proceedings

MDPI

Proceeding Paper

Readiness of the Sharia Life Insurance Industry and the Role of Indonesian Sharia Insurance Associations in Facing the Sharia Insurance Spin-Off in 2024 †

Karin Amelia Safitri [1,*], Muhammad Akbar Abung [1] and Dedi Harsongko [2]

[1] Program Pendidikan Vokasi, Universitas Indonesia, Depok 16424, Indonesia
[2] Asosiasi Asuransi Syariah Indonesia, Jakarta 13350, Indonesia
* Correspondence: karinamelia@ui.ac.id

† Presented at the 5th International Conference on Vocational Education Applied Science and Technology 2022, Teluk Betung, Indonesia, 26–28 October 2022.

Abstract: This research discusses the readiness of the sharia life insurance industry in terms of equity and the role of the Indonesian Sharia Insurance Association (AASI) in facing the spin-off of sharia insurance in 2024. The method used is a combination of a quantitative method to examine aspects of the readiness of the sharia life insurance industry to face the spin-off of sharia insurance as well as a qualitative method for the aspect of AASI's role in facing that process. The purposes are to determine the extent to which the sharia life insurance industry is prepared to face the spin-off and the extent of AASI's role in dealing with this process. The results show that 80% of companies that have sharia business units and are still actively registered as members of AASI are ready to conduct a spin-off with the method of forming a new sharia insurance company. AASI has also carried out various roles such as coordinating with OJK, organizing seminars and workshops, and providing information for interested parties.

Keywords: Indonesia; Islamic insurance; sharia insurance; spin-off

check for updates

Citation: Safitri, K.A.; Abung, M.A.; Harsongko, D. Readiness of the Sharia Life Insurance Industry and the Role of Indonesian Sharia Insurance Associations in Facing the Sharia Insurance Spin-Off in 2024. *Proceedings* **2022**, *83*, 37. https://doi.org/10.3390/proceedings2022083037

Academic Editors: Ari Nurfikri, Triana Karnadipa, Debrina Vita and Widyo Swasto

Published: 28 December 2022

1. Introduction

The financial sector is a sector consisting of companies that provide financial services to commercial and retail customers [1]. The financial sector plays an important role in the economy and continues to develop over time according to the needs of society [2]. The development of the financial sector at the domestic and global levels is categorized into two types, namely conventional and sharia [3]. Between the two types, the Islamic finance sector is increasingly showing its significance in accelerating economic growth in addition to contributing in terms of mobilizing savings that have an impact on real sector growth [3].

The development of the Islamic finance sector also has an impact on the development of the sharia insurance industry (takaful) [3]. In Indonesia, the fact that this country has a majority Muslim population is also a factor in the emergence of sharia insurance companies (PAS), which are divided into sharia life insurance companies and sharia general insurance companies. Based on data from the Sharia Non-Bank Financial Industry (IKNB) from the OJK in 2021, there are currently 30 companies in the sharia life insurance business in Indonesia. The details include 23 life insurance companies that have sharia units and 7 full sharia life insurance companies. This number is predicted to increase, especially for full sharia life insurance companies after the sharia insurance spin-off process occurs [4].

Through Law Number 40 of 2014 concerning Insurance and POJK Number 67/POJK.05/2016 concerning Business and Institutional Licensing of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies, the government mandated the release of sharia business units into independent insurance companies [5]. This separation process is expected to be completed no later than 17 October 2024 [6].

According to POJK Number 67/POJK.05/2016 concerning Business Licensing and Institutional Insurance for Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies, one of the requirements for separating sharia units is seen from the financial aspect. There is also a consideration that the minimum equity value must be met at the time of the establishment of the insurance company resulting from the separation.

The Indonesian Sharia Insurance Association (AASI), an institution that oversees insurance companies with sharia units and sharia-specific insurance companies, has committed to assisting its members in accordance with regulations [7]. This effort is also a form of denial of the issue that there is a possibility of changes or cancellations related to spin-off obligations [8].

The word "insurance" comes from the Dutch "assurantie", which means coverage [9]. Insurance can be defined as an agreement between the insurer and the insurance cover in which the insurer is responsible for indemnifying or paying what was agreed upon at the time of insurance closing while the insurance cover is obliged to pay the premium [10]. Insurance is an effort to manage risk and protect yourself from loss. Some of the benefits that can be obtained from insurance include providing a sense of security and certainty, a means of saving, a means of transferring and spreading risk, and guarantees for credit and financing, and it is also an important part of the financial planning mechanism [11] In addition, sharia insurance provides access for Muslims to avoid the practice of usury (interest or transaction value added), gharar (uncertainty), and maysir (chance), which is forbidden in Islam. This is possible because of the application of the contract and the principles of sharia insurance itself [12]. Sharia insurance, according to the Fatwa of the MUI National Sharia Council No. 21/DSNMUI/III/2001, is defined as an effort to protect and help each other among a number of people/parties through investment in the form of assets and/or tabarru', which provides a pattern of returns to face certain risks through a contract (engagement) in accordance with sharia. Sharia insurance is divided into sharia life insurance and sharia general insurance. The differentiating factor between the two is the insured object. Islamic life insurance covers people while sharia general insurance covers property [13]. The study of sharia insurance is derived from the study of Islamic economics so the basic principles of sharia insurance are not very different from the principles of Islamic economics in general [14]. Sharia life insurance can be defined as a form of risk management based on sharia principles for the death or life of the participant or to other parties who are entitled within a certain time whose amount has been determined and is based on the results of fund management [14]. The coverage among participants is based on a mutual aid agreement in the form of a tabarru' fund contribution. The tabarru' fund is managed according to sharia principles and its activities are monitored by the Sharia Supervisory Board (DPS) [13].

Spin-off can be defined as the process of separating part of the company's assets to later become a new independent company [3]. In the context of the sharia insurance industry, spin-off means encouraging the separation of sharia units from conventional insurance companies [15]. The legal basis for spin-off activities in the sharia insurance industry is the issuance of Law Number 40 of 2014 concerning Insurance, and further explanations are revealed in POJK Number 67/POJK.05/2016 concerning Business and Institutional Licensing of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Company [6]. In a related regulation, it is stated that the deadline for the separation of sharia units is on 17 October 2024, or ten years after the enactment of Law Number 40 of 2014 concerning Insurance [3].

2. Materials and Methods

This research combines quantitative and qualitative methods. Quantitative methods will be used to analyze the readiness of the sharia insurance industry to welcome spin-offs based on sharia unit equity. Meanwhile, the qualitative aspect is used to describe the various activities carried out by AASI in order to face the deadline for the sharia insurance spin-off in 2024 [16].

The data used by the author are data collected by AASI from the annual financial statements of the sharia life insurance unit for the 2020 period, namely the equity component. Viewed from the aspect of the accounting equation in general, equity is the difference between the assets and liabilities of a company. The general accounting equation is as follows [17]:

$$\text{Assets} = \text{Liabilities} + \text{Equity} \tag{1}$$

$$\text{Equity} = \text{Assets} - \text{Liabilities} \tag{2}$$

In sharia insurance, there is a mudharabah contract, namely the separation between company funds and participant funds so that in the statement of the financial position (balance sheet), an element of participant funds is added, which causes the general accounting equation to be modified as follows:

$$\text{Assets} = \text{Liabilities} + \text{Participant Funds} + \text{Equity} \tag{3}$$

$$\text{Equity} = \text{Assets} - \text{Participant Funds} - \text{Liabilities} \tag{4}$$

3. Result and Discussion

In general, there are two options that can be taken by insurance companies who want to perform a spin-off [18], namely:

a. Establishment of a new sharia insurance company.

In taking the option of forming a new sharia insurance company, the considerations are as follows: (1) Commitment and belief: Related to the commitment and belief that the newly established sharia insurance company can run the business in the long term and sustainably. (2) Business focus: Focusing on the running of conventional and sharia business lines in a company. (3) Bringers of change: With the increasing number of companies that liven up the business competition, it is hoped that various innovations in both products and customer services will emerge from each company to improve the company's image in particular and the image and commitment of the industry in general. (4) Opportunity: The amount of potential and business opportunities that can be explored by the sharia insurance industry. (5) Compliance: Increase customer confidence in sharia compliance in the company's business if the company operates as a full sharia insurance company rather than being a sharia unit of a conventional insurance company.

b. Portfolio transfer to another sharia insurance company

In taking the portfolio transfer to another sharia insurance company, the considerations are as follows: (1) The business scale is less economical: In the event that the sharia unit has too small a composition of the company's business as a whole, the efforts made to form a new sharia insurance company are not comparable so portfolio switching could be an option. (2) Human resource constraints: Limited human resources to manage the business after the formation of a new sharia insurance company. (3) Capital constraints: The company realizes that the formation of a new sharia insurance company requires capital for both operations and business development, mainly in the life insurance business line that requires capitalization to run PAYDI products.

POJK Number 67/POJK.05/2016 in article 19 paragraph (1) explained that the minimum equity at the time of establishment of the spin-off sharia insurance company is IDR 50,000,000,000 (fifty billion Rupiah) [19]. Thus, by the end of 2020, of the twenty companies that are actively registered as members of AASI, sixteen of them are ready from the financial aspect to carry out a spin-off process with the scheme of establishing a new sharia insurance company [20]. Meanwhile, the other four companies that have not met the minimum equity value are expected to cover the shortfall in the remaining time.

Table 1 shows the equity data for the sharia unit of insurance companies that are still actively registered as AASI members as of 2020.

Table 1. Sharia Unit Equity of Life Insurance Companies Registered as AASI Members for the 2020 Period.

No	Company	Equity Growth between 2019 and 2020
1	BRI Life	30.58%
2	Asuransi Allianz Life Indonesia	41.15%
3	BNI Life Insurance	15.66%
4	Prudential Life Assurance	−9.81%
5	Sun Life Financial Indonesia	−18.16%
6	Asuransi Jiwa Manulife Indonesia	19.17%
7	AIA Financial	−60.33%
8	Pfi Mega Life Insurance	6.48%
9	Asuransi Jiwa Generali Indonesia	21.27%
10	Chubb Life Insurance Indonesia	16.89%
11	Toko Marine Life Insurance Indonesia	4.21%
12	Panin Dai-Ichi Life	11.53%
13	Fwd Life Insurance	251.42%
14	Avrist Assurance	17.68%
15	Asuransi Jiwa Central Asia Raya	5.94%
16	Axa Mandiri Financial Services	13.97%
17	Asuransi Simas Jiwa	12.18%
18	Great Eastern Life Indonesia	3.88%
19	Asuransi Jiwa Sinarmas Msig	6.08%
20	Axa Financial Indonesia	1.81%
	Average	20%

The Indonesian Sharia Insurance Association (AASI) as an institution that oversees sharia insurance companies and insurance companies that run sharia business lines certainly makes various efforts in order to assist its members in dealing with spin-off policies. These efforts include relationships with various parties, starting with regulators, companies, and other interested parties. The role of AASI is implemented in various activities carried out by AASI related to sharia insurance spin-offs. The following are a number of AASI activities that are oriented toward the success of the sharia insurance spin-off process:

(1) Regular meetings with OJK. AASI as a forum that oversees the company must also often coordinate with OJK as a regulator in the financial services industry. No exception in following up on sharia insurance spin-off policies. This routine meeting is not only for discussing the issue of spin-offs but also other issues that are relevant in the sharia insurance industry, especially the issues that come directly from the obstacles experienced by practitioners in the field. However, the spin-off issue is one of the issues that has received more attention. The purpose of this routine meeting with OJK is to monitor all aspects of the spin-off process, whether it is related to the extent of the work process that has been carried out or identifying problems that need attention both in the spin-off and post-spin-off processes. The hope is that, in addition, it will ensure that the spin-off preparation work process runs according to the target. In addition to that, it also ensures that all obstacles that have or will arise can be identified and the best solution can be immediately obtained for the benefits expected from the launching of the spin-off policy.

(2) Webinars with sharia insurance practitioners and company representatives. On 29 September 2021, AASI represented by Mr. Erwin Noekman as Executive Director of AASI and OJK represented by Mrs. Kris Ibunu Roosmawati as Director of OJK

Sharia IKNB held a joint webinar with sharia insurance practitioners and company representatives. In this activity, the work process carried out in preparing for the spin-off was improved. This forum was also used to clarify, especially from the perspective of the OJK, who is always the regulator, various rumors that are spread about the spin-off process, for example, regarding the issue of suspension or even cancellation of spin-off policies. Participants consisting of practitioners and representatives of various companies are also welcome to ask questions related to relevant matters experienced by their companies in undergoing the spin-off process. This activity provides an opportunity for field practitioners to obtain valid directions and information because they come from resource persons who are part of the regulator (OJK) and association (AASI).

(3) Webinars with APARI. On 23 March 2022, AASI held a webinar with the management and members of the Indonesian Association of Insurance and Reinsurance Brokers (APARI). This activity, in addition to describing the work process and technical spin-off of sharia insurance, also mentioned many opportunities that might be explored by the brokerage business line with this spin-off policy. Mr. Tatang Nur Hidayat as the General Chair and Mr. Erwin Noekman as the Executive Director of AASI filled this event as resource persons.

(4) Sharia Insurance Spin-Off Workshop. In 2018, AASI held a workshop related to the spin-off process for insurance companies that have sharia business units. The workshop produced standard formats and financial modeling simulations in order to provide an overview to AASI members who will carry out a spin-off. This activity impacted the company's initiatives to conduct studies that began in 2018, 2019, and 2020 [8].

(5) Media Resource Person. AASI also plays a role as a resource person for the media in terms of presenting accurate and relevant information related to the spin-off. This is also important in relation to clarifying various issues that arise as the spin-off process continues. Issues circulating must be responded to by a credible party so as not to confuse practitioners working in the field.

If it is assumed that the growth rate in the following years will be constant until 2023 for these four companies, then there will be at least two companies that have not met the minimum value by the end of 2023 (Table 2). In addition, external aspects of the COVID-19 pandemic must also be considered, which hit Indonesia in early 2020 and had a negative impact on the insurance industry, although still within a tolerable safe limit [21].

Table 2. Projected equity in 2023 for three companies that have not met the minimum equity as regulated in the regulations.

No	Company	Equity in 2021 In Million Rupiah	Projected Equity 2023 In Million Rupiah
1	PFI Mega Life Insurance	31,076	37,517
2	Chubb Life Insurance Indonesia	43,237	77,111
3	Asuransi Jiwa Central Asia Raya	48,157	76,912
4	Great Eastern Life Indonesia	38,466	43,532

Regarding companies that have not met the minimum amount of equity specified, they must immediately seek an injection of funds before the specified time limit. This injection of funds can come from government, private, individual, or foreign investors. However, in the event that this minimum equity fulfillment target is deemed unrealistic to be achieved before the deadline, another option is to continue to perform a spin-off through the portfolio transfer method to a previously established sharia insurance company.

4. Conclusions

From a total of twenty companies that have sharia business units and are still actively registered as AASI members, approximately 80% (eighty percent) or sixteen of them are financially ready when viewed from the equity aspect to carry out a spin-off with the method of forming a new sharia insurance company. AASI plays a complex role in overseeing the sharia insurance spin-off process, including routine coordination with OJK as the regulator and organizing workshops and seminars (both online and offline) related to the preparation of the sharia insurance spin-off, as well as being a credible source of information for the media or other parties who have interest.

Author Contributions: Conceptualization, M.A.A. and D.H.; methodology, K.A.S.; software, K.A.S.; validation, K.A.S., D.H. and M.A.A.; formal analysis, K.A.S.; investigation, D.H.; resources, M.A.A.; data curation, M.A.A.; writing—original draft preparation, K.A.S. All authors have read and agreed to the published version of the manuscript.

Funding: This research received no external funding.

Institutional Review Board Statement: Not applicable.

Informed Consent Statement: Not applicable.

Data Availability Statement: Data can be accesed in https://www.ojk.go.id/id/kanal/syariah/data-dan-statistik/iknb-syariah/default.aspx.

Conflicts of Interest: The authors declare no conflict of interest.

References

1. Kementerian Keuangan RI. *Meneropong, Meneropong Arah Sektor Keuangan*; Badan Kebijakan Fiskal-Kementerian Keuangan RI: Jakarta, Indonesia, 2021.
2. Indrakusuma, D.A.; dan Hayati, B. Analisis Pengaruh Perkembangan Indikator Sektor Keuangan Terhadap Pertumbuhan Ekonomi Indonesia Selama Tahun 1980–2019. *J. Din. Ekon. Pembang.* **2020**, *3*, 105–116. [CrossRef]
3. Nasution, L.Z. Strategi Spin-Off Bagi Pengembangan Keuangan Syariah: Tinjauan Pada Kasus Asuransi Syariah. *J. Din. Ekon. Pembang.* **2019**, *2*, 213–226. [CrossRef]
4. Pratama, W.P. Finansial. Available online: https://finansial.bisnis.com/read/20210730/215/1423513/spin-off-asuransi-syariah-dinilai-bepotensi-tingkatkan-literasi-masyarakat (accessed on 30 July 2021).
5. Kabar Finansial Asuransi. Available online: https://www.wartaekonomi.co.id/read322386/asuransi-syariah-harus-bersiap-maksimal-hadapi-spin-off (accessed on 12 January 2021).
6. Suryawadi, E. Analisa Kinerja Perusahaan Dalam Rangka Persiapan Spin-Off Unit Usaha Syariah PT Asuransi Adira Dinamika. *J. Tabarru' Islam. Bank. Financ.* **2021**, *4*, 499–511. [CrossRef] [PubMed]
7. Puspaningtyas, L. Ekonomi. Available online: https://www.republika.co.id/berita/qxvh9p457/aasi-siap-bantu-uus-asuransi-lakukan-spin-off (accessed on 15 August 2021).
8. Maret. *Fatwa Dewan Syariah Nasional*; No: 21/DSN-MUI/X/2001; Dewan Syariah Nasional MUI: Jakarta, Indonesia, 2001; Available online: https://mediaasuransinews.co.id/news-event/aasi-ajak-anggotanya-mempersiapkan-spin-off-secara-maksimal/ (accessed on 20 October 2022).
9. Aramiko, S.; Nawawi, Z.; dan Yanti, N. Pengaruh Pengetahuan dan Kesadaran Mahasiswa Prodi Asuransi Syariah, Fakultas Ekonomi dan Bisnis Islam, Universitas Islam Negeri Sumatera Utara Terhadap Minat Membeli Produk Asuransi Kecelakaan Diri Syariah. *INTELEKTIVA* **2022**, *3*, 61–72.
10. Putra, I.W.A.S.W.; Sukihana, I.A. Kedudukan Agen Asuransi di Era Digital Dalam Menawarkan Produk Asuransi. *J. Kertha Semaya* **2020**, *8*, 350–367.
11. Kholis, N. *Asuransi Syariah di Indonesia: Konsep dan Aplikasi, Serta Evaluasinya*; Farha Pustaka: Sukabumi, Indonesia, 2021.
12. Abdullah, J. Akad-Akad di Dalam Asuransi Syariah Tawazun. *J. Sharia Econ. Law* **2018**, *1*, 11–23.
13. Mapuna, H.D. Asuransi Jiwa Syariah: Konsep dan Operasionalnya. *Al Risal.* **2019**, *19*, 159–166. [CrossRef]
14. Ajib, M. *Asuransi Syariah*; Rumah Fiqih Publishing: Jakarta, Indonesia, 2019.
15. Ardianto, P. Finance. Available online: https://investor.id/finance/259415/dorong-spin-off-wapres-ingatkan-asuransi-syariah-tantangan-afas (accessed on 16 August 2021).
16. Statistik, O.; IKNB. Syariah Periode. Available online: https://www.ojk.go.id/id/kanal/syariah/data-dan-statistik/iknb-syariah/Default.aspx (accessed on 15 November 2021).
17. Ulfah, A.K. Persamaan Akuntansi Dalam Transasksi Bisnis. *J-ISCAN J. Islam. Account. Res.* **2020**, *2*, 45–54. [CrossRef]
18. Lucky, K. AASI Dorong 44 Unit Syariah Perusahaan Asuransi untuk Spin OFF. Available online: http://mediaasuransinews.co,id/news-in-brief/aasi-dorong-44-unit-syariah-perusahaan-asuransi-untuk-spin-off/ (accessed on 18 September 2021).

19. Otoritas Jasa Keuangan. POJK Nomor 67/POJK.05/2016 tentang Perizinan Usaha dan Kelembagaan Perusahaan Asuransi, Perusahaan Asuransi Syariah, Perusahaan Reasuransi, dan Perusahaan Reasuransi Syariah. 2016. Available online: http://etiqa.co.id/docs/POJK/POJK%20No.%2067%20-%20Perizinan%20Usaha%20Asuransi.pdf (accessed on 17 August 2021).
20. Republik Indonesia, Undang-Undang Republik Indonesia Nomor 40 Tahun 2014 Tentang Perasuransian. 2014. Available online: http://ojk.go.id/Files/201506/1UU402014Perasuransian_1433758676.pdf (accessed on 21 October 2021).
21. Siswanto, D. Dampak Risiko Keuangan Dalam Bisnis Jasa Keuangan Perusahaan Asuransi Jiwa di Era Pandemi Corona. *KarismaPro* **2020**, *12*, 1–13. [CrossRef]