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The Opportunities and Challenges of Disaster Insurance in Indonesia After Covid 19

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Abstract

Indonesia is often referred to as the Ring of Fire so that there are many natural disasters, especially earthquakes, volcanic eruptions, tsunamis and landslides. Based on the Environmental Profile, geography and population can increase the risk of natural disasters in Indonesia. To overcome these losses, it is necessary to mitigate natural disaster losses. The efforts of the Indonesian government as regulated in Law No. 24 of 2007, have allocated a budget for disaster management in the APBN/APBD. The government needs to reform natural disaster risk financing policies to meet the need for large amounts of disaster funding, timely and targeted, more planned, sustainable and transparent to reduce economic losses and the burden on the state budget. This disaster risk financing must also be able to answer the financing needs when there is no disaster in the context of disaster risk mitigation and transfer, financing when a disaster occurs (emergency response) and financing after a disaster occurs (rehabilitation and reconstruction). One way of financing disaster risk that can be done is with insurance services or insurance companies. The insurance company is referred to as the individual risk insurer who follows the insurance. In insurance there is a contractual agreement between the insured and the insurer called the policy. The agreement is regarding the insurer who is willing to bear a number of risks that may arise in the future in exchange for certain payments from the insured. Payments made by the insured to the insurer are called premiums.

Keywords: Insurance, Natural Disasters, Challenges, Indonesia

1. Introduction

Indonesia is a country that is prone to natural disasters. As an archipelagic country, Indonesia is crossed by the equator which causes this country to have a tropical climate and only has two seasons, namely the rainy season and the dry season. These two seasons and exacerbated by uncertain climate change make Indonesia vulnerable to hydrometeorological disasters such as floods, landslides, droughts, hurricanes.

Natural disasters in Indonesia are in fact always increasing from year to year. According to data from the National Disaster Management Agency (BNPB), more than 19,000 natural disasters have occurred in Indonesia from 2010 to 2020. In 2019 there were 3,814 disaster cases with the worst contribution coming from cyclones as many as 1,387 cases, followed by floods, fires. forests and landslides. As of May 2020, BNPB noted that flooding was the most frequent natural disaster with 510 cases.

Indonesia has a BNPB which was formed as a follow-up to efforts to reduce disasters in Indonesia. Formally formed in 2008, BNPB, which is a non-ministerial government agency, has two main functions, namely to formulate and determine disaster management policies and coordinate the implementation of disaster management activities in a planned, integrated and comprehensive manner.

Every five years BPNB also routinely issues the National Disaster Management Plan (Renas PB) in Indonesia. Based on the 2015-2019 National Disaster Management Plan, three provinces that play a major role in Indonesia's agricultural production, namely East Java, West Java and Central Java, are priority locations for natural disasters such as floods, landslides, droughts.

President Joko Widodo also reiterated the importance of collaboration of all stakeholders in strengthening disaster management strategies in Indonesia during a disaster management coordination meeting last February. BNPB's strategy is based on Regulation of the Head of BNPB No. 4 of 2008 which describes the three stages of disaster management in Indonesia. The first stage is the pre-disaster stage which includes prevention, mitigation, and preparedness. When a disaster has not yet occurred, a mitigation plan is drawn up. If a disaster has the potential to occur, preparedness scenarios are carried out through contingency plans, including early warning information.

Next is the emergency response stage when a disaster occurs. The applicable plan is an operational plan that includes rescue actions and evacuation of exposed victims. As the Final Stage, the post-disaster stage involves a recovery plan to rebuild damaged facilities and infrastructure. If we return to the focus of agricultural productivity in disaster-prone areas, actually the pre-disaster stage (mitigation stage) is the most important stage to avoid damage to farmers' business land. However, apart from the existing systematic plans, the implementation of disaster management in Indonesia is still not free from errors. The National Disaster Management Plan compiled by BNPB is still only a plan and therefore cannot be used as a benchmark for all ministries/agencies when dealing with disasters. Each relevant Ministry still has its own procedures and mandates in disaster management. Referring to Martha Carolina's writing in the State Budget Bulletin of the Indonesian House of Representatives Expertise Agency's Budget Study Center, the allocation of program funds for BNPB disaster management has also decreased from Rp.2.83 trillion in 2015 to only Rp. 478.1 billion in 2018. The decline in the budget will not only affect plans. mitigation and operations, but of course also affects the quantity of human resources involved.

Indonesia is on the path of the ring of fire (ring of fire). The number of volcanoes in Indonesia is the largest in the world. In Indonesia, there are about 130 volcanoes recorded. This amount is 10% of the total number of active volcanoes in the world. Furthermore, of the 130 volcanoes, 17 of them are still active.

The location above the ring of fire is exacerbated by the location of the Indonesian archipelago at the confluence of four tectonic plates, namely the Asian Continent plate, the Australian Continent plate, the Indian Ocean plate and the Pacific Ocean. This allows frequent occurrences of earthquakes and tsunamis in Indonesia. Based on data from the United States Geological Survey (USGS) recorded from 1916 to 2015, there have been 161 earthquakes with a scale of 7 Mw (moment magnitude). Meanwhile, earthquakes below 7 Mw have been recorded thousands of times. During this time span, the Aceh earthquake in 2004 was the largest earthquake.

The Second Factor of Climate Change. Climate Change Has Brought countries in tropical climates closer to disaster. Climate Change Result From Global Warming has given losses to the agricultural sector and other economic sectors. These losses are caused by flood disasters whose numbers are increasing from year to year.

Data from the National Disaster Management Agency (BNPB) shows that in 2002 there were 143 natural disasters. The number increased to around 2,342 disasters in 2016. Of the total natural disasters, the majority were caused by hydrometeorological disasters (climate-related disasters). The earthquake that hit Lombok, West Nusa Tenggara, some time ago was estimated to cause losses of Rp. 8.8 trillion. Even with the loss of the earthquake and tsunami in Palu, Donggala, and Sigi, Central Sulawesi, it was worth Rp10 trillion. BNPB data shows that losses due to disasters in the 2004-2013 period are predicted to reach Rp 126.7 trillion.

Third factor, Indonesia is the country with the worst level of under insurance (number 2 from the bottom after Bangladesh). Indonesia together with Hong Kong, Poland, Colombia, Thailand, Brazil, Mexico Chile, China are the countries with less insurance coverage category. On the other hand, the Netherlands, New Zealand, the United States, Canada and Germany are in the category of countries with high insurance coverage. This fact makes insurance still have a broad market potential, including natural disaster insurance.

Fourth factor, as a trigger to minimize the impact of disaster losses. That is, if an object is to be insured in a disaster insurance scheme, then the object at least meets the requirements of not having accidental disaster risk. For example, if a building object is to be insured, its construction must strictly comply with the spatial planning provisions so that disasters can be mitigated.

In Turkey, the Turkish Catastrophe Insurance Pool (TCIP) which was established in 2000 was assigned to be the insurer for the risk of earthquakes in people's homes. The Turkish government requires earthquake insurance for buildings in the form of houses, shop houses and apartments. For your information, in 2000, with a limit of US$50,000 in coverage, the annual premium was US$47. Cheap. The existence of an insurance obligation for buildings as mentioned, makes the construction and layout/space of the building more organized, following the provisions of the existing spatial layout. As a result, natural disasters caused by human error (landslides, flash floods) can be eliminated.

For Indonesia, until now natural disaster insurance already exists, but is limited. Such as insurance attached to motorized vehicles against the threat of flooding. However, the coverage is still minimal and has not yet become the mainstream of the national insurance industry. Furthermore, disaster management is budgeted from government funds. This is regulated in Law Number 20 of 2007 concerning Disaster Management article 60. The article states that paragraph (1) Disaster management funds are a shared responsibility between the government and regional governments. In addition to funds from the government, disaster management funds are also managed in the community. This is stated in paragraph (2) of the same article which reads that the government and local governments encourage public participation in the provision of funds sourced from the community.

However, prior to the issuance of Law Number 20 of 2007 concerning Disaster Management, since 2005 in the APBN, disaster management funds have been allocated in the Budget Section of the General Treasurer (BA. BUN). Although it has been reserved, the disaster management funds are limited to cover the total loss and damage caused by the disaster. According to the author, the government's plan to implement a roadmap for disaster risk financing and insurance strategies is very relevant. It is very important to insure state property, especially office buildings and education. In this way, the state will be greatly assisted in restoring the post-disaster situation.

Until now, the legislature through the initiative of Committee II of the Regional Representatives Council of the Republic of Indonesia continues to push for the Natural Disaster Insurance Bill (RUU). The proposed bill is expected to become the legal basis for the implementation of the natural disaster insurance industry in Indonesia. This bill stipulates provisions for natural disaster insurance and government involvement. The government's involvement here is mainly for handling types of disasters with very large Probable Maximum Loss, such as earthquake insurance. The presence of the Law is expected to be an alternative for all stakeholders in responding to natural disasters, which are increasingly familiar to the Indonesian people.

2. Literature Review

2.1 Definition of Insurance

While the authentic definition of insurance currently applicable is that which is stated in the Law of the Republic of Indonesia No. 2 of 1992 concerning Insurance Business Chapter 1 Article 1, which reads as follows: “Insurance or coverage is an agreement between two or more parties with where the insurer binds himself to the insured, by receiving insurance premiums, providing compensation to the insured due to loss, damage or loss of expected profits or legal liability to third parties that may be suffered by the insured, arising from an uncertain event, or providing a payment based on the death or life of an insured person.

The above definition will be easier to understand when compared to the definition of insurance contained in Article 246 of the Commercial Code which reads as follows: “Insurance or coverage is an agreement whereby an insurer binds himself to an insured, by receiving a premium to reimburse him for an damage or loss of expected profits that may be suffered due to an uncertain event”.

Another definition of insurance is a transfer of risk from the first party to another party. The delegation is controlled by the rules of law and in it apply the principles and teachings that are universally adopted by the first party and the other party. From an economic point of view, insurance means a collection of funds that can be used to cover or compensate people who have suffered losses.

Based on this definition, it can be taken an understanding that includes all of the above points of view, namely insurance is a tool to reduce the risks inherent in the economy, by combining a number of units exposed to the same or almost the same risk in large enough quantities, so that the probability of loss is large. predictable and if the predicted loss occurs, it will be divided proportionally by all parties in the combination.

2.2 Elements of Insurance

Based on the definition of insurance, in Article 246 of the KUHD, there are four elements contained in insurance, namely:

a. The insured party who promises to pay the premium to the insurer, all at once or in stages.
b. The insurer who promises to pay a sum of money or compensation to the insured, all at once or gradually if something happens that contains an unspecified element.
c. An event (accident) that is not certain (not known beforehand).
d. Interests that may suffer losses due to unspecified events.

2.3 Basic Principles of Insurance

In Dessy Danarti (2011: 18) there are six basic principles that must be met, namely:

1) Insurable Interest

The right to insure, which arises from a financial relationship, between the insured and the insured and is legally recognized.

2) Utmost good faith

An action to accurately and completely disclose all material facts regarding something to be insured, whether requested or not. This means that the insurer must honestly explain clearly everything about the extent of the terms or conditions of the insurance and the insured must also provide clear and correct information on the object or interest insured.

3) Proximate Cause

An active and efficient cause that results in a series of events that give rise to an effect without the intervention of something that starts and is active from a new and independent source.

4) Indemnity

A mechanism whereby the insurer provides financial compensation in an effort to place the insured in the financial position he had just before the loss occurred.

5) Subrogation

Transfer of claim rights from the insured to the insurer after the claim is paid.

6) Contribution The

right of the insurer to invite other insurers who share the same, but not necessarily the same obligation to the insured to participate in providing indemnity.

2.4 Types of Insurance

Along with the times, people's needs for protection will be more complex. This is why various kinds of insurance are made and offered to the public. According to Umi Karomah in Dessy Danarti (2011: 42), the insurance business can be divided into several types, namely:

A. In terms of its nature:

1. Social insurance or compulsory insurance where participation is coercive for citizens. Social insurance is a mandatory insurance program organized by the government based on the law. The purpose and objective of social insurance is to provide guarantees for the community and not to obtain commercial benefits. Examples: Askes, Taspen, Asbrid, etc.

2. Voluntary insurance, in this insurance there is no compulsion for anyone to become a member. So everyone is free to choose to become a member or not Example: PT Jasa INDONESIA, PT Jiwasraya etc.

B. In terms of object and line of business:

1. PersonPerson

Insurance Insurance covers:

a. Life Insurance

is essentially a form of cooperation between people who avoid or reduce the risk caused by the risk of death, the risk of old age and the risk of accidents. Cooperation is coordinated by insurance companies, which work on the basis of the law of large numbers that pose risks to people who are willing to cooperate.

b. Health Insurance

This is a type of insurance product that specifically covers the health or treatment costs of the members of the insurance if they fall ill or have an accident. Broadly speaking, there are two types of treatment offered by insurance companies, namely inpatient and outpatient.

c. Pension Fund Insurance

Getting old is certain, but under what conditions old age will be, of course there is still a question because it is uncertain. That is why life planning is needed, one of which is financial planning for retirement so that life is guaranteed and does not burden others. Planning for retirement savings should be done before the productive period ends. Because in old age we will not be able to work anymore. Insurance and Pension Funds are one form of investment to guarantee old age. Having insurance is the same as transferring the costs that we have to incur to be borne by the insurance company.

2. General or LossLoss

Insurance Insurance consists of various types or branches of coverage, namely:

1. Fire Insurance

2. Household Package Insurance (Home Insurance)

3. Store Package Insurance (Shophouse Insurance)

4. Property All Risks Insurance

5. Earthquake Insurance

6. Engineering Insurance

7. Miscellaneous Insurance

3. Research Methodology

In accordance with the problems raised, in this research data collection the writing uses data collection with library research and interviews. Literature review is carried out to achieve a comprehensive understanding of the concepts to be studied. In this case the author conducted a study of the literature that has to do with the writing of this research.

The literature used for the literature review is books, magazines, newspapers, and several articles related and relevant to this study. Meanwhile, interviews are needed to supplement and strengthen the data obtained from the literature review.

In this research, the writer will use descriptive qualitative research. After the data has been collected completely, the next stage is data analysis. At this stage, the data is worked out, described, explained, and analyzed in such a way as to successfully conclude the truths that can be used to answer the questions posed in the research.

The data in the information will be presented in the form of descriptive analysis which aims to explain the problem to find the expected answer along with the reasons.

4. Results and Discussion

The implementation of the disaster management law needs serious attention, one of which is related to several derivative regulations of the disaster management law that have not been realized to date, namely the absence of a Presidential Regulation on the Status and Levels of Disasters as regulated in article 1, article 7, and article 57 of the Disaster Management Law. When the polemic about the status and level of the disaster has not yet been resolved and regulated in a Presidential Regulation, the President has signed Presidential Decree Number 17 of 2018 concerning the Implementation of Disaster Management in Certain Circumstances.

In addition, there are still unfinished regulations regarding disaster risk analysis and minimum service standards, and so on. Not yet Optimal Budget Support Based on the law on disaster management, the allocation of funds for disaster management is sourced from the Government and regional governments. Furthermore, in Government Regulation Number 22 of 2008 Article 4 paragraph (2) it is stated that the source of funding for disaster management comes from the APBN, APBD, and or public funds originating from individuals, business institutions, non-governmental organizations, both domestic and foreign communities.

The allocation of disaster management resources from the APBN in the form of contingency funds, and routine budgets for the National Disaster Management Agency (BNPB), and several Ministries and Institutions (K/L). Special funds for disaster management are allocated in the form of contingency funds, on-call budgets, and grants to regions. The allocation of funds for disaster management programs at BNPB continues to decline from year to year, namely Rp. 2.83 trillion in 2015 and to only Rp. 478.1 billion in 2018. This decline in disaster management program funds in 2018 will have an impact on preparedness activities in dealing with disasters, preparing logistics in disaster-prone areas, rehabilitation and reconstruction of the socio-economic field in post-disaster areas, emergency response in disaster-affected areas and community empowerment in disaster preparedness in each region.

The largest losses and damages can of course lead to a shortage of funding/financing for disaster management, so to overcome this problem the Government issues a Disaster Financing and Insurance Strategy with the strategies. One of these strategies is *pooling fund* disaster which is strengthened by Law no. 20 of 2019 concerning the 2020 State Budget Article 45 which regulates the need for the establishment of funds for natural disaster management, one of the sources of which comes from the APBD which is managed specifically and is multi-year in nature. Law Number 24 of 2007 concerning Disaster Management mandates that the Regional Government is also responsible for the implementation of disaster management which includes Guaranteeing the fulfillment of the rights of communities and refugees affected by disasters in accordance with minimum service standards, Protection of the community from the impact of disasters, Reduction of disaster risk and integration disaster risk reduction with development programs, and adequate allocation of disaster management funds in APBD.

The Limited fiscal capacity (financing gap) and management that has not been planned and integrated with disaster risk management, especially in the context of preparedness and risk reduction efforts. Therefore, there is a need for disaster financing to meet large, planned, timely and targeted, sustainable funding needs that are managed more transparently. Natural disasters cause various problems in the region. Several problems are faced by Regional Apparatus Organizations that are directly related to disaster management or Regional Apparatus Organizations located in disaster-prone areas. These problems include the need for equipment to evacuate victims and large equipment to normalize the post-disaster environment (Bego, etc.) which are currently not available. The next problem is that currently the Regional Disaster Management Agency has difficulty in procuring logistics in the form of food ingredients, because of the expiration date. Funds sourced from Corporate Social Responsibility (CSR) are proposed to be utilized, one of which is for disaster management in the regions. These funds can be placed in an insurance institution that acts as a manager and can be used when needed.

In the context of funding, relatively small, frequent and predictable disaster risks such as floods, landslides and droughts can be financed from regularly budgeted reserve sources. Meanwhile, to anticipate the risk of major disasters such as earthquakes and tsunamis, the combination of preparing standby funds that are accumulated from reserves from the budget on a regular basis (and managed outside the budget), as well as the use of non-budgetary disaster financing sources such as disaster insurance schemes is something that is very important. important.

Relatively small, frequent and predictable disaster risks such as floods, landslides and droughts can be financed from regularly budgeted reserve sources. This is also a form of partnership between the Government and the Regional Government with the private sector in transferring some of the risk to the financial market. Within this framework, the development of risk financing strategies and disaster risk insurance is part of the main agenda of development and disaster management. An important part of disaster management efforts in Indonesia is the institutional arrangement of natural disaster management. The great hope with the institutional arrangement for disaster management in the region is communication and cooperation in the division of tasks in dealing with disasters. Disaster management institutional regulations in Indonesia are regulated by Law Number 24 of 2007 concerning Disaster Management. Referring to the above regulations, a formal institution has been established at the central level, namely the National Disaster Management Agency (BNPB) as a substitute for Bakornas PB through Presidential Decree No. 8 of 2008.

However, it should be realized that the proposed Bill on Natural Disaster Management Institutions in Indonesia is very long and complicated. winding. Therefore, other regulations are needed that can accommodate and encourage disaster insurance to be included in the disaster management financing scheme. Actually the government has issued Government Regulation no. 22 of 2008 concerning Funding and Management of Disaster Aid. This rule is a derivative of Article 63 of Law no. 20 of 2007 concerning Disaster Management which mandates the regulation of the mechanism for managing disaster management funds. Article 4 PP No. 22 of 2008 states that disaster management funds are a shared responsibility between the government and local governments (paragraph 1) and sourced from the APBN, APBD, and or the community (paragraph 2).

In the article, it is stated that only funds from the APBN, APBD and/or the community are the funds for disaster management. In the opinion of the author, it is necessary to add insurance funds. The addition of an insurance fund clause in the PP will have implications for the increasingly passionate insurance sector in Indonesia. In addition, the addition of this clause will encourage the development of the construction services sector towards the adoption of building construction that adopts the potential for disasters, such as in Japan. Both will go hand in hand without burdening each other.

Until now people still do not understand the disaster. This is due to the lack of disaster mitigation. The early warning system to the mitigation culture has not yet reached the entire community, even within the government apparatus. The lack of disaster mitigation can be seen from the lack of Government efforts to reduce disaster risk, both physical development and public awareness through continuous and sustainable socialization about disasters causing disaster information to have not been embedded. This lack of disaster mitigation efforts cannot be ignored, considering that Indonesia has the potential to experience various types of natural disasters that can cause fatalities. One of the important points to increase socialization of mitigation and disaster management efforts is regulation. The slow pace of mitigation efforts and preparation for disaster emergency response to deal with the adverse effects of disasters caused by RENAS PB as a basic planning regulation in disaster management has not been referred to by K/L because it is still Perka BNPB (National Disaster Management Plan 2015-2019).

The disaster insurance initiation scheme developed by the National Disaster Management Agency (BNPB), requires premium costs of around Rp. 300-500 billion per year to finance all types of disasters, specifically for house stimulants, which are given to all disaster victims with the following scheme (dibi.bnpb.go. id., 2017):

1) Insured value of around Rp. 30 million per Head of Family (KK) for heavily damaged houses,

2) Insured value of Rp. 20 million per household for moderately damaged houses,

3) Insured value of Rp. 10 million per KK for damaged houses light.

The allocation of funds for this program is actually available from the disaster management reserve fund which per year reaches around Rp 4 (four) trillion. The problem is that until now there has not been a single legal product that allows the use of state finances to pay disaster insurance premiums. In addition, how the insurance scheme and the amount of premium for each specific type of disaster such as earthquakes, typhoons, floods, volcanic eruptions and landslides have not been clearly defined. The problem of the mechanism of the insurance premium financing burden, whether all is borne by the government according to the level of government, and or according to the authority of autonomy or sharing participation and or the possibility of involving the company's CSR (Corporate Social Responsibility) and other donations is also still a problem that must be formulated for the right recommendation. Then which area, with criteria such as what is a priority for insurance because it will involve the amount of premium value and the required budget and consideration of which insurance company can be involved, because if the covering area is a disaster-prone area with high risk then the business risk is also high with margins that may be relatively low or loss.

Another problem concerns the value and types of events that must be insured. What is insured only for physical damage to buildings, health problems, funds or life insurance or both will be included in the insurance scheme. The problems and problems above are still quite a dilemma and need to be analyzed and studied in order to obtain clear data and recommendations. It should be noted that until now, handling the consequences of disasters is still largely the responsibility of the government. Given the magnitude of the loss that must be borne, there should be a special system for dealing with the risk of losses due to disasters, so as to reduce the burden on the government, namely by risk-sharing with the private sector. The implementation of disaster insurance in the state budget will be seen from the principle of risk sharing evaluation as shown in the picture below. On the other hand, commercial insurance suffers from premiums and over-funding many times over, because they are not involved in cross-subsidy for losses caused by disasters that befall people who are unable to pay premiums voluntarily. The financial burden which was originally borne by 100 percent by the government is usually shared with the insurance industry, which at the same time will increase its industrial capacity.

The disaster insurance system in Japan has been designed since 1964, when there was a big earthquake that hit the city of Nigata on June 16, 1964. Seeing the losses caused by the earthquake that were quite large and massive, the Minister of Finance of Japan at that time held a meeting with insurance associations throughout Japan. to formulate what contribution can be given by insurance to reduce the risk of loss in the event of an emergency or force majeure that has occurred (Sunarsip M Iqbal and Viverita, 2007). Besides Japan, Bangladesh has a unique experience because it does not involve insurance companies, but involves microfinance institutions, in line with the rapid growth of microfinance institutions. In this case, the Bangladesh government made a natural disaster management scheme through the financial institution. Areas that are the focus of natural disaster management are, among others, implemented through savings and credit products. The use of savings products used to help cope with losses due to floods in Bangladesh, is a savings product that provides easy access to save and withdraw savings.

As previously described, several developed countries and even some developing countries have started implementing policies on disaster insurance in an effort to transfer risk and reduce the burden on the state budget for disaster management. In Indonesia, disaster management activities in a more integrated and well-coordinated manner have been implemented since the issuance of Law Number 24 of 2007 concerning Disaster Management, which in detail regulates comprehensive disaster management. However, it must be acknowledged that the law does not explicitly address the issue of risk transfer for disaster impact financing in the model and pattern of disaster insurance (Syamsul Maarif, 2012). This condition deserves attention, because experience has shown that the government has to provide quite a large amount of funds and budget for each time a disaster occurs, especially when viewed from the geographical side of Indonesia, which is very wide and spreads over more than 13 thousand islands.

With regard to the issue of disaster insurance, the practice in Indonesia is still a matter of debate for which a decision cannot be reached, although many parties have suggested the immediate need for a policy regarding disaster insurance to be promulgated and/or implemented, given the high potential for disaster risk.

Some of the discourses above illustrate that the practice of disaster insurance in Indonesia has never been formally implemented legally, because even in the disaster law that has been enacted since 2007, the problem of disaster insurance has not been a concern, so it can be said that the practice of disaster insurance in Indonesia still nothing. In fact, judging from the geographical, climatological, and geological aspects, Indonesia is under the threat of natural disasters, because it is located between two continents and two oceans. The issue of disaster insurance must indeed be handled by the state, considering that the funds for financing in disaster management are indeed very large and will not be possible to burden the community affected by the disaster. In this case, alternative use of disaster insurance will be able to reduce the amount of funds that must be prepared by the government. For example, for example, the cost of disaster management that must be provided every year is around Rp. 30 trillion, assuming the cost of disaster insurance premiums is around 1%, then the budget that must be provided is only Rp. 300 billion, which can be allocated by the state to pay disaster insurance premiums for people who died and or for the house. The case of the Aceh tsunami since 2004 until now has spent Rp 42.7 trillion (downloaded tempo.co on September 30, 2021 at 15.30), all of which are borne by the state, although there is still assistance from other countries, but the amount is not more than Rp. 10 trillion. , and the rest is borne by the state budget in stages, which until now has not been fully completed. In fact, if you use disaster insurance with the assumption that the premium costs are between 1% and 3%, it only takes around IDR 427 billion to IDR 1,281 billion. This illustration shows the importance of disaster insurance as an alternative priority in disaster management activities in Indonesia.

5. Conclusion

government's commitment at the central and regional levels to involve insurance should be appreciated as a step forward because the Law on Disaster Management (UUPB) provides opportunities for insurance to be involved in disaster management. The main obstacle to the disaster insurance program in Indonesia is the absence of a legal umbrella that provides confirmation of payment of insurance premiums by the central and regional governments using APBN and APBD funds. Until now, the regulation is still under discussion at the Ministry of Finance, so it can be accelerated so that it can become the basis for implementing disaster insurance for both the central government and local governments. Regional governments holding autonomy mandates can study intensively the benefits of providing disaster insurance premium subsidies compared to having to carry out post-disaster rehabilitation without the contribution of the insurance industry, so that if a disaster occurs, the government can share with insurance in dealing with various agreed matters. Regional Original (PAD) for Disaster Insurance Premiums for communities in disaster-prone areas in order to carry out the mandate of regional autonomy

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