

Sharia Loss Insurance Model For Small Fishermen (A Case Study of Pelabuhan Ratu and Pangandaran)

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Abstract

The purpose of this study was to design a sharia loss insurance model that is suitable for small fishermen, especially fishermen in Pelabuhan Ratu and Pangandaran areas. The method of this study was qualitative research with analytical techniques using Miles and Huberman. The results showed that small fishermen in carrying out operational operations, they often experienced loss and damage to operational equipment ranging from damage and loss of light to damage and loss of weight/severe. The damage was caused by natural factors or theft. To overcome this thing, small fishermen must spend large enough funds to repair the damage or replace losses. If the damage and loss were severe and weight, small fishermen stopped fishing operations and received no income. Small fishermen needed loss insurance and were eligible to become loss insurance customers if the management of small fishermen income. AKSNIL model is a model that bridges between the needs of small fishermen and insurance companies by involving the government and fish auction places and LKMS. This AKSNIL model can reduce the problems faced by fishermen related to continuity in the payment of insurance premiums, on the other hand, can also increase the role of LKMS in coastal communities. The insurance company is also not harmed because of the regular payment of claims and for the payment of claims in large amounts for fishermen are subsidized by the government.

Keywords: Sharia loss insurance, Small Fishermen, LKMS, AKSNIL Model, Insurance Institution

Introduction

Activities as fishermen have a very high risk (Fadlillah, 2017; Lara et.al., 2016; Nguyen and Leung, 2009). The risks faced by small scale fishermen, such as natural risk (storm, rough sea, hard rain, wind etc) (Jelevska et. Al., 2012) and unnatural risk such as bulglar, disease (Muthukrisnan, et al., 2018) and fisherman behaviour. In addition, extreme weather such as floods and storms can also cause boats and fishing gear used as production equipment for the fishermen to be damaged due to sea accidents. This accident can be caused by the collision of a boat owned by a fisherman on a reef or a damaged net as fishing gear.

The high risk is what causes the importance of insurance for fishermen. Insurance is one of safety factors are needed by fishermen (Rezaee et.al.,2017). In this regard, the government issued a policy through Law No. 17 of 2008 concerning shipping that requires every fisherman who owns a boat to use insurance for the operation of the boat. The law has the aim to minimize the risk of loss to fishermen if something happens during the voyage. This is evidenced by the many insurance companies, both Islamic insurance, and conventional insurance that have loss insurance products with the same function and purpose. But, these products are still limited to ship frame insurance products and freight insurance.

Boat frame insurance and freight transportation insurance can only be used by some fishermen because this insurance is only intended for iron boats and large-sized boat used for transportation of goods between islands and between countries. Therefore, there is no insurance product specifically intended for fishermen who have smaller sized boats or wooden boats. Even though the risks faced by small fishermen are as great as the risks faced by fishermen with large boats. This is because insurance is closely related to the knowledge and income owned by the policyholder to calculate how much premiums must be paid. Whereas fishermen have low

knowledge and uncertain income. This is due to fishermen having uncertain income, in the harvest season, the fishermen can get very abundant profits while in the lean season the fishermen will get a very low income. (Rahman and Alhifni, 2018: 155; Wekke and Cahaya, 2015). The low income of uncertain fishermen and the high risks faced making insurance institutions less interested in channeling insurance programs to fishermen. Therefore, fishermen, especially small fishermen, need special insurance that can bridge between the needs of fishermen related to the losses faced and the needs of Islamic insurance institutions.

Literature Review

Law No. 7 of 2016 explained in article 1 paragraph 4 that small fishermen are a fisherman who catches fish to fulfill their daily needs, both those using fishing boats and those using fishing boats with no more than 10 (ten) Gross Ton (GT) (KKP, 2019). The number of small fishermen has more compared to skipper fishermen and labor fishermen, because most fishermen in Indonesia are small fishermen, including in Pelabuhan Ratu and Pangandaran, West Java (Rahman and Alhifni, 2018; Ariandri et al, 2019). Boat is a vehicle used by fishermen to go to sea and is made of wood and fiber. The wood used on fishing boats is usually from teak because this type of wood has a high resistance to seawater compared to other types of wood. The size of the boat used by small fishermen is usually smaller and does not exceed the size of 5-10 GT (Gross Tonnage). The engine fuel used is diesel fuel or gasoline fuel (Fadilah and Kurnia, 2018; Rahman and Alhifni, 2018; Ariandri, 2019). Beside that, their need fishing equipment and fishing aids.

Insurance is proved to be useful to help fishermen to claim when something bad happens (Safitri, 2017). Many events can occur during deep-sea fishing, such as changing weather conditions, ship collisions, which can lead to lost profits or lost their lives, can be happen to fishermen. For that reason, they need mechanism to overcome the risk of losses With insurance mechanism, they can minimize the loss of profit or their life that would cause the families of fishermen to lose income for their family's livelihood. Recently, The House of Representatives passing Law Number 7 of 2016 Regarding The Protection and Empowerment of Fishermen, Fish Farmers and Salt Farmers. The Law stipulates that both central and local governments must protect people working in these sectors from occupational risks, including work accidents and equipment damage (Rani, 2016).

Decree of National Sharia Agency of the Indonesian Ulema Council (DSN-MUI) concerning general guidelines for sharia insurance No. 21/DSN-MUI/X/2001 stated that sharia insurance is an effort of mutual protection and help among several people or parties through investments in the form of *tabarru'* funds that provide a pattern of return to face certain risks through contracts that are based on sharia. Sharia insurance has a goal to help each other so that in its application participants should help each other because every human being is a brother. This is based on the principles in accordance with sharia.

Loss insurance has principles that are almost the same as sharia assurance, it is based on the same goal. The aim is to help one another and oblige participants to help one another. The type of loss in loss insurance can be divided into three, namely the total loss is an object that is technically insured completely damaged, while the partial loss is all damage that is not included in the category of total losses, and third party losses are losses that are experienced by third parties caused by actions taken by the insured (Sula, 2004). The compensation for loss in loss insurance is by looking at the conditions and agreements written in the policy, i.e. replacements are made by replacing them with cash, repairing, or rebuilding damaged objects. The claim procedure on loss insurance is almost the same as the claim procedure in general, both in sharia insurance and conventional insurance. The procedure is carried out in stages by notifying the claim first, then submitting evidence to the loss. After getting the proof, the guarantor investigates finally settling the claim. Recovery of claims on insurance adheres to the principle of indemnity, that is, the insured is not allowed to receive benefits due to an event so that the rest of the goods that suffer losses become the full responsibility of the insurer.

Research Method

This research used a qualitative approach. The purpose of the qualitative approach in this research was to provide a systematic and accurate picture of the facts about loss insurance for small fishermen with studies in Pelabuhan Ratu and Pangandaran. The number of respondents in this study was 20 people which divided into 10 fishers from Pelabuhan Ratu and 10 people and 10 people from Pangandaran. The sampling technique used in this study was a Focus Group Discussion (FGD) conducted in each region. FGD is one of the qualitative data collection techniques with discussion forms that are made to obtain information about the data needed in research from informants who are participants and directed by the moderator. FGD has the aim to avoid the wrong intentions of researchers on the problem under study. The steps taken in the FGD. The data analysis techniques used Miles and Huberman analysis, Miles and Huberman is an interactive data analysis when in the field and is carried out continuously so that accurate data is obtained.

Result and Discussion

This research was conducted into two different locations, namely Pelabuhan Ratu and Pangandaran. The first research location was located in Palabuhan Ratu, which was the largest fishing port in West Java and had quite good facilities and operational levels. Palabuhan Ratu numbered 9,252 people with the use of operational tools in the form of boats controlled by skipper fishermen. Operational tools that were used consisting of boats, fishing equipment, and fishing tools which were a means to facilitate fishermen to catch fish. For boats owned by small fishermen, Pelabuhan Ratu amounted to 987 units with 3 types of boats used, including boats with a size of no more than 5 GT, outboard motorboats and non-motorized boats.

The small fishermen of Pelabuhan Ratu conducted their activities using their own operational tools. The operational equipment used was a boat with a size of 1 or 2 GT using an outboard motor engine and using a fishing gear in the form of gill nets. Types of gill nets used included drift gills or oceanic nets. In addition, fishermen of Palabuhan Ratu also used fishing aids in the form of lights that served to attract the attention of the fish to be harvested. Likewise with operational tools that were also used by small fishermen in Pangandaran.

Risk Analysis of Fishermen Operational Tools

The risk possessed by fishermen is divided into two, namely damage and loss. While the level of classification of each risk is certainly different, the classification of damage is divided into three namely minor, medium and severe. While, for loss classification, there are only two of them medium and severe. Besides, some causes make damage and loss occur. Damages experienced by business owners have several classifications including minor damage, moderate damage and severe damage (Riana and Iriana, 2012:4). The classification of damage is distinguished based on the level of damage and how to overcome them. Similarly, the damage experienced by small fishermen has a classification that is divided into three, including minor damage is damage experienced by fishermen but the level of damage can still be repaired in its own way. Medium damage is damage with a level of damage slightly more severe than mild damage. Severe damage, being the highest level of damage compared to minor damage and medium damage. The value of each fishermen operational tool damage in Palabuhan Ratu and Pangandaran can be seen from the level of classification and estimated costs to repair it. The following table is a table that will show how the classification of existing damage.

Table1. Classification of Operational Equipment Damage

Type of Damage	Operational Tools	Damage form
Minor	Net	Torn net
Medium	Net	Perforated net
Severe	Ship Engine	Engine off

Losses experienced by fishermen have the types that are certainly different from the types of damage experienced. If losses experienced by fishermen has three classifications with the classification of minor damage, medium damage, and severe damage. Then, the type of loss experienced by fishermen can be divided into two classifications, including medium loss is loss experienced but the loss can still be overcome by buying new operational tools and paying them in cash. Severe loss, being the most severe loss experienced by fishermen. This loss makes fishermen have to overcome it by buying new operational tools and paying them on credit or in installments so that they leave debt for fishermen. Besides, severe losses can also have an impact on fishing activities. Losses experienced by small fishermen both from fishermen of Palabuhan Ratu and small fishermen of Pangandaran certainly vary depending on how the level of loss experienced by fishermen. Losses from operational tools of fishermen have two levels of classification and estimated costs to repair them. The following is table 2 which will show the classification of these losses.

Table 2. Classification of Operational Loss Tools

Type of Damage	Operational Tools	Loss Form
Medium	Net	Underwater flows
	Light	Taken by people
severe	Boats, Nets, and Lights	Carried high waves

The impacts resulting from these risks are relatively the same and are very influential for the continuity of fishermen in carrying out their activities while fishing. The impacts experienced by fishermen include time wasted, excessive expenditure, loss of income sources and loss of assets owned by fishermen. This can be caused by risks with the type of classification experienced by fishermen when fishing. The following is a picture of the form of cross-site causal network analysis shown by figure 1.

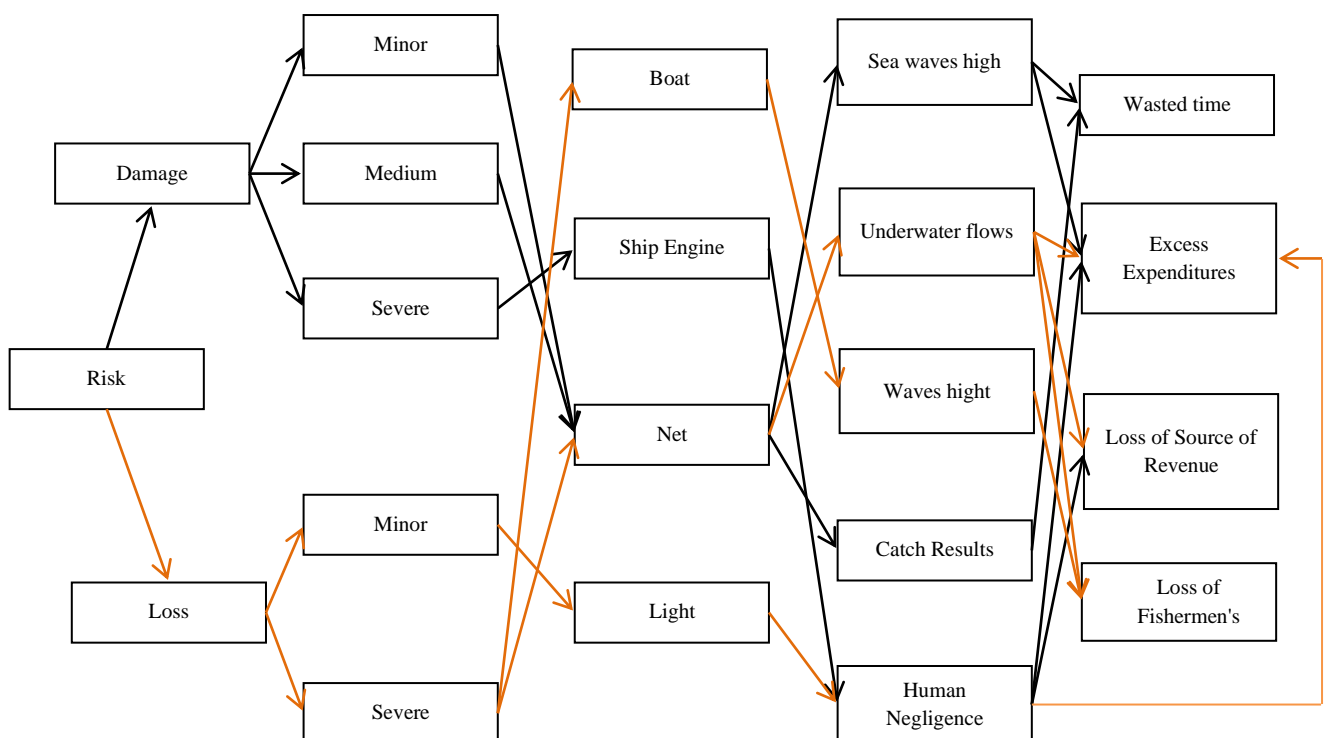


Figure 1: Causal Network Cross-Site Analysis

Sharia Loss Insurance Model for Small Fishermen

Sharia loss insurance model for fishermen is based on the analysis of Miles and Huberman by considering the interests and abilities of small fishermen as well as the interests of sharia insurance institutions. The model offered is AKSNIL model. AKSNIL model is a Sharia Loss Insurance model for small-scale fishermen (AKSNIL) in which this model is formed from the synergy of sharia insurance institutions, LKMS, and government agencies. Sharia insurance institutions are institutions directly involved in providing sharia insurance. LKMS is an institution that serves as a bridge between small fishermen and insurance in managing premiums and filing claims that make it easier for small fishermen and sharia insurance institutions. Meanwhile, the government is a helper by giving grants or subsidies to fishermen when fishermen experience loss or damage caused by natural disasters. Generally, the AKSNIL model can be seen in Figure 2.

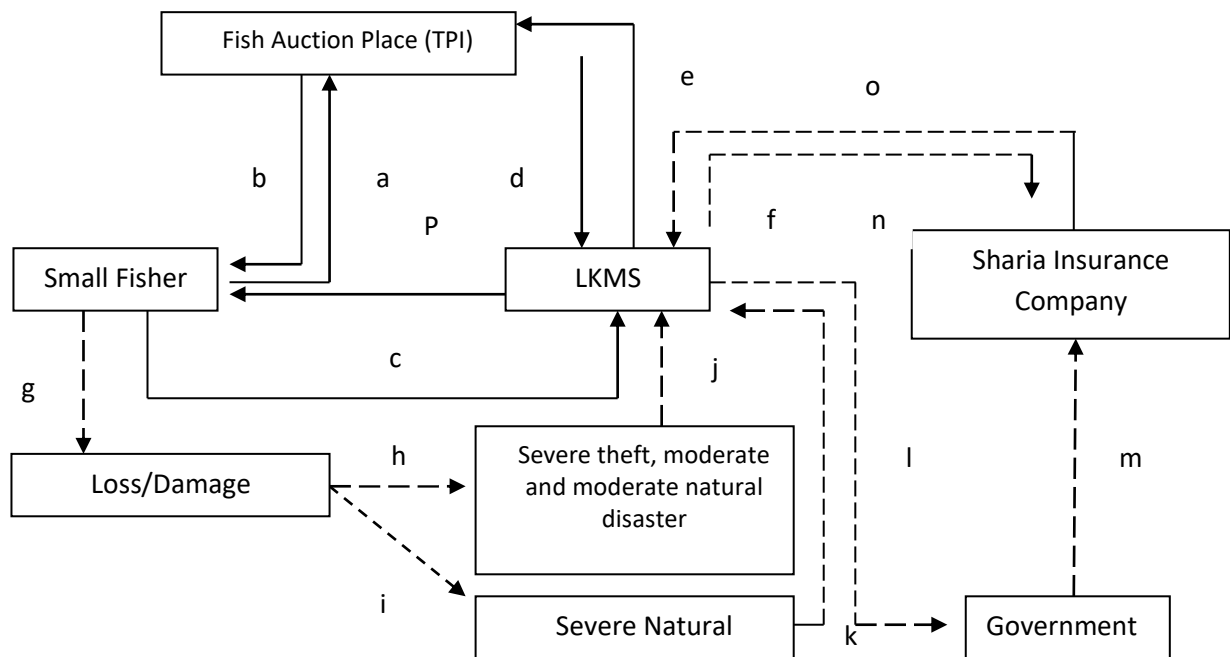


Figure 2. AKSNIL Model

Information of figure:

- a. Small fishermen bring the fish catch to the fish auction place and weigh and receive income from the sale of fish catch.
- b. Fish auction places provide LKMS with a portion of small fishermen's catch income as a payment of sharia loss insurance premiums with the provisions that at the time of the TPI harvest deduct a large number of premiums and at famine TPI cuts a small amount of income in accordance with the agreement.
- c. Small fishermen make a contract with LKMS for the agreement on the provisions of sharia loss insurance with the following conditions:
 1. Small fishermen agree to undertake sharia loss insurance with insurance companies through LKMS
 2. Small fishermen and LKMS agree that premium payments are made when fishermen get fish catches, premiums are paid to LKMS provided that small fishermen pay a large amount of premium (max 40 percent of catches) at harvest and pay (minimum of 5 percent yield catch) if a famine occurs.
 3. Small fishermen agree to pay several ujah to LKMS for managing sharia loss insurance payments and claims.

4. Small fishermen agree that LKMS can regulate the management of small fishermen of Sharia insurance to insurance companies with provisions:
 - Premium excess funds at harvest are included in LKMS in the fishermen's loss insurance account.
 - The excess funds from the fishermen's loss insurance account can be paid as a premium when fishermen are famine (premium payment is less)
 - When fishermen loss insurance account funds are minimal, LKMS provides a bailout fund for premium payments
 - Fishermen pay premium bailout when fishermen income is high.
- d. TPI provides several funds as a small fishermen insurance premium payment in accordance with the agreement.
- e. LKMS provides the handover of premium payments and/or records of receipt of premium funds to TPI which will be submitted by TPI to small fishermen.
- f. LKMS pays insurance premiums to monthly insurance companies, with a note for premium payment on damage or severe loss, the premium paid is partly borne by the government to be paid at the time of the claim, so the monthly premium is paid lower than other insurance products (10-30 percent)
- g. Small fishermen are suffered damage/loss of API/ABPI
- h. Fishermen determine the type of damage/loss and why that is accompanied by evidence
- i. If damage/loss is categorized as severe and moderate theft or natural disaster If damage/loss occurs due to severe natural disaster
- j. Small fishermen submit claims to LKMS
- k. Small fishermen submit claims to LKMS
- l. LKMS applies to the government if fishermen submit claims at point k
- m. The government examines the possibility of assisting/subsidies for damage claims/severe losses submitted by LKMS and provides several budgets to insurance companies.
- n. LKMS submits claims to insurance
- o. Insurance provides payment of claims to LKMS
- p. LKMS submits payment of sharia loss insurance claims to fishermen.

Conclusion

Small fishermen in fishing operations often experience loss and damage to operational equipment ranging from damage and loss of light to damage and loss of weight/severe. The damage is caused by natural factors or theft. To overcome this thing, small fishermen must spend large enough funds to repair the damage or replace losses. If the damage and loss are severe and severe, small fishermen stop fishing operations and receive no income. Small fishermen need loss insurance and are eligible to become loss insurance customers if the management of small fishermen income. AKSNIL model is a model that bridges between the needs of small fishermen and insurance companies by involving the government and fish auction and LKMS. This AKSNIL model can reduce the problems faced by fishermen related to continuity in the payment of insurance premiums, on the other hand, can also increase the role of LKMS in coastal communities. The insurance company is also not harmed because of the regular payment of claims and for the payment of claims in large amounts for fishermen is subsidized by the government.

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