

Risk Management in Sharia Insurance

Khairul Azmi¹, Sugianto², Marliyah³

^{1,2,3}Sharia Economics Study Program Faculty of Islamic Economics and Business, Universitas Islam Negeri Sumatera Utara, Indonesia

khairulazmi917@gmail.com, sugianto@uinsu.ac.id, marliyah@uinsu.ac.id

Abstract

Risk management is a benchmark for every institution and organization in minimizing the risks that occur. Where decisions taken must take into account Islamic law. All forms of risk that occur continue to prioritize the concept of sharia. This paper is descriptive qualitative, which explains about risk management, then risk management in sharia concepts, and risk management in insurance institutions. The results of this paper indicate that risk management has various processes, namely, identification, evaluation and measurement, and risk management. Insurance is one way to manage risk, it's just that until now there is still an assumption that insurance is against destiny. Sharia insurance as an endeavor, which is not contrary to the concept of trustworthiness. The form can be in the form of operational risk (operational risk) such as failure to pay, legal risk (legal risk), and reputation risk (reputation risk) in addition to moral hazard is also often encountered obstacles faced by the company is sourced from external and internal company. In managing risk, Islam provides a solution with the concept of risk sharing.

Keywords

Management; risk; sharia insurance



I. Introduction

With the extraordinary flow of globalization accelerated by the development of information, communication and computing technology that was previously unimaginable, the financial sector has become a sector with very high-risk exposure. Fund traffic can move from one city to another, from one country to another, and so on. Investors and financial sector actors' perceptions of risks and rewards, and the consequent flow of funds, can be drastic in a short period of time. As one of the pillars of the financial sector in carrying out intermediary functions.

Humans living in the world are never separated from problems and risks, many problems occur without being able to be known and humans can only guess and plan, but everything still happens based on the provisions of the Almighty Creator. Besides that, no one of humans is able to predict what will happen in the future perfectly even by using various analytical tools (Kasmir, 2011). The risks that will occur in the future vary, such as death, accidents, or the risk of being fired from work. Even in the business world, risks cannot be avoided such as risks due to fire, damage, loss or others.

Of every problem that exists, of course there is a risk that cannot be avoided and this is contrary to human nature, which is risk averse (does not like risk) and of course requires to incur costs in reducing these risks. This is where one of the roles of managers and financial institutions serves as a place of intermediation, where the funds for the precautionary measures are managed for future preparation. One of these institutions is an insurance

company. This company is ready to bear every risk that will be faced by its customers, both individuals and business entities.

This insurance has developed widely in Indonesia in particular and the world in general, both conventional and sharia insurance. Sharia insurance in general is not much different from conventional insurance. There are similarities between insurance in the perspective of Islamic sharia and conventional insurance, namely the insurance company only as a facilitator of the structural relationship between participants who deposit premiums (insurers) and participants who receive claims payments (insured).

In general, insurance in Islam is often termed as *takaful* which can be described as insurance whose operational principles are based on Islamic law with reference to the Qur'an and Sunnah. If we include *takaful* in *muamalah*, then *takaful* in the sense of *muamalah* contains the meaning of taking risks among fellow humans, so that both of them are the bearers of each other's risks. One of these sharia insurance is sharia life insurance. This sharia life insurance is related to the dangers and risks that can befall a person, such as injuries due to accidents, illness, death and retirement.

The factors causing the risk generally come from two sources, namely internal and external. Internal sources generally have a smaller risk, because internal problems are generally easier to control and certain. This means that almost all the facts or complete data are available, so the feasibility level is higher. On the other hand, external sources are generally far beyond the control of the decision maker, including the market, economy, politics, socio-cultural changes, supply conditions or suppliers, as well as changes in the environment in which the company was founded. This external risk source is a vulnerable point that can contain threats or business opportunities now and in the future. This can happen because the factors causing this risk are in uncertain decision conditions (uncertainty) so that if you fail to manage it, it means that the possibility of company losses will increase while at the same time affecting the achievement of management goals as a whole, namely a decrease in the value of shares or the value of the company.

II. Review of Literature

2.1 Risk Management

Risk management can be understood as all risks that occur in the community (loss of property, life, finances, business and others) whether viewed from the individual side in the community or a company. In practice, risk management can be closely related to corporate functions (financial functions, accounting functions, marketing functions, production functions, personnel and engineering and maintenance functions), because these functions contain a lot of risk in managing the company.

Risk management is defined as a logical and systematic method of identifying, quantifying, determining attitudes, determining solutions, and monitoring and reporting risks that take place in each activity or process. Risk management is generally the implementation of management functions in dealing with company risks (Wijaya, 2021). This risk control where the role of management is very important, because risk control requires the availability of all resources owned by the company that is controlled by the company's management (Marbun, 2020). Based on the definitions described above regarding management and risk, the authors conclude that management in Islam is an effort to achieve company goals by carrying out management functions in risk management, which include planning, organizing, directing, and controlling activities in order to achieve effectiveness and essence in accordance with Islamic teachings. Management functions are a series of activities carried out in management based on their respective functions and follow one.

Some principles that must be adhered to in developing and implementing a risk management model are as follows: (Nur Rianto Al Arif & Yuke Rahmawati, 2018):

1. Transparency. This principle requires that all potential risks that exist in an activity, especially transactions, are described openly. Hidden or hidden risks will be the biggest source of problems and will not be managed properly.
2. Accurate measurement. This principle represents the scientific side of the risk management concept, requires continuous investment in various techniques, and tools to be used as a condition of a strong risk management process.
3. Timely quality information. This principle will also determine the accuracy of the measurement and the quality of the decisions taken. On the other hand, non-fulfillment of this principle can lead management to a risky decision. Diversification. A good risk management system places the concept of diversification as something important to observe. This requires a constant and consistent pattern of monitoring. The assumption is that concentration (risk) can appear at any time along with various changes that occur in the world.
4. Independence. Based on the principle of independence, the existence of an independent risk management group is increasingly considered as a necessity. This principle does not only discuss the authority and level of responsibility of the risk management group and other groups/units within the company, but also about the company's vision and the quality of the interrelationships between the risk management group and other groups/units, as well as between groups/units that carry out transactions by taking risks certain.
5. Disciplined decision patterns. The portion of science in the concept of risk management has indeed contributed a lot in measuring risk, but the quality of decisions still depends on how management decides the best way to use certain tools/techniques and understands the limitations of these tools/techniques.
6. Policy. This principle requires that a company's risk management objectives and strategies must be formulated in a clear policy, manual and procedure. The main objective of this is to provide clarity on the risk management process, both for internal parties and for external parties such as regulators and analysts.

2.2 Sharia

Sharia is the word Shari'ah which comes from the word shara'a. This word according to ar-Razi in his book Mukhtar-us Shihab can mean nahaja (to go), awdhaha (explain) and bayyan-al masalik (show the way). Meanwhile, according to Al-Jurjani Shari'ah it can also mean school and thriqah mustaqim / the straight path. So the meaning of the word Sharia in language has many meanings. The expression Shari'ah Islamiyyah that we are talking about does not mean all of those linguistic meanings.

The word shari'ah is also like that, the scholars finally used the term shari'ah with a meaning other than the meaning of the language and then tradition. So every time the word Shari'ah is mentioned, it is immediately understood by its traditional meaning. Imam al-Qurtubi said that Shari'ah means the religion established by Allah swt. for His servants which consists of various laws and provisions. The laws and provisions of Allah are called Shari'a because they have similarities with the source of drinking water which is the source of life for living creatures. That's why according to ibn-ul Manzhur Shari'a means the same as religion.

What is meant by shari'a or written with shari'ah, literally is the road to the source (spring) of water, namely the straight path that must be followed by every Muslim, shari'a is the Muslim way of life, the decrees of Allah and the provisions of His Messenger, both in the form of prohibitions or orders, covering all aspects of life and human life (Ali, Mohammad Daud, 2011: 46).

In terms of legal knowledge, Shari'ah is the basic legal norm established by Allah, which must be followed by Muslims based on faith related to morals, both in their relationship with Allah and with fellow humans and objects in society. This basic legal norm is explained and or further detailed by the Prophet Muhammad as His Apostle. Therefore, the Shari'ah is found in the Qur'an and in the books of Hadith.

2.3 Managing Risk with Insurance

a. Insurance and Tawakal

Insurance awareness among Indonesian people about insurance needs is not yet like in Malaysia, Singapore or other countries. This departs from the understanding circulating in Indonesian society that is not completely correct. That understanding insurance is still misguided, insurance has not become a necessity, insurance will only be for the sick, there is even insurance that is against destiny. In fact, using insurance is to help, bear each other and cooperate between one participant and another. In sharia insurance, the answer is that insurance is against destiny, but insurance is an effort between participants with one another to help each other through tabarru funds. So that sharia insurance is essentially beneficial not only for yourself, but also for others (Asy'ari Suparmin, 2019).

Article 246 of the Commercial Code states: "Insurance or coverage is an agreement, under the name of an insurer binding himself to an insured by receiving a premium, to provide compensation to him for a loss, damage or loss of expected profit, which may be suffered because of an unspecified event (Commercial Law Constitution).

Meanwhile, according to Law No. 2 of 1992 concerning the insurance business, insurance or coverage is "an agreement between two or more parties, under the name of the insurer binding himself to the insured, by receiving insurance premiums, to provide compensation to the insured due to loss, damage or loss of profit. expected, or legal liability to third parties that may be suffered by the insured, arising from an uncertain event, or to provide a payment based on the death or life of an insured person.

After paying attention to several definitions of insurance above, both in terms of language and terms, it can be concluded that in an insurance agreement at least the first party is involved who is able to bear or guarantee that the other party gets compensation from a loss that may be suffered as a result of an event that was originally While the notion of sharia insurance according to the DSN fatwa No. 21/DSN-MUI/III/2001 is an effort to protect and help each other among a number of people through investment in the form of assets or tabarru' which provides a pattern returns to face certain risks through a sharia-compliant contract (commitment). (Ahmad Ifham, 2010).

A similar statement was also conveyed by Ismail Nawawi regarding sharia insurance as an effort to protect and help each other among a number of people through investment in the form of assets or tabarru' through a sharia-compliant contract. (Nawawi Ismail, 2009). Understanding the above definition of insurance and sharia insurance in particular, the author concludes that sharia insurance is an appreciation of the spirit of mutual responsibility, cooperation, and protection in community activities for the sake of creating prosperity and society in general. Because we as Muslims must believe that everything that happens is inseparable from the provisions of Allah. As the word of Allah SWT in Surah Luqman verse 34: Meaning: Verily Allah, only with Him alone is the knowledge of the Day of Judgment; and it is He Who sends down the rain, and knows what is in the wombs and no one can know (with certainty) what he will strive for tomorrow and no one can know on which earth he will die. Verily Allah is All-Knowing, All-Knowing.

Aqilah Hadith which explains about activities that have elements as applicable to the insurance system, namely mutual responsibility (takaful) between members as follows:

Narrated by Abu Hurairah r.a, he said: "Two women from the tribe of Huzail disagreed, then one of the women threw stones at the other woman, resulting in the death of the woman and the fetus she was carrying. So the heirs of the woman who died complained about the incident to the Messenger of Allah, the Messenger of Allah, decided compensation for the murder of the fetus with the release of male or female slaves, and decided to compensate the woman's death with blood money (diyat).) paid by his Aqilah (relatives of male parents)." (Narrated by Bukhari).

The fatwa of a friend carried out by Caliph Umar who had practiced the payment of punishment (compensation), he said "the people listed in the diwan are entitled to receive assistance from one another and must contribute to the payment of punishment (compensation) for murder (compensation) (unintentionally) committed by a member of their community."23 This fatwa was the first to explain the activity of bearing the burden of one another, namely the existence of inter-diwan contributions. From the fatwa that Umar practiced above, the companions had agreed and none of them were against it. It is from this that there is consensus among the companions of the Prophet SAW regarding mutual responsibility (takaful).

This is the realization of Allah's Command to help and cooperate with each other in Surah al-Maidah verse 2.

Meaning: "...help you in (doing) goodness and piety, and do not help in committing sins and transgressions. And fear Allah, indeed Allah is severe in punishment." (Q.S, al-Maidah 5:2) Sharia Insurance as an Effort Humans as Muslims are commanded to pay attention to what has been prepared for tomorrow or the future. You can save in a bank or other ways. Even though nothing happened, we are ready to face the risk. Having sharia insurance is a form of our business to prepare for all risks in the future.

As the word of Allah in the Qur'an Surah Al-Hashr verse 18, which reads:

لُوْنًا اللّٰهَ اِنَّ اللّٰهَ اَنَّ اللّٰهَ اتَّقُوا لِعَدِّ مَا لَنْتَنْظُرُ اللّٰهَ اتَّقُوا اَمْنُوا الَّذِيْنَ اَبْهَا

Ministry of Religion Translation 2019

Meaning: "O you who believe, fear Allah and let everyone pay attention to what he has done for tomorrow (hereafter). Fear Allah. Verily Allah is Aware of what you do."

b. Sharia Muqosid

The next sharia risk management is to apply the principles contained in the Maqosid Sharia concept (sharia goals). The term maqashid al-syari`ah was popularized by Abu Ishak Asy-Syatibi which is contained in his work Muwaffaqat as in his expression is "Indeed the shari'a was revealed to realize God's purpose in realizing the benefit of the diniyah and worldly together". The following is the concept of maqosid sharia principles:

- a. Akidah, faith and piety (hifzu ad-dien), aims to maintain the purity of faith
- b. Intellect (hifzu al-'aql), aims to maintain the health of the mind
- c. Descendants (nasl), aims to protect offspring
- d. The soul (hifzu an-nafs), aims to maintain the safety of the soul and
- e. Property (hifzu al-mal), aims to maintain the safety of property / wealth

c. Risk Management in Islam

Islamic teachings consist of two rules, there are rules for worship and there are rules for muamalah, in terms of worship, don't do it unless there is an order. Meanwhile, in terms of muamalah, the basic rules are halal and permissible, unless there is a proposition that prohibits it, the original law stipulates the conditions in mu'amalah are halal and permissible

unless there is a proposition (which prohibits it) interpreting the dream of the king at that time. The story of the king's dream is contained in the Qur'an Surah Yusuf: 43 as follows:

لِلرُّعْيَا إِنْ أَيْ أَفْتُونِي الْمَلَأَ أَيُّهَا أُخْرَ لَتِ افْتُ لُهُنَّ إِنْ أَرَىٰ إِنِّي الْمَلِكُ الْ

Ministry of Religion Translation 2019

Meaning: "The king said (to the leaders of his people), "Indeed I dreamed of seeing seven fat cows being eaten by seven lean cows and seven green stalks (and seven stalks) that were dry. O leaders of the people, explain to me about my dream if you can interpret it!"

While the story of Yusuf interpreting the dream of the king is explained in the Qur'an Surah Yusuf: 46-49 as follows:

يُوسُفُ أَيُّهَا الصِّدِّيقُ أَفْتِنَا فِي سَبْعِ بَقَرَاتٍ سِمَانٍ يَأْكُلُهُنَّ سَبْعٌ عِجَافٌ وَسَبْعِ سُنبُلَاتٍ خُضْرٍ وَأُخَرَ
يُبْسِتٍ لِّعَلِّي أَرْجِعُ إِلَى النَّاسِ لَعَلَّهُمْ يَعْلَمُونَ قَالَ تَزَّرَ عُونَ سَبْعَ سِنِينَ دَابًّا فَمَا حَصَدْتُمْ فَذَرُوهُ
فِي سُنْبُلِهِ ۖ إِلَّا قَلِيلًا مِّمَّا تَأْكُلُونَ ثُمَّ يَأْتِي مِنْ بَعْدِ ذَلِكَ سَبْعٌ شِدَادٌ يَأْكُلْنَ مَا قَدَّمْتُمْ لَهُنَّ إِلَّا قَلِيلًا
مِّمَّا تُحْصِنُونَ ثُمَّ يَأْتِي مِنْ بَعْدِ ذَلِكَ عَامٌ فِيهِ يُغَاثُ النَّاسُ وَفِيهِ يَعْصِرُونَ ۗ

Ministry of Religion Translation 2019

Meaning: "(He said,) "O Yusuf, a very trusted person, explain to us (the takwil of my dream) about seven fat cows that were eaten by seven lean (cows) and seven green (wheat) stalks that (covered seven stalks)) others that are dry so that I may return to the people so that they may know." (Yusuf) said, "Cultivate you seven years in a row! Then what you reap, leave it on the stalk, except a little for you to eat. Then, after that will come seven (years) which are very difficult (famine) which consumes what you have saved to deal with it, except a little of what (seeds of wheat) that after that, a year will come, when people will be given (enough) rain and in those days they will squeeze (wine)." (Surah Yunus, 46-49)

From the story described in the Qur'an, it can be understood that in the second seven years there will be a terrible drought. This is a risk that befell the land of Yusuf. However, with the dream of the king which was later interpreted by Yusuf, then Yusuf has taken measurements and controls over the risks that will occur in the second seven years. Yusuf did this by suggesting to the people of the whole country to save some of their harvest for the first seven years of harvest in order to face famine in the next seven years. Thus, the danger of famine that threatened the land of Yusuf was avoided. What a perfect risk management. Yusuf applied the risk management process through the stages of risk understanding, evaluation and measurement, and risk management.

In the Hadith it is also narrated that one of the companions of the Messenger of Allah (saw) left his camel without being tied to something, such as a tree, a pole, etc., and then left it. He s.a.w. asked: "Why don't you tie it up?" He replied: "I have put my trust in Allah." Rasulullah SAW. could not agree with that person's way of thinking, then said, "Tie first and then put your trust." In short, tawakkal without prior effort is wrong and wrong in the view of Islam. As for the purpose of tawakkal which is commanded by religion, it is to surrender oneself to Allah after trying and trying and working as it should. For example, putting a bicycle in front of the house, after it is locked properly, then put your trust in it. This means that if after being locked it is still missing, for example, someone stole it, then from a religious point of view that person is innocent, because he has made efforts so that it doesn't get lost. The meaning of this tawakal is defined as risk management. (Sumanto, 2009)

Islam gives teachings to manage the risk position as well as possible, as the Qur'an and Hadith teach to carry out activities with very mature calculations in dealing with risks. In his effort to earn a living, a Muslim is faced with conditions of uncertainty about what is

happening. We may plan a business activity or investment, but we cannot be sure what we will get from the investment, whether it is profit or loss. This is a sunnatullah or Allah's provisions as conveyed to the Prophet Muhammad.

III. Research Methods

The data analysis method used is by using a descriptive qualitative approach, namely by describing the method or description of the form of risk management in general, then risk management in the S concept, then a comparison between risk management and maysir, as well as the risks that can be experienced by sharia insurance. Be an encouragement that can give a spirit for the growth of sharia insurance

Qualitative research is a research procedure that produces descriptive data in the form of written or spoken words from the people and circumstances observed. Qualitative research is a research method used to examine the condition of a natural object, (as opposed to an experiment)

IV. Discussion

4.1 Implementation of Risk Management

Investment decisions will be influenced by risk and rate of return. The generally accepted view is that investors are risk aversion. The implication is that a risky investment should offer a higher expected return than a less risky investment. (Mayasari: tt). A riskier financial decision is certainly expected to provide greater rewards, which in finance is known as "High Risk High Return". There are two views about the relationship between the level of risk and the rate of return (return). (Mamduh, 2006). The old view, which assumes there is a positive relationship between risk and the rate of return. The higher the expected profit level. If an organization wants to increase its profits, it must increase its risks.

Indonesian Ulema Council (MUI) through the National Sharia Council (DSN) MUI Fatwa No. 21 of 2001 concerning general guidelines for sharia insurance states that insurance law is halal when following the contracts that have been outlined by the MUI. Insurance is not against destiny, but we meet the demands of destiny because it is impossible for people to live without calamity. Life insurance, does not mean we avoid death, but when someone dies he has savings that can be passed on to his family, so that it is not difficult for the living.

As Muslims are commanded to pay attention to what is prepared for tomorrow or the future. You can save money and so on. Even though nothing happened, we are already prepared to face various kinds of risks in the future. By having Sharia Insurance is one form of our efforts in preparing it. Because the current Sharia Insurance in Indonesia carries the concept of mutual help, mutual support and cooperation between one participant and another, through tabarru funds.

Insurance companies are always obligated trust holders, investing the collected funds and investments must be made in accordance with sharia. The results of the tabarru' fund investment become the collective thing of the participants and are recorded in the tabarru' account. From the investment returns, sharia insurance and reinsurance companies can obtain profit sharing based on a mudharabah contract or obtain an ujah (fee) based on a wakalah bil ujah contract.

Underwriting surplus, if there is a surplus on tabarru' funds, several alternatives may be carried out as follows:

1. Treated entirely as a reserve fund in the tabarru' account.
2. Saved as a reserve fund and partly distributed to participants who meet actuarial/risk management requirements.

3. Saved as a reserve fund and partly can be distributed to insurance companies and participants as long as agreed by the participants. However, the choice of one of the alternatives mentioned above must be approved in advance by the participant and stated in the contract. Underwriting deficit, if there is an underwriting deficit on tabarru' funds, the insurance company is obliged to overcome the shortage in the form of a loan (qardh). The return of qardh funds to insurance companies is set aside from tabarru' funds. Qardh is a pure loan from the funds belonging to the manager (insurance company) to the tabarru' fund in the event of an underwriting deficit, where the tabarru' funds are not sufficient to pay insurance compensation (claims) provided that the return of qardh funds to the insurance company is set aside from the tabarru' fund after there is a surplus in subsequent underwriting periods.

The new view, says that the relationship between risk and the rate of return is not linear, but non-linear. Management is the arrangement, organization, and human thought, so that he is able to organize and tidy up everything around him, know his priority scale, and make his whole life in harmony with other people. A careful, deep view and accompanied by awareness of the universe created by Allah SWT, will lead one to the conclusion that Allah has created it very neatly and orderly. (Jawwad; 2004).

In the industrial world, economic actors feel the need for thinking in order to run their business. Management thinking is used to regulate production activities, marketing activities of goods, and maintain good relations between producers and employees. With management, it is possible to innovate, develop facilities and techniques for production activities in the industrial world. The crystallization of management thinking began to develop during that period, and continues to grow and undergo various reforms. (Ibrahim; 2006). There is also something quite important for companies regarding risk management. To deal with the risks that may be faced.

4.2 Risks in the Sharia Concept

In Islam, the basic concept of risk management was written in the Qur'an about 14 centuries ago. One of the most beautiful stories in the Qur'an is about the prophet Yusuf (as) who in one section is introduced to how to manage risk. (Iqbal; 2005). Allah SWT said; "We tell you (Muhammad) the best story by revealing this Qur'an to you, and indeed you before (We revealed) it were among those who did not know." (Surah Yusuf; 3).

Furthermore, in relation to risk management, it can be seen in Surah Yusuf as well, how a king dreams, and then questions his dream. Then the Prophet Yusuf a.s responded. Allah SWT said. "The king said (to the prominent people of his people), verily I dreamed that I saw seven fat cows being eaten by seven lean cows and seven ears of wheat) which were green and the other seven dry heads. O prominent people, explain to me about the interpretation of my dream, if you can interpret the dream. (Surah Yusuf: 43).

Continued, jumping to the next about the answer of the Prophet Yusuf a.s. Allah swt said. "Joseph said; so that you cultivate seven years (as long as) as usual, then what you pay for, you should leave the grain, except a little for you to eat. (Surah Yusuf: 47). "Then after that will come seven very difficult years, which will consume what you have saved to face it (the difficult year), except for a little of (grain seeds) that you save. (Surah Yusuf; 48). "Then after that a year will come in which people will be given (sufficient) rain, and in those days they will press wine. (Surah Yusuf; 49)

The basic principles of risk management can also be learned from the Prophet's advice to a Bedouin who wanted to leave his camel untethered and let it happen as Allah willed, "Tether your camel first and make it all up to Allah's will."

It is clear that from a risk management point of view Islam supports all efforts to eliminate or minimize risk, while believing that only Allah's decision will determine the

outcome. Islam does not conflict with the principles of risk management, as long as the practice does not contain elements of gharar (uncertainty), maisir (gambling), usury (interest), and dzulum (injustice to others). (Iqbal; 2005).

Risk must be calculated carefully. In taking risks there are three inner dimensions that must be embedded in it, namely, intention, ability, and calculation. Intention is the main basis for burning motivation on the basis of mere worship. While the ability is the energy of knowledge and skills born from the learning process and experience. Calculation is an image and thinking insight based on profit and loss. (Tasmara; 2005).

Thus, it appears that the way to take risks is not based on emotional assumptions or just relying on feelings. In contrast to gambling, which relies more on mere speculative attitudes, without being based on information, facts, and knowledge. There are people who think that life is a process of gambling, luck, what fate. This is not appropriate because life with all its opportunities is not something dark, but Allah has given various gifts to humans in processing and utilizing nature so that it is harmonious without anyone being harmed by one another (Tasmara; 2005).

The scope of risk management includes three main things, namely risk identification, risk evaluation and measurement, and risk management. Risk identification is carried out to identify what risks are faced by an organization. There are various risks faced by the organization. Broadly speaking, risk can be categorized into systematic risk and unsystematic risk. The potential for loss and profit remains in business ventures. We always expect profit, but do not rule out the possibility of loss. After risk identification, the next step is risk evaluation and measurement. Risk evaluation and measurement aims to identify and understand risk characteristics better with a good understanding, the risk will be easier to control.

A more systematic evaluation is carried out to measure these risks. There are several techniques for measuring risk depending on the type of risk. Probability can be used to measure risk. When the probability is high, then a risk needs extra attention. Other risk measurements can also be done using the duration technique. This is usually done to assess changes in interest rates. For market risk, the value at risk technique can be used. After conducting risk analysis and evaluation, the next step is to manage risk

Risk management needs to be carried out carefully considering the consequences that are quite serious if you fail to manage risk. Risk can be managed in various ways, such as avoidance, retention, diversification, or transfer to other parties. Managing risk by avoiding is the easiest and safest way, but it is not optimal. For example, if we want high profits from the business, of course we have to face these risks and manage them well, not by avoiding them. Retention means we face the risk ourselves. For example, a person who does not insure his property, means that that person will bear the damage to his property himself. Next is diversification.

Diversification means spreading our exposure so that it is not concentrated on one or two exposures. For example, when we invest in stocks, we will not invest only in one stock, but in several or many stocks. Risk transfer is carried out when we do not want to bear a certain risk, then it is transferred to another party who is more capable of dealing with that risk. Accident insurance is one example. Two other things related to risk management are risk control and risk funding. Risk control is carried out to prevent or reduce the probability of the occurrence of risks or events that we do not want. An example is the installation of fire alarms in buildings intended to control fire risks. Risk funding implies how to finance the losses that occur if a risk arises.

V. Conclusion

Risk is the possibility that unwanted results will occur, which can cause losses if not anticipated and not managed properly. Meanwhile, Risk Management is a set of methodologies and procedures used to identify, measure, monitor, and control risks arising from all insurance business activities. Risk management is one of the main activities of an insurance company as an intermediary institution that aims to optimize the insurer to customers so that they are protected from the risks that will be suffered in the event of an unexpected event. In the application of risk management for sharia insurance, there are several risks in sharia banking, namely credit or financing risk, market risk, liquidity risk, operational risk, legal risk, reputation risk, strategic risk, compliance risk, return risk, and investment risk. In this case, risk management in the sharia concept is very important, to choose a decision with a smaller modharat. This concept is in line with Islamic teachings to control large risks, without harming others.

References

- Ahmad Ifham Sholihin. (2010). *Pedoman Umum Lembaga Keuangan Syariah*, Jakarta: PT. Gramedia Pustaka Utama).
- Fatwa Dewan Asuransi Syariah Nasional Majelis Ulama Indonesia (DSN).
- Gemala Dewi. (2006). *Aspek- Aspek Dalam Perbankan Dan Perasuransian Syariah di Indonesia* (Jakarta: Kencana).
- <http://.ojk.co.id>, diakses tgl 14 Desember 2021
- Kasmir. (2011). *Bank Dan Lembaga Keuangan Lainnya*, (Jakarta: PT. Rajagrafindo Persada).
- Kitab Undang-Undang Hukum Dagang, Pdf, diakses tgl. 14 Desember 2021
- Mamduh M. Hanafi, 2006, *Menejemen Risiko*, UPP STIM YKPN, Yogyakarta
- Marbun, J. (2020). *Juridical Analysis of the Occupational Safety and Health Management System in the Company*. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal) Vol 3 (2): 895-901.*
- Masyhud Ali, (2006), *Menejemen Risiko, Strategi Perbankandan Dunia Usaha Menghadapi Tantangan Globalisasi Bisnis*, PT. Raja Grafindo, Jakarta
- M. Nur Rianto Al Arif & Yuke Rahmawati. (2018). *Manajemen Risiko Perbankan Syariah (Suatu Pengantar)*, (Bandung: CV Pustaka Setia).
- Nawawi, Ismail. (2009). *Ekonomi Kelembagaan Syariah*, Surabaya: CV. Putra Media Nusantara.
- Nurhayati, 2018. *Memahami Konsep Syariah, Fikih, Hukum Dan Ushul Fikih*, *Jurnal Hukum Ekonomi Syariah: Sekolah Tinggi Agama Islam DDI Maros*
- Suparmin Asyari, *Etika bisnis dalam perspektif Islam*, Penerbit Uwais 2019
- Wahyu Hidayat, 2019. *Implementasi Manajemen Resiko Syariah Dalam Koperasi Syariah*. *Jurnal Asy-Syukriyyah Tangerang*.
- Wijaya, O.Y.A. (2021). *Risk Management Mitigation in the New Normal Era*. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal) Vol 4 (1): 1088-1097.*