropriate incentives for management as a form of monitoring of the work done by the management. Therefore, these incentive costs can increase welfare for management which in turn will increase the welfare of the owners (Jensen and Meckling, 1976). Corporate governance is the effectiveness of a mechanism that aims to minimize agency conflicts so that it is hoped that through the optimization of the sharia committee and board of directors, the company's operations will run as they should.

2.2. Islamic Insurance Company Performance

One of the methods used to assess the Islamic Insurance company'sfinancial performance is by looking at Surplus on Contribution (SoC) (Mokhtar, Aziz, and Hilal, 2015). The surplus underwriting is calculated by adding up all participant contributions collected within a certain period, then deducting the distribution of compensation and reserve funds. The higher the surplus in the Islamic Insurance company, the higher the level of performance in the insurance company will be. An effective surplus will not only help the existence of Islamic Insurance companies in the long-term, but it can also attract customers to be able to insure in Islamic Insurance companies. Therefore, in the end, it will increase the share of the Islamic Insurance market, which has an impact on the increasing financial performance of Islamic Insurance.

2.3. Leverage, Company Size, Company Age

Leverage is the ratio between debt and equity. This ratio provides information for management in knowing its financial position, especially regarding the company's funds that come from external parties compared to the resources it owns. This ratio is indicated by the debt to equity ratio (DER). The DER ratio is a fundamental measure of the company's finance, which can show the company's financial strength. DER is the ratio between equity and debt, where debt here includes long-term, short-term and current liabilities.

The funding policy, which is reflected in the debt to equity ratio (DER), greatly influences the company's profitability. If the cost of debt which is reflected in the cost of borrowing is greater than the cost of capital itself, then the average cost of capital will be greater so that profitability will be smaller, and vice versa (Brigham and Houston, 2014).

This high ratio indicates that the company will have real problems in the long run. One of them is the possibility of bankruptcy. The bigger the debt, the greater the risk that is borne, even in a situation where the company can very well manage its debt. Then the existence of debt will provide a good opportunity for the company to be able to increase its profits.

If the company has a high leverage ratio, it shows that the company has good financial performance so that outsiders will give high confidence. With this trust, the company will manage funds seriously so that public trust can be maintained properly so that financial performance will continue to increase. Thus the effect of leverage on SOC is positive. This is following the pecking order theory that management will use debt as the last alternative to be used in company operations if retained earnings and equity have been used previously (Brigham & Houston, 2014). So it is important to manage properly the use of this debt because it is related to long-term reputation.

The results of research by Dalci(1997), El-Wahid (2011), and Kartikasari and Merianti (2016) show that financial leverage has a positive effect on performance. However, some studies also discover thatperformance is negatively affected by leverage(Abor, 1999; Campbell, 2002; Miyajima, Omi and Saito, 2003; Uzanah and Murtaqi, 2015).

Based on the theories and research results above, it is assumed that there is positive effect leverage on financial performance, so the hypothesis is formulated as follow:

H1: there is a positive relationship between the leverage and the surplus on contribution to Islamic insurance companies

Company size is a scale, which can be classified according to various ways. The size of the company is more likely to be seen from its total assets. In this case, the strength of the company running the business can be seen from the total assets owned by it, while the assets come from debt and equity. A company with large assets can generate greater profits. Empirical studies prove that size is successful in improving performance(Abel & Roux,2016; Almajali et al., 2012; Alper & Anbar, 2011; Hidayat & Firmansyah, 2017; Mehari & Aemiro, 2013; Menicucci & Paolucci, 2016; Rashid & Kemal, 2018; Short, 1979; Smirlock, 1985). Therefore, it is strong to state that size is a determining factor in the financial performance of Islamic insurance companies. So that the second hypothesis is formulated as follow:

H2: there is a positive relationship between the size and the surplus on contribution to Islamic insurance companies

Company age is a measure in which the time interval is measured from when the company started to exist until now. Companies that have a long life will have more knowledge and experience in running company operations so that they will be more flexible in managing the resources owned by them. This has been proven by several studies conducted byBatrinca & Burca (2014); Alomari & Azzam (2017); Almajali et al. (2012); Batra (1999); Kaya (2015); Lumpkin & Dess (2001), which show there is a positive relationship between age and company performance. This means that companies that have been around for a long time will have better performance.Therefore, the third hypothesis is formulated as follow:

H3: there is a positive relationship between the age and the surplus on contribution to Islamic insurance companies

2.4. Good Corporate Governance (GCG) Mechanism

Corporate governance is aimed at smoothing business processes and being directed towards all organizational aspects in the company by prioritizing accountability which will provide information for all stakeholders with the main objective of increasing company value in a not short period. Investor confidence and market efficiency are highly dependent on disclosing company performance accurately and on time. To increase the value of these companies, especially in the capital market, the information presented in the financial statements must have quality using accounting standards that are accepted worldwide. Good accounting standards require that accounting information is presented to uphold transparency so that interested parties can pay attention to the risks faced during transactions with companies.

With the principles of GCG, the resulting financial statements can be disclosed transparently and accurately, to help investors and other interested parties in a company to make decisions to improve the company's financial performance. So, it can be concluded that by implementing GCG principles in the company, the parties involved have responsibilities to follow applicable regulations, to encourage a more democratic, accountable, and transparent organizational management as well as will increase trust that companies and other organizations can contribute to these benefits in the long term. In this case, of course, the company's financial performance will increase because it goes well with the company's activities.

To see the GCG mechanism, the variables of this study are the number of boards of directors and the number of sharia committee.

- Board of Directors. To run a company organization, the board of directors is one of the factors that can play a role in improving company performance. This has been proven by researchers that the directors' policies greatly influence employee productivity due to motivation and experience in managing the company so that employee responsibilities in carrying out their work can be carried out properly. But on the other hand, too many boards of directors will also have a negative impact if many individual interests make it difficult to produce policies that are in line with other directors. This will reduce employee motivation to work and can reduce employee productivity. Usually, if the board of directors is a party outside the company, it will be more objective because they have no personal interest other than advancing the company. This will provide tangible benefits for the company, including the presentation of accounting information that is very important for internal and external parties. So that the board of directors becomes part of the corporate governance mechanism because it plays a role in improving the quality of the company to achieve good performance.

Based on this description, the hypothesis is proposed as follows:

H4: The board of directors has a moderate relationship with leverage and financial performance of Islamic insurance companies

H5: The board of directors has a moderate relationship with the company size and financial performance of Islamic insurance companies

H6: The board of directors has a moderate relationship with the age and financial performance of Islamic insurance companies

- Shariacommittee. The sharia committee as part of the organ of a company that runs a business with Islamic principles will ensure that the company has carried out its business in accordance with Islamic principles. Supervision is carried out professionally to protect management and consumers by providing input on any inappropriate policies. So that more supervisors will provide good benefits for the company. According to Chtourou et al (2001), more and more supervisory boards can improve the quality of management monitoring. Monitoring is carried out not to interfere with management's flexibility in creating and innovating, but only to ensure that all activities do not exceed the limits of fairness according to the view of the supervisory board. So that more and more sharia committee boards are expected to improve the quality of operational performance. Therefore, it is possible that the factors that are thought to affect company performance can be disturbed by the number of sharia committee. This means that more sharia committees can play a good role or vice versa in the relationship between variables.

  Therefore, the hypothesis is as follows:

  H7: The sharia committee has a moderate relationship with leverage and financial performance of Islamic insurance companies

  H8: The sharia committee has a moderate relationship with the size and financial performance of Islamic insurance companies

  H9: The sharia committee has a moderate relationship with the age and financial performance of Islamic insurance companies

3. Research Methodology

3.1. Population and Sample

This research was conducted at Islamic insurance companies in Indonesia from 2011 to 2019. To ensure that the data can be processed, data sampling was used with the purposive sampling method with the criteria of data availability and having a surplus of funds.The population was taken in that period because of the limitations of researchers in obtaining the data. For that reason, 20 sharia insurance companies are chosen as the research sample, consisting of 5 sharia insurance companies, and 15 sharia business units.

3.2. Research Variables

This study uses 3 types of variables, namely:

- Independent Variable

  The ratio used to measure leverage is the debt to equity ratio with the following calculations:

  $$\text{DER} = \frac{\text{Total Debt}}{\text{Equity}} \text{ x } 100\%$$

  Meanwhile, the size uses total assets and age by calculating the length of the company standing until the study period
- The moderating variable used is the GCG mechanism. The GCG mechanism uses the number of sharia committee and the number of boards of directors.
- Dependent Variable. This study uses the dependent variable namely Surplus on Contribution (SoC), which is the difference between the participants'contributions to the Tabarru' fund minus the compensation payments/claims for reinsurance contributions and technical reserves.

3.3. Analysis of Data Method

This study uses combination data between time series (t> 1) and cross section (n> 1) in Islamic insurance companies in Indonesia so that the data presented is panel data. The model to be used is the ordinary least square (OLS) approach after going through data quality testing.

The basic model of multiple regression analysis can be formulated as follows:

$$\mathrm{SoC} = a + \beta_1 \mathrm{DER} + \beta_2 \mathrm{Size} + \beta_3 \mathrm{Age} + \beta_4 \mathrm{Dir} + \beta_5 \mathrm{SC} + e \quad \ldots\ldots (1)$$

As for moderated regression analysis using the following formula:

$$\mathrm{SoC} = a + \beta_1 \mathrm{DER} + \beta_2 \mathrm{Size} + \beta_3 \mathrm{Age} + \beta_4 \mathrm{Dir} + \beta_5 \mathrm{SC} + \beta_6 (\mathrm{DER} * \mathrm{Dir}) + \beta_7 (\mathrm{Size} * \mathrm{Dir}) + \beta_8 (\mathrm{Age} * \mathrm{Dir}) + \beta_9 (\mathrm{DER} * \mathrm{SC}) + \beta_{10} (\mathrm{Size} * \mathrm{SC}) + \beta_{11} (\mathrm{Age} * \mathrm{SC}) + e \quad \ldots\ldots (2)$$

where :

SoC : surplus on contribution
DER : debt to equity ratio (capital structure)
Size : company size
Age : company age
Dir : number of board of directors
SC : number of sharia committee

4. Results and Discussion

The companies studied according to the data requirements are 20 companies consisting of 5 sharia insurance companies and 15 sharia business units. The following is a list of companies that were collected from 2011 to 2019:

Table.1. Companies Data

Companies Name	Period	Status
Al-Amin Syariah	2012-2019	Sharia Insurance
Amanah Jiwa Syariah	2012-2019	Sharia Insurance
Jaya Proteksi Syariah	2014-2019	Sharia Insurance
Takaful Umum	2014-2019	Sharia Insurance
Takaful Keluarga	2013-2019	Sharia Insurance
ACA Syariah	2011-2019	Sharia Insurance Unit
Adira Insurance Syariah	2011-2019	Sharia Insurance Unit
Allianz Life Syariah	2011-2019	Sharia Insurance Unit
Askrida Syariah	2012-2018	Sharia Insurance Unit
Bringin Life Syariah	2011-2019	Sharia Insurance Unit
Bumida Bumiputera Sy	2011-2018	Sharia Insurance Unit
Mega Life Syariah	2011-2019	Sharia Insurance Unit
Manulife Syariah	2011-2019	Sharia Insurance Unit
Tokiomarine Syariah	2011-2019	Sharia Insurance Unit
Sinar Mas Syariah	2011-2018	Sharia Insurance Unit
CAR Life Syariah	2011-2019	Sharia Insurance Unit
Panin Syariah	2011-2019	Sharia Insurance Unit
Sunlife Syariah	2011-2019	Sharia Insurance Unit
Astra Life Syariah	2012-2018	Sharia Insurance Unit
Sinarmas Life	2015-2019	Sharia Insurance Unit

4.1. Classical Assumption Test

Multiple regression analysis requires the selected data to be free from the classical assumption test so that the data has good quality. Classical assumption testing consists of the autocorrelation test, multicollinearity test, normality test, and heteroscedasticity test. The results of data quality processing are presented in table 2.

Table.2. Classical Assumption Test

Classical Assumption Test			Conclusions
Durbin Watson		2,054	Good
Collinearity Stat.	Tol. DER 0,730 SIZE 0,523 AGE 0,671	VIF. DER 1,369 SIZE 1,911 AGE 1,490	Good

	Dir 0,895 SC 0,880	Dir 1,117 SC 1,137	
Kolmogorov-Smirnov Test	Asymp. Sig. (2-tailed)	0,098	Good
Glejser Test	Sig. DER SIZE AGE Dir SC	0,710 0,685 0,738 0,102 0,327	Good

Source: Output IBM SPSS (Data processed)

Based on the results of data quality testing using the classical assumption test, all data is declared to pass for regression analysis.

4.2. Regression Analysis of Model 1

Model 1 analyzes the factors that influence the Surplus on Contribution of Islamic insurance in Indonesia, consisting of DER, Size, Age, Board of Directors and the sharia committee. Table 3 is the output of the F-test and t-test. The results of the F test analysis show a value of 0.000 so that the regression model has been declared good and can be continued with the t-test.

Table.3. Analysis of Model 1

F-test		**t-test**		
F	Sig		T	Sig.
17,397	0,000	DER	-0,783	0,435
		SIZE	7,835	0,000*
		AGE	-1,011	0,314
		DIR	-1,158	0,249
		SC	1,343	0,182

Note: *Sig. at level 1%

Of the five independent variables tested, only one variable was significant, namely Size with a significance value of 0.000 with a positive coefficient. Meanwhile, other variables, namely leverage, Age, Board of Directors, and Sharia Committee have a significance value above 0.05 so that the four variables are not significant. Therefore the second hypothesis is accepted, while the rest is rejected.

The conclusion of the above analysis according to Model 1 is that the size of the company has a positive effect on the surplus on contribution, meaning that the larger the size of the company, the higher the performance of Islamic insurance will be. A large company is a company that has large assets, so the greater the assets owned by the company, the easier it will be to improve its performance. Large companies certainly have high flexibility in using their funds because the assets they have will be able to encourage companies to further develop Islamic Insurance product development strategies to achieve the company's goal of obtaining more surplus funds. This study strengthens the results of previous studies conducted by Almajali et al (2012), Menicucci & Paolucci (2016), Guillen et al. (2014), Mehari & Aemiro (2013), Hidayat& Firmansyah (2017), and Rashid & Kemal (2018). Assets must be a factor that plays a major role in developing the business of Islamic insurance companies in Indonesia. The causes of large assets are quite a lot, such as from investors, creditors, or because of the large number of deposits of funds from the public. However, all of the research results have shown that the company has been able to manage its funds to obtain surplus funds. Meanwhile, another variable, namely the age of the company, does not guarantee that it will have a good performance. Newly established companies and those that have been established for a long time do not have any impact on the company's success in obtaining more funds. Therefore, they do not show a difference in quality between old and new companies. It is also in line with the number of directors as a measure of the size of management and the number of sharia committees as supervisors, which have not been able to directly increase the performance of Islamic Insurance.

4.3. Regression Analysis of Model 2

Model 2 aims to test the hypothesis regarding the role of the board of directors and the sharia committee in improving the financial performance of Islamic insurance companies in Indonesia. In model 1, the board of directors and sharia committee shows that both of them do not affect financial performance. So, these two variables can be said to be moderating variables if model 2 shows significant results.

Table 4 presents the output of model 2 analysis (moderated regression analysis), namely testing the variable of the board of directors and the sharia committee in improving financial performance.

Table.4. Analysis of Model 2

Variable	B	Std Error	Beta	t	Sig
DER	0,154	0,685	0,099	0,225	0,822
SIZE	-0,275	0,831	-0,185	-0,331	0,741
AGE	0,144	0,119	0,475	1,215	0,227
DIR	0,239	1,300	0,215	0,184	0,854
SC	-6,921	2,924	-2,815	-2,367	0,019
DER_DIR	-0,098	0,082	-0,359	-1,191	0,236
SIZE_DIR	-0,005	0,119	-0,059	-0,040	0,968
AGE_DIR	-0,012	0,027	-0,177	-0,449	0,654
DER_SC	0,081	0,242	0,134	0,335	0,738
SIZE_SC	0,621	0,266	3,079	2,334	0,021*
AGE_SC	-0,058	0,042	-0,456	-1,390	0,167

Note: *Sig. at level 5%

From table 4, it can be seen that none of the variables of the number of directors are significant. In other words, the number of boards of directors does not have an important role in improving the performance of Islamic insurance in companies that have large capital structures, large company sizes, and long-established companies. Meanwhile, the variable of the sharia committee has a significant value of 0.021 with a positive coefficient on the variable size. This shows that the sharia committee moderates and reinforces the relationship between size and SoC so that the eighth hypothesis is accepted.

The existence of the sharia committee certainly aims to oversee the company's operations to comply with Islamic law, especially for the company's products offered. Companies usually have a target to increase sales in each period and on their business trips. In this case, companies may ignore sharia compliance to earn large revenues. A large company will have more power to increase sales of its products so that it is more flexible to expand. However, the existence of sharia committee will certainly supervise the company so that it does not run its business beyond the boundaries of Islamic compliance. This study proves that the sharia committee strengthens the relationship between company size and increased SoC. This is an important finding that the existence of the sharia committee in Islamic Insurance companies has a positive role in increasing the surplus on contribution. Even though its role is not direct,it plays a role in insurance companies that have large assets and not in companies that have large and long-standing capital structures.

5. CONCLUSION

Thesefindings are new to the type of Islamic Insurance business in Indonesia because the results of the study test the existence of the board of directors and the sharia committee as moderating variables in improving financial performance. The results of the study concluded that the sharia committee strengthened the relationship between size and Surplus on Contribution. This is certainly a reflection of the success of the Islamic Insurance business in Indonesia. The existence of the sharia committee is successful not only in maintaining the principles of sharia compliance but also in helping large insurance companies to improve their performance. This is the function of the supervisor's existence, whichis a part of the good corporate governance mechanism, which is according to Islamic law, running a business must follow the Islamic rules and in the end, it will provide benefits for the company. However, it is different from the board of directors as part of top management. The findings show that a large number of boards of directors does not have any impact on the performance of Islamic insurance.

Although this study has important findings, it still has several limitations. First, the predictor variable used is still small,so that the model can be developed again for further research. Second, the financial performance variable uses a surplus on contribution, even though many other variables can be used to measure a company's financial performance, return on investment,such as return on equity, and return on assets that consider profit as a performance measurement. Third, the investigated companies are the companies having a positive surplus on contribution. Therefore, further research can emphasize the negative surplus on contributions.Besides, future studies can focus on more companies to avoid abnormal data.

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