

## **Analysis Strategy and Challenges to Sharia General Insurance Products**

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### **Abstract**

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The development of the Islamic economy began to increase globally. More and more businesses are implementing sharia elements. One of them is sharia insurance, the magnitude of this potential will also have an impact on insurance companies in Indonesia that offer sharia products. However, in increasing the market share of sharia insurance, it is necessary to have a new system and concept in finance and organize the economy. For Keep going develop, insurance industry need optimizing different types to give education about importance This article discusses the challenges faced by sharia general insurance and the factors that may become challenges for the insurance industry in Indonesia in the future.

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## INTRODUCTION

Insurance is a unique business, the insurance world is getting stronger with the number of foreign insurance attacks as a result of the direct impact of globalization. Based on the Commercial Law (KUHD) article 246, what is meant by insurance or coverage is in insurance or compensation, guarantor agree to accept premium to insured for cover loss, damage, or expected loss from possible advantage occur because of events that did not certain.

The development of insurance due to globalization, in Indonesia as a country whose population is mostly the country with the largest Muslim population coupled with increasing public awareness in expressing their Muslim identity. Looking at Islamic Economics global develop that smore and more Islamic Bank who apply the principle sharia. In other words, it is a banking system that does not lend or gather loan with ethnic group flower (usury) and banned invest in company which classified as illegal according to doctrine Islam.

The magnitude of the product potential this sharia will impact on Indonesian insurance companies that offer products However, there are three main elements in insurance which are considered to be contrary to sharia values, namely the insured danger, the insurance premium and the sum insured.

Financial industry sharia build trust and optimism to economic conditions future, influenced by strong capital, technology, and efficiency in human resources. Although Indonesian Islamic Finance growing slow, no doubt sharia insurance market share has developed and continues to grow. By level interest in sharia insurance has the market high, but unfortunately the industry this is only grow and develop slowly. However, the performance of human resources in sharia industry that alone very good.

Indonesia has tremendous opportunities in the Shariah industry in terms of its development as well as its growth rate. There are still many markets in Indonesia that are not yet functioning. Indeed, Indonesia needs new systems and approaches to finance and manage its economy. And for Islamic institutions, this is the most

appropriate alternative. Therefore, the active contribution of both domestic and foreign investors is needed to increase the market share of Indonesian sharia insurance. Therefore, government support is also needed to help insurance companies increase their market share.

## THEORETICAL FRAMEWORK

### Understanding Insurance in General

Insurance is coverage (an agreement between two parties, one party pays the contribution and the other party is obliged to provide full guarantee to the contributor, if something happens to him or his property). Meanwhile, if according to the term, insurance is a guarantee or coverage given by the insurer to the insured for the risk of loss as applied in the policy (letter of agreement) in the event of fire, theft, damage, death or other accident with the insurance paying the premium as determined to the insurer each month.

According to Law number 2 of 1992, insurance or coverage is defined as an agreement between two or more parties, where the insurer binds himself to the insured, by receiving insurance premiums to provide compensation to the insured due to loss, damage, or loss of expected profits.

### Definition of Sharia Insurance

Sharia insurance has several views in Arabic, including, takafu, ta'min and tadamun in the encyclopedia of Islamic law it is stated that the transaction is an agreement between two parties, one party is obliged to provide full guarantees to the contributors if something happens to the first party with an agreement. previously created. This sharia insurance is regulated in accordance with the 2014 insurance law.

In article 1 number 2 the general provisions of CHAPTER I of Law Number 40 of 2014 concerning Insurance, it is stated that:

Sharia insurance is a collection of agreements, which include agreements between sharia insurance companies and policyholders, in the context of managing contributions based on sharia principles with the aim of helping and protecting each other by:

1. Provide compensation to participants or policyholders due to a loss, destruction, existing costs, loss of profits, or legal liability to third parties due to a disaster or problem.
2. Provide payments based on the participant's death or payments based on the participant's life with large pre-agreed benefits or management of existing funds.

### **Sharia Insurance Benefits**

With apply principles of Islamic law, sharia insurance has the following benefits:

1. The principle of help  
Insurance based on Islamic sharia law is known as risk sharing, which is risk sharing in which the customer pays the contribution money, the funds are managed by the company to be distributed to participants who experience disaster.
2. usury free  
Islamic insurance does not exchange premiums for claim money, but the insurance customers will be borne together. If a customer experiences a disaster, contributions from other customers will be collected to help.
3. Premium is not forfeited  
Insurance based on Islamic law or Islamic religious law, the premium deposited will not be forfeited and will be returned if there is no claim during the coverage period. This is based on the principle of sharia insurance that uses the principle of risk sharing, in which insurance customers will be borne together.
4. Free basic fee  
If the customer has a total failure or accident, the customer will accept donations. In this case could obtained in accordance agreement.
5. Transparent  
Funds managed by sharia insurance companies are transparent and have been determined from the start. So customers can find out where the contribution funds are allocated.
6. Even though paying telt doesn't change protection  
In contrast to conventional insurance, sharia insurance still gets ongoing insurance benefits

even though customers are late in paying insurance contributions.

7. Management based on Islamic law  
In accordance with Islamic law.
8. Profits are shared equitably  
Funds raised from investments made by sharia insurance companies will be distributed fairly to customers.
9. Waqf  
In Islamic sharia-based insurance, this waqf has the aim of participating in goodness because of the delivery of long-lasting property to the beneficiary as a form of virtue.

### **Sharia Insurance in Indonesia**

If you see now the growth and development of insurance in Indonesia has grown rapidly, because with this insurance the people in Indonesia will be more helped and guaranteed. For example, health. Let's take the example of conventional insurance which in recent years has offered a new product, namely sharia insurance, with the development of this insurance product, the support of the community and the government so that sharia insurance is growing. The sharia insurance market in Indonesia is currently experiencing and continues to grow rapidly considering that the majority of the population in Indonesia is Muslim.

With the majority of the population in Indonesia being Muslim, this should result in a lower penetration rate and density of insurance products when compared to other countries. This is the biggest obstacle in Indonesia when viewed because of differences of opinion, sharia insurance will be an option and the best solution if in Indonesia because the majority of the population is Muslim. Not to mention that when viewed from the economy in Indonesia, which is very dependent on the micro, small and medium business sector, it will be very suitable in one of the concepts of sharia insurance, namely the concept of helping, because the concept is considered fair and suitable.

Insurance based on Islamic principles, premium contributions given to customers to a company do not become the property of the company, but they become common property, because the company only manages the funds,

does not own them. but the company will also get a commission as a financial management service, and if there is a surplus the company and the customer will get an equal share.

### **Difference between Sharia Insurance and Conventional Insurance**

The difference in the basic concepts of sharia insurance with conventional insurance results in differences in the principles of risk management. The principle of risk management for sharia insurance is risk sharing, i.e. the risk is shared with other insurance participants. This can be interpreted from the DSN MUI fatwa that sharia insurance is an activity to protect and help a number of people/parties which means that the risks that occur will also be shared among all participants of sharia insurance. Meanwhile, the principle of conventional insurance risk management is risk transfer, namely the principle of risk by transferring or transferring the risk of insurance participants to insurance companies.

Islamic and conventional insurance have significant differences which lie in the different objectives and foundations of Islamic and conventional insurance. In terms of goals, sharia insurance aims to help each other (ta'awuni) while in conventional insurance the goal is replacement (tabādulī). From the operational aspect, conventional insurance is based on laws and regulations, while sharia insurance is based on sharia laws and regulations. From these two differences, other differences emerge, regarding the relationship between the company and its customers, profits, paying attention to sharia prohibitions, and supervision. Regarding the company-customer relationship, this is related to the issue of contracts (akad), where in sharia insurance the company is the holder of the trust (wakil). Because of that.

### **Types of Sharia General Insurance Products (Loss Insurance)**

#### **1. Baituna Takaful**

Takaful Baituna is a takaful product that protects homes from the risk of fire which is equipped with extra protection devices for. For example, if something unexpected happens because of an earthquake, volcanic

eruption, flood, tsunami, hurricane, storm and so on.

My house is my paradise, my house is my palace, this insurance is a special package from takaful that protects the house from the risk of fire which is equipped with extra protection devices. The objects of this insurance are Residential Houses/ Apartments, Office Residential Houses (Rukan), Shop Residential Houses (Ruko), Total Takaful Benefit is the total price of the insurance object which includes the price of buildings, furniture, stock and others. The packages include:

- a. Standard Package. Provides extended key benefits with standard added benefits.
- b. Special Package. This plan is the standard package with added protection.

Main Benefits Takaful Baituna provides compensation for the risks guaranteed in the Indonesian Fire Insurance Standard Policy (PSAKI) including: Fire, Lightning, Explosion, Aircraft Falling and Smoke. The Standard Additional Benefits include:

- a. Demolition.
- b. Provision of Rent Fees.
- c. Personal Accident and Funeral Cost Compensation.
- d. Legal Liability and Legal Aid Fees Riots, Strikes, Barriers to Work, Crime, Prevention and Riots
- e. Debris Cleaning Fee
- f. Cost of Architects, Surveyors and Technical Consultants The maximum amount of compensation does not exceed 5% of the Total Takaful Benefits
- g. Addition of the Insured Price every day automatically Additional daily during the insurance period is 1/365 multiplied by 10% of the Total Takaful Benefits  
Optional Additional Benefits:
- h. Earthquake
- i. Volcanic eruptions
- j. Flood Tsunami
- k. Hurricane
- l. Hurricane, and Water Damage Terrorism, Sabotage.

## 2. Heavenly Takaful

Takaful Sugaina is a sharia insurance product that provides financial loss protection and provides compensation due to an accident that occurs to the participant, which results in the participant's death, injury and/or disability (less than perfect) and finances the participant at the participant's funeral.

## 3. Takaful Abror

Takaful abrор is an insurance product that claims in the event of a loss of a motor vehicle in the event of an unwanted accident such as theft, accident, and third party legal liability.

The additional benefits and services provided:

- a. Personal Accident/Driver's PA;
- b. Personal Accident/PA passengers with a maximum total of 7 passengers;
- c. Ambulance Fee (unlimited) Emergency Repair Fee;
- d. Maintenance costs;
- e. Reimbursement of transportation money;
- f. Authorized Workshops/Partners = New Cars Benefits (Max age of KBM is 6 months from the time it is released to authorized car dealers as a new car);
- g. STNK Extension Service\* (Jabodetabek);
- h. Flood and Stroom Eathquake;
- i. Tsunami, Volcanic Eruption;
- j. Terrorism & Sabotage Strike, Riot, Civil Commotion;
- k. Crane Fee by accident (unlimited);
- l. 24 Hours claim assistance \*(Jabodetabek);
- m. Third Party Legal Liability.

## 4. Takaful Anzor Sharia Motor Insurance

Takafus Anzor is a motorcycle insurance product by claiming the risk of loss and accident and life insurance. The Company is only obliged to provide death benefits for one Policy (no multiples) if the Participant has more than one Policy. The benefits provided by Takaful Anzor are:

- a. Total loss (TLO) of motorcycle (theft or accident)
- b. Compensation for death due to accident
- c. Compensation for death is not due to an

accident

## 5. Engineering Takaful

Engineering takaful is a sharia insurance product that claims losses for the loss/damage to an engineering project (construction or installation), which occurs suddenly and from an incident that results (contractor or equipment owner, principal). Provide guarantees against losses during construction activities, both construction/civil engineering work and installation of machinery, industrial machinery and installation of electronic equipment.

- a. Takaful Contractor All Risks .
- b. Takaful program that compensates for loss or damage to work, construction, equipment and or machine construction as well as claims from third parties that occur in connection with and related to the implementation of the civil project.
- c. Takaful Erection All Risks.
- d. Takaful program that compensates for loss or damage to work, construction, equipment and or machine construction as well as claims from third parties that occur during the implementation of the installation project.
- e. Takaful Machine.
- f. Takaful program that compensates for damage to factory buildings, machines, machine tools and equipment in an operating area due to risks that arise by chance, unexpected, sudden such as imperfections in printing and materials, design errors, errors in the workshop or in installation, defects in workmanship, carelessness, carelessness, lack of water in the boiler, an explosion, and others.
- g. Takaful Electronic Equipment
- h. Takaful program that compensates for damage, loss, or material destruction of electrical systems or electronic equipment due to risks that arise by chance, unexpected and sudden such as fire, burglary, smoke, lightning, short circuit, water damage and other causes which are not excluded in the policy and data media

and additional costs arising from material damage to avoid business interruption.

6. Takaful Ship Freight

Takaful product that compensates for loss, damage or loss of insurance objects during transportation from the place of origin to the place of destination. The risks that can be guaranteed in the Takaful of Carriage such as: fire, explosion, ship or transportation means run aground, stranded, slipping, or overturning and others as stipulated in the Takaful Carriage policy. Takaful program that compensates for loss, damage or loss of insurance objects during transportation from the place of origin to the place of destination. The risks that can be guaranteed in the Takaful of Carriage such as: fire, explosion, ship or transportation means run aground, stranded, slipping, or overturning and others as stipulated in the Takaful Carriage policy.

7. Takaful Hull

Takaful product that compensates for the risk of loss or damage: hull and or its engine, freight (additional money), disbursement during the operation of the ship.

8. Takaful Surety Bond

Takaful Surety Bond insurance that replaces investor losses.

9. Sharia Fire Insurance

Takaful product that compensates for the risk of loss or damage: hull and or its engine, freight (additional money), disbursement during the operation of the ship.

**Operational Mechanism of Sharia General Insurance (Loss Insurance)**

Sharia insurance operations consist of several steps including:

1. Takaful premiums received are included in the tabarru account.
2. The takaful premium is included in the participant's fund pool, then developed through investments that are justified by Islam.
3. if there is an investment profit, the profit is given and collected into the participant's funds.

4. After deducting the insurance burden and there is still an excess, the excess will be divided between the insurer and the insured.

The investment profit earned will be included in the participant's pool of funds to be then reduced by "insurance expenses" (claims, insurance premiums). Part of the profits belonging to participants will be returned to participants who do not experience a disaster according to their participation. Meanwhile, part of the profits received by the company will be used to finance the company's operations.

Each takaful premium received will be put into a special account, namely an account intended for charity/tabarru' in the event of an accident and used to pay claims to participants. Takaful premiums will be grouped into "participant fund pools" to then be invested in sharia-justified project financing. The investment profits obtained will be included in the participant's pool of funds to be then reduced by "insurance expenses" (claims, insurance premiums). Part of the profits belonging to participants will be returned to participants who do not experience a disaster according to their participation. Meanwhile, part of the profits received by the company will be used to finance the company's operations.

**Sharia Insurance Product Challenges**

The prospect of Islamic insurance in Indonesia will be bright and more prospective if Muslims can read and empower the opportunities and strengths they have. In addition, Islamic insurance must also be able to minimize threats or challenges that have and will arise as well as improve existing weaknesses or deficiencies. As a sharia financial institution, Islamic insurance should not dwell on the plains of religious symbols. The challenges or difficulties faced by insurance companies in developing or innovating sharia general insurance products include:

1. Sharia insurance does not yet have special regulations regarding general insurance products and still adheres to conventional insurance regulations. Operationally, sharia insurance still refers to regulations issued by the government in the form of government regulations through PP no. 73 of 1992 in

conjunction with PP No. 63 of 1999 in conjunction with PP No. 39 of 2008 concerning the implementation of the insurance business, as well as the regulation of the minister of finance relating to sharia insurance and also the fatwa issued by the MUI through the DSN-MUI Fatwa relating to sharia insurance.

2. The lack of professional human resources is due to the fact that most of the existing human resources are graduates from conventional study programs and do not understand sharia insurance and have a fighting spirit in sharia economic development. So that the development of this product is also not yet many scholars who understand and explore both in terms of sharia contracts and in terms of economic law.
3. Ignorance of sharia general insurance products (takaful) and the working mechanism. Basically, people don't know much about sharia insurance, operations and sharia general insurance products as well as the existence of sharia divisions or branch offices in conventional insurance companies because the socialization that is carried out is still lacking and has not been reached by all circles of society is one of the biggest obstacles to insurance growth at this time. this.
4. Lack of awareness. This lack of awareness is evidenced by the ratio of national insurance which only reaches 12% of the total population of Indonesia and for sharia insurance it is around 1.2%. As a result, any form of product issued by Islamic insurance companies is not in demand by many parties. It is evident from the total population of Indonesia, individual policy holders only reach the range of 3%.
5. Lack of company finances. Several things that are the cause of the relatively low penetration of the sharia insurance market are the low amount of funds that back up sharia insurance companies, market promotion and education that has not been carried out effectively (related to weak funds), the

absence of sharia insurance supporting industries such as sharia insurance brokers, , agents, adjusters, and so on. With a large amount of capital, new products may be developed to be researched first and research made so that an innovative work appears as well as a strong sharia nuance. This may be the task of academics, but if there are sufficient funds to produce a new product then it can be done by insurance companies in collaboration with academics.

6. Inadequate government support. The challenge that is quite influential is the full support of the policy makers in this country, especially the ministers and government institutions that have the authority to determine economic policies. Many government officials during the election campaign stated that they supported the sharia economy, but had not fully realized their support in the form of the work program of their cabinet's economic team.
7. Images. One of the big challenges of the sharia insurance business in Indonesia and other countries is convincing the public of the benefits of using sharia general insurance. It is necessary to socialize sharia insurance not only from religion, but to show benefits.

The reality on the ground shows that sharia economic actors still face serious challenges to instill sharia principles so that they are firmly rooted in the national economy and the Muslims themselves. It is undeniable that the general public still finds it difficult to accept the existence of insurance institutions by looking at the fact that apart from economic factors, transparency factors and the number of business irregularities also play a role in giving this financial institution a bad image. Data on complaints against insurance cases submitted to YLKI (Indonesian Consumers Foundation) and YLKAI (Indonesian Insurance Consumers Foundation) show that the figures are still relatively high. The types of complaints that arise usually revolve around the problem of denied claims, complicated claim procedures, cash value problems, and so on.

## **METHODS**

### **Types of Research**

This study uses a descriptive research method in the form of a literature review.

### **Data source**

There are two types of data, namely primary data and secondary data. Kuncoro (2003) defines primary data as data obtained directly from the object of research. Secondary data is data obtained from data collection institutions or other parties whose data has been processed first. The type of data used in this research is secondary data.

### **Data analysis method**

Which method used is analysis descriptive qualitative. With the views of the informants reported in detail and placed in a scientific setting to understand qualitative approach as a process research based on on creation verbal image.

## **DISCUSSION**

A form of sharia insurance that provides financial protection to takaful participants in the face of disasters or accidents of participants' property, focusing primarily on providing insurance services and assistance in the field of losses such as fire, transportation, commercial and motor vehicle protection, with the hope of achieving an Indonesian society that is prosperous with insurance protection in accordance with Islamic Sharia Muamalah. The contract is the same as family takaful, namely the takaful company and the participants bind themselves in al-mudharabah, al-mudharabah musharaka, and wakalah bin ujah agreements with rights and obligations in accordance with the agreement. Participants of general takaful can be individuals, foundations and companies or other legal entities.

Seeing the development of the Islamic economy which is starting to increase. More and more Islamic banks are implementing sharia principles. Because of the many potentials of sharia products, insurance companies in Indonesia that offer sharia products will also have an impact, and there are still many challenges for the insurance industry in Indonesia to continue to grow in the future. To continue to grow, the

insurance industry must optimize various steps to provide education about the importance of having insurance.

The consequences of being part of an Islamic financial institution are very high. Therefore, the consistency of running the company according to sharia in management, products, investments, promotions, etc. should also be considered and implemented. The economic slowdown that will reduce the demand for the insurance market as well as capital market conditions, insurance growth depends on the performance of the real sector with the slowing economy in the last one to two years making the insurance industry face a slowdown in growth because people prefer to meet their basic needs first rather than to participate in the insurance program, there is an open competition to face the Asean Economic Community in which the Indonesian state participates.

The lack of human resources who understand sharia insurance is one of the consequences of low education, knowledge about finance and insurance products or people who are anti-insurance. There are still many insurance products that are still conventional and sharia insurance regulations that are still based on conventional insurance regulations have caused sharia insurance to collide with the provisions of many tax issues, namely premiums. The level of accessibility and distribution of insurance products in the community is also still low.

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## CONCLUSION

Sharia insurance aims to help each other (ta'awunî) while in conventional insurance the goal is replacement (tabâdulî). From the operational aspect, conventional insurance is based on laws and regulations, while sharia insurance is based on sharia laws and regulations. From these two differences, other differences emerge, regarding the relationship between the company and its customers, profits, paying attention to sharia prohibitions, and supervision. It is undeniable that the general public is still difficult to accept the existence of insurance institutions by looking at the fact that apart from economic factors, The challenges of sharia insurance products are that sharia insurance does not have a special legal basis, there is still a lack of human resources, public awareness is still very lacking, not many people know about sharia general insurance products, and the lack of government support for company finances is not sufficient.

With the existence of this sharia insurance product, it is able to encourage clean business processes so that it becomes conducive and the emergence of sharia insurance. The nature of sharia insurance that avoids practices that contain elements of uncertainty will be in line with prudent business practices in the global economic environment. The basic concept of sharia insurance, especially those that use the wakalah system, is an insurance concept that is free from business uncertainty in the insurance sector.

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