IRJEMS International Research Journal of Economics and Management Studies
Published by Eternal Scientific Publications
ISSN: 2583 – 5238 / Volume 3 Issue 8 August 2024 / Pg. No: 99-106
Paper Id: IRJEMS-V3I8P113, Doi: 10.56472/25835238/IRJEMS-V3I8P113

Original Article

Assesment Financing Insurance, Whether the Bank Carry Out its Own Insurance or Use an Insurance Company

[1]Roby Ashari, [2]Subiakto Sukarno
[1,2]School of Business and Management, Institut Teknologi Bandung, Indonesia.

Received Date: 17 July 2024 Revised Date: 28 July 2024 Accepted Date: 02 August 2024 Published Date: 09 August 2024

Abstract: *BUR Sharia, serving families aspiring to prosperity, offers financial services such as the BUR Sharia Financing Group Loan, specifically designed to empower women. To guard against loan repayment failures due to customer mortality, BUR Sharia currently collaborates with an insurance vendor, with the bank covering the insurance premiums, thus protecting both customers and the institution. In the context of slowing macroeconomic growth and intense competition, BUR Sharia is compelled to enhance its operational efficiency. BUR Sharia must operate more effectively. Hence, it is assessing the possibility of using its own funds to cover the risk of customer defaults due to death and providing compensation in the event of a customer's spouse's death while still considering prudence and regulatory compliance by contemplating cost reductions without compromising the quality of service to its customers. This study aims to assist in evaluating the bank's decision on whether it is better to use its own funds or to employ life insurance services to manage or bear the risk of customer defaults due to death and to investigate the advantages and challenges that will arise. This research employs a qualitative methodology, including interviews with heads of projects. Leaders and senior experts, followed by analysis using Cost & Benefit methods and SWOT analysis.*

Keywords: *Financing Insurance, Self Insurance, Cost & Benefit analysis, SWOT analysis.*

I. INTRODUCTION

Indonesian banks are urged to enhance their operational efficiency, both independently and through collaborative efforts within business groups, aligning with current industry evolution. Concurrently, they maintain a strong dedication to fostering financial inclusivity across Indonesia. To ensure tasks are executed with maximum efficiency and effectiveness and to swiftly adapt to the fast-paced advancements in information technology, it is crucial to reinforce the regulatory framework governing Banks and KPBLN's institutions. This reinforcement encompasses some aspects of establishment, daily operations, and the termination of business activities. BUR Sharia is a financial institution that caters to families on the verge of entering into a prosperous life by making various financial products available to improve their living standards. BUR Sharia Financing Group Loan is the best product and holds the largest portfolio in the company's entire portfolio in BUR Syariah. This is, in particular, one of the women's inclusion-oriented products based on a wakalah wal murabahah contract, which means a sale and purchase agreement. Its key strengths, according to BUR Pembiayaan Syariah, formerly PMD, are building good virtues among customers, like entrepreneurship, discipline, diligence, and unity under the BDKS concept. Among the main strengths behind this product is the aid package, including jaminan, particularly working capital, that helps one establish feasible businesses and can be repaid bi-weekly. Other benefits include life insurance for themselves and their spouses, a savings account with the bank, and a moratorium during the Eid al-Fitr celebration. So, not only does putting insurance into the product benefit the customer, but it also protects BUR Sharia from the eventuality of loan default in case one of its clients dies. BUR Sharia currently has an affiliation with an insurance provider, dating from 2012 when it was still a Sharia Business Unit. The bank fully bears insurance premiums as part of its operational expenses.

The main product in BUR Sharia's portfolio is the BUR Sharia Financing–Group, the flagship product that provides financial services to emerging family businesses and women entrepreneurs. This product includes entrepreneurship training and life insurance, with the bank covering the insurance premiums. Customers benefit from protection against loan defaults due to death and a Rp 500,000 benefit for the spouse's death. Longstanding insurance integration within BUR Sharia's offerings aims to protect clients and the institution. The insurance safeguards against financing risks, bolstering customer trust and institutional stability. From 2016 to 2018, the payout-to-premium ratio averaged 67%, while during 2019–2022, claims exceeded premiums, averaging 101.50%. BUR Sharia's claim rejection rate stands at 6.5%, with rejections thoroughly vetted for fairness and policy compliance. Amidst economic slowdown and fierce competition, BUR Sharia strives to improve operational efficiency. The institution is testing measures to reduce customer death risks and provide spousal compensation, balancing cost reduction with maintaining service quality, ensuring prudent operations and regulatory compliance.

This is an open access article under the CC BY-NC-ND license (https://creativecommons.org/licenses/by-nc-nd/2.0/)

This study aims to assess which approach is more effective and efficient in managing the risk of customer default due to death: whether banks should utilize insurance services or rely on their own funds. The research is confined to managing death claim submissions for ultra-micro customer segments from 2017 to 2023 at BUR Sharia Bank. It aims to determine the optimal risk management strategy that balances cost-effectiveness with operational efficiency, considering the unique challenges and potential financial impacts associated with customer defaults in the event of mortality. This evaluation will contribute to the broader understanding of risk mitigation in the banking sector and inform decision-making processes regarding integrating insurance mechanisms or allocating bank reserves for such contingencies.

II. LITERATURE REVIEW

A) Productive Poor Financing

Financing is the act of giving money or equivalent bills to another party based on a contract between the bank and that other party that requires the party receiving financing to repay the funds or equivalent bills in exchange for a set amount of time or profit sharing. (Kasmir, 2011). Financing also means trust; a bank or sharia financial institution places trust in a person or company to carry out the mandate given in the form of providing funds and managing them correctly, fairly and accompanied by clear ties and conditions that are mutually beneficial to both parties.

These people have little access to digital goods and services and are frequently unbanked. By giving these people access to reasonably priced financing and social empowerment, ultra-microfinance hopes to assist them in ending the cycle of poverty and enhancing their chances for employment. The ability to access financial services that were previously out of reach for pre-prosperous customers is one of the main benefits of ultra-micro financing. These people can benefit from ultra-micro financing by establishing credit histories that will eventually enable them to obtain larger loans and other financial services. The ability of ultra-micro financing to foster entrepreneurship and economic expansion is another benefit for pre-prosperous customers. By giving these people access to financing, you can help them launch or grow their businesses, boosting the local economy and creating jobs.

It is now widely acknowledged that micro, small, and medium-sized enterprises, or MSMEs, play a crucial role in the Indonesian economy. In 2020, small and medium-sized enterprises will account for approximately 99% of the Indonesian economy, according to data from the Ministry of Cooperatives. 97% of Indonesian workers are employed by MSMEs, which account for about 60% of the country's GDP. Furthermore, compared to large corporations, the MSME sector has demonstrated its resilience in the face of numerous crises that have affected Indonesia, including the multifaceted crisis of 1988, the global crisis of 2011, and the current COVID-19 pandemic crisis. Because MSMEs are adaptable and resilient to changes in the economy, their presence in Indonesia maintains economic stability even in the face of a downturn. (Ida Ayu Meisthya Pratiwi, 2022).

B) Risk Management, Self Insurance/ Uninsured

Registering BUR Syariah customers into life insurance policies affiliated with financing is one of the risk mitigation strategies against customer default due to the customer's demise. This process represents one of the risk treatment options. According to ISO 3100, the risk treatment options that can be implemented include (Risk Assessment based on ISO 31010, CRMS):

- Avoiding Risk: This involves deciding not to initiate or continue activities that pose a risk. For instance, an organization might choose not to invest in a high-risk project
- Risk Exploitation: Here, an entity deliberately takes or increases a risk to pursue an opportunity. For example, a company might invest in a new market despite the associated risks, hoping for substantial returns.
- Risk Mitigation: This involves either eliminating the sources of risk or changing the consequences and probabilities of a risk. It comprises proactive measures aimed at reducing risk impacts. For example, implementation of safety procedures to avoid accidents.
- Risk Sharing: The risk is transferred to multiple parties, insurance companies, vendors, or outsourcing partners. It essentially reduces the potential loss that might be incurred due to a risk factor.
- Risk Acceptance: This is a situation in which an organization retains the risk and bears any resulting consequences. This may be due to cost-benefit analysis or strategic reasons.

The purpose of each risk treatment option varies, and proper treatment will enhance cost efficiency in terms of risk management for any institution. The right approach, carefully considered and executed, will give the business the best opportunity to correctly allocate resources, streamline processes, and alleviate some of the financial burdens of risk. This may be risk avoidance, exploitation, modification, sharing, or acceptance; the important thing is that it aligns with organizational goals and the risk tolerance set forth by upper management. Effective risk management is not only protection from losses but also an important element of sustainable growth and resilience.

C) Cost & Benefit Analysis

Cost/Benefit Analysis, also called cost-effectiveness analysis, is among the information processing processes applied to gauge beneficial objectives that offer problem-solving solutions through product testing and cost expenditure linked to business activity. CBA is one of the risk assessment techniques that help the user determine what actions to execute based on perceived risks. It enables organizations to use evaluation criteria based on the cost incurred versus the benefits derived from their risk management strategies. Generally, CBA considers tangible and intangible factors, thus setting a basis that allows the target beneficiaries to weigh the potential gains against associated expenses.

The CBA technique does not require any specialized software, making it pretty easy to apply and, therefore, more user-friendly, hence broadening its application. This forms a very great advantage in the use of this technique, mainly in those areas with limited resources meant for specialized tools. Besides, the CBA technique is very effective in risk management, for it lies above the risk appetite but within the risk tolerance. These are typically the risks that carry some medium or moderate degree of exposure and whose careful handling is required so that they do not evolve into higher-level issues. In this manner, CBA offers a balanced solution toward risk management. The recommendations developed from this technique will, at the least, offer two options. Firstly, if the cost-benefit analysis results in a value greater than (>) 100%, the risk treatment is considered appropriate for implementation. This indicates that the benefits outweigh the costs, making the treatment viable. Conversely, if the cost-benefit analysis yields a value less than (<) 100%, the risk treatment is deemed inappropriate for implementation. In this scenario, the costs surpass the benefits, suggesting that the treatment may not be justified. These guidelines help ensure that resources are allocated efficiently and effectively when managing risks. (Risk Assessment based on ISO 31010, CRMS)

D) SWOT Analysis

(Rothaermel, 2017) states that the SWOT analysis framework enables leaders to extract strategic implications by combining insights from an analysis of the company's external opportunities (O) and threats (T) with those from an internal analysis of the company's strengths (S) and weaknesses (W). An organization must weigh the benefits and drawbacks of strategic planning before deciding on a course of action. When such factors are considered and implemented, a suitable decision-making process generates what the organization might expect as a result. When implementing a plan or initiative, the SWOT Analysis—which stands for Strengths, Weaknesses, Opportunities, and Threats—is a well-known strategic planning tool for organizational development with likely causes and effects (Snelling, 2012).

Conducting a SWOT analysis of enterprise systems is a common practice among business researchers working in large organizations. Many organizations use SWOT analysis for quality assurance and strategic planning as they draft laws and policies. The SWOT activities in the context of digital ecosystems require careful consideration, especially when developing and promoting novel approaches for various industry scenarios within the framework of integrated project management while also considering complex business operations. Information solutions might not offer options, failing to prioritize issues and offer substitutes (Christine Namugenyi, 2019)

An organization's external opportunities and threats are analyzed, along with its internal strengths and weaknesses, using a SWOT analysis. Resource, capability, core competency, and competitive advantage that are intrinsic to the organization are identified through internal analysis. Through an examination of competitors' resources, industry conditions, and overall environment, the external analysis pinpoints market opportunities and threats. An organization's knowledge of its internal and external environments is what a SWOT analysis is used for, and it helps it formulate strategy accordingly (Sammut-Bonnici, 2015).

III. RESEARCH METHODOLOGY

This study employs an in-depth interview methodology to gather essential information related to the variables necessary for addressing the research question. Our approach involves testing the theoretical foundations and evaluating findings obtained from interviews with relevant stakeholders. The in-depth interviews yield primary data that will be collected and analyzed. For the cost/benefit analysis (CBA) or cost/benefit assessment, we rely on data sourced from the Cash Management & Insurance (CMI) work unit. This data includes reports and reconciliation records of premium amounts paid, claim submissions, and SLA monitoring. These serve as temporary secondary data. The optimal participant range for qualitative research methods typically spans five to fifty individuals, contingent upon data quality, research scope, and relevant information. Eligible respondents for participation in this study include department or division heads, leaders, and senior experts at BUR Sharia who deeply understand the challenges associated with the current registration and claim submission processes. Additionally, those responsible for self-insurance implementation or uninsurance should have a minimum tenure of two years in their roles.

IV. RESULTS AND DISCUSSION

A) *Cost and Benefit Analysis*

The cost analysis in this study employs the Cost/Benefit Analysis (CBA) method. The CBA process includes identifying and quantifying costs and benefits, comparing them, and determining the net value. This method helps evaluate the economic feasibility and overall impact of the project or decision being analyzed: Baseline Cost Estimation, Residual Cost Estimation, Implementation Cost Estimation, Calculating the Benefits, and Calculating Cost / Benefits.

a. Baseline Cost Estimation

The initial cost calculation represents the estimated loss if a risk occurs without any follow-up actions, resulting in financial consequences without implementing control measures. Generally, the base cost is calculated from the maximum loss the organization can bear. In this case, the base cost used is the premium cost incurred by the bank for customer financing life insurance during the period of 2022 – 2023. This approach ensures that the initial cost estimation is grounded in realistic and historical financial data, providing a clear understanding of potential financial impacts in the absence of risk mitigation efforts.

Table 1: Comparison of Costing and Cost Accounting

Years	Premi Amount	Premi Account	Total Claim	Claim to Premi	Amount Rejected	Rejected %
2021	53,591,786,481	4,860,057	67,380,026,838	125.73%	3,611,408,484	5.36%
2022	61,733,478,352	5,655,302	47,965,068,031	77.70%	2,470,328,677	5.15%
2023	49,386,782,682	4,478,719	28,045,045,102	56.79%	1,822,927,932	6.50%

Based on the table above, if the average premium cost for the period 2022 - 2023 is considered as the base cost, then the value of the baseline cost is Rp 55,560,130,516-

b. Residual Cost Estimation

Residual costs are the remaining expenses estimated when a risk still occurs, resulting in financial consequences even after implementing control measures or follow-up actions. In this case, the bank bears the residual costs derived from the nominal value of claims submitted by the bank but rejected by the insurance company. Typically, rejections occur because the claims were submitted beyond the maximum submission period specified in the insurance policy, 75 days from the date of death of either the customer or the customer's spouse. This highlights the importance of timely claim submissions to avoid financial losses. Estimated Residual Costs using the nominal cost of submitting rejected claims for the period 2022 – 2023 on average, then the value of the residual cost is Rp3,381,792,642,-

c. Implementation Cost Estimation

Implementation costs refer to the expenses calculated from the total costs incurred by an organization to undertake efforts or control actions to manage risk. In this case, for conducting self-insurance, the bank must prepare various infrastructures, including the human resources who will manage the insurance and the systems to support the internal work processes carried out in this implementation. For the execution of this implementation, the human resources utilized are all personnel from the Insurance Management (CMI) work unit, which implies that for human resources, it can be said that there are no additional costs associated with this implementation. The system requires further development to support work processes and minimize human error. The bank is internally advancing its system using existing resources, spearheaded by the Operations Development unit in collaboration with the Information Technology (IT) unit.

Consequently, it can be stated that there are no additional costs for system and technology development regarding the implementation of self-insurance. Implementation cost potential arises from the tax aspect because when the bank provides compensation to the spouse of a deceased customer, the bank is obligated to bear the tax costs for the compensation given to the customer. However, the bank is not taxed for customers who have passed away. Receivables that are clearly uncollectible, as referred to in Article 2, can be charged as a deduction from gross income as long as they meet the requirements of uncollectible receivables to small debtors whose amount does not exceed IDR 100,000,000 (One Hundred Million Rupiah). This amount represents the total receivables from several credits a domestic financing institution/bank provides. (Ministry of Finance Regulation: PMK No. 207/PMK.010/2015, Article 2).

Data on claim payments for deceased clients' spouses are utilized to estimate the tax cost for compensation to clients' spouses. The Accounting, Finance and Reporting unit then calculates the tax using the appropriate rates. This ensures accurate financial planning and compliance with tax obligations, reflecting the bank's commitment to fiscal responsibility while supporting bereaved families.

Table 2: Tax Claim Ratio Spouse

% Klaim Pasangan		Klaim	Tax
2023	10.15%	5,305,500,000	1,167,210,000
2022	8.97%	6,887,171,506	1,515,177,731
2021	12.20%	5,407,000,000	1,189,540,000
2020	10.15%	5,443,500,000	1,197,570,000
2019	16.02%	4,810,000,000	1,058,200,000
2018	18.60%	4,534,000,000	997,480,000
2017	22.20%	4,177,000,000	918,940,000
TAX 22%			8,044,117,731

the description provided, the estimated Implementation Cost is Rp. 8,044,117,731

d. Calculating the Benefits

Benefits are derived by deducting basic costs from residual costs. The benefit calculation herein aims to measure the degree of cost saving an organization may realize with respect to risk upon the successful execution of control measures, hence reducing potential losses to the organization. It's a strategic financial assessment aimed at understanding the effectiveness of risk management efforts and how they improve or hurt the bottom line.

Benefit = Baseline Cost – Residual Cost
Benefit = Rp 55,560,130,516 – Rp 3,381,792,642
= Rp. 52,178,337,874.15

e. Calculating Cost / Benefits

The cost-benefit analysis quantifies benefits in terms of value against total implementation costs incurred by an organization. The analytical approach provides a measure as to whether the project or scheme is going to bring an output worthy of the cost paid for it, thus justifying the investment. It's a key decision-making tool that will ensure the use of resources only on those initiatives which can yield maximum return on investment and are aimed at accomplishing goals that are strategic in nature.

Cost / Benefit = (Benefit / Implementations) x 100%
= Rp. 52,178,337,874.15 / Rp. 8,044,117,731
= 652 %

Control efforts and follow-up actions are only recommended where the cost-benefit analysis calculation is greater than or equal to 100%. Thus, the benefits outweigh the costs. The mitigation plan is then recommended for creation, further decreasing risk value. On the other hand, if the computation of a cost-benefit analysis is less than or equal to 100%, the control effort is considered not feasible. Meanwhile, mitigation efforts must be done as a precautionary measure of risk. Hence, from the cost and benefit analysis point of view, the bank can use its own funds to pay for the unsettled obligations of a deceased customer and the expenses incurred to provide compensation to the spouse of the deceased customer. Such a strategic move will ensure that the bank uses its financial resources efficiently to tread between the thin line of risk management and fiscal responsibility.

B) SWOT Analysis

a. Financing Insurance by Bank Fund

Figure 1: SWOT Analysis for Financing Insurance by Bank Fund

1. Strengths

Full Control—If the bank does life insurance in-house, it will definitely be better placed to fast-track procedures involving claims and payment. This kind of efficient procedure will shorten the resolution time of claims, hence reducing the waiting period for such benefits with much ease. Customers will be satisfied with the experience of more efficient procedures, hence attracting more clients to this particular bank. When a bank manages life insurance in-house, it has the latitude to adjust insurance products to suit the needs of various customers. It gives the bank the latitude to develop policies that will align.

Cost Efficiency— With the banks managing life insurance in-house, the fees and commissions normally paid to third-party insurance companies will be avoided. Such cost savings can be huge as intermediary costs add up to any sum over any period. This helps bring down expenses, thereby improving the profitability of the bank. Economies of scale accrue to banks that manage large volumes of life insurance policies. As the count of policies increases, so does the ability to better leverage resources and spread fixed costs over a bigger base, which reduces cost per policy. This may gain large cost savings and improved financial performance.

2. Weaknesses

Financial Risk: An internally managed life insurance is fully responsible for paying out claims. In the event that there are a large number of claims, more so under very unanticipated circumstances such as a pandemic or natural disaster, this would mean a huge financial burden. Exposure of this nature may present a demand on the bank's financial resources and hence affect its liquidity. Accurate pricing in life insurance requires sophisticated predictive risk expertise. In case actuarial assumptions by the bank prove wrong, then there could be incidences of underpricing policies with insufficient reserve for the claim. This can lead to a huge financial loss.

Compliance Risk: Conducting life insurance is associated with heavy, complicated, and fast-moving regulations across jurisdictions. This means that a bank has to keep up with the changes in local, national, and international laws that govern insurance practices. With large doses of compliance teams' legal and regulatory expertise, this comes at a cost and involves resources. The regulatory environment in which insurance operates is always undergoing a process of updating and reform. Therefore, banks need to keep pace with these changing requirements in order to remain compliant. If not, non-compliance may result in fines, penalties, and related legal actions. In other words, banks must comply with the regulatory requirements, especially those of OJK related to Risk-Weighted Assets, regarding how customers who have died before financing is repaid with bank funds, by downgrading the status of collectibility to 5 and making provisions for CKPN. Afterwards, the bank may proceed with settlement. This will ensure that the bank operates within the set regulatory standards in handling the financial implications of such events, all for the proper handling of whatever shall be owed to the customer in a compliant and responsible manner.

3. Opportunities

Product Innovation: Banks can develop life insurance products that are tailored to meet the financing needs of all their customers. This may include policies attached to loans or even mortgages so that the outstanding debt is paid in the event of death. Such tailored solutions can bring mental peace to the customer and add tremendous value to what the bank can offer them. Here also lies an opportunity to develop microinsurance products that bring low-cost protection in generally underserved segments of society. Such products can be tailor-made to give good cover to certain risks, while processes involved can be simplified to reduce high administrative costs. By attending to the needs of these market segments, banks can increase their clientele base and generally enhance financial inclusion.

Customer Loyalty: It allows a bank to offer customers much more integrated financial services by directly offering life insurance. Since the customer has the feeling that all his financial needs are being met under one umbrella, it has the potential to heighten trust with the client. One will be in a position to differentiate from banks that can't offer such integrated services. This can be an additional value proposition for attracting new and retaining existing customers.

4. Threats

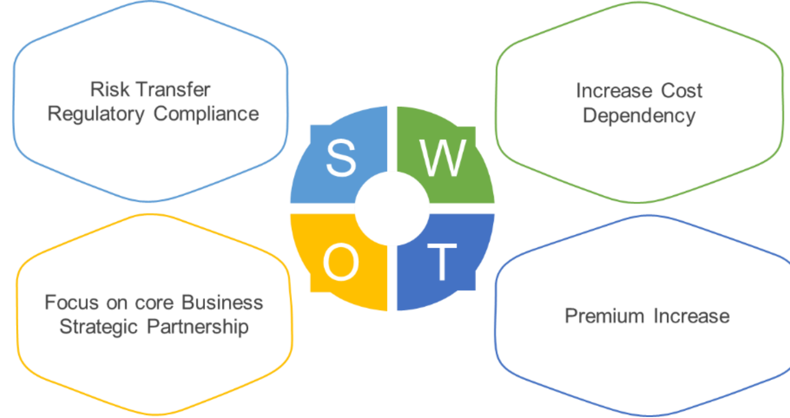
Claim Uncertainty: This includes life insurance claims that may result from natural disasters, pandemics, or an economic downturn. Such events could create a surge in claims that is hard to anticipate and manage due to an event of natural disasters, pandemics, or the sudden downturn of an economy. A surge can result due to this unpredictability, which makes it quite difficult to project and prepare well for this increase in claims. In the event of such spikes, the strain on resources and operational capacity could occur, resulting in delays in processing and payout of the claim. Effective risk management strategies are hence called for to manage such spikes for timely and efficient claim settlement.

Regulatory Changes: Banks must deal with complicated regulatory structures while settling life insurance claims. Most of the time, the regulatory environment is very complex and frequently changing, thus affecting the bank's operations. Regulation changes could mean revision of compliance processes, which involves additional costs and operational burdens. Reviewing the agreement documents on financing to include a clause for bank discharge of the

customer from the obligation of repayment of the facility upon death is what the banks are going to do. This is to alleviate the burden on his family of such repayment responsibility and allow them to experience less financial stress during such a troubled period. Including this clause shows that the banks display an element of care for their clients and loved ones, providing relief and security.

b. Financing Insurance Using Vendor

Figure 2: SWOT Analysis for Financing Insurance Using Vendor



1. Strengths

Risk Transfer: This involves buying life insurance protection from the insurer, which aids the bank in reducing financial exposure to any large claim and thus maintaining financial stability, thereby reducing potential losses and remaining focused on core operations. This will also build trust among customers by assuring reliable claim settlement through the insurers.

Regulatory Compliance: In most instances, insurance companies have extensive knowledge in areas of regulatory compliance. Because this is an extensive knowledge base, coupled with experience about how to deal with intricate structures in regulations, the companies are then able to successfully navigate them. Their expertise ensures they are conversant with the law and sectoral standards, thus preventing non-compliance with the same. In this regard, such insurance companies are better placed to create formidable compliance policies, averting possible legal and financial repercussions. In essence, their regulatory compliance skill provides a strong foundation for the smooth and successful management of insurance operations.

2. Weaknesses

Higher Cost: Whenever banks depend on the insurer to compensate them in case of the death of their customers, they are usually faced with the disadvantage of higher premium costs. These premiums can be so high they will definitely affect the bank's overall costs. The strain of paying such probably high premiums to the insurance companies drones the financial muscles of the bank, thus minimizing its profitability. Moreover, the premium price may fluctuate based on risk assessments and market conditions, adding some financial uncertainty. This increased spending toward premiums will cut down the bank's ability to utilize the money for other crucial areas, which may affect operational efficiency and growth prospects.

This itself can be a major weakness for banks, which are compelled to depend on third-party insurance companies for the management of life insurance. This dependence on external insurance companies naturally implies that banks are not in control of the entire insurance process with respect to settling claims and customer service. Any inefficiency or delay on the part of the insurance company will have a negative rub-off on the bank's reputation and customer satisfaction. Furthermore, it can be challenging for banks to adapt an insurance company's policies and procedures to their own standards and expectations. Flexibility regarding offering more tailored insurance products to its customers and thus not losing some competitiveness in the market is lost with such dependence.

3. Opportunities

Attention to core business: The outsourcing of the management of life insurance by banks to insurance companies will allow banks to focus on their main products of lending, deposit, and investment. Such strategic focus will enable banks to spend more resources and attention on strengthening their key offerings, customer service, and innovation in the core business areas. By offloading the administrative and operational burden of selling life insurance, the banks will be better placed to simplify operations, reduce complexity, and improve efficiency. Doing so will also present the banks with a better opportunity to exploit the specialization of the insurance companies, assuring professional and efficient handling

of life insurance claims that further enhance customer satisfaction.

Strategic Partnership: A potential association with insurance companies could dramatically reduce the risk of clients dying. By entering into such strategic tie-ups, businesses can offer their clients a safety umbrella and unleash many other business-related opportunities. Such alliances can develop new products, engender customer trust, and leverage cross-promotional activities. Moreover, such partnerships can facilitate operations, cut down costs, and eventually bring about growth and innovation in the company.

4. Threats

Premium Rise: The major concerns of the risk of death of clients by the insurance companies include an increase in premium cost. Because insurance companies' rates continue changing over time, their changed rates may end up making businesses pay a higher premium. These increased costs may reduce profitability directly since paying for the coverage will be more expensive. Additionally, variable premiums can be a source of financial uncertainty and further complicate the planning of budgets and long-term financial strategies. Although insurance partnerships are a factor in risk mitigation, they must be carefully managed to balance the related costs with the benefits.

V. CONCLUSION

This can be looked upon as appropriate for the case of BUR Sharia as an Islamic banking and finance institution to have the chance – or the … advantage for using its own capital in order to provide support for the financial cost that arises as a result of a customer's default because of death, by offering compensation to his / her beneficiaries. An economic analysis justifies the given recommendations, owing to which the benefits of the respective policy are much greater than its cost; this is proved by the benefit-to-cost ratio being greater than 100%, equal to 652%. This huge ratio means that the financial benefits of offering such compensation significantly outstrip the minuscule expenses thereof, rendering it a financially sound and reasonable practice. Implementation of this policy, therefore, is not only by the dictates of Sharia principles founded on mutual support and sharing of risks with its members, but also adds to the institution's reputation in customer care and ethical conduct. By this proactive response to what could have become financial agony on the part of a customer whose death occurred at an untimely hour, BUR Sharia underscores its commitment to the customer's and family members' welfare and, in the process, enhances that relationship of trust and loyalty within its base.

VI. REFERENCES

[1] Alijoyo, A. W. (2021). Cost/Benefit Analysis. CRMS (Center for Risk Management Studies)

[2] Christine Namugenyi, S. L. (2019). Design of a SWOT Analysis Model and its Evaluation in Diverse Digital Business Ecosystem Contexts. Science Direct Procedia Computer Science.

[3] Djumhana, M. (2012). Hukum Perbankandi Indonesia. Bandung: PT. Citra Aditya Bakti.

[4] HABIBIE, B. J. (1998). Undang-undang Nomor 10 Tahun 1998 tentang perubahan Undang-Undang Nomor 7 Tahun 1992 tentang Perbankan (UU Perbankan).

[5] Haryo Limanseto, H. o. (2022, March). Retrieved from www.ekon.go.id: https://ekon.go.id/publikasi/detail/4065/coordinating-minister-airlangga-government-continues-to-encourage-strengthening-economic-foundations-by-establishing-digital-transformation-of-msmes-as-one-of-the-priorities

[6] Ida Ayu Meisthya Pratiwi, I. G. (2022). Regional Economic Development, Information Technology, and Sustainable Business. Yogyakarta: Jejak Pustaka.

[7] Indonesia, C. (n.d.). Risk Assessment based on ISO 31010.

[8] Kasmir. (2011). Manajemen Perbankan. Jakarta: PT.Raja Grafindo Persada.

[9] Keuangan, O. J. (2021). Peraturan Otoritas Jasa Keuangan No.13 /pojk.03/2021 Tentang Penyelenggaraan Produk Bank Umum.

[10] Keuangan, O. J. (2022). Peraturan Otoritas Jasa Keuangan No.2/ POJK.03/2022 Tentang Penilaian Kualitas Aset Bank Umum Syariah.

[11] Keuangan, O. J. (2023). Peraturan Otoritas Jasa Keuangan No.22 /pojk.12/2023 Tentang Pelindungan Konsumen dan Masyarakat Di sector Jasa Keuangan.

[12] Regulation, M. o. (2015). PMK No. 207/PMK.010/2015, Article 2.

[13] Rothaermel, F. (2017). Strategic Management. Third Edition. United States of America: McGraw-Hil.

[14] Sammut-Bonnici, T. (2015). SWOT Analysis.

[15] Snelling, J. (2012). The Influence of the SWOT Analysis in Organizational Development Strategic Planning. GRIN Verlag.

[16] YUDHOYONO, D. H. (2008). Undang-undang Republik Indonesia Nomor 21 tahun 2008 tentang Perbankan Syariah.

[17] YUDHOYONO, D. H. (2014). UU No. 14 Tahun 2014 tentang Perasuransian.

[18] Zackoff, M. W.-T. (2018). Enhancing Educational Scholarship Through Conceptual Frameworks: A Challenge and Roadmap for Medical Educators. Academic Pediatrics Elsevier.