

Does ownership structure matter? a cost efficiency study of life insurance firms in Indonesia

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Abstrak

This paper is about the cost and profit efficiency of Indonesias life insurance industry. Using data from 2010 2014, we compare cost and profit efficiency among local and joint venture insurers. Our empirical analysis, based on a time invariant translog cost model, reveals mean cost allocation and profit efficiency scores of 0.36 and 0.52, respectively. Interestingly, we find that domestic insurers are more cost efficient compared to joint venture insurers; however, joint venture insurers maximize profit more.