

**Development Of Private Health Insurance In Aceh**

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**ABSTRACT**

*Total private insurance spending in 2015 is about 3.9% of Indonesia's health expenditures. Although it is not considerably high, the information about private health insurance in Indonesia is still limited. This review is aimed to provide an overview of the private health insurance company growths in Indonesia. The number of private insurance company does not grow significantly, while the number of membership tends to fluctuate in the last 5 years, even it tends to decrease for non life insurance category. Sums assured tend to rise until 2014, then stagnant for the next period. The amount of premium received by the company and claims to be paid (claim ratio) is considerably increase. It could not be denied that government program for achieving the universal health coverage is a threat to private insurance.*

**Keyword:** Health insurance, life insurance, general insurance, claim,

**Preriminary**

One of the Non-Bank Financial Institutions that plays a role as a pillar of the national economy is the insurance industry. In China, the growth of the insurance industry has made a significant contribution to the country's macroeconomic development. The growth of the insurance industry has a positive effect on production factors, savings, and investment capital accumulation. The results of other studies show that there is a significant causal relationship between economic growth and insurance growth<sup>(1)</sup>

In general, private health insurance spending in countries around the world was around 4.7% of health spending outside investment (CHE) in 2014. Total private insurance spending in 2015 was around 3.9% of Indonesia's health spending (excluding investment) (NHA-Indonesia, 2017). Even though the proportion is not large, there is not much literature or publications regarding the development of private health insurance in Indonesia. Therefore, this article focuses on health insurance provided by the private sector. Commercial health insurance (Shasta) in Indonesia has existed since 1970, but its development was very slow until 1992 due to an unclear legal basis<sup>(2)</sup>.

At that time, health insurance was sold as a rider product by casualty insurance companies. Meanwhile, it is unclear whether life insurance companies can sell these products or not. With the issuance of Law Number 2 of 1992 concerning insurance, both casualty insurance and life insurance are allowed to sell health insurance products. Another factor that causes insurance growth is economic growth in Indonesia<sup>(3)</sup>. The development of health insurance in Indonesia accelerated when PP Number 14 of 1993 concerning Jamsostek was issued, in which it was explained that companies were given the choice to participate in the PT Jamsostek program or not. It turns out that many companies prefer to buy health insurance from the private sector rather than from PT Jamsostek<sup>(4)</sup>.

Commercial health insurance companies can meet a variety of individual desires. Consequently, companies will design various products in accordance with<sup>(5)</sup>.

Social health insurance is insurance that must be followed by all or part of the population (for example employees), the premium or contribution is not a nominal value but a percentage of wages that must be paid, and the insurance benefits (benefits) are determined through statutory regulations and are equal for all participant. Meanwhile, commercial health insurance is insurance provided by a company or other insurance body, the nature of participation is voluntary, depending on the person's or company's willingness to purchase and the premium is set in nominal terms according to the insurance

benefits offered. Therefore, commercial health insurance premiums and benefits vary greatly and are not the same for each participant<sup>(6)</sup>.

In Indonesia, the number of insurance companies continues to increase every year. In 2012 there were around 140 insurance companies, while in 5 years this increased to 146 insurance & reinsurance companies in 2016. Apart from that, insurance supporting companies also experienced an increase from 205 companies in 2012 to 237 companies. in 2016 (OJK, 2016). Likewise, gross premium growth increased by an average of 19.8% per year in the last 5 years or in 2016 around IDR 361.78 trillion. In Indonesia, the number of insurance companies continues to increase every year. In 2012 there were around 140 insurance companies, while in 5 years this increased to 146 insurance & reinsurance companies in 2016. Apart from that, insurance supporting companies also experienced an increase from 205 companies in 2012 to 237 companies. in 2016 (OJK, 2016). Likewise, gross premium growth increased by an average of 19.8% per year in the last 5 years or in 2016 around IDR 361.78 trillion <sup>(7)</sup>.

in 2015 to IDR 227.35 trillion in 2016. Overall, the ratio of gross claims to gross premiums in 2016 was 62.8%. This ratio is lower than the claims ratio in the previous year which was 66.9%. This decrease was due to lower growth in paid claims compared to growth in gross premiums <sup>(9)</sup>.

Referring to the development trend of health insurance, it is interesting to observe the role of private insurance companies in health financing in Indonesia. In principle, insurance companies are divided into loss insurance companies and life insurance companies, as well as reinsurance companies. Each type of company can also be divided into general insurance companies or sharia insurance companies. After JKN, has there been an increase in the number of private insurance companies providing health services? How does it vary between types of insurance companies? After JKN, was there an increase in private health insurance companies according to ownership, type of insurance, sharia or not, was there an increase in the number of premiums from participants after JKN? Is there an increase in the number of claims or burdens for health after JKN<sup>(9)</sup>

This article is a start to understanding the development of private health insurance in Indonesia from 2002 to 2016. In particular, this article provides an overview of the development of health insurance companies according to insurance type, ownership and principles used. This article will also present the proportion of premiums and health and accident claims from total private insurance, get an increase in the amount of premiums from participants, and get an overview of the increase in claims according to ownership, type of insurance, and principles used. Coverage and number of participants will also be provided for life insurance companies that provide health and accident products. A more in-depth article with the company's unit of analysis is being analyzed further.

## METHOD

This research was conducted using an observational approach referring to data on insurance developments in Indonesia, especially commercial health insurance services. This data is published every year in book form by the Financial Services Authority (OJK). This report is useful for assessing insurance developments in Indonesia every year. The population of this study is all private insurance companies that have health and accident insurance products. The unit of analysis in this study is aggregate data according to type and ownership of insurance companies. Data was collected from insurance statistical publications published by the Financial Services Authority (OJK) from 2012 to 2016. This published report contains various information such as insurance market structure, growth in gross premiums, growth in the number of claims paid, growth in total wealth and investment, balance of payments, claims ratio growth, market share, and so on. However, not all data in the report was analyzed but was adapted to the context of the objectives of this study. The variables collected are the number of insurance companies according to type of insurance (casualty, life insurance or reinsurance), ownership (national private or joint venture), insurance principles used (syariah or general), amount of life insurance participants (individual and group), premiums and claims for health, accident, and total insurance.

The publication data obtained is in report form so that the data listed is input using the Microsoft Excel® program. The data input process is carried out in a database format to facilitate the data analysis process. Data analysis using pivot tables in Microsoft Excel® software. The analysis process is carried out by carrying out trend analysis, then cross-tabulating with the desired variables. These variables include according to the type of insurance, according to ownership (national private vs joint venture), the principle used, according to premium, claim burden, amount of coverage, and type of membership.

**RESULT**

Development of the number of health and accident insurance companies. In general, the number of insurance companies that have health and/or accident insurance branches fluctuates. However, if we look at the trend pattern from year to year, the number

**Table 2 response rate of life insurance companies in OJK reports (in%)**

Description	2012	2013	2014	2015	2016
Sharia life insurance	53	60	58	63	52
Joint venture	57	55	55	70	61
National private	50	65	61	57	42
Non-Sharia life insurance	85	78	80	77	81
Joint venture	93	91	96	95	96
National private	78	68	70	62	67
<b>Total</b>	<b>75</b>	<b>72</b>	<b>74</b>	<b>72</b>	<b>70</b>

**DISCUSSION**

This discussion refers to the four elements of insurance contained in Law No. 2 of 1992 concerning insurance business, namely: 1) the insured, namely the individual or legal entity that owns or has an interest in property; 2) Insurer, namely the party who receives insurance premiums from the insured and bears the risk of losses/disasters that befall the insured property; 3) an event (accident) that is uncertain or certain (not known in advance); 4) interests that may suffer losses due to unspecified events. The researcher limited the discussion to only two of the four elements, namely the insured element, in this case called the participation aspect, and the guarantor element, called the company aspect.

**CONCLUSION**

The number of private insurance companies did not grow much during the 2012 to 2016 period, even national private loss insurance companies tended to decline after JKN. Sum insured for health and accident insurance at life insurance companies tends to increase even though it fell in 2014. Meanwhile, the amount of premiums received by companies and claims to be paid tends to increase. By looking at the claims ratio, life insurance companies for health have remained within reasonable limits in the last 5 years, whereas losses tend to be high for insurance companies. It cannot be denied that the government program to achieve universal health coverage with a social insurance program is a threat to private insurance companies.

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