

Strategy for settling claims for insurance company customers experiencing liquidity at AJB Bumiputera 1912 Medan Branch: Some notes from Islamic perspectives

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ABSTRACT

Introduction

Liquidity is one of the problems faced by insurance companies, including AJB Bumiputera Medan Branch. This liquidity problem has an impact on many aspects of the insurance business so an appropriate strategy is needed to overcome it.

Objectives

This research is intended to analyze the strategies used by AJB Bumiputera 1912 Medan Branch to complete claim payments to its customers.

Method

This research is field research with data collection techniques including interviews and data collection from the internet.

Results

The step taken by AJB Bumiputera 1912 was to form a task force team for payment of delayed claims. AJB Bumiputera 1912 also implemented a benefit reduction program and a premium recovery process and sale of company assets.

Implications

The study highlights the importance of regulatory oversight in safeguarding policyholders rights and ensuring stability in the insurance sector.

Originality/Novelty

This research contributes to efforts to handle liquidity problems in insurance companies. Apart from that, this research also provides an Islamic perspective in handling liquidity problems in insurance companies.

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INTRODUCTION

The financial industry is rapidly expanding, marked by the proliferation of institutions established by both private and government entities, not only domestic but also foreign. Especially in the era of digital technology, information is readily accessible. The presence of financial service companies is expected to benefit the public. These service industries can take various forms, including banking services and other financial institutions. In practice, insurance companies offer risk transfer services to policyholders in exchange for a premium. Insurance endeavors have a long history in Indonesia, pioneered by Bumiputera Insurance in 1912 and Jiwasraya, both of which emerged during the Dutch colonial period (Siswanto, 2021).

In today's world, dangers are a reality that humans must face, leading to the possibility of risks in life. Risks faced by individuals can vary, ranging from advantageous to disadvantageous. However, the most common risks in human life are the risk of illness, accidents, fires, losses, damages, and even death. Risks are associated with the uncertainty of events that can threaten the goals set by a business organization or any other organization. This uncertainty is due to a lack or insufficiency of information about future events (Amalia, 2021; Bastanta et al., 2023).

In Indonesia, corporations in the insurance sector are categorized as limited liability companies, cooperatives, or mutuals, according to Article 6, Paragraph 1 of Law Number 40 of 2014 on Insurance. The focus of this study is Asuransi Jiwa Bersama (AJB) Bumiputera 1912 Medan Branch. The company was established in 1912 and continues to operate. Its mission is to meet the evolving needs of the public, and it operates as a mutual insurance company. People understand that the presence of AJB Bumiputera 1912 aims to improve the well-being of Indonesian society by providing solutions to specific risks. The company strives to offer the best services and be reliable in line with the vision and mission of AJB Bumiputera Medan Branch, as promised by the company (Panjaitan, 2022). Insurance is a contract for risk coverage between the policyholder as the insured and the insurance company (Robbani, 2022). Several key elements are present in insurance from the definitions mentioned above. First, there is the peril or risk that is being insured. Second, there is a premium paid by the policyholder. Third, there is a sum of money provided as compensation for the insured risk (Chmielowiec-Lewczuk, 2019; Hindley, 2017).

One challenging aspect of insurance is the issue of claims, which represent the insurance payment made by the insurance company or underwriter to the insured. It is evident that if the insurance agreement is not executed in good faith by the involved parties, as stipulated in the life insurance policy (Ross, 1980). This is where the discrepancy arises between what is expected (*das sollen*) and the reality in society (*das sein*). In the submission of life insurance claims within a policy agreement, there are standard clauses governing the settlement of life insurance claims. Delays in payment or refusals often revolve around issues raised in the insurance application, such as health, smoking status, and others. Therefore, it is crucial for policyholders to

understand the terms of the policy to avoid obstacles in settling life insurance claims (Bauer et al., 2017; Islam et al., 2021).

AJB Bumiputera Medan Branch maintains its focus on finding ways to address liquidity issues. The management of AJB Bumiputera Medan Branch, in collaboration with Financial Service Authority (Otoritas Jasa Keuangan abbreviated OJK), should continue to work towards liquidity resolution to ensure that policyholders, employees, and agents' normative rights, as well as all stakeholders within AJB Bumiputera Medan Branch, continue to be served effectively (Rahardyan, 2022). AJB Bumiputera Medan Branch provided an explanation regarding the recording of profits and claims payments in its financial report for the fourth quarter of 2021, amidst liquidity pressures faced by the company. As previously reported, based on the unaudited financial statements for the fourth quarter of 2021 published on the company's official website, AJB Bumiputera Medan Branch recorded a post-tax profit of IDR 85.11 billion. On the other hand, the company also recorded claim payments amounting to IDR 4.12 trillion in the fourth quarter of 2021. The management of Asuransi Jiwa Bersama (AJB) in Medan City explained that the presentation of the financial statements follows the accounting standards outlined in PSAK (Statement of Financial Accounting Standards) established by DSAK (Financial Accounting Standards Board).

According to the financial statements for the fourth quarter of 2021, in accordance with the provisions of OJK Circular Letter No. 9/SEOJK.05/2021, the profit and loss statement amounted to IDR 85.11 billion, and after other comprehensive income of IDR 143.19 billion, the comprehensive profit and loss statement amounted to IDR 228.30 billion. Regarding the recording of claims paid amounting to IDR 4.12 trillion in the fourth quarter of 2021, the management of AJB Bumiputera Medan Branch emphasized that the company is still facing liquidity pressures. The recording of claims and benefits paid, amounting to IDR 4.12 trillion, is based on accrual accounting, where the value of IDR 4.12 trillion represents the claims due in the current period. However, as they have not been paid, they are recorded as the company's claim liabilities. Furthermore, the management also explained that the recording of investment income amounting to IDR 870.01 billion in the fourth quarter of 2021 was due to the revaluation of the company's investment property assets, which increased compared to the fair value in the previous year (Meilanova, 2022; Puspadini, 2023).

Despite flying its flag for over a century, the presence of AJB Bumiputera Medan Branch was facing financial performance issues as of December 2018. It reported a negative IDR 20.729 trillion, with liabilities (obligations) amounting to IDR 31.008 trillion exceeding its assets of IDR 10.279 trillion, resulting in a mismatch that caused AJB Bumiputera Medan Branch fail in paying its policyholders' claims. This led to a Risk-Based Capital (RBC) of minus 628.4%, while the minimum RBC required by the Financial Services Authority for a life insurance company is 120% (Abdurahim & Setiawan, 2021; Suyatna, 2022). Despite the challenging situation, the management of AJB Bumiputera Medan Branch committed to settling its policyholders' outstanding claims.

Liquidity management issues like this concern a company's ability to meet its immediate financial obligations. It involves the number of liquid instruments owned by

a company. Having the ability to pay does not necessarily mean that a company can meet all its immediate financial obligations, or in other words, the company may not necessarily have the capacity to pay. The ability to pay is determined when the ability to meet all immediate financial obligations is so substantial that it can cover them all (Acemoglu et al., 2015; Kliestik et al., 2020). Thus, the ability to pay can only be known by comparing its ability to pay on one hand with its immediate financial obligations on the other. The failure to settle insurance claims is detrimental to policyholders. Based on the insured's losses, the policyholder can sue the insurance company for breach of contract and demand compensation. Claims for a sum of money can be made if there has been a violation of the insurance contract in the policy made by one party, resulting in losses to the other party (Husain, 2016; Inayah & Marsitiningasih, 2021; Rambe & Sekarayu, 2022).

Observing the issues at hand, it appears that the parties involved in carrying out insurance agreements often forget the principle of good faith. Consequently, insurance contract practices between policyholders and insurers, according to Law Number 40 of 2014, still refer to complex and confusing aspects. This creates a gap between what is expected (*das sollen*) and what exists in the reality of society (*das sein*). This has piqued the author's interest in conducting a study on strategies for settling policyholder claims payments for insurance companies facing liquidity issues in AJB Bumiputera Medan Branch.

LITERATURE REVIEW

Strategy

Strategy is a comprehensive and integrated plan that connects a company's strategic advantages with environmental challenges, designed to ensure that the organization's primary objectives can be achieved through proper execution. The word "strategy" originates from the Greek "strategia," which is interpreted as "the art of the general" or the art of a commander, typically used in warfare. The definitions of strategy in both general and specific terms are as follows. In general definition, strategy is the process of determining plans by top leaders focusing on the long-term goals of the organization, accompanied by the development of a way or effort to achieve those goals. In specific definition, strategy is an incremental and continuous action carried out based on the perspective of what customers expect in the future. Therefore, strategies almost always start with what could happen rather than what is happening. The rapid innovation in new markets and changes in consumer behavior require core competencies. Companies must seek core competencies in the business they are involved in (Elmes, 2007; Matt et al., 2016; Mintzberg, 2007).

Claim

In terms of definition, a claim refers to an individual's action to request something, where their right to it has been lost previously, as they believe they have the right to regain it. Another definition, defines a claim as a demand for acknowledgment of a fact that someone is entitled to possess or own. The understanding of a claim is the right and obligation of insurance that must be provided by the insurance company in

accordance with the agreement in the contract. An insurance claim submitted for its validity and then paid to the insured party after approval. A claim is an official request to the insurance company to request payment based on the terms of the agreement. Claims are also one of the operational activities of insurance companies that must be completed between the insurance company and the policyholder (Elvira, 2019).

Claims Settlement

Liquidity can be measured through liquidity ratios, which are one of the financial scales used to calculate a company's ability to redeem its short-term debt or obligations on time and its ability to finance corporate governance. In settling insurance claims, several procedural requirements must be met by the claimant. If the requirements are met in full and correctly, the claim will be issued. However, if the opposite occurs, the claim may be rejected, and the claim cannot be disbursed (Indriani et al., 2023). From a Shariah perspective, the claim submission procedure can be accepted in Islam because the practices or actions obtained bring benefits to many people, which are allowed in Islam (A. Putri et al., 2023). The claims settlement includes several points. Some of these points are (Nainggolan, 2015; Yuliani, 2020):

- a. If the insured party agrees to the amount of compensation requested by the insurer, the claim will be paid.
- b. If the insured party does not agree to the amount of compensation requested by the insurer, the amount of compensation will be based on the court's decision.
- c. Based on the results of the claim survey, the claim documents provided by the insured party and the policy conditions can be clearly determined through the claim status along with the amount of loss to the insured object.
- d. The insurer will provide the necessary explanations to the insured party regarding the basis of the claim settlement submitted.
- e. If the explanation provided by the insurer is acceptable to the insured party, the settlement process will proceed to the next stage, which is administrative settlement and claims payment.
- f. Claim payments will also take into account self-risk and depreciation. Depreciation is calculated when calculating the claim value, considering that before the loss occurred, the insured party had already enjoyed the insured object.
- g. After all issues are resolved, the insurer will make the claim payment as soon as possible, whether it is done in cash, by check or draft, through transfer, or by making repairs, replacements, or recoveries.

Liquidity Challenges

Liquidity reflects a company's ability to meet its financial obligations that must be fulfilled or the company's ability to meet financial obligations when they are due. The concept of liquidity can be understood as a company's ability to settle a certain amount of short-term debt, generally less than one year. The dimensions of the liquidity concept

include the current ratio, quick ratio, cash ratio, and net working capital to total assets ratio. These dimensions of the liquidity concept reflect measures of management performance in terms of how well management can handle working capital funded by current liabilities and the company's cash balance (Jihadi et al., 2021; Prasetyandari & Billah, 2021; Suharno & Afriani, 2020; T. Wulandari & Darwis, 2020).

Liquidity also describes a company's ability to meet its short-term obligations. The relationship between current assets and current liabilities can be used to evaluate the level of a company's liquidity. Liquidity can also be viewed as the company's ability to convert an asset into cash with minimal sacrifice. From the various definitions of liquidity by experts mentioned above, it can be concluded that liquidity is the company's ability to pay its short-term obligations, thereby enhancing the company's ability to distribute dividends to investors and increasing external confidence in investing their funds in the company (Fajaria & Isnalita, 2018; Juhandi et al., 2019; Sukmawardini & Ardiansari, 2018).

An explanation of liquidity is that it depicts the compensation for a company's solvency that affects its short-term obligations. Liquidity is a primary concern for companies because it plays a vital role in the company's success. Liquidity extends beyond banking licenses; it broadly encompasses banking liquidity (outbinding) and, consequently, the settlement (verifying) or affirmation of all bank rights and obligations. The liquidity scale is the company's ability to use its working capital to pay off short-term debts (or current liabilities) when they come due. A higher ratio means that the company's current assets can cover short-term obligations, referred to as current assets. However, if this ratio is too high, it is not beneficial because the company cannot effectively manage its current assets.

Table 1. Liquidity ratio of AJB Bumiputera 1912

Year	2017	2018	2019	2020	2021	2022
Liquidity ratio	64,25%	51,60%	25,69%	16,96%	14,56%	25,16%

Source: AJB Bumiputera 1912 (2023).

Table 1 shows that AJB Bumiputera 1912 in Indonesia experienced a decline in liquidity ratio values from 2017 to 2021, followed by an increase in the liquidity ratio value in 2022. The higher this ratio means that the company's current assets can cover short-term obligations, referred to as current assets. In this case, it has put AJB Bumiputera 1912 in an unfavorable position.

Another issue leading to claim denials by policyholders to AJB Bumiputera 1912 is the liquidity challenge in the company. According to Law No. 4 of 2023 on the development and strengthening of the financial sector, Article 11, Paragraph 20, Point (1), "Liquidity difficulty" means short-term liquidity difficulties caused by a smaller inflow of funds compared to outflows (mismatch), so that commercial banks cannot meet the minimum mandatory savings obligations. The factors causing policyholder claim failures at AJB Bumiputera 1912 Medan Branch are based on the general provisions in

AJB Bumiputera 1912 Medan Branch's policies, which state in Article 5, Paragraph (5) on the cancellation and termination of the Insurance program that premiums paid by the policyholder will be refunded in the event of insurance program cancellation as stipulated in Article 5, Paragraph (1) of this policy's provisions or in the event of premium disputes still being processed for periods after policy payment, the insurer will refund these premiums no later than 60 (sixty) calendar days after receiving the policy cancellation request. If there are administrative costs related to the premium refund, these costs will be the policyholder's responsibility.

Additionally, claim denial cases in other insurance companies, such as PT. Asuransi Cigna, occurred because the policyholder did not fully understand the benefits and terms of their policy. Another contributing factor to the policyholder's lack of understanding of the benefits and policy terms was that the policyholder was a citizen of the Philippines who did not fully comprehend the content of the policy written in Indonesian. Based on the causes of the policyholder's claim denial, PT Asuransi Cigna offered a solution by providing products tailored to the needs and desires of Maria Cristina D Sibayan, which is a life insurance policy with investment growth or a Unit Link insurance product. A Unit Link insurance product essentially involves dividing the funds deposited by the policyholder into two parts: one for life protection and the other for investment. Therefore, the money allocated for life insurance will essentially be forfeited, while the funds allocated for investment will remain intact and may even increase in value (Kusuma, 2022).

Liquidity challenges refer to a situation in which a company fails or is no longer able to meet its obligations due to a shortage and insufficiency of funds to carry out or continue its operations. If this situation persists, the company may eventually face bankruptcy and cease operations (Asyikin et al., 2018; Muslim et al., 2016; Y. Wulandari et al., 2017).

Islamic Perspective on Claim Settlement

In insurance, which is also referred to as Takaful the process of settling claims is guided by principles and ethics. Here are some important perspectives, within the framework regarding claim settlement in insurance:

- a. Transparency and Honesty; It is expected that Islamic insurance companies operate with transparency and honesty in all their interactions particularly when it comes to claim settlements. This entails providing policyholders with accurate information, about their policy terms, conditions and the claims procedure.
- b. Contractual Obligations; In insurance both the policyholder and the insurer enter into a contract called a "contract" or "Tabarru' contract." Each party has obligations outlined in this contract and claim settlements are based on these predetermined terms and conditions. Insurers have a responsibility to promptly fulfill their commitments.
- c. Mutual Cooperation; Takaful operates on the principle of cooperation and assistance. Policyholders contribute to a shared fund known as the fund,

which exists to support one another during times of need. When a legitimate claim arises it is settled using funds from this pool. The concept of assistance forms a part of Islamic insurance.

- d. Sharia Compliance; All aspects of Takaful, including investments made by insurers must align with the principles of Islamic Sharia law.
- e. Investments should not involve interest (riba). It is not permissible to invest in businesses engaged in prohibited activities, like alcohol or gambling. When it comes to claim settlements they should follow Sharia guidelines.
- f. Prompt Payment; In ethics it is essential to fulfill promises and obligations. In the realm of Takaful this means that valid claims should be settled without delays ensuring that policyholders receive their benefits in a timely manner.
- g. Fairness and Equity; Claims must be settled fairly and equitably. Islamic insurance companies are expected to assess claims and ensure that policyholders are treated with justice. Unfair denial of claims or unjust enrichment is not allowed in insurance.
- h. Avoidance of Gharar (Uncertainty); Islamic insurance contracts should minimize uncertainty (gharar). Claims should be resolved based on terms defined within the contract. Any ambiguities in the contract need to be resolved in favor of the policyholder.
- i. Charitable Element; Islamic insurance incorporates a component known as "Tabarru'." A portion of policyholders contributions are allocated to assist those, in need. This charitable aspect can also aid policyholders facing difficulties during claim settlements.
- j. Arbitration and Mediation; If any disputes or disagreements arise during the process of settling claims Islamic insurance companies have the option to utilize arbitration or mediation guided by Sharia principles in order to achieve a resolution.

Islamic insurance is governed by the principles of finance and mutual assistance. The objective of settling claims, in insurance is to adhere to these principles while ensuring policyholders receive protection in a manner that complies with Sharia requirements.

Previous Studies

This research aligns with a study conducted by Delyo (2022) on premium payment mechanism and claim submission for motor vehicle insurance at PT. Asuransi Umum Bumiputera Muda 1967, Sharia Branch, Bandar Lampung. The findings of this study revealed that premium payments were categorized into several regions: Region 1, covering Sumatra and surrounding islands; Region 2, including DKI Jakarta, West Java, and Banten; and Region 3, encompassing areas beyond Regions 1 and 2. The Standard Operational Service at Bumiputera Sharia Insurance used contracts such as Tabarru, Wakalah bil Ujroh, and Mudharabah for motor vehicle insurance claims. To increase

customer satisfaction and trust, they enhanced their service dynamics by providing excellent claim services, expanding their partnerships, and exploring opportunities in the secondary market.

Furthermore, this research aligns with a study by Batubara et al. (2022) on failed customer claim payments at Jiwasraya Insurance Company. In the long run, Jiwasraya's JS Saving Plan products posed risks to the company, evident from the outstanding payments to JS Saving Plan customers amounting to \$32.89 billion. Another aspect of the risk lay in Jiwasraya's previous losses due to defaults, which had not been comprehensively examined and evaluated. This study also delved into the role of the Financial Services Authority (OJK) in resolving unpaid insurance claims at PT Jiwasraya.

Additionally, this research corresponds to a study conducted by Ardana & Atika (2022) on the implementation of sharia life insurance claim settlement in PT. Asuransi Jiwa Syariah, Medan Branch. The study revealed that Standard Operational Procedures (SOP) comprise specific procedures outlining activities necessary for task completion according to company regulations. Claim settlement is a fundamental right for policyholders who consistently pay insurance premiums. A claim represents the formal request submitted to a life insurance company for payments to beneficiaries. The stages of the claim process at Bumiputra Sharia Life Insurance include: 1) claim notification, 2) claim document verification, 3) claim inspection, and 4) claim settlement.

METHOD

The data used in this field research were gathered and analyzed using a qualitative method. Qualitative analysis involves examining and organizing the information provided by informants, whether in written or spoken form, and then conducting a descriptive qualitative analysis to present the findings systematically in sentences (Silverman, 2009). Data collection was performed through interviews and internet research. The interview method is a process of obtaining information for research purposes through face-to-face question-and-answer interactions between the interviewer and the respondents, with or without the use of interview guidelines (Dwekat et al., 2020). In this study, an actuarial technical staff, was chosen as the informant for the interview.

RESULTS AND DISCUSSION

Based on the interviews conducted by the author with one of the sources at AJB Bumiputera 1912 Medan, the following results were obtained. The first strategic step taken by the management was to establish a task force called the "Tim Task Force for Delayed Claim Payments." This team is responsible for handling and resolving delayed policy claims at AJB Bumiputera 1912. They oversee communication, fund allocation, and the settlement of delayed claims.

Another strategic step involved the implementation of a program known as "Penurunan Manfaat" (PM), which translates to Benefit Reduction. This program was introduced due to liquidity concerns. Its purpose is to ensure fairness between Bumiputera and policyholders. Under this program, policyholders are offered the option to expedite their claim payments, but, due to liquidity constraints, they may not receive the full claim amount. For instance, if a delayed claim is offered to policyholders, they might receive only 50% of the claim amount, and they have the choice to accept or decline this offer. This approach differs from traditional insurance companies where there is a clear corporate structure with designated responsibility. In Bumiputera's mutual structure, policyholders are essentially co-owners of the company. Therefore, any profits or losses are shared collectively. Bumiputera's fate, whether it remains operational or not, is determined by policyholders' votes, requiring a minimum of two-thirds majority.

The current management's recovery program consists of two aspects: premium collection and asset sales. The premium collection process is still ongoing, with efforts to collect substantial premiums. However, this process is not as straightforward as anticipated. Additionally, negotiations for asset sales are in progress with potential buyers. The strategy for generating premiums involves efficiently managing the incoming premiums. Furthermore, asset sales aim to support the company's financial recovery.

Moreover, the Financial Services Authority issued a statement of no objection to the Financial Recovery Plan (Rencana Penyehatan Keuangan abbreviated RPK in Bahasa Indonesia) of AJB Bumiputera 1912. This plan encompasses three financial recovery stages to safeguard the rights of policyholders, employees, and agents. The three stages, in accordance with OJK's guidance, are as follows (Nugroho, 2023; K. A. Putri, 2023):

- a. First Stage: Focuses on ensuring the company's liquidity to meet its outstanding claim obligations.
- b. Second Stage: Concurrently aims at rescuing the company. It concentrates on improving the company's ability to fulfill obligations to policyholders and ensuring the company's operational continuity in the future.
- c. Third Stage: In this stage, the company operates normally, with outstanding obligations to policyholders and third parties being resolved. It emphasizes good corporate governance, insurance product digitization, and operational efficiency.

These initiatives represent the company's efforts to stabilize its financial position and protect the interests of various stakeholders.

Islamic perspectives, on claim settlement in insurance, known as Takaful, emphasize the importance of ethical and Sharia compliant practices. These principles can be applied to AJB Bumiputera 1912 Medan to ensure a just process for settling claims. Here are some Islamic perspectives that can guide the approach:



- a. Transparency and Honesty; AJB Bumiputera 1912 Medan should prioritize transparency and honesty in all interactions with policyholders. It is crucial to provide accurate information about policy terms, conditions and the claims process. By fostering transparency trust can be established between the insurer and the insured.
- b. Adherence to Contractual Obligations; The company must uphold its commitments outlined in the contracts it has with policyholders. Claims should be settled promptly. In accordance with the promises made to policyholders.
- c. Mutual Cooperation: AJB Bumiputera 1912 Medan should uphold the principle of cooperation and assistance. Policyholders contribute to a fund, which should be utilized when valid claims arise. The company must ensure that this Takaful fund is used effectively to support policyholders during their times of need.
- d. Sharia Compliance: It is essential for the company to ensure that all aspects of its operations including investments comply with Islamic Sharia principles. Investments should steer clear from interest (*riba*) while avoiding involvement, in businesses engaged in prohibited activities.
- e. Prompt Payment: It is important that claims are settled promptly, and policyholders receive the benefits they are entitled to without any delays. This does not align with ethics but also helps build trust among policyholders by fulfilling obligations in a timely manner.
- f. Fairness and Equity; AJB Bumiputera 1912 Medan should ensure that claims are assessed objectively and settled fairly. Policyholders deserve to be treated. It is crucial to avoid any unjust enrichment or unfair denial of claims.
- g. Avoidance of Uncertainty; To uphold transparency it is vital for the company to ensure that Takaful contracts are clear and unambiguous minimizing any uncertainty (*gharar*). Any ambiguities, in contracts should be resolved in favor of policyholders.
- h. Charitable Contribution: AJB Bumiputera 1912 Medan can allocate a portion of contributions towards a fund (*Tabarru'*). This fund can be utilized to assist policyholders who may face difficulties reflecting the nature of Islamic insurance.
- i. Mediation: In situations where disputes or disagreements arise during the claim settlement process considering arbitration or mediation guided by Sharia principles can lead to a resolution. This approach ensures that disputes are addressed in a manner.

By incorporating these perspectives into its claim settlement processes AJB Bumiputera 1912 Medan demonstrates its commitment, to practices aligned with Sharia principles. This has the potential to build trust and satisfaction, among policyholders ultimately bolstering the company's standing within the industry.

CONCLUSION

Based on the previous discussion, it can be concluded that liquidity difficulties represent a situation in which a company fails or is no longer capable of meeting its obligations due to a shortage of funds to continue its operations. Liquidity management issues like these are related to a company's ability to meet its immediate financial obligations. It depends on the number of liquid assets possessed by the company. A company that has the capacity to pay is not necessarily able to meet all its immediate financial obligations. The ability to pay is only present when the strength of its payment capability is significant enough to meet all its immediate financial obligations that must be fulfilled. Therefore, a company's ability to pay can be determined by comparing its payment strength on one hand with its immediate financial obligations on the other.

Based on the explanations provided in the previous discussion, it can be inferred that in addressing liquidity problems, AJB Bumiputera 1912 Medan employs various strategies and methods to settle claims with its policyholders. The management's approach involves forming a task force called the "Tim Task Force for Delayed Claim Payments." This team is responsible for managing and resolving delayed policy claims at AJB Bumiputera 1912. They oversee communication, fund allocation, and the settlement of delayed claims.

Another strategic approach is the implementation of a program known as Reduced Benefit Value (PNM), which translates to benefit reduction. This program was introduced to address liquidity concerns and ensure fairness between Bumiputera and policyholders. Under this program, policyholders are offered the option to expedite their claim payments, although the full claim amount may not be paid. For instance, policyholders might receive only 50% of the claim amount, and they have the choice to accept or decline this offer.

The current management is also focused on two key aspects for recovery: premium collection and asset sales. The process of collecting premiums is ongoing, but it is not as straightforward as expected. Additionally, negotiations are underway for the sale of company assets. The premium generation strategy involves efficiently managing incoming premiums, while asset sales are expected to support the company's financial recovery. In summary, based on the various efforts made by AJB Bumiputera, it can be concluded that the company has not experienced claim failure or default. Instead, its case revolves around the company's current inability to fully pay claims, indicating that more time is needed to fulfill its obligations or debts.

While this study has provided insights it is important to acknowledge its limitations. Firstly, the research relied on data collected through interviews and online sources. Although this approach offers insights it may not capture the complete quantitative aspects of AJB Bumiputera 1912 Medan's financial challenges. Additionally, the study predominantly focused on one insurance company so its findings may not be entirely applicable, to the insurance industry or other financial sectors. Moreover, it is worth noting that the information obtained during interviews is influenced by the perspectives

and knowledge of the interviewees, which could introduce biases or limitations in the data. Lastly, it's important to consider that this analysis is based on information at the time of research and that circumstances, at AJB Bumiputera 1912 Medan may change over time.

The study's findings have implications, for both AJB Bumiputera 1912 Medan and the broader insurance industry. Firstly, the establishment of a team to handle delayed claims and the implementation of programs aimed at reducing benefits showcase the company's commitment to addressing liquidity challenges and maintaining trust with policyholders. These strategies could serve as a blueprint for insurance companies dealing with challenges. Additionally, the regulatory oversight provided by Financial Service Authority emphasizes the role played by bodies in safeguarding policyholders rights and ensuring stability in the insurance sector. This research highlights the importance of management and transparent approaches when managing liquidity difficulties, within the insurance industry ultimately contributing to its long-term sustainability and safeguarding policyholders' interests.

Author Contributions

Conceptualization	S.S., R.R.A.H. & L.S.	Resources	S.S., R.R.A.H. & L.S.
Data curation	S.S., R.R.A.H. & L.S.	Software	S.S., R.R.A.H. & L.S.
Formal analysis	S.S., R.R.A.H. & L.S.	Supervision	S.S., R.R.A.H. & L.S.
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Methodology	S.S., R.R.A.H. & L.S.	Writing – original draft	S.S., R.R.A.H. & L.S.
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Informed Consent Statement

Informed consent was provided by respondent before interview.

Data Availability Statement

The data presented in this study are available on request from the corresponding author.

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Conflicts of Interest

The authors declare no conflicts of interest.

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