



Islamic insurance in Indonesia: Future and prospects

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Abstract

In Indonesia, insurance companies started operating in 1853 and are still experiencing ups and downs due to the emergence of various community movements. Insurance in Indonesia continues to grow, which is marked by the increasing number of insurance companies to more than 100 companies. Some of the insurance companies are categorized as Shariah or Islamic insurance. The purpose of this paper is to investigate the current condition of Islamic insurance in Indonesia and the prediction about its prospects and future. Using secondary data from various sources, we find that Islamic insurance in Indonesia has experienced a decline over the past year. One of the causes of the decline in the growth of Islamic insurance is the domino effect of the Covid-19 pandemic. In addition, Islamic insurance is also quite challenging to develop in Indonesia, even though the majority of the population is Muslim.

Keywords: Islamic Insurance, Islamic Life Insurance, Islamic General Insurance, Islamic Reinsurance, Islamic Insurance Prospects

1. Introduction

Insurance is one thing that is often considered by people to bear losses. In addition, for some people, insurance is a form of future investment if things go wrong. According to the Financial Services Authority (OJK), insurance is defined as an agreement between an insurance company and a policyholder that forms the basis for premium receipts by insurance companies (Otoritas Jasa Keuangan, 2018). In addition, based on the Commercial Code (KUHD) Article 246, insurance is an agreement by accepting a premium to compensate him for a loss, damage, or loss of expected profits that may occur due to a certain event.

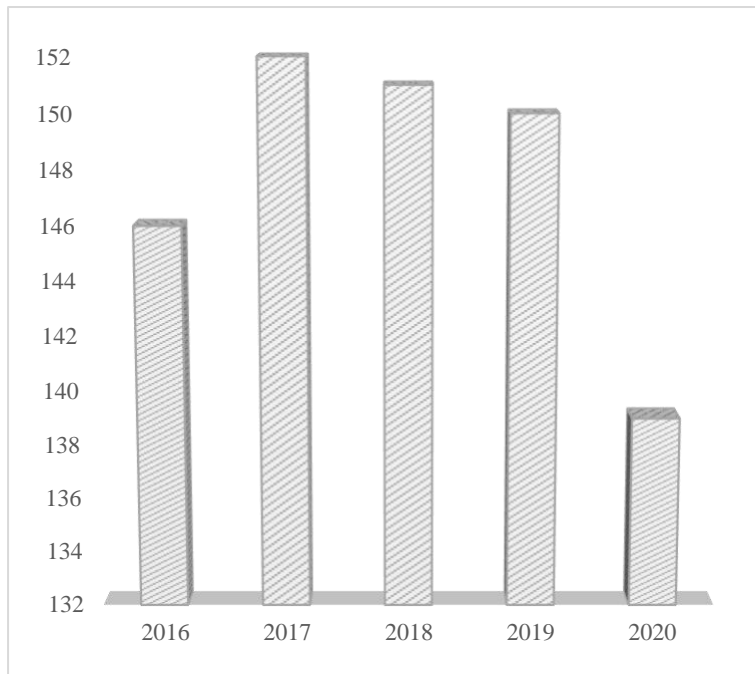
The existence of insurance itself began before Christ through trade between Babylon and China. As time goes by, insurance is increasingly diverse, which was initially only devoted to merchandise. This development began to occur when entering modern times, precisely in the 17th century, with this type of fire insurance emergence. The emergence of this new type of insurance is the beginning of the birth of the world's first insurance company to the emergence of other companies. Then some of these companies issued insurance products that still survive today, such as Allianz, Manulife, and Cigna.

Along with the development of the times, other types of insurance appeared, including life insurance, health insurance, general insurance, and reinsurance. These types are a form of development of insurance in the world, including Indonesia. In Indonesia, insurance companies started operating in

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1853 and are still experiencing ups and downs due to the emergence of various community movements. Insurance companies in Indonesia were revived in the 1950s as the economy began to stabilize. Since then, the number of insurance companies in Indonesia has continued to grow.

Insurance companies in Indonesia experienced growth between 2016 – 2019 and were the highest in 2017. The data on the number of insurance companies in Indonesia is shown in Graph 1.



Graph 1. The number of Insurance Companies in Indonesia in 2016 – 2020. Source: (Badan Pusat Statistik, 2019)

Insurance companies in 2016 reached 146 and increased in 2017 to 152 companies. In 2018 and 2019, insurance companies decreased to 151 and 150 (Badan Pusat Statistik, 2019) and again decreased to 139 in 2020 (Databoks.co.id, 2021a). The number of insurance companies consists of types of Islamic insurance, as shown in Table 1.

Table 1. Number of types of Islamic Insurance Year 2016 – 2020

Types	2016	2017	2018	2019	2020
General insurance	80	78	79	79	74
Life insurance	55	60	60	61	54
Reinsurance	6	7	7	7	7
Mandatory insurance provider	3	3	3	3	3
Social security organizing agency	2	2	2	2	2

Source: (Badan Pusat Statistik, 2019)

There are 139 insurance companies consisting of 74 general insurance, 54 life insurance, seven reinsurance companies, three mandatory insurance companies, and two social security providers.

The condition of the Indonesian people, who are predominantly Muslim, has made several companies begin to consider the Islamic perspective in carrying out their activities. The characteristics of Muslims who try to avoid usury and other prohibited actions make insurance companies try to retain and attract Muslim customers. Such conditions gave birth to a new type of insurance, namely Islamic insurance. Based on the DSN Fatwa Number 21/DSN-MUI/X/2001, Islamic insurance is an effort to

protect and help each other between several people or parties through investment in the form of assets and/or *tabarru'* which provides a pattern of returns to face certain risks through contracts.

Actually, Islamic insurance is not new in Indonesia because it has been around since 1994. At that time, the existing Islamic insurance companies were PT Asuransi Takaful Keluarga which was engaged in Islamic life insurance, and PT Asuransi Takaful Umum, which was engaged in general insurance (Pengadilan Agama Amuntai, 2021). Since 1994, Islamic insurance companies have started developing various other insurance types such as Islamic health insurance and Islamic reinsurance.

In addition to avoiding usury, Islamic insurance also has several advantages, including (1) using a profit-sharing system, (2) using the principle of *sharing of risk*, (3) there is transparency in the management of policyholder funds, (4) is a joint policy and can be claimed multiple times, (5) does not apply the 'burnt fund' system, and (6) there is an allocation and distribution of *underwriting surplus* (Otoritas Jasa Keuangan, 2021). Some of these advantages make people, especially Muslims, tend to choose insurance and other financial services based on Islamic principles (Islamic).

2. Insurance

Definition

According to Big Indonesian Dictionary (KBBI), insurance or coverage is an agreement between two parties; one party is obliged to pay the fee and the other party is obliged to give assurance entirely to paying dues in case something happened to the first party or their belongings with agreements has been made (Departemen Pendidikan Nasional, 2012). Based on Law Number 40 of 2014 concerning Insurance Article 1, insurance is an agreement between two parties, namely the insurance company and the policy holder which is the basis for receiving premiums by the insurance company in return for: (1) providing compensation to the insured or policy holder due to loss, damage, costs incurred, lost profits, or legal liability to third parties that may be suffered by the insured or the policyholder due to the occurrence of uncertain events; or (2) provide payments based on the death of the insured or payments based on the life of the insured with benefits whose amount has been determined and/or based on the results of fund management (Pemerintah Republik Indonesia, 2014).

According to M. Nur Rianto (2012:212) in (Repository Ekuitas, 2014), insurance is a protection mechanism for the insured if he experiences a risk in the future where the insured party will pay a premium to get compensation from the insurer. Meanwhile, according to Ktut Silvanita (2009:40) in (Repository Ekuitas, 2014), insurance is a request where one party has an incentive to transfer risk by paying a certain amount of funds to avoid the risk of losing some of their assets. With these various definitions, it can be concluded that insurance is a form of investment to overcome losses experienced by unwanted events.

Types of Insurance

Based on Law Number 40 of 2014 concerning Insurance, the types of insurance are divided into:

- 1) The general insurance business is a risk coverage service business that provides compensation to the insured or policyholder due to loss, damage, costs incurred, loss of profit, or legal liability to third parties that may be suffered by the insured or policyholder due to an uncertain event.
- 2) The life insurance business is a business that provides risk management services that provide payments to policyholders, the insured or other entitled parties in the event that the insured dies or remains alive, or other payments to policyholders, the insured, or other entitled parties at a certain time. Stipulated in the agreement, the amount of which has been determined and/or based on the results of fund management.
- 3) A reinsurance business is a reinsurance service business against risks faced by insurance companies, guarantee companies, or other reinsurance companies.

Meanwhile, according to Ktut Silvanita (2009:43) in (Repository Ekuitas, 2014), life insurance is divided into several types, namely as follows.

- 1) Disability insurance provides protection against income streams when the insured person has a physical disability that can not work.
- 2) An annuity is an insurance product that guarantees a lifetime income stream. This product is usually more widely used by those with good physical health and long life history.
- 3) Health insurance is insurance that provides protection against health costs which are increasing day by day and are expensive; therefore, individual health insurance is becoming very expensive.
- 4) Term life insurance is insurance that provides benefits if the insured dies, but there is no increase in cash. The older the insured, the higher the probability of death so that the premium cost will increase.
- 5) Full life insurance is an insurance product with two characteristics: paying a certain amount at the death of the insured and accumulating the cash value borrowed by the policy owner.
- 6) Universal life insurance is an insurance product that provides the benefits of a combination of term and full life insurance. With the same premium as full life insurance, the benefits provided will be even greater because some of the premia will be used to purchase term life insurance, and the rest will be used for tax-free investments.

3. Islamic Insurance

Definition

Based on Law Number 40 of 2014 concerning Insurance Article 1, Islamic insurance is a collection of agreements consisting of agreements between Islamic insurance companies and policyholders and agreements between policyholders, in the context of managing contributions based on Islamic principles in order to help and protect each other by : (1) provide compensation to the insured or policyholder due to loss, damage, costs incurred, loss of profit, or legal liability to third parties that may be suffered by the insured or policyholder due to an uncertain event; or (2) provide payments based on the death of the insured or payments based on the life of the insured with benefits whose amount has been determined and/or based on the results of fund management (Pemerintah Republik Indonesia, 2014). The principle of Islam itself is a principle of Islamic law used in insurance activities based on the issuance of fatwas in the field of Islam.

Whereas in (FoSSEI, 2019) Islamic insurance (*ta'min, takaful, or tadamun*) is an effort to protect and help each other between a number of parties or people through investment in the form of assets or *tabarru'* which provides a pattern of returns to face certain risks through contract (engagement) in accordance with the Islamic contract. From some of these definitions, Islamic insurance can be interpreted as a form of investment managed according to Islamic principles or Islamic principles to bear losses or risks arising from unwanted events.

Types of Islamic Insurance

Based on Law Number 40 of 2014 concerning Insurance, the types of insurance are divided into:

- 1) Islamic general insurance business is a risk management business based on Islamic principles to help and protect each other by providing compensation to participants or policyholders due to losses, damages, costs incurred, lost profits, or legal liability to third parties that participants or policyholders may suffer. due to the occurrence of an uncertain event.
- 2) Islamic life insurance business is a risk management business based on Islamic Principles to help and protect each other by providing payments based on the death or life of the participant, or other

payments to participants or other entitled parties at a certain time as regulated in the agreement, the amount of which has been determined and /or based on the results of fund management.

- 3) Islamic reinsurance business is a risk management business based on Islamic Principles on the risks faced by Islamic insurance companies, Islamic guarantee companies, or other Islamic reinsurance companies.

Islamic Insurance Products

Islamic insurance has various types of products. Islamic insurance products are divided into insurance products that contain savings and elements *non-saving* based on Syakir Sula (2004) in Herry Ramadhani (2015).

- 1) Islamic insurance products that contain elements of savings. This product consists of several types of funds, namely (1) investment funds, (2) student funds, (3) pilgrimage funds, and (4) hasanah funds.
- 2) Islamic insurance products are non-saving. This product consists of several types of programs, namely: (1) individual health; (2) individual personal accident; (3) *al-khirat* individual. In addition, there are three types of mubarakah Islamic insurance products, namely (1) zamrud mubarakah, (2) sehat mubarakah, and (3) syamilah mubarakah. Meanwhile, Takaful Islamic insurance offers two insurance products, namely general takaful and baituna takaful (Ramadhani, 2015).

4. Relevant Research

Islamic insurance in Indonesia shows a good opportunity based on a high level of market share opportunity. However, this opportunity cannot be maximized properly. This is because the penetration rate and level *density* insurance tend to be lower than in other countries. The low penetration rate and *density* low of insurance in Indonesia are caused by 'religious barriers', namely religious beliefs that do not allow conventional insurance practices. Nevertheless, Islamic insurance still has the potential to develop in Indonesia because most of the population is Muslim (Ramadhani, 2015). In addition, there are several reasons why Indonesia has the potential to become a *good player* in Islamic insurance, namely: (1) a large number of Muslim population has the potential to become customers; (2) good economic prospects; (3) an increase in the *sovereign credit rating to investment grade*; and (4) the presence of abundant natural resources that can be used as the *underlying* transaction (Effendi, 2016).

Because it has promising potential to be developed, Islamic insurance cannot be separated from the various challenges that will be faced. The readiness of reliable human resources in the Islamic insurance sector is the first challenge that must be considered. Second, the public's low understanding of Islamic banking and financial instruments. Third, there is a scarcity of experts in Islamic finance, so there are still few universities that teach this science. Fourth, there is still limited coordination between institutions that regulate the national banking and financial industry. Finally, the development of Islamic economics requires the integration of all parties (Effendi, 2016).

One of the biggest challenges to developing Islamic insurance is the low level of public understanding of Islamic finance. As mentioned in Nurma Sari's research (2017), there are several community paradigms towards Islamic economics, namely:

- a. Islamic economics is only synonymous with banking;
- b. Islamic financial institutions should be more permissive;
- c. The benchmarks for Islamic economic institutions are conventional economics;
- d. Investments in Islamic institutions should be more profitable than conventional ones;
- e. There is still a dichotomy between worship and muamalah;
- f. Islamic economy is only seen as a usury-free economy; and
- g. Feeling unfamiliar with contract terms and not caring.

With these various challenges, there are various strategies that can be used to make Indonesia a *good player* in Islamic insurance. These strategies include: (1) offering Islamic insurance concepts and services to the public; (2) disseminating the benefits and risks honestly and transparently; and (3) improving service and quality for Islamic Insurance Institutions (Sari, 2017). Meanwhile, in terms of Islamic insurance agents, efforts to increase public awareness of the low insurance needs and make people aware by developing communication strategies based on income and education levels (Miftakhul Jannah and Nugroho, 2019).

5. Methodology

The research technique used in writing this article is descriptive analysis, namely by collecting various sources, which can be books, documents or other written sources that are relevant and support the writing of the article. The data used in this article uses secondary data obtained from articles, journals, books, and websites or websites. Then, the data were analyzed and explained and described descriptively.

6. Result and Discussion

Conditions of Islamic Insurance in Indonesia

All insurance companies in Indonesia are supervised by the Islamic Supervisory Board (DPS) which aims to ensure that all products owned are in accordance with Islamic law. Indonesia has two types of Islamic insurance companies: companies *fully* Islamic and Islamic units. A *fully* Islamic company is a company established as an Islamic company. In contrast, the Islamic unit is one of the Islamic product units from conventional insurance companies (Lifepal.com, 2021).

Islamic insurance in Indonesia continues to develop. Data evidence this as of December 2020 shows that Islamic insurance grew by 5 percent from the previous year. Meanwhile, the gross premium rate in November 2020 reached Rp. 15.37 trillion, an increase of 6.4 percent from the previous year, only Rp. 14.45 trillion. The growth consisted of Islamic life insurance with a gross premium of Rp. 13.16 trillion or grew 9.89 percent compared to November 2019 (Rp. 11.98 trillion). Meanwhile, the Islamic general insurance sub-sector actually fell by 11.25 percent to Rp1.43 trillion (November 2020) from Rp1.61 trillion (November 2019) (Lifepal.com, 2021).

Islamic Life Insurance

Islamic life insurance is insurance that is run on the basis of the principle of mutual help and protection among participants through contributions to the fund *tabarru'*. Life insurance is the type of insurance that dominates premium income in February 2021. Based on data from the Financial Services Authority (OJK) there were 24 Islamic life insurance companies as of 2016. The companies consist of five *fully* Islamic life insurance companies and 19 Islamic business unit life insurance companies. as shown in table 2 (Otoritas Jasa Keuangan, 2009).

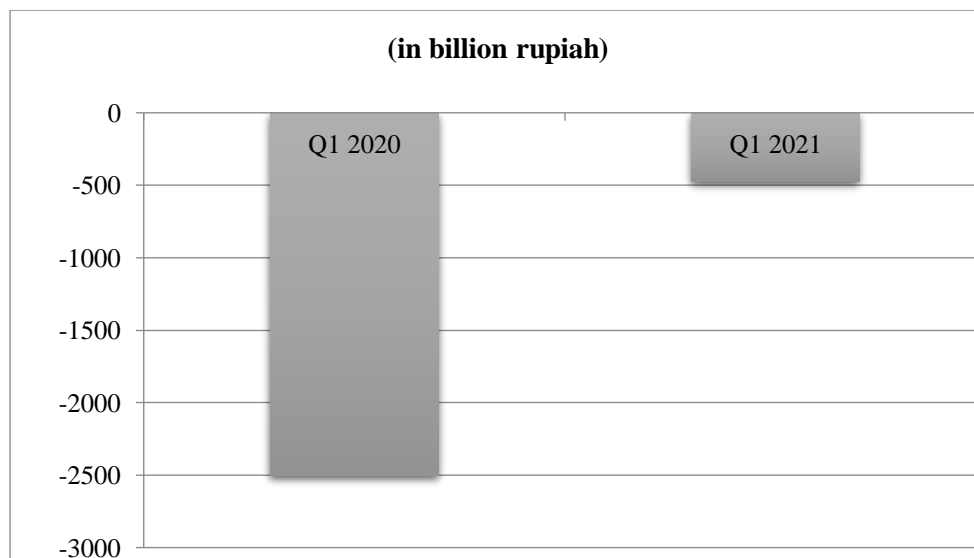
The Table 2 shows a list of life insurance companies in Indonesia and the list is expected to continue to increase until now. Based on data from the Financial Services Authority (OJK), the number of life insurance companies in Indonesia in 2021 will reach 30 companies consisting of seven companies *fully* Islamic and 23 Islamic units.

Apart from the company or entity, the number of Islamic life insurance will also increase in 2021 as shown in Graph 2 .

Table 2. List of Islamic Life Insurance Companies in Indonesia as of 2016

<i>Full Islamic</i>	
1	PT Asuransi Takaful Keluarga
2	PT Asuransi Jiwa Syariah Al-Amin
3	PT Asuransi Jiwa Syariah Amanahjiwa Giri Artha
4	PT Asuransi Jiwa Syariah Jasa Mitra Abadi
5	PT Asuransi Syariah Keluarga Indonesia
<i>Islamic Unit</i>	
1	PT Financial Wiramitra Danadyaksa
2	PT ACE Life Assurance
3	PT Tokio Marine Life Insurance Indonesia (d/h PT MAA Life Assurance)
4	PT Sun Life Financial Indonesia
5	PT Prudential Life Assurance
6	PT Panin Daichi Life (d/h PT Panin Life)
7	PT Great Eastern Life Indonesia
8	PT BNI Life Insurance
9	PT Axa Mandiri Financial Services
10	PT Axa Financial Indonesia
11	PT Avrist Assurance
12	PT Asuransi Jiwa Sinar Mas MSIG
13	PT Asuransi Jiwa Mega Life
14	PT Asuransi Jiwa Manulife Indonesia
15	PT Asuransi Jiwa Central Asia Raya
16	PT Asuransi Jiwa Bringin Jiwa Sejahtera
17	PT Asuransi Allianz Life Indonesia
18	PT AIA Financial
19	Asuransi Jiwa Bersama Bumiputera 1912

Source: (Otoritas Jasa Keuangan, 2009)

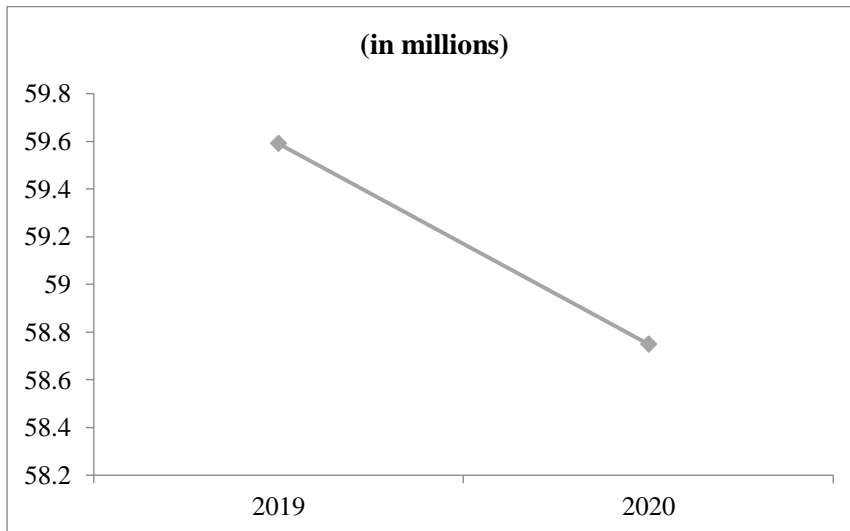


Graph 2. Growth of Islamic Life Insurance. Source: (Kompas.com, 2021)

Based on the graph above, the growth of Islamic insurance has increased even though it is still in a minus position. Based on data from the Financial Services Authority (OJK), Islamic insurance

investment until June 2021 is minus IDR 471 billion or equivalent to a growth of 81.27 percent compared to the same period the previous year which reached minus IDR 2.5 trillion (Kompas.com, 2021).

From the graph, it can be seen that Islamic life insurance in Indonesia continues to increase. The minus position is one of the consequences of the Covid-19 pandemic that entered Indonesia and affected economic growth. On the other hand, the number of life insurance customers has decreased from 2020 to 2021 as shown in Graph 3.



Graph 3. Number of Islamic Life Insurance Customers. Source: CNN Indonesia

The graph above shows that the number of Islamic life insurance customers has decreased. The decline occurred by 1.4 percent from 59.59 million people to 58.75 million people. In addition to the number of customers, the total number of policies also decreased by 8.1 percent (CNN Indonesia, 2020). This decline is also one of the domino effects of the pandemic that affects people's income levels.

On the other hand, the improvement in Islamic life insurance results can be evidence that the economy in Indonesia is getting better after being hit by the pandemic. In addition, this also shows that public interest in choosing Islamic life insurance is increasing.

Islamic General Insurance

Islamic general insurance is a form of insurance that covers various risks of loss using Islamic principles. Islamic general insurance is not much different from Islamic life insurance. The difference is that Islamic general insurance bears all risks, while Islamic life insurance only covers matters relating to life safety.

Similar to Islamic life insurance, Islamic general insurance is also developing well in Indonesia. This is proven by the number of existing Islamic general insurance companies. Until 2016, there were 28 companies offering Islamic general insurance products (see table 3).

The number of Islamic general insurance companies is still growing until now. Until 2021, Indonesia has 29 Islamic general insurance companies consisting of five *full* Islamic companies and 24 Islamic units.

Unfortunately, the increase in Islamic general insurance companies is not matched by good premium growth. The gross premium of Islamic general insurance actually decreased from Rp. 1.61 trillion in 2019 to Rp. 1.43 trillion, equivalent to 11.25 percent. The decrease was the result of the accumulation of Islamic and units *full* Islamic. Meanwhile, the general insurance sub-sector *full*

Islamic actually experienced positive growth, such as General Takaful which contributed 70 percent (Lifepal.com, 2021).

Table 3. List of Islamic General Insurance Companies as of 2016

<i>Full Islamic</i>	
1	PT Asuransi Takaful Umum
2	PT Jaya Proteksi Takaful
3	PT Asuransi Sonwelis Takaful
Islamic Unit	
1	PT Asuransi Adira Dinamika
2	PT Asuransi Allianz Utama Indonesia
3	PT Asuransi Astra Buana
4	PT Asuransi Bangun Askrida
5	PT Asuransi Bintang, Tbk 6
6	PT Asuransi Bringin Sejahtera Artamakmur
7	PT Asuransi Central Asia
8	PT Asuransi Ekspor Indonesia (Persero)
9	PT Asuransi Jasa Indonesia
10	PT Asuransi Jasa Raharja Putera
11	PT Asuransi Parolamas
12	PT Asuransi Ramayana Tbk.
13	PT Asuransi Sinar Mas
14	PT Asuransi Staco Mandiri (d/h PT Staco Jasa Pratama)
15	PT Asuransi Tri Pakarta
16	PT Asuransi Umum Bumiputera Muda 1967
17	PT Asuransi Umum Mega
18	PT AIG Insurance Indonesia (D/H PT Chartis Insurance Indonesia)
19	PT Tugu Pratama Indonesia 20
20	PT Asuransi Bina Dana Arta
21	PT Asuransi Mitra Maparya
22	PT Asuransi Wahana Tata
23	PT Pan Pacific Insurance
24	PT Mandiri AXA General Insurance
25	PT Asuransi Reliace Indonesia

Source: Otoritas Jasa Keuangan (Otoritas Jasa Keuangan, 2012)

This shows that people are starting to be interested and invest in Islamic general insurance. For some people, it is better to invest in Islamic insurance in general insurance companies *full Islamic* than Islamic units because they feel more secure and trusted by applying Islamic principles.

Like Islamic life insurance, the decline in premiums in the Islamic general insurance sector in 2020 is one of the domino effects of the Covid-19 pandemic that entered Indonesia. This is due to the influence of people's income during the pandemic.

Islamic Reinsurance

Islamic reinsurance is a service company. Islamic reinsurance provides insurance services to insurance companies with Islamic principles (Lifepal.com, 2021). This type is slightly different from Islamic life insurance and Islamic general insurance. Islamic life and general insurance make

individuals or individuals as objects, in contrast to Islamic reinsurance. Islamic reinsurance has an object in the form of a company or entity.

In 2016, Indonesia only had three reinsurance companies, namely PT Reasuransi Internasional Indonesia, PT Reasuransi Nasional Indonesia, and PT Airline Reasuransi Indonesia Tbk (Otoritas Jasa Keuangan, 2012). A few moments later, a new reinsurance company emerged, namely PT Reasuransi Syariah Indonesia (ReINDO Syariah). PT ReINDO Syariah handles Islamic general reinsurance, Islamic life reinsurance, Islamic insurance, and Islamic finance.

Constraints of Islamic Insurance in Indonesia

Islamic insurance has existed for a long time in Indonesia, which was around the 1990s. The development of Islamic insurance in Indonesia is also supported by the majority of the population who are Muslims. However, it does not mean that the implementation and development of Islamic insurance go without any problems. One of the biggest obstacles is competition with conventional insurance companies and methods. In addition, several obstacles in developing Islamic insurance based on Court Articles are as follows (Pengadilan Agama Amuntai, 2021).

- a. The low level of public attention to the existence of Islamic insurance
Although the existence of Islamic insurance has long been in Indonesia, the popularity of conventional insurance remains the first. This is because conventional insurance has operated first, so some people believe more in conventional insurance methods.
- b. Islamic insurance is less able to compete with banks
Banks are a type of entity that can deal directly with the public in terms of funding and financing. This is in line with the increasing public need for working capital. While Islamic insurance is far from financing and funding, moreover it does not generate interest in it. Therefore, some people feel that insurance is not needed.
- c. Islamic insurance is still in the stage of 'finding identity'.
Islamic insurance is still looking for a tangible form to be introduced to the public. This does not mean that Islamic insurance is still in its infancy; it's just that Islamic insurance requires aggressive steps to disseminate information to the public. The purpose of this socialization is to get the attention of the community and as an effort to seek input to make improvements.
- d. Lack of public understanding of the concept of Islamic insurance
Understanding the concept of Islamic insurance is an important thing that the public, especially Muslims, should know. Even some people do not understand the concept of conventional insurance so it is not surprising that many people do not understand the concept of Islamic insurance. The lack of public understanding of the concept of insurance is a form of low *awareness* of public financial products and services, particularly Islamic insurance. Based on data from the Financial Services Authority (OJK), the public's understanding of Islamic insurance is currently only 6.9 percent. Of the total percentage, 22 percent already have insurance products, 17.7 percent are interested, and others don't have insurance and are not interested (Komite Nasional Ekonomi dan Keuangan Syariah, 2020).

Thus, the large Muslim population in Indonesia and even becoming a majority population is not a benchmark that the Islamic concept will run smoothly. This is also related to the culture of the people who tend to have a traditional mindset: to believe in what already exists and it is difficult to open up to new things. However, the government is currently trying to minimize the constraints related to the development of Islamic insurance. One of them is the establishment of the National Shariah Finance Committee (KNKS).

In addition, based on data from the National Committee for Sharia Economy and Finance (KNKS), there are three challenges faced by Islamic insurance (Komite Nasional Ekonomi dan Keuangan Syariah, 2020), which are as follows.

a. Weakening of the global economy

As it is known that the global economy is in the hands of the United States and China as a result of the trade war between the two countries. The trade war also has an impact on the geopolitical situation in almost all countries, causing the global economy to feel the bad impact. This condition was further exacerbated by the coronavirus, which was later called Covid-19, which spread from Wuhan to dozens of other countries. The Covid-19 pandemic has made the world economy more volatile by limiting trade activities, including human mobility and export-import products. According to economists' predictions, the trade war and the Covid-19 pandemic have slowed world economic growth. This, of course, affects the Indonesian economy because Indonesia has high trade transactions with China. If economic growth slows down, it will also affect all businesses, including insurance. Under these conditions, Islamic insurance is also affected quite significantly because of its recent presence in Indonesia. Its recent existence shows that its components, systematics, and management are not as strong as conventional financial businesses.

b. The decline in Islamic financial inclusion

Based on the 2019 National Financial Literacy Survey (SNLK) released by the Financial Services Authority (OJK), Islamic financial literacy rose slightly from 8.1 percent in 2016 to 8.93 percent in 2019. This is further exacerbated by the data. It was found that Islamic financial inclusion became 9 percent from 11 percent.

c. Declining trust in insurance

The decline in public confidence in insurance was caused by the increase in cases of insurance fraud, particularly Asuransi Jiwasraya and Asabri. This case, which was *trending* some time ago, has made people less interested in insurance, especially Islamic insurance, which has not existed for a long time. Even from these cases, some people also withdrew the money they had invested.

Prospects of Islamic Insurance in Indonesia

Although the development of Islamic insurance in Indonesia has encountered various obstacles, Islamic insurance still has good prospects in the future. Various reasons emerged as a form of good prospects for Islamic insurance in the future. The main and basic reason is the target consumer. Of course, everything related to Islam is directly related to Muslims. So it can be clearly seen that the main target consumer of Islamic insurance is the Muslim community. Based on data *World population review*, Indonesia is a country with the largest Muslim population, which is 231 million people or equivalent to 86.88% of Indonesia's population (Databoks.co.id, 2021b). The existing Muslim population is one of the capitals for Indonesia to develop Islamic finance, including Islamic insurance.

In addition to the majority of the Muslim population, there are other reasons that can support the development of Islamic insurance in Indonesia. The first reason is the emergence of awareness about the importance of Islamic principles in life. This awareness encourages most of the Muslim community to switch to using Islamic principles in terms of finance, including insurance. This is because of the awareness of the *ma'ruf* and *munkar* contained in financial transactions. The second reason is the development of an Islamic-based economy and business. The Islamic economy and business development indirectly also affects the public's perspective on Islamic finance. Another reason is the government's push to develop Islamic finance, including insurance. This is evidenced by the making of regulations that underlie the operation of Islamic insurance and the formation of several Islamic organizations such as the National Islamic Council (DSN) and the National Islamic Finance Committee (KNKS).

In addition to the community, Islamic insurance can develop well if there are innovations in it. These innovations can be related to products, marketing, and *distribution channels*. If Islamic insurance innovation collaborates with the millennial generation, which is the generation with the largest number, then Islamic insurance can develop well. Thus, Islamic insurance has good prospects in the future and

can even become a top priority for the community to carry out insurance. Not only for the Muslim community, Islamic insurance products in the future can also be an option for the Indonesian people in general because of the principles and transparency of their management. If the government is increasingly making various strategies to develop Islamic finance, then it is possible that Islamic insurance will soon improve and continue to grow after the Covid-19 pandemic.

7. Conclusion

Insurance is an important thing in life to deal with unwanted things. The handling is in the form of compensation or dependents. Insurance is also an important investment in life. With a large and growing Muslim population, insurance develops a new type by applying Islamic principles called Islamic insurance. In Indonesia, there are several types of Islamic insurance, including Islamic life insurance, Islamic general insurance, Islamic health insurance, and Islamic reinsurance. Indonesia also has more than 100 Islamic insurance companies, both insurance companies *full* Islamic and Islamic units. Although the growth of Islamic insurance has decreased in the past year, insurance companies have *full* Islamic shown good growth. The difficulty of developing Islamic insurance is also caused by several obstacles such as the low level of public attention to the existence of Islamic insurance, Islamic insurance is less able to compete with banks, Islamic insurance is still in the stage of 'finding identity', and the lack of public understanding of the concept of Islamic insurance. Although the development of Islamic insurance has encountered various obstacles, Islamic insurance has good prospects in the future for various reasons. One of the reasons is the number of Muslim populations in Indonesia and several government regulations supporting Islamic insurance development.

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