

## Research Article

# Analysis of Potential and Constraints for Insurance Development Jasindo Syariah in Bandung City

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**ORCID**Muhammad Rheza Nugraha: <https://orcid.org/0000-0002-7616-4007>**Abstract.**

This research investigates the potential for and the obstacles to the development of Jasindo Syariah Insurance in Bandung City. Qualitative methods guide this research with data sourced from observations, interviews, and documentation studies. The findings reveal the potential and obstacles to the current development of sharia insurance. The expected implication is that this research can contribute to the development of sharia insurance in Indonesia.

**Keywords:** insurance of Sharia, development

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## 1. Introduction

The reality of life which is forged with various risks that will always accompany individuals in the future is a sign of the importance of having insurance. Regionally, Indonesia is one of the country's most vulnerable to natural disasters such as earthquakes and volcanic eruptions [1]. Apart from that, the vulnerability of Indonesia's territory to the negative impacts of climate change due to excessive carbon emissions also increases the risk of other disasters such as floods, droughts, and fires. Moreover, some risks are closer to life due to individual negligence in paying attention to physical and spiritual health, such as unhealthy lifestyles and not exercising which can increase the risk of developing disease [2],[3],[4].

Insurance has the potential to help individuals overcome unpredictable disasters, maintain life continuity, increase emergency funding sources, and ensure the continuity of children's education in the future [5].

Life insurance during the COVID-19 pandemic was used to protect against the impact of financial losses or loss of income that might occur due to the death of a family

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member (insured) who was previously the backbone of the family [6]. Modern insurance contracts generally have historical continuity with lending and borrowing practices that were carried out in ancient Greece. All insurance, both in the past and today, has the same goal, namely to protect against all types of risks that may befall humans in the future. Some people engage in insurance practices with the motive to shift the burden of possible losses to other parties who are willing to take over the risk.

Sharia insurance is an effort to protect each other and help each other. It is confirmed in the Qur'an which means: "And help you in (doing) virtue and piety, and do not help you in committing sins and transgressions. And fear Allah, verily Allah is very severe in punishment." (Q.S Al-Maidah (5): 2) The Qur'anic verse above reminds us to always help each other in doing good deeds and forbids us not to help each other in committing sins. In addition to basic principles such as mutual assistance, the principle of justice, and avoiding injustice, Sharia insurance institutions or companies must also develop insurance management that is independent, integrated, professional, and does not violate the basic rules set out in Islamic sharia law [7]. To ensure compliance with Islamic law, every insurance company must have a Sharia Supervisory Board (DPS). This is what differentiates Sharia insurance from conventional insurance. In Indonesia, sharia insurance emerged at the end of 1994, namely with the establishment of Indonesian Takaful Insurance which was initiated by the Indonesian Takaful Insurance Formation Team (TEPATI) and spearheaded by ICMI through the Abdi Bangsa Foundation, Bank Muamalat Indonesia, Tugu Mandiri Life Insurance, officials from Ministry of Finance, and Indonesian Muslim Entrepreneurs. The growth of sharia insurance companies in Indonesia has not experienced significant growth [8],[9].

The development of shari'ah insurance in Indonesia is marked by the number of shari'ah insurance companies as of December 31, 2012, is 45 companies consisting of five shari'ah insurance companies (pure shari'ah), 37 insurance companies that have shari'ah units, and three reinsurance companies that have shari'ah units. This number increased from 2011 which was 43 companies. The advantage of shari'ah insurance is to protect each other and help fellow policies and participants provide grants to participants affected by disasters while insurance participants as managers of grant funds. The policy owner provides protection for insurance participants but can also help other policy participants and is profit sharing, in contrast to conventional insurance which is commercial.

The disadvantage of shari'ah insurance is that it only focuses on shari'ah companies and cannot work on surety bond guarantee business in all conventional companies [10].

Based on preliminary observations it is known that in 1845 when the nationalization of NV Assurantie Maatschappij de Nederlander, a General Insurance company owned by the Dutch colonial, and Bloom Vander, a British General Insurance company based in Jakarta. Then after independence, this company was nationalized and then divided into 2 (two) companies, namely PT Asuransi Bendasraya which is engaged in General Insurance in rupiah, and PT Umum International Underwriters (UIU) which is engaged in General Insurance in foreign currency. However in 1972, the government decided to merge the two companies into PT Asuransi Jasa Indonesia (Jasindo) as one of the state-owned companies. Then in 2010, Jasindo formed a sharia unit called Jasindo Takaful. In 2016 Jasindo Takaful separated itself and spun off into PT. Jasindo Sharia Insurance. PT Asuransi Jasindo Syariah or Jasindo Syariah which is engaged in general insurance based on Islamic law, Jasindo Syariah was formed after the spin-off (separation) of the Takaful Business Unit (UUT) from Jasindo Insurance and began operating since May 1, 2016. By operating fully as an independent company, Jasindo Syariah can grow and develop more rapidly and the majority of its share composition is owned by insurance companies that have a high reputation and experience and are known as reliable and trusted companies, Jasindo Syariah as part of the Jasindo Syariah business group provides a wider choice of insurance and by the needs of the community to customers using sharia principles Islam.

From the background of these problems, the objectives of the Research for “Analysis of the Potential and Constraints of Jasindo Syariah Insurance Development in Bandung City” as the title of the thesis are as follows: (1) To find out what is the potential in the development of sharia insurance in the city of Bandung so that people can switch from conventional insurance to sharia insurance.; (2) To find out what are the obstacles in the development of sharia insurance in the city of Bandung.

## 2. Literature Review

### 2.1. Insurance of Sharia

Sharia insurance (*ta'min*, *takaful* or *tadhamun*) in Fatwa DSN MUI No. 21 / DSN-MUI / III / 2002 is an effort to protect and help each other among several people or parties through investment in the form of assets and/or *Tabarru* which provides a pattern of return to face certain risks through contracts (engagements) under shari'ah. The contract under the Shari'ah in question does not contain *gharar* (fraud), *maysir* (gambling), usury, *zhulm* (persecution), *risywah* (bribery), haram goods and immorality [11],[12].

The concept of insurance in the fiqh literature on shari'ah insurance discusses insurance issues such as Ibn Abidin is a scholar of the Hanafi school, who discusses insurance in his popular works namely Hasyiyah Ibn Abidin, Bab Jihad, Fashl Isti'man [13].

According to scholars who are experts in Islamic law, in the history of Islamic law there is a concept that leads to the concept of insurance based on Islamic Shari'ah, namely *al-'aqilah*. *Al-'aqilah* is a custom practiced in pre-Islamic times which was later accepted by the Prophet Muhammad SAW through his hadith when trying 2 (two) women from the tribe of Huzail. *Al-'aqilah* is the concept of shouldering or being responsible for one's family. If one member of the tribe is killed by another tribe member, the heir of the victim will be paid with blood money (*diyat*) as compensation for the next of kin of the murderer. The closest relative of the murderer is called *'aqilah*. Then, they raise funds that are funds to help families involved in involuntary murders [14],[15].

There are several potential factors for the development of shari'ah insurance. First, awareness in religion that following the rules according to shari'ah increases. So, insurance is needed according to Islamic principles. Second, the influence of economic and business developments, especially in shari'ah financial institutions. Third, there are several advantages that only shari'ah insurance has economically. Fourth, full support from the MUI Sharia Council (DSN) which can formulate contemporary fatwas by the development of the shari'ah financial business. Fifth, support from the MSME sector in guaranteeing shari'ah insurance products [16].

Several growth factors hinder the development of shari'ah insurance, which are as follows: a. Understanding of shari'ah insurance to the public is still minimal because people do not understand the real concept of shari'ah insurance. b. The development of insurance is fairly good and has increased rapidly but is still not balanced with quality labor or Human Resources (HR). c. Limited capital is the cause of the low penetration of the shari'ah insurance market in the last 10 years because there is nothing to support shari'ah insurance companies such as specialized shari'ah insurance brokers, agents, and adjusters [17].

### 3. Methods

The type of research that researchers use is through qualitative methods and field research. This study aims to study phenomena related to the company including behavior, perception, motivation, and action.

Researchers researched the potential and constraints of shari'ah insurance development at Asuransi Jasindo Syari'ah Bandung Branch Office located on Jl. Wastukencana

no. 10, Babakan Ciamis, Kec. Sumur Bandung, Bandung City. The study was conducted from February 7, 2023, to March 15, 2023.

The interview that the researcher conducted was addressed to the Branch Head of PT Asuransi Jasindo Syari'ah Bandung Branch Office to find out the information that will be used by researchers in collecting research data. In this case, the type of observation that researchers use is non-participation, which is when the researcher is not directly involved as a participant and is not part of the group he is studying. It aims to observe the research location directly.

The data analysis technique used in this study is qualitative descriptive analysis, that is, in addition to processing and presenting data, researchers also conduct qualitative data analysis. This is done so that some data that has been obtained and prepared can be harmonized. The data analysis used in this study is adjusted to the research study, namely "Analysis of the Potential and Constraints of Jasindo Syari'ah Insurance Development in Bandung City" which will be studied using qualitative methods. The data analysis method in this study is based on the deductive thinking analysis method. The deductive method is a way to take conclusions from Special to General.

## 4. Results and Discussion

### 4.1. Sharia Insurance Development Potential

The potential for the development of shari'ah insurance at PT Asuransi Jasindo Syari'ah Bandung branch must be supported by offering shari'ah-based products, namely help, do not contain usury, *gharar*, and *masyir*. Several important things must be considered by PT Asuransi Jasindo Syari'ah Bandung city branch so that its development potential can be maximized, namely as follows: (1) Product knowledge of PT Asuransi Jasindo Syari'ah Bandung city branch must be further improved and make sales calls (product offers to a company) to shari'ah companies; (2) Socializing shari'ah insurance so that it is widely known by the public; (3) Conduct marketing such as introducing the advantages possessed by shari'ah insurance through social media such as Facebook, Twitter, Instagram, and other e-commerce. 4. Development of qualified and competent human resources (HR) or workforce, such as holding training that is held regularly for 2 (two) times a week by honing soft skills and hard skills.

The development of shari'ah insurance in Indonesia is quite positive and has many enthusiasts because the majority of Indonesia's population is Muslim. Sharia insurance is an effort to protect and help each other's insurance participants. The pattern of

return to face risk in shari'ah insurance uses a contract or contract system under Islamic law. Simply put, shari'ah insurance is the best insurance option for Muslims because it guarantees the future without usury, *ghahar*, *masyir*, and transactions that are contrary to Islamic law. Sharia insurance is based on the value of helping fellow people, so participants do not need to be afraid of feeling disadvantaged by insurance companies as insurance managers.

For how it works, shari'ah insurance applies the concept of a contract consisting of 2 (two) types, namely *tijarah* contract (*mudharabah*) as the basis of agreement for commercial purposes and *tabarru* contract (grant) which is used as a basis for benevolent and helpful purposes. The rights and obligations of participants and the company are described in each type of contract. In the contract there is also a method and time of premium payment, the type of contract, and the agreed terms. Matters related to rights and obligations will be adjusted to the type of shari'ah insurance chosen. Here are some reasons why shari'ah insurance is widely chosen by the people of Indonesia.

First, it uses the principles of Shari'ah. The first reason why shari'ah insurance is the main choice for the people of Indonesia is because this insurance product uses the principles of shari'ah. Every element in shari'ah insurance starting from the sales system, and management, to revenue sharing in shari'ah insurance, also applies the principles and values held by the Indonesian people such as mutual assistance and justice. Therefore, participants who are worried about uncertain interest or costs can use shari'ah insurance that prioritizes certainty according to the contract.

Second, it knows no usury. In shari'ah insurance, there is no practice of *riba* because the contract in shari'ah insurance is based on help. Fund management in shari'ah insurance is also carried out transparently by only using shari'ah-based financial and investment instruments so that shari'ah insurance can provide benefits to all participants.

Third, guaranteed by the Shari'ah Supervisory Board the Shari'ah Supervisory Board is an institution tasked with monitoring Shari'ah financial activities and ensuring that each of these activities is in line with Shari'ah principles. Supervision of all shari'ah insurance products by the Sharia Supervisory Board ensures that the management of funds in shari'ah insurance is by Islamic law. Therefore, shari'ah insurance participants do not need to worry about their funds being forfeited suddenly. All funds collected in shari'ah insurance are managed transparently. Benefits provided proportionally Shari'ah insurance also provides profits from shari'ah investment results to each participant and the manager of shari'ah insurance itself. The details will adjust to the mutually agreed contract. The benefits provided by shari'ah insurance are different from conventional

insurance whose profit from investment results will belong to the company (Prudential Syariah).

## 4.2. Constraints on Sharia Insurance Development

The obstacle in the development of PT Asuransi Jasindo Syari'ah Bandung branch is the lack of education on shari'ah insurance products so the public does not fully know about the shari'ah business. The following is a table of income of PT Asuransi Jasindo Syari'ah Bandung city branch. Based on the data that the researchers described in the table above, there was a decrease in revenue at the Bandung branch of PT Asuransi Jasindo Syari'ah in 2022. This is due to the lack of mastery of product knowledge and promotional media carried out by PT Asuransi Jasindo Syari'ah.

In addition, there are several obstacles in the development of PT Asuransi Jasindo Syari'ah Bandung city branch, which are as follows: (1) Limited shari'ah business sectors such as surety bonds, the company contains usury, ghahar, or people who cannot be covered by shari'ah insurance; (2) People who are still unfamiliar and lack of education related to shari'ah insurance; (3) Lack of human resources (HR) or workers who understand the Shari'ah Economy as a whole; (4) Lack of promotional media carried out by PT Asuransi Jasindo Syari'ah Bandung city branch; (5) The number of Shari'ah insurance agents is still limited; (6) The market share of PT Asuransi Jasindo Syari'ah is low; (7) Many insurance products have not provided services in shari'ah and are still conventional; (8) There are not many insurance products that can be reached by the lower middle class, so far the cost of insurance products is high; (9) It is difficult to file an insurance claim. People do not understand the concept of insurance products coupled with the level of financial literacy that is still lacking.

From the points above, the solution that can be given to PT Asuransi Jasindo Syari'ah is to introduce product knowledge to the people of Indonesia and promote it through social media such as Facebook, Twitter, and Instagram. Moreover, recruiting human resources or workers who understand the Sharia Economy as a whole and have soft skills and hard skills can support the ability of human resources to have a career in the shari'ah insurance sector.

This research is expected to increase knowledge and understanding of Sharia insurance, especially regarding the potential and constraints on the development of Sharia insurance. Practically, the results of this research are expected to contribute to sharia insurance in improving quality and marketing to further develop the community. For researchers, it is expected to be useful for researchers themselves as a means of adding

academic intellectual insight, starting from the theoretical basis to its application. And of course, for the public to understand and add insight into sharia-based insurance that can be taken into consideration as a sharia insurance customer.

## 5. Conclusion

Based on the results of research on the potential and constraints in the development of shari'ah insurance at PT Asuransi Jasindo Syari'ah Bandung branch, researchers can draw several conclusions, namely: 1. Sharia insurance is an effort to protect and help each other among many people/parties through investment in the form of assets and/or *tabarru* 'which provides a pattern of return to face certain risks through contracts (engagements) under shari'ah. 2. In the era of globalization like now, Indonesian insurance companies have the opportunity to operate to develop insurance and reinsurance businesses in other countries because they have strong capital and reliable technology and human resources (HR). This is marked by the increasing number of Islamic banks that apply the principles of shari'ah. Especially with a large market share the growth of shari'ah finance in Indonesia is fairly slow but sure and shows quite good performance. 3. However, along with the potential for the development of shari'ah insurance in Indonesia, one of which is in the city of Bandung, some obstacles can hinder the development of shari'ah insurance, namely First, in general, insurance has not become the main need of the community, especially in the middle to lower economic circles. Second, the level of literacy is less massive regarding shari'ah insurance and its differences with conventional products. Third, almost all shari'ah products are developed by companies that initially market conventional insurance, and in the end, shari'ah products are still not as popular as conventional insurance that already exists.

There are several suggestions regarding the potential and constraints in the development of shari'ah insurance in Indonesia, especially at the PT Asuransi Jasindo Syari'ah Bandung branch. First, PT Asuransi Jasindo Syari'ah Bandung branch must increase product knowledge and make sales calls or offer superior products owned by the company to other companies that can be covered by shari'ah insurance. Second, marketing such as promoting the advantages of shari'ah insurance through social media such as Instagram and e-commerce. Third, socialize about shari'ah insurance so that people can understand the functions, objectives, and benefits of shari'ah insurance itself. Fourth, developing human resources (HR) or a workforce who understand the Sharia Economy and holding routine training held 2 (two) times a week that can hone soft skills and hard skills.



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