Journal of Islamic Business and Economic Review
Volume 4, Issue 2, July 2021
http://journal.stebilampung.ac.id/index.php/jiber

The Growth of Islamic Insurance in Indonesia

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Info Articles

History Article:
Received: 1 March 2021
Accepted: 16 April 2021
Published: 31 July 2021

Keywords :
Islamic insurance, prospect potential, problems, strategy

Abstract

Along with the increasing Islamic financial market, Islamic insurance has also grown significantly over the years. Hence, this paper wants to examine the reasons, prospects, challenges, and possible strategies of Islamic insurance's development in Indonesia. This study used a qualitative research method proved by data and analysis of previous research. The results show that Indonesia's Muslim population, Islamic banking development, and some regulations backing it up are significant in this increase. This increase is also predicted to persist over the next few years. However, it faced a few challenges, like market competition with conventional insurance that is more popular. Still, this thing is easily overcome by more socialization and promoting Islamic insurance to the public.

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p-ISSN 2623-0410
e-ISSN 2623-0402

INTRODUCTION

Insurance is a contract between two parties, namely the insured and the insurer. The insured must pay dues to the insurer to get financial protection or reimbursement to protect themselves from losses that can occur unexpectedly. Typically, the insured is an insurance company, and the insurer is their client. Insurance relies on uncertain things, for example, future unpredictable events that may cause harm to our life. Because of this, most, if not all people nowadays consider insurance as a necessity that could guarantee their self-protection from accidents and losses that might occur anytime.

The first form of insurance known to humanity is the so-called *bottomry.* It was a maritime contract in which the shipowner borrows money from the lender and uses the ship as security for a loan (collateral). So, the ship acts as a protection for the lender if the shipowner cannot pay his debt. Babylonians first practiced bottomry as early as 4000-3000 BCE. Over time, the uses of bottomry were spread to the Hindus in 600 BCE, Ancient Rome, Ancient Greece, and other countries until it finally became the insurance we know now.

In Indonesia, insurance is first introduced by the Dutch colonial government to support their plantation and oil palm business. The Dutch government feels the need to protect their business from the risk of failure, starting from the harvesting process to its delivery to the Dutch. From there, Dutch insurance companies begin to open its branch in Indonesia. Eventually, when Dutch colonialism in Indonesia was over, the country took over these companies, and Indonesia opened a new one. Indonesia's modern insurance companies start developing in the early 1980s, with prominent companies like AIA Financial, Prudential, and Allianz. They offer many different types of coverage and even investment. Then, the Indonesian government is also getting more responsive to the people's need for protection. Hence in 2014, Badan Penyelenggara Jaminan Sosial (BPJS) Kesehatan dan Ketenagakerjaan, or the Social Security Administering Body for Health and Employment was born. BPJS is an authorized government body that carries out a national health insurance program based on social insurance and equity principles.

Aside from modern private insurance companies and the nation's insurance body, Indonesia also has another type of insurance widely used by the public: Islamic insurance. Islamic insurance is a different form of insurance than the conventional ones. It is Sharia law-based insurance, which is Islamic law and principles based on the Qur'an and Hadiths (Prophet Muhammad's recorded sayings and deeds). Insurance is necessary for most people, but it contains unpredictability and incertitude, which was deemed not following Islamic principles. Therefore, the need for Islamic insurance appears to meet the public needs, primarily Muslims. Islamic insurance is also called *takaful*, an Arabic word for 'helping each other.' It is called takaful because Islamic insurance's principle is a mutual risk or risk-sharing between the insurance company and the client. The first-ever Islamic insurance company in Indonesia was Syarikat Tafakul Indonesia, and it was established in 1994.

Islamic insurance has long existed in the world of Islamic finance industry. It has escalated throughout many countries, including Indonesia. However, over the past few years, Islamic insurance has grown significantly. A study even predicted that the Islamic insurance industry in Indonesia would continue to grow at a rate of 15-20% per year (Rahman, 2009). Table 1 shows Islamic insurance development in Indonesia from 2014 to 2016 based on the data provided by Asosiasi Masyarakat Asuransi Syariah Indonesia (AASI), or Association of Islamic Insurance Society in Indonesia.

Table 1. Islamic insurance development in Indonesia from 2014 to 2016 (in Billion IDR)

Indicator	2014	2015	Growth (%)	2016	Growth (%)
Asset	17.198	23.803	27.75	28.967	17.83
Investment	14.816	20.808	28.80	25.726	19.12
Contribution	2.085	2.497	16.50	2.753	9.30

Source: AASI (2016)

The table shows that there is an increase in the asset, investment, and contribution on Indonesia's Islamic insurance through the slightly decreased growth. Other than that, another data from AASI also shows how Indonesia's Islamic insurance must invade more markets by organizing more development strategies. It has a contribution or premium market share of only 5,79%, which was little when compared to another insurance. Also, in 2016, Islamic insurance's penetration into the national population was also small, only 0,095%.

As a country where the majority of the population is Muslim, Indonesia is, without a doubt, a good market opportunity for the Islamic finance's development, including Islamic insurance. There are 209,1 million Muslims in Indonesia or 87,2% of the total population according to The Pew Forum on Religion Public Life. That is 13.1% of the world's Muslims. With this number, it is predicted that Indonesia is a major potential for Islamic banking business' improvement. It will, without a doubt, hugely impact the development of Indonesia's Islamic Insurance.

This swift development of Indonesia's Islamic insurance is related to the growth of Islamic banks. The growing Islamic banking industry will affect the demand for Islamic insurance as it was one of its counterparts. It is likely for a functioning bank to attract more customers since they were confident in other financial institutions, including insurance. Islamic bank should direct their client who conducts financing to the Islamic insurance company, which adhere to the same Sharia principles as the bank. So, the Islamic banking industry directly correlates with Islamic insurance. Furthermore, the activities conducted by fellow Islamic financial institutions must be integrated. Islamic insurance must protect all Islamic banking's financing activities. Islamic banks must automatically use Islamic insurance to minimize business risk and protect its financing assets. This shows that the Islamic banking industry is a significant market potential for Islamic insurance.

The existence of Islamic banks is also fully encouraged by Indonesia's law, as stated in Banking Law Number 10 of 1998 and Law Number 21 of 2008. To that end, different types of Islamic business rules and regulations have been made in line with the invention of new contracts, which have contributed to the development of the Islamic financial industry. With this discovery, another business that applies Sharia principles has also developed. Including but not limited to Islamic insurance, Islamic foreign exchange transactions, and Islamic stock exchange trading, Islamic pawnshops, Islamic Rural Banks, and Islamic cooperatives. Furthermore, Islamic insurance in Indonesia is validated by Law Number 40 of 2014 referring to insurance and is now strengthened by Financial Services Authority Regulation Number 69/POJK.05/2016 referring to the Operation of Insurance Companies, Islamic Insurance Companies, Reinsurance Companies, and Islamic Reinsurance Companies. With this, it is increasingly clear that existing laws in Indonesia protect the implementation of Islamic financial institutions.

For now, Indonesia's Islamic banking industry is on the rise. Islamic banking financing in 2011 as a whole reached Rp102.66 trillion, and then in October 2018, it became Rp312.88 trillion or increased by 205%. With the Islamic banking industry being its biggest potential market, this indicates that increased Islamic banking financing activities will also increase Islamic insurance's premiums or contributions. This is evident because Islamic banking has the highest proportion of total Islamic insurance contributions (Effendi, 2021).

The Muslim population mixed with the growing Islamic financial industry and some regulations that supported its existence may explain the reason behind Indonesia's growing Islamic insurance. However, there could be more reasons as to this rapid industrial development. For example, the politicization of religion that happens quite often might also contribute to why some Indonesian Muslims are becoming fanatics to use Sharia law on an everyday basis. This and a few more reasons left to uncover makes the study of the reason behind Indonesia's Islamic insurance growth still interesting to study.

Therefore, this study aims to address the condition of Indonesia's growing Islamic insurance market by explaining the reasons, including its relation with Islamic banking development. This study also aims to see the prospect and potential of Indonesia's Islamic insurance industry. In addition, ways to improve the Islamic insurance industry in Indonesia will also be explained. The purpose of this study is to examine multiple aspects of Indonesia's developing Islamic insurance industry to get a thorough and clear understanding.

THEORETICAL FRAMEWORK

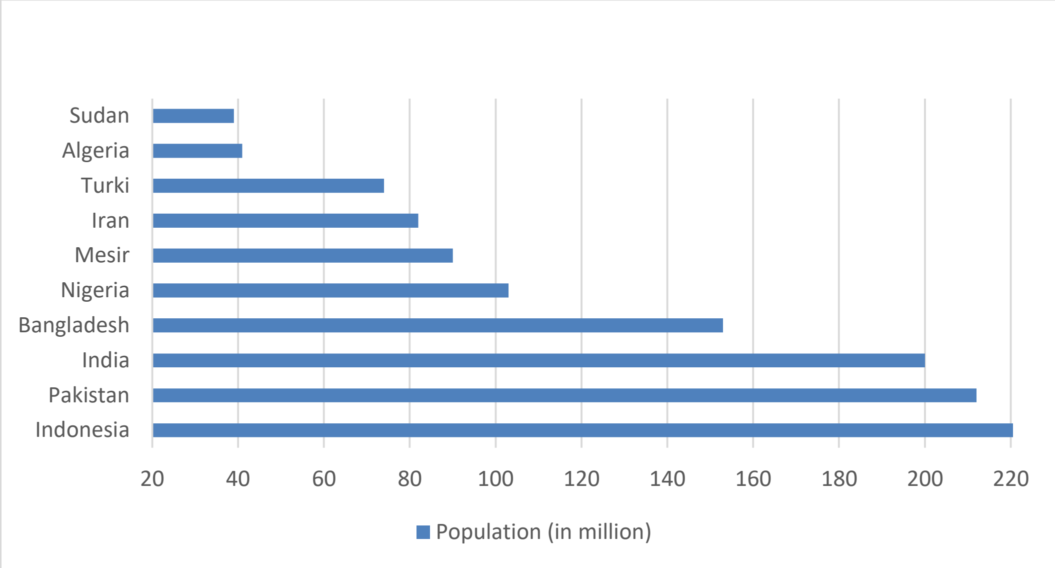
Based on the data from the Association of Islamic Insurance Society in Indonesia shown in Table 1, over these past years, the Islamic insurance market in Indonesia has been growing significantly. There could be many factors behind this development, but the main reasons as to why this could be happening in the Muslim majority in Indonesia, the growing Islamic banking industry, and its relation to the regulations that backed it up. It would be the basis of this study to know to what extent these factors contribute to Islamic insurance development and to find out if there are more factors. With this information, it can be concluded that the variable in this study is as follows:

1. Dependent variable: The reason behind Indonesia's growing Islamic insurance industry.
2. Independent variable: (1) Majority of Muslims in Indonesia, (2) Islamic banking industry, and (3) Regulations regarding Islamic finance market.

Majority of Muslims in Indonesia

Islam is the world's fastest-growing religion. At present, worldwide Muslim population is more than 1.9 billion people, which covers 25% of the world's population. Muslim population all over the world is spread across many countries, and there are approximately 56 Muslim-majority countries. A Muslim-majority country is one where more than 50% of the people are Muslims. As shown in Figure 1, Indonesia is currently the country with the largest Muslim population globally, with India coming in second.

Figure 1. Ten countries with the largest number of Muslims in the world



Source: World Population Review

With a high total GDP of 6,7 trillion dollars, Muslim-majority countries make a good potential core market for the halal lifestyle sector. Today's halal lifestyle that is trending in Indonesia consists of the halal food sector, Islamic finance, halal clothing, halal travel, , halal media and recreation, halal medicines, halal cosmetics, and halal medical care. This 'halal lifestyle' means they strictly based every aspect of the way they live on the Qur'an and Hadiths. Table 2 shows the expenses of Indonesian Muslims for the halal lifestyle.

Table 2. Indonesian Muslim's expenses for halal lifestyle

Halal lifestyle sector	Indonesian Muslim	Global Muslim	Market share
Food	$190,4 billion	$1,292 billion	14,7%
Finance	$36 billion	$1,214 billion	3%
Travel	$7,5 billion	$140 billion	0,6%
Fashion	$18,8 billion	$266 billion	7%
Media and recreation	$4,88 billion	$185 billion	5%
Pharmacy	$3,44 billion	$72 billion	6,7%
Cosmetic	$9,37 billion	$46 billion	7,4%

Source: State of the Global Islamic Economy (2014-2015)

The table shows that Muslims spend the most money on food and finance for halal lifestyles, like Islamic insurance and banking. Muslim's expenses on these sectors will increase in the future due to several key factors such as demographic and economic growth, lifestyle and business practices, and the focus on the orientation of halal paradigm implementation. In other words, the increasing population and purchasing power of Muslims worldwide and a new era of modernization reinforce the rising trend of halal lifestyle and the Islamic business market. Shariah values will be more widely practiced as a way of life. Halal lifestyle is seen as a new pattern for 1.9 billion Muslims around the world. The global market must respond to specific needs, preferences, orientations, and economic value and trade. With that being said, the Islamic insurance industry development is inseparable from the halal lifestyle that most Muslims nowadays pursue.

Islamic banking industry

The Islamic financial market is developing quite well, nationally and internationally. According to the Islamic Financial Services Industry Stability Report published by Islamic Financial Service Board in 2017, the total assets of the Islamic finance industry have reached 2,050.2 billion dollars. The Islamic finance industry in Indonesia can be divided into two groups, namely banks and non-banks. However, until now, Islamic banks still dominate the market compared to their counterparts. The non-bank financial growth is still unstable.

Banking means everything related to banks, institutional spaces, business activities, and the ways and processes of business activities. In other words, a bank is a financial institution that collects funds from the community and distributes it back to the community and provides other services. There are two types of banks based on their tendency to conduct business activities: conventional banks and Islamic banks. Under Law Number 21 of 2008, conventional banks conduct conventional business activities, while Islamic banks conduct Islamic business activities that was based on sharia principles and the fatwa of the Majelis Ulama Indonesia Pusat (MUI) or Central Indonesian Ulema Council.

Institutionally, the Islamic insurance industry in Indonesia has had a development. Based on the data provided by Financial Services Authority, up until July 2016, there has been 12 Islamic Commercial Banks (BUS), 22 Islamic Business Units (UUS), and 103 Islamic People's Financing Banks (BPRS) spread throughout almost all regions of Indonesia. This increasing number from year to year has had a positive impact on the development of the Islamic banking industry. This is proven with Table 3, which shows the total value of assets, Third Party Funds (DPK), and financing over the past three years.

Table 3. Development of BUS and UUS Financial Indicators in 2013-2015

Indicator	2013	2014	2015
Total asset (Million IDR)	242.276	272.343	296.262
Growth (%)	24	12	8,78
PDF (Million IDR)	183.534	217.858	231.175
Growth (%)	29	19	6,11
Financing (Million IDR)	184.120	199.330	212.996
Growth (%)	32	8	7

Source: Financial Services Authority, 2016.

Table 3 shows that the nominal total assets, DPK collection, and financing channeled by Islamic banks and business units have increased every year. The growth of DPK has supported the growth rate of Islamic banking assets, so the ability of Islamic banking in the collection of DPK determines the acceleration of asset growth.

The growing banking industry should positively correlate with Islamic insurance's high demand. A study conducted by Sherif and Shaairi in 2013 discovered that one of the reasons behind the rising demand for Islamic insurance is the development of the Islamic finance industry. Beck and Webb (2003) explained the possible reasons in their study. They said that a well-functioning bank would automatically increase consumer confidence in other financial institutions, including insurance.

Regulations regarding the Islamic finance market

There are quite a few regulations in Indonesia that support the Islamic finance market, such as banking and insurance. The first one is Law Number 10 of 1998 referring to Banking. This law acknowledges the Sharia principle, which was described as the rules of the agreement under Islamic or Sharia law between banks and other parties to store funds and/or finance business activities or other activities declared according to Shariah. The law also defines a commercial bank as a bank that carries out business activities or other services regarding traffic payment services, which can be done conventionally and based on Sharia principles.

The second law is more specific, Law Number 21 of 2008 referring to Islamic Banking. Article 1 defined an Islamic bank as a bank that conducts its business activities based on Sharia principles. Furthermore, it also divided Islamic banks into Sharia Commercial Bank and Sharia People's Financing Bank.

The third law is Law Number 40 of 2014 referring to insurance. The law divides insurance into two types: conventional insurance and Islamic insurance. It defined Islamic insurance as a collection of agreements between Islamic insurance companies and policyholders and agreements between policyholders to manage contributions based on Sharia principles to help and protect each other.

The fourth and latest law regulating Islamic insurance in detail is Financial Services Authority Regulation Number 69/POJK.05/2016 referring to the Operation of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies. This law regulates everything about how Islamic insurance works—starting from the scope of business, the application of Sharia principles, to fraud and its criminal sanctions.

METHODS

The analytical method used in this paper is qualitative research with descriptive qualitative. This method means that this study will compare facts or reality with theories written by experts and from similar previous research. Qualitative research aims to gain a thorough and holistic understanding of Indonesia's growing Islamic insurance phenomena. The author collected, analyzed, and interpreted the data in this study before explaining it. The data used in this study came from previous research and official survey reports about the Islamic financial market and some regulations regarding it. The descriptive qualitative method is purposed to describe everything related to the research topic, the growing Islamic insurance in Indonesia.

RESULTS AND DISCUSSION

Islamic Insurance and Conventional Insurance

Insurance, which was based on uncertainty and what-if, is deemed not in accordance with Islamic principles and frowned upon in many Islamic states and also among the Muslim community. As a society that caters to its most unfortunate members, Islam as a whole is a community that could pull together when needed to help those most in need. With a system that guarantees wealth distribution and will help each other based on its principle, the Muslim community figured why bother paying dues for personal insurance? Besides that, *gharar*, which literally means uncertainty or risk that became a foundation on the concept of insurance, is strictly forbidden in Islam. Insurance is a risk, where people pay money to protect themselves from things that are not certain whether it will happen or not. For Muslims, everything that happens in the world is God's will, and to ensure it could mean questioning His decisions.

However, over time there are more and more Muslims whose understanding of the Qur'an and Hadith became moderate and began to accept modern things, such as insurance. In an era of globalization and universalism, one must accept modernization products by the development over the years. Moreover, with this, Islamic insurance was introduced to respond to globalization. Other than that, Islamic insurance also acts as an alternative to conventional insurance for Muslims who follow financial market trends but still want to adhere to the Sharia principle.

Islamic insurance is usually called takaful, which literally means mutual guarantee. Takaful is an insurance based on Sharia law in order to avoid violating Islamic restrictions on interest (*riba*), gambling (*maisir*), uncertainty (*gharar*), and many other things that are prohibited in Islam. Unlike conventional insurance, where people have to pay dues to insurance companies, Islamic insurance is arranged so every party involved can guarantee each other. Instead of paying premiums, everyone must contribute to a mutual fund based on what type of coverage they want and their financial situation. This mutual fund will then create a takaful fund that can be used together. Islamic insurance is based on the risk-sharing principle, unlike conventional insurance that's based on risk transfer principle, from the client to the insurance company.

Takaful is supervised, managed, and administered on behalf of all of its participants by an operator, an independent body called the Sharia Supervisory Board or Council. They get paid with agreed-upon fees that cover all costs. If there is a surplus, then it will be shared among participants. Conversely, suppose the takaful fund is not enough to cover the expenses. In that case, there will be additional voluntary contributions from the participants, or the operator will give an interest-free loan. Every claim that happened will be paid out with the takaful fund.

There are a few advantages to Islamic insurance. First is the little up-front costs that participants have to pay. Also, business can be transacted quickly. The risks are confined, and the costs become predictable unlike under conventional insurance where the company has to undergo a research. At the same time, spend much money investing in software, hardware, and expensive IT expertise. Other than this, Islamic insurance has an explicit ethical structure that could be marketed to non-Muslims, too. Its principle of fairness and sharing each other's risks will, without a doubt, protect the less fortunate. It could be a way for the financially privileged people to contribute to the common good since takaful fund's surpluses could also go straight to zakat or other favor. Takaful's principles of justice, transparency, and burden-sharing show the human spirit's true greatness (Ferguson, 2008). This ethical reason could be why many people choose Islamic insurance instead of the conventional one.

Islamic Insurance as a Growing Niche Market

Table 1 shows the Islamic insurance industry in Indonesia has grown significantly in terms of its asset, investment, and contribution from 2014 to 2016. Islamic insurance industry in Indonesia has thrived. With that, its business competition is also increased. The emergence of some new players to the market, both from life insurance and loss/general insurance with Sharia law, is tightening the market competition nowadays. Table 4 shows the institutional development of Islamic insurance industry in Indonesia. It is seen that there is an increase in life insurance, general insurance, reinsurance, and Sharia Business Unit. At the beginning of 2010, the number of Islamic insurances in Indonesia was 43, then in 2017 this number increased to 63. From 2010 to 2019, Islamic insurances increased to 20 Islamic insurance companies.

Table 4. The development of Indonesia's Islamic insurance from 2013 to 2019

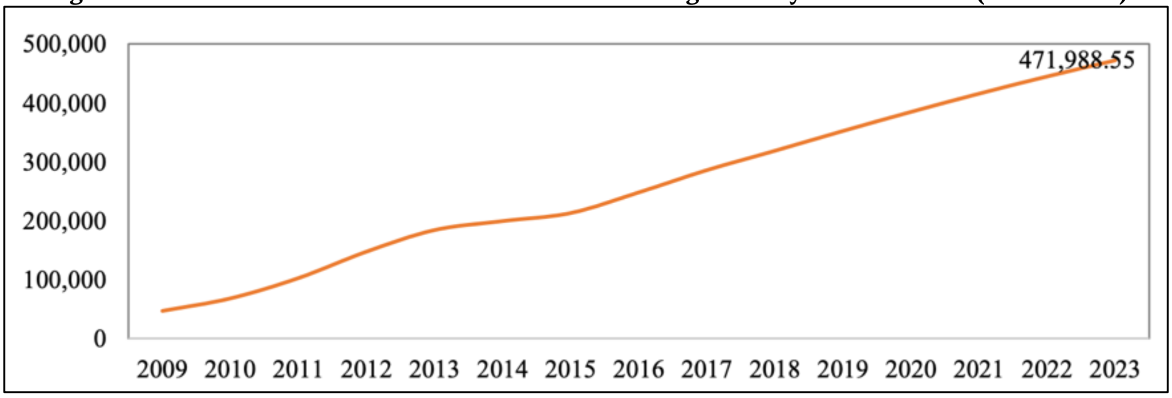
	Years						
Companies	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Islamic life insurance	3	3	5	5	7	7	7
Islamic life insurance - IBU	17	18	20	20	23	23	23
Islamic general insurance	2	2	4	4	5	5	5
Islamic general insurance - IBU	24	23	24	24	25	24	24
Islamic reinsurance	0	0	1	1	1	1	1
Islamic reinsurance - IBU	3	3	2	2	2	2	3
Total	**49**	**49**	**55**	**56**	**63**	**63**	**63**

**IBU = Islamic business units*
Source: Financial Service Authority / Otoritas Jasa Keuangan (OJK)

The laws related to minimum capital insurance, and some Islamic insurance companies plan to do spin-offs to follow the laws and regulations on insurance. This can predict that the amount of Islamic insurance in Indonesia will continue to grow until the following years. As explained before, the Muslim population in Indonesia is a major factor in the growing Islamic insurance market. The rising demand for the so-called halal lifestyle, which covers most life aspects including financial resulted in the increase in Islamic financial industry, not just Islamic insurance but also many similar markets such as Islamic banking and Islamic savings. There are also rules and regulations in Indonesia that validate and protect the existence of Islamic financial markets such as Islamic insurance and Islamic banking. Between the applicable law and the people's belief, it makes Indonesia one of the countries where Islamic insurance can develop rapidly.

Effendi (2021) in his study predicts that there will be a significant increase in the development of Islamic banking in Indonesia. Figure 2 shows that the amount of financing activities distributed by the Islamic banking sector from 2019 to 2023 is predicted to have a massive soar. He predicted that by the end of 2023, the total financing channeled by Islamic banks would reach 471,988.55 billion rupiahs.

Figure 2. Predicted value of Indonesia's Islamic banking industry for 2019-2023 (billion IDR)



Source: Effendi (2021)

As explained before, Islamic banking correlates with Islamic insurance, its development will also be good news to the prediction of Islamic insurance's growth. A study conducted by Sherif and Shaairi in 2013 indicates that the growing Islamic banking industry is one of the main variables that positively influenced Indonesia's Islamic insurance market. In Effendi's study, he also explained the prediction of Indonesia's Islamic insurance contribution's growth. Table 5 shows a positive trend on the predicted development in the premium contribution of the Islamic banking sectors to the Islamic insurance industry here in Indonesia.

Table 5. The predicted growth of contribution of Islamic banking sectors to the Islamic insurance industry in Indonesia

Sector	Growth of premium contribution					
	2018	**2019***	**2020***	**2021***	**2022***	**2023***
Islamic banking	9.52%	12.56%	9.20%	8.04%	7.02%	6.14%

Source: Effendi (2021)

Table 5 shows a good percentage of growth in Indonesia's Islamic insurance contributions, despite it continuing to undergo a decline until 2023. The Islamic banking sector that shows the highest growth rate of 12.56% also indicates that it had experienced business expansion. One example of the factors behind the Islamic financial industry's growth was the attempt by the government to conduct a tremendous infrastructure development throughout the nation. This development surely impacted the growth of Islamic insurance premium contributions, primarily when the Islamic banking industry purchases Islamic securities issued by the government.

Even though the Islamic banking sector is currently the biggest contributing factor to Islamic insurance industry, we cannot rely solely on this sector. Actually, besides the majority of the Muslim population, other previous researches have shown that there are many other variables that we could use to increase Islamic insurance demand. Akhter and Khan (2017) claimed that education level significantly impacts Indonesia's Islamic insurance demand. Similar results have also been stated by Redzuan et al. (2009), Yazid et al. (2012), and Sherif and Shaairi (2013). Besides that, other factors such as lower inflation (Yazid et al., 2012; Sherif & Shaairi, 2013; Li et al., 2007), income per capita (Redzuan et al., 2009), and saving rate (Gustina & Abdullah, 2012) also affect Islamic insurance industry in Indonesia.

Problems of Indonesia's Islamic Insurance Industry

The problem with Indonesia's Islamic insurance could be divided into three different aspects: the customer, the competition with conventional insurance, and the regulations. There are roughly around 240 million Muslims in Indonesia, or about 85% of the country's total population. Although the numbers are high and show that Indonesia has a huge potential for Islamic insurance, the total number gained by Indonesia's Islamic insurance market shares says otherwise. In 2015, its market share amounted to 5.98% of the total Islamic insurance industry. This shows that there are still many Muslims that have not joined the Islamic insurance industry. According to a study conducted by Effendi (2018), there are four reasons behind this: customers' unwillingness to do Islamic transactions, the lack of understanding of Islamic insurance, the habit of using conventional insurance, and rational encouragement.

Moving on to the market competition with conventional insurance. As it has existed longer than Islamic insurance, it is no surprise that the public knows better about conventional insurance. Islamic insurance just started entering the market several years ago. Conventional insurance has a good marketing strategy, professional human resources, and adequate infrastructure that could support its market penetration to keep growing and growing (FGD, 2017). Even though the asset growth of Islamic insurance is pretty decent at 21.69% in 2016, the market share has only reached 5.63% which is still low compared to conventional insurance (AASI, 2016). In addition, the premium price and the whole Islamic insurance system is still seemed to be less competitive than conventional insurance. The claim that is not clear about its coverage, unlike the conventional ones, is also why people use it over Islamic insurance.

Lastly, many institutions issue Sharia-based products but do not use Islamic insurance to protect them. Instead, they use conventional insurance. For example, Hajj or Umrah usually cooperates with conventional insurance companies instead of Islamic ones. So, whenever anyone wants to register Hajj or Umrah, they will be directed to conventional insurance unless they ask for Islamic insurance. Supposedly, if institutions use Sharia principles, it is better to use Islamic insurance services, which are based on the same principle, to integrate and develop the Islamic finance industry as a whole.

Strategy to Increase Indonesia's Islamic Insurance Industry

1. Improving the quality of services and human resources

One of the key factors that could develop the Islamic insurance industry is providing the best service to ensure people's satisfaction (Rahman, 2009). A study shows that the services provided by an insurance company affect the consumers' consideration to choose which one to use (Effendi, 2018). With this being said, it is clear that to increase the number of Islamic insurance users is to improve the service's quality. One way to ensure quality service is by increasing human resources in the Islamic insurance industry, in terms of the quality and quantity (FGD, 2017, Noekman, 2017).

2. Promoting and socializing to introduce Islamic insurance to the general public

Current socialization and education regarding Islamic insurance are not enough to promote it. This is indicated by the lack of public knowledge about Islamic insurance, including its risk-sharing principle. In addition, it turns out that there are still many people who thought that Islamic insurance and conventional insurance work the same. Therefore, increasing promotion and providing education to the general public could assist the expansion of the Islamic insurance market (FGD, 2017).

3. Supporting the regulation and policy from the government.

In order to boost Islamic insurance in Indonesia, the government, along with other authorities, form some affirmative policies. For example, the Ministry of Finance issues about *Sukuk*, the Ministry of Religion that facilitates pilgrimage, and the Financial Service Authority or OJK that issues regulations on Islamic insurance. Hopefully, the Islamic insurance industry can be specific and distinguished from conventional insurance with this affirmative policy. This aims to restrict conventional insurance, so it does not enter the market of Islamic insurance. As for now, people consider the regulation on conventional insurance in the Islamic finance industry needs to be more binding (Effendi, 2018).

CONCLUSION

Islamic insurance or tafakul is an alternative to conventional insurance deemed not in accordance with and even breaking the Sharia principles. While conventional insurance is based on risk transfer from the insured to the insurer in exchange for paying dues, Islamic insurance is based on risk-sharing principles. It is not a two parties contract but a community that helps each other if an incident occurs or if its members need help. There are no dues but rather a flexible contribution adjusting to each individual's needs and financial capabilities.

Islamic insurance in Indonesia has proliferated over these past years. This cannot be separated from Indonesia's Islamic banking industry is also on the rise. Studies have shown that the development of the Islamic banking industry positively impacts Islamic insurance's growth. There are other reasons behind this increase, such as Indonesia being a country with the largest Muslim population globally, affirmative regulations supporting Islamic insurance's existence, saving rate, income per capita, and many more. The development of Islamic insurance in Indonesia will continue to grow until the following years.

Although overall it shows a good development, the Islamic insurance industry has its challenges. Such as customers' unwillingness to use Islamic insurance because of their lack of understanding of Islamic finance, market competition with conventional insurance, and Islamic institutions that did not use Islamic insurance to protect them, in which they use conventional insurance instead. To overcome these problems, a few strategies could be applicable: improving the quality of services and human resources, promoting and socializing to introduce Islamic insurance to the general public, and supporting the regulation and policy from the government.

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