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Sharia Insurance as Asset Protection

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Abstract

Basically, insurance is a preparation made by a person or group of people who each face a small loss as something that cannot be predicted. If the loss befalls one of the members of the association, the loss will be shared. Wealth protection is the process of how to protect family property with certain mechanisms. Some people today really need insurance to protect their property and family from the consequences of a disaster. Insurance can't prevent disaster, but at least it can cope with the financial consequences that occur. This research is qualitative research and literature with a focus on the study of conventional general insurance. The results of this study indicate that Sharia insurance, conventional general insurance is different from Islamic insurance in terms of managing and handling claims.

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INTRODUCTION

Everyone has risks in life that need to be protected from any unforeseen danger. This concern encourages a person to get protection for himself or his family from dangerous threats, but if an incident occurs, one of them provides protection with insurance. Insurance is a strategy from the community to get risk insurance against unexpected events such as accidents, damage, loss of life, and other dangers that may be experienced by a person in terms of property, assets or life. People who use insurance services are referred to as the insured, where the insured party is required to pay a premium to transfer the risk to the insurance company as the insurer. Based on Article 246 of KUHD that insurance or coverage is an agreement, in which an insurer binds himself to an insured, by receiving a premium, to compensate him for a loss, damage, or loss of expected profit. , which may be suffered due to a certain event. Insurance provides protection from risks that cause the insured party to suffer substantial losses. There are several reasons why someone chooses insurance services, one of which is to reduce the risk of loss when an asset is damaged, to minimize the impact of unexpected events. where an insurer binds himself to an insured, by receiving a premium, to compensate him for a loss, damage, or loss of expected profit, which may be suffered due to a certain event. Insurance provides protection from risks that cause the insured party to suffer substantial losses.

Insurance is basically a preparation made by a group of people who each face a small loss as something unpredictable. If the loss befalls one of the members of the association, the loss will be shared. In every human life, there is always the possibility of a catastrophe, calamity and disaster that can eliminate him or reduce the economic value of a person either to himself, his family, or his company caused by death, accident, illness, or old age. Loss of function of an object, such as an accident, loss of goods and also fire.

Indonesian people now really need insurance to protect their property and their families from the consequences of disasters. Businesses that are already developed and profitable may go bankrupt in an instant when a fire hits their place of business. Abandoned families are left by their breadwinners, and businesses that go bankrupt due to fires don't really need to happen if there is insurance protection. Insurance can't prevent disaster, but at least it can cope with the financial consequences that occur.

THEORETICAL FRAMEWORK

Insurance

Insurance is a mechanism for protecting the insured against future risks where the insured party will pay a premium to obtain compensation from the insurer (M.Nur Rianto, 2012). In the KBBI, insurance is defined as an agreement between two parties, one party is obliged to pay contributions and the other party is obliged to provide full guarantees to the contribution payer if something happens to the first party or his property in accordance with the agreement made. The term insurance itself comes from English, namely "insurance" and Dutch, assurantie or verzekering.

According to UU No 40 of 2014, explains that insurance is an agreement between two parties, namely the insurance company and the policy holder, which is the basis for receiving premiums by insurance companies in return for:

1. Provide compensation to the insured or policyholder due to loss, damage, costs incurred, loss of profit, or legal liability to third parties that may be suffered by the insured or policyholder due to the occurrence of an uncertain event
2. Providing payments based on the death of the insured or payments based on the life of the insured with benefits whose amount has been determined and/or based on the results of fund management.
3. With this insurance, it will not eliminate the fcobrisk of unexpected events, but insurance can reduce the impact of losses arising from these events, either on a small scale or on a large scale.

Insurance Legal Basis

Insurance law is a collection of written and unwritten rules, which are intended to bind both parties who have entered into an insurance agreement between the insurer and the insured. The existence of insurance law is to regulate the implementation so as not to harm the community.

Many insurance activities are related to the agreement, therefore in the insurance process there must be legal force. There are several basic insurance laws in Indonesia, including:

1. UU No 2 of 1992 concerning Insurance Business

Law Number 2 of 1992 is the main legal basis that regulates and determines all insurance activities. In Law No. 2 of 1992 contains regulations regarding the insurance business. This law applies to create a just and prosperous society

2. KUHP Article 1320 and Article 1774

Law Article 1320 of the Civil Code and Article 1774 state that insurance contains elements of an agreement between two parties in it. Because it contains elements of an agreement, it will be included in the scope of criminal law, as part two of the Criminal Code explains the chapter on the conditions for the occurrence of a valid agreement.

3. KUHD Chapter 9 Article 246

Chapter 9 of the KUHD thoroughly explains the provisions regarding the type of coverage from insurance, the maximum limit of coverage provided by insurance, the procedural process of applicable coverage, the cause of the cancellation of the insurance process, and the coverage is written in a deed or insurance policy.

4. PP No. 73 of 1992

Government Regulation Number 73 of 1992 discusses the provisions governing the implementation of insurance business. Government regulations are formed on the basis of insurance objectives which in principle are able to encourage the growth of Indonesia's national development.

5. Government Regulation Number 63 of 1999

Government Regulation Number 63 of 1999 basically has similarities with the previous regulation, namely regarding the implementation of effortinsurance. Insurance business activities continue to experience changes, as well as changes in the national economic situation. This is the basis for the need for adjustments to the applicable regulations for implementing the insurance business.

Elements in Insurance

1. Premium

Premiums are obligations that must be paid by the insured party to the insurer as a service for risk transfer. Premium payments must be paid by the insured party in order to use the insurance benefits if you want to use it.

2. Insurance policy

An insurance policy is a legal document that forms the legal basis for the relationship between the insured and the insurer. The policy is useful as a basis for paying compensation costs for damage or loss suffered by the insured party. This policy is made on the basis of an agreement and must be made in writing. 3. Insurance claim. An insurance claim is a formal application submitted by the insured or the customer to the insurance company to make a payment as compensation for damage or loss on the basis of an insurance policy. Before the claim is paid, the company will check the validity of the claim first.

Types of Insurance

1. Life insurance

Life insurance is a type of insurance that provides protection against the loss of a person's or family's income due to the death of someone who is the breadwinner of the family. This insurance product exists on the basis of anticipation so that the bereaved family gets financial convenience in the future. Later will get a sum assured from the insurance company concerned.

2. Health Insurance

Health insurance products provide coverage to the insured in the event of illness or accident. Health insurance usually offers benefits that can be tailored to the needs of prospective participants. To get these benefits, the insured must pay a predetermined premium on a regular basis.

3. General insurance

General Insurance is insurance that provides benefits to policyholders in the form of compensation to the insured in the event of damage, loss, loss of property. With general insurance, the insured will avoid losses or reduce losses to a minimum if there are risks which include the risk of fire, damage, accident, theft, loss, and so on. General insurance consists of several types of insurance, namely: fire insurance, travel insurance, motor vehicle insurance, business insurance.

4. Reinsurance

Reinsurance is insurance from an insurance company. This means that insurance companies use reinsurance to transfer risk to other companies. with it, the burden borne by the company can be minimized.

Sharia Insurance Concept

The basic concept of sharia insurance is sharing of risk, namely the risks that are shared by insurance participants with each other. Sharia insurance has the principle of buying and selling risk, which in its application, customers will be charged a premium in order to get a reward in the form of protection against risks that may occur. There are principles in sharia insurance to avoid losses from events that occur, including:

1. Insurable Interest

This principle means that the person who will insure something must have an interest in the property or object that can be insured. The insured object must also comply with legal provisions. If an accident occurs which results in damage to the insured object, you will receive financial compensation.

2. Utmost Good Faith

In this principle, policyholders and insurance companies must have good faith in carrying out the engagement, meaning that both parties must trust each other and both parties must convey detailed and accurate information.

3. Proximate Cause

This principle will be a reference for insurance companies to determine the conditions that are the main causes of risk and the conditions for disbursing benefits. This is to reduce disputes due to misunderstandings about risk. Usually this will be stated in an insurance policy that contains detailed guaranteed and excluded risks.

4. Indemnity Principle

In the Balance Principle (Indemnity Principle) Insurance is a compensation agreement. Compensation in insurance means that compensation from the insurer must be balanced with the actual loss suffered by the insured. As a result of the compensation, it creates a balance between the insured and the insurer.

5. Subrogation Principle

In the principle of subrogation, if an unexpected event occurs, the insured can demand the insurer to provide compensation, but if the cause of the incident is caused by a third party, the insured can claim compensation from two sources, namely from the insurer and a third party. Subrogation is enforced with the intention of preventing the Insured from getting compensation that is greater than full compensation.

6. Contribution

In the Contribution Principle, if several insurers sign a policy, then each insurer, according to the amount for which they signed the policy, bears only the actual price of the loss suffered by the insured. The principle of this contribution occurs when there is double insurance.

7. Loss Minimization

This principle is an attempt to minimize the risk that will be faced by insurance policy holders. There are two ways to minimize risk: a) Pree Loss Minimization, The impact of the loss will be anticipated using the steps taken before the loss occurs. b) Post Loss Minimization, Can minimize losses, which are carried out after a loss occurs.

Coventional Insurance Development in Indonesia at that time

Humans in living life are always faced with various risks that are not liked and are detrimental. Insurance is a form of control over risk which is carried out by transferring risk from the insured to the insurer. The risk in insurance is uncertainty about the occurrence of an event that can cause harm economically. Everything always carries a risk. We won't know when we will be involved with unwanted circumstances. Risk can occur without previously suspected. Therefore, insurance is needed to prepare themselves if an unwelcome and harmful risk occurs. This is what used by insurance companies in running their business.

Many people today have realized that insurance is useful to reduce the risk that will be borne if something goes wrong Many people today have realized that insurance is useful to reduce the risk that will be borne if something unexpected happens. After using public insurance, you can make financial planning if the possibility of risk has been prepared previously. Thus, people can focus more on thinking about the future front. Currently, there are two types of insurance, namely insurance conventional and Islamic insurance. Actually, the two types of insurance are not too far apart. It's just that there are some things that really go away behind so that adjustments need to be made.

Sharia insurance dates back to the Babylonians 4,000-3,000 BC known as the Treaty of Hammurabi, later in 1668 AD at Coffee House London stands Lloyd of London which is the forerunner of insurance conventional (Amrin, 2006:12). Insurance enters Indonesia during. Dutch colonialism. The existence of insurance in Indonesia is the result of the success of the Dutch in the plantation and trade sectors in Indonesia.

Purpose of Insurance

The main goal of insurance companies is purely business. Like most other businesses the goal is to earn big profits. This can be seen from the funds obtained from customer premiums, everything belongs to the company. Islamic insurance, the main goal is not to get a big profit. The main purpose of sharia insurance is to seek profit to improve the welfare and struggle of the people. This can be seen from the vision and mission carried out by sharia insurance, namely: the mission of aqidah, mission of worship, mission of isghtishodi, and ummah mission.

The difference in objectives between conventional insurance and Islamic insurance will be affect the implementation of the insurance business. Same transaction between the two insurance can be different ways of recognition. This matter is due to the differences in the objectives to be achieved by insurance conventional and Islamic insurance.

Benefits of Insurance

Insurance Benefits According to Martono (2002, pp. 145-146) insurance has the following benefits:

1. A sense of security and protection. As individuals and entrepreneurs, the police owned provides a sense of security for losses that may occur occur.
2. Fairer distribution of costs and benefits. The value of coverage and the amount of premium is calculated accurately with considering the various influencing factors. The more

The greater the insurance value, the greater the premium that must be paid by the insured.

1. Insurance policies can be used as collateral to obtain credit and used as a complement to obtain credit. Great credit can be given by the insurance company to the insured according to with the sum insured. To get credit from the bank collateral is required (in the form of houses, buildings) and the collateral must be insured.
2. Serves as savings and a source of income. Paid premium by the insured has an element of savings that earns income in the form of interest and additional bonuses as an agreement.

METHODS

To carry out the research, this research starting from determining research, and collecting data. This research method used is qualitative and literature review. Qualitative methods help provide rich descriptions of phenomena. Qualitative encourages understanding of the substance of an event. Thus, qualitative research is not only to fulfill the researcher's desire to get an overview/explanation, but also help to get a deeper explanation (Sofaer, 1999). In qualitative research, researchers need to equip themselves with adequate knowledge regarding the problems to be studied. According to Snyder (2019: 333) said that literature review is a research methodology that aims to collect and extract the essence of previous research and analyze several overviews of experts written in the text.

RESULTS AND DISCUSSION

In protecting wealth assets, not everything can be insured. There are certain criteria that have been determined by the insurance company. These criteria are:

1. Losses happen by chance

Something that is insured must have an element of chance. That is, losses caused by an event that was not foreseen or unintentional. For example, everyone has the risk of an accident, but no one knows when the accident will occur. This event can result in financial losses. Therefore, protection against the risk of financial loss that may occur when someone has an accident is possible.

2. Losses are real

The insured loss must be tangible in terms of time as well as amount. The insurance provider must be able to determine when to pay benefits or claims to the insured (policy holder) and how much benefit must be paid. In other words, the risk of loss that is insured must be calculated economically where to determine the amount of benefit there will be many influencing factors. For example, motor vehicle insurance provides a sum insured when the insured has an accident. We must insure our assets to provide protection in the event of damage, loss, or other unforeseen events. Assets that are usually insured include assets in the form of property and motor vehicles.

Motor Vehicle Insurance

Motor vehicle insurance is a form of insurance that guarantees loss, damage, and loss of motorized vehicles due to the occurrence of risks that befall the object of coverage. The types of coverage borne by the company are:

1. Combine

This condition provides a guarantee for loss or damage, either partial or total loss of motorized vehicles caused by the risks mentioned in the policy. The risks covered in the policy: Collision, impact, tipping over, slipping or falling

2. Evil deeds

Insurance company can only provide benefits in the form of insurance money but cannot return the damaged vehicle back to its original state. The determination of the amount of the sum insured is carried out at the beginning of the policy contract where the size of the amount will determine the amount of premium that must be paid by the policyholder.

3. Losses are significant

The nature of the loss must be significant, meaning that when something is damaged or lost can cause you to experience significant losses and even disrupt your financial condition, then it can be insured.

4. Losses are not catastrophic to insurance companies

The risk of loss can be insured if the loss is not catastrophic to the insurance issuer. That is, if the loss occurs, the mitigation does not make the insurance company fall or suffer a big loss.

5. Losses must be predictable

The risk that can be borne by insurance must be estimated at the level of loss. How to estimate the amount and time of losses that will occur based on the probability rate. The concept used is the Law of Large Numbers.

Fire Insurance (For Protecting Property)

Fire insurance is a kind of insurance which covers damages and losses caused by fire. A fire insurance policy covers the loss that the insurer may suffer due to destruction of or damage to property or goods, caused by fire, during a specified period and up to agreed amount. The risks that will be guaranteed by the insurance company, among others: Fire caused and caused by the insured's carelessness, spread of fire, short circuit, and fire by other objects; Lightning which causes direct damage. Also guarantees for electrical machines, electrical or electronic equipment and electrical installations that are burned by lightning; Explosions originating from property covered under this Policy; Falling Aircraft that befall property and buildings guaranteed in the policy; and Smoke originating from property fires covered under this Policy.

Why Assets must be Insured?

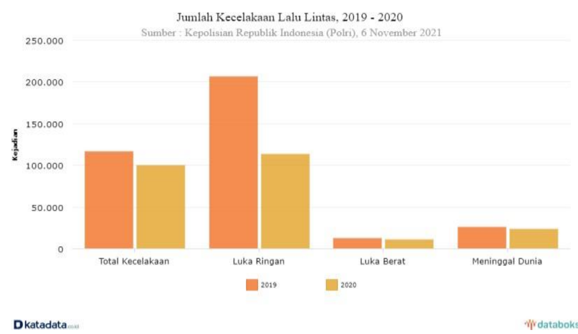
Fire insurance can be extended by covering other risks that are not covered in the PSAKI, including: Riots, Strikes, Evil Damage, Riots; Floods, Hurricanes, Hurricanes and Water Damage; Landslide; Demolition; Business Interruption (loss of profit). How to claim home fire insurance:

1. Reporting stage:

If a bad situation occurs on the property owned by the house, then what must be done is to provide information to the company in the form of a report of the accident. for reports given, try not to exceed 7 days. by preventing the incident from taking place, whether it is preventing damage to the property of the house that may arise on the property of the house and other property owned. Among these preventions can be done.

2. Calling for services from the fire department or even the police to health services which can help provide emergency services in the prevention.

Chart 1:Vehicle Accident



In the picture, we can see that vehicle accidents are very high; therefore, motor vehicle insurance is very important to protect your finances. Because if you use insurance, when your vehicle has an accident and must repair the vehicle, the insurance company will bear the risk. Not without reason because when you use insurance there are many benefits that can be obtained. Starting from protecting to guarding the valuables owned. In this case it is the car you own.

Chart 2: fire

In the picture that fires in residential buildings are very high, therefore we must do fire insurance to protect the property we have. Home fire insurance serves as a security guarantee from losses due to fire. Having insurance is very important for home fires, because insurance can provide guarantees for homes against the risk of fire. If you have home fire insurance, the insurance will protect you from financial problems due to the incident. Fire insurance will also be a peace of mind for homeowners.

CONCLUSION

So it can be concluded that the assets that we have must be insured to minimize the risks that will be faced when the time is unexpected. The existence of this insurance indirectly provides a sense of security and calm because with this insurance the assets that we have will be protected besides that with this insurance if an adverse event occurs, we will minimize the costs to be incurred.

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