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ANALYSIS OF CORPORATE GOVERNANCE PRINCIPLES IN FAILURE OF PAY OF PT ASURANSI JIWARA

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ABSTRACT

This study aims to analyze the violation of corporate governance principles in the case of alleged corruption at PT Asuransi Jiwasraya (Persero), which is estimated to have caused losses of up to IDR 17 trillion. The type of research used is qualitative research with a descriptive research design. This study focuses on an in-depth analysis of corporate governance failures at PT Asuransi Jiwasraya by examining it as a case study. The research utilizes a content analysis approach and relies on secondary data sources, including previous studies, internet searches, financial reports, and other credible sources. The findings of this study reveal significant breaches in the application of the five core principles of good corporate governance transparency, accountability, responsibility, independence, and fairness. These principles are essential for guiding companies towards effective and ethical management practices, and their violation in the case of PT Asuransi Jiwasraya has led to severe financial repercussions and loss of public trust.

Keywords: Corporate Governance, Corruption, Principles

INTRODUCTION

PT Asuransi Jiwasraya traces its origins back to December 31, 1859, when it was established under the name Nederlandsch-Indiesche Levensverzekering en Lijfrente Maatschappij, commonly abbreviated as NILLMIJ. As the first life insurance company in the Dutch East Indies, NILLMIJ played a pioneering role in the region's insurance industry. In 1960, the Indonesian government officially nationalized NILLMIJ, marking a significant turning point in the company's history. Following the nationalization, in 1961, NILLMIJ was merged with eight other life insurance companies that had also been nationalized by the Indonesian government, leading to the formation of PN Asuransi Djiwa Eka Sedjahtera. This merger laid the foundation for the development of the life insurance sector in Indonesia and the eventual establishment of what is now known as PT Asuransi Jiwasraya. The background of this study stems from the high-profile corruption case involving PT Asuransi Jiwasraya (Persero), a state-owned insurance company that incurred financial losses of up to IDR 17 trillion due to poor management and governance failures. This case has drawn widespread attention, not only because of the significant financial repercussions but also due to the breaches of corporate governance principles, which are supposed to guide ethical and effective management. The core principles of corporate governance—transparency, accountability, responsibility, independence, and fairness—are vital for ensuring the trust and integrity of companies operating in both public and private sectors.

The Jiwasraya case serves as a critical example of what can happen when these principles are ignored or violated. This study aims to provide a detailed analysis of the governance failures in Jiwasraya, helping to shed light on how such breaches contributed to the company's downfall, and to identify lessons that could prevent similar cases in the future. The objective of this study is to examine the violation of corporate governance principles in the case of PT Asuransi Jiwasraya (Persero), specifically focusing on the alleged corruption that resulted in significant financial losses, estimated at IDR 17 trillion. The study aims to provide an in-depth analysis of the corporate governance failures that contributed to the company's collapse, using a case study approach. By investigating the breaches of core governance principles—transparency, accountability, responsibility, independence, and fairness—the research seeks to highlight the systemic weaknesses and management failures that led to financial mismanagement and the eventual loss of public trust in the organization.

In 1965, PN Asuransi Djiwa Eka Sedjahtera was merged into PN Asuransi Djiwasraja, and later, PT Pertanggungan Djiwa Dharma Nasional, also controlled by the Indonesian government, was integrated into the company. On March 23, 1973, the company's status was officially changed to a state-owned enterprise (Persero). Over time, the company's financial condition deteriorated due to the interest burden from its past products. To address these challenges, the Indonesian government decided to restructure the company to protect the policies under its coverage and to minimize potential losses for policyholders and the state. As part of this restructuring, in 2021, the company's portfolio and assets began to be transferred to IFG Life, marking a significant shift in the company's operations and its future direction. PT Asuransi Jiwasraya (Persero) is a state-owned enterprise that has implemented Good Corporate Governance (GCG) in its management practices. The adoption of GCG is expected to ensure responsible corporate control, serving as a crucial step for Asuransi Jiwasraya in enhancing and maximizing its corporate value while also promoting professionalism within its management. This commitment to GCG reflects the company's dedication to operating with transparency, accountability, and integrity, aiming to strengthen its position in the market and build trust with stakeholders.

Corporate governance is crucial as it establishes the foundation for how an organization approaches all its business activities. This governance framework guides and oversees everything within the organization, from enterprise risk management (ERM) and cybersecurity strategies to addressing environmental, social, and governance (ESG) issues Moreover, corporate governance is not only vital internally but also holds significant importance for investors. Shareholders benefit from sound corporate governance principles and practices, as it ensures their rights and expectations are protected. Their ownership stake is less vulnerable to systemic risks when these principles are upheld. Adhering to governance standards fosters trust among stakeholders, as transparent reporting, disclosure, and a high level of accountability eliminate doubts. While effective governance principles have long been a cornerstone of the industry, they continue to evolve in response to modern challenges. Today, governance incorporates the use of digital technology to provide boards with timely and accurate information. This allows boards to ask pertinent questions and integrate the best solutions into their decision-making processes.

In a company, implementing good corporate governance (GCG) is essential. As explained by Siswantaya, GCG refers to a set of rules governing the relationships between shareholders, managers, creditors, the government, employees, and other stakeholders, ensuring that their respective rights and obligations are fulfilled. The primary aim of GCG is to ensure that the company’s investment funds are utilized efficiently and effectively (Uwuigbe, 2014). To put corporate governance into practice, it's crucial to have principles or guidelines that provide a framework for the implementation of actions and steps towards achieving GCG. These principles also serve as benchmarks to assess its effectiveness. According to the National Committee on Governance Policy (2006), corporate governance is founded on five key principles: transparency, accountability, responsibility, independence, fairness, and equality. Regarding the principle of transparency, companies must strive to maintain their objectivity. This means that they should promptly provide relevant material information in ways that are easy for interested parties to understand and access. Companies should not only focus on disclosing information required by laws and regulations but also ensure that other issues essential for decision-making by shareholders, creditors, and other stakeholders are communicated openly the principle of accountability mandates that a company clearly defines its functions and responsibilities, ensuring these are carried out effectively. Additionally, the company must be prepared to report its performance transparently and equitably. As a result, the company should be managed in a way that is well-structured, measurable, and aligned with business goals, while also taking into account the interests of shareholders and other stakeholders. Accountability is a vital component for attaining long-term success.

The principle of responsibility, or accountability, emphasizes the importance of aligning management practices and company policies with existing laws and regulations. Additionally, the company must uphold its responsibilities to the community and environment, as this is crucial for ensuring long-term business sustainability and establishing the company as a respected corporate citizen. Regarding the principle of independence, it is essential to ensure that, according to good corporate governance principles, the company operates autonomously.This means that no part of the company should dominate another, and external parties should not interfere with its operations. The principle of fairness and equality ensures that a company treats all shareholders and stakeholders without discrimination, adhering to their rights in line with applicable regulations. However, even with PT Asuransi Jiwasraya's commitment to corporate governance, the implementation of these principles has not been flawless. In October 2018, the company faced a failure to honor the due policy claims of JS Saving Plan customers. This incident highlights that the inability to fully enforce Good Corporate Governance was due to fraudulent activities and violations of regulations.

In the practice of insurance, the fundamental principle is that claims submitted by policyholders must be paid by the insurance company as promptly as possible. According to Article 40, paragraph (1) of the Financial Services Authority Regulation No. 69/POJK.05/2016 concerning the Conduct of Insurance, Sharia Insurance, Reinsurance, and Sharia Reinsurance Companies, it is stated that the insurance company is obligated to pay claims, as the benefit of the insurance policy, within a maximum period of 30 days from the agreement between the policyholder and the insurance company regarding the exact amount of the claim to be paid. Based on the provisions of Financial Services Authority Regulation No. 69/POJK.05/2016, it is mandated that the insurance company is responsible for paying the claims submitted by policyholders, provided that the policyholders have met all the conditions outlined in the policy. Majid (2023) stated that Legal protection for insurance policyholders is crucial because the policy serves as the sole written evidence that the insurance contract has been established. The terms of a life insurance agreement act as the guideline for the mutual consent that binds both parties in a life insurance contract, signified by the life insurance policy. This contract indicates the transfer of risk, such as in life insurance or property insurance, to the insurance company. In Indonesia, regulations concerning insurance and the legal protection of policyholders are governed by the Republic of Indonesia's Law Number 40 of 2014 on Insurance. When conducting research, the researcher relies on earlier studies to gather comparative data and reference material for structuring the writing. Previous research is also utilized to ensure the study does not appear identical to existing works. Below is a summary of preliminary research drawn from various references.

Maryam, (2022) conducted an analysis examining the issue of PT Asuransi Jiwasraya's (Persero) failure to pay insurance claims, as well as the resolution of these claims. The revelation of mismanagement within PT Asuransi Jiwasraya attracted significant public attention. Established in 1859 and later becoming PT Asuransi Jiwasraya (Persero) on August 21, 1984, the company had seen improvements by 2011, despite being impacted by the 1998 economic crisis (Kompas.com, December 25, 2019). However, a lack of liquidity led to Jiwasraya's failure to pay JS Saving Plan policyholder claims amounting to IDR 802 billion in October 2018, which escalated to IDR 12.4 trillion by December 2019. Majid (2023) conducted a study that delves into the legal protection afforded to insurance policyholders who suffer losses due to non-payment of claims, analyzing the issue through the lens of Indonesia's Consumer Protection Law, as outlined in Law Number 8 of 1999. The research also explores the challenges and obstacles encountered in providing legal protection to insurance customers in the event of claim defaults, offering a detailed examination of how these hurdles impact the enforcement and effectiveness of the Consumer Protection Law in safeguarding the rights of policyholders.

Previous research has indicated a lack of correlation between cases of insurance payment failures and the examination of violations of corporate governance principles. Given that this issue has not been thoroughly addressed in the past, the author has undertaken a study titled "Analysis of Corporate Governance Principles in the Payment Failure of PT Asuransi Jiwaraya." This research aims to assess and conduct a conceptual analysis of the application of Corporate Governance principles at PT Asuransi Jiwaraya, focusing on how organizational behavior acts as a control mechanism for governance and examining the breakdown in maintaining Corporate Governance that led to payment failures. The study will involve identifying and gathering information by analyzing and evaluating factual data, which will then be integrated with various existing references to generate accurate and reliable findings.

METHODOLOGY

This study employs a qualitative research approach, which is particularly suited to understanding complex phenomena as experienced by the research subjects in their natural context. The primary goal is to explore and provide a comprehensive understanding of these phenomena by detailing them through rich, descriptive narratives. By using a qualitative method, the researcher seeks to align the observed empirical reality with theoretical frameworks, thereby offering deeper insights into the subject matter. As articulated by Moleong (2010), this approach allows for a nuanced interpretation of the data within the context of existing theories. In addition to the qualitative approach, the research is designed as a descriptive study. Descriptive research is a methodology aimed at systematically describing and presenting factual data, conditions, and phenomena that are observed during the course of the study. This type of research is particularly valuable for providing a detailed account of the circumstances and events as they occur, offering a clear and factual representation of the subject being studied. By combining qualitative and descriptive research methods, the study aims to produce a thorough and accurate portrayal of the phenomena under investigation, providing valuable insights and contributing to the existing body of knowledge.

This research centers on an in-depth examination of a specific case, focusing intensively on a singular object of study. The author delves into the phenomenon that transpired at PT Asuransi Jiwara, aiming to uncover the underlying issues and contributing factors. To support this analysis, the author gathers information from a variety of sources, including previous research studies, online resources, financial statements from PT

Asuransi Jiwara, and several other credible and reliable references. This comprehensive approach allows for a thorough investigation and a well-rounded understanding of the case in question.

The data collection method utilized in this research is a documentation study. According to Sugiyono, a documentation study involves gathering data by examining documents to obtain relevant information regarding the problem being studied. Through this method, the researcher explores historical data related to the research subject and assesses whether the processes involved have been well-documented. Concurrently, the data analysis method employed in this study is content analysis. Content analysis is a qualitative research technique that focuses on interpreting the meaning of communication content, understanding symbolic interactions, and deciphering the use of symbols within communication (Bungin, 2011). Holsti further elaborates that content analysis systematically analyzes messages, providing a structured approach to observing and evaluating specific messages conveyed by communicators.

RESULT AND DISCUSSION

Violation of CG Principles in the Failure of Pay of PT Asuransi Jiwaraya

Hexana Tri Sasongko, the President Director of Jiwasraya, announced in December 2019 that the company was unable to fulfill policyholder claims amounting to a staggering Rp12.4 trillion. This financial shortfall highlighted the severe mismanagement of customer funds, which Jiwasraya had invested in mutual funds and stocks. Unfortunately, these investments have plummeted in value, with many of them now classified as junk stocks, essentially worthless in the market. The situation underscores the gravity of the financial missteps that have left policyholders in a precarious position, with little hope of recovering their hard-earned money. The scandal has drawn significant attention to the need for stricter oversight and governance within the company to prevent such catastrophic outcomes in the future. PT. Asuransi Jiwaraya has dedicated itself to upholding the five fundamental principles of Good Corporate Governance in all its business operations. This dedication has been consistently maintained with the aim of fostering the company's growth, development, and the trust of its stakeholders. However, the emergence of payment default cases reveals a significant shortfall in PT. Asuransi Jiwaraya's application of these Corporate Governance principles, raising concerns that the company may have failed, or even violated, these essential guidelines. The infractions involve the principles of Transparency, Accountability, Responsibility, Independence, and Fairness and Equality, highlighting critical lapses in governance.

Objectivity is crucial in the effective management of any company. It is essential that a company provides accurate and relevant information to those who require it. The responsibility for maintaining transparency lies with the directors, managers, and all other relevant personnel within the organization. Implementing the principle of transparency brings at least two significant advantages. First, a commitment to openness encourages directors, managers, and others involved to exercise greater caution and accountability in their decisions, ensuring that stakeholders, shareholders, and other parties are not adversely affected. Second, transparency fosters trust among stakeholders in the company's operations, management, and return on investment, among other aspects. However, the failure to settle numerous insurance claims clearly indicates that PT. Asuransi Jiwaraya breached the principle of transparency. This issue is evident in the unexpected inability to pay claims, with no prior communication until policyholders attempted to claim their insurance. Notably, the company's financial statement for 2017 showed an investment of Rp.19.17 trillion in mutual funds, which had dwindled to just Rp.6.64 trillion by 2019. This lack of transparency severely undermined the trust of the related parties and diminished the value of the company's shares.

The principle of accountability mandates that a company should be managed effectively, with a clear and well-structured governance framework aligned with its business goals, while also considering the interests of shareholders and other stakeholders. Accountability within the organization is critical to ensure the long-term sustainability of the business. The directors, managers, and other senior officials form the core of the company's operations and hold the primary responsibility for the company's management process. However, the failure of PT Asuransi Jiwaraya to fulfill its obligations to policyholders highlights significant flaws in its accountability practices. Despite the promises made to investors, the company was unable to meet its commitments due to a drastic decline in the value of its investments, particularly in mutual funds. This failure is a clear indication that the principle of accountability was not effectively upheld, as the company's governance structure failed to monitor and manage these investments adequately. The irregularities in managing these investments demonstrate that PT Asuransi Jiwaraya did not adhere to sound business practices, nor did it fully comply with relevant laws and regulations. Consequently, this breach in accountability has not only tarnished the company's reputation but also severely affected the trust of its stakeholders.

The principle of responsibility emphasizes that every company and its components must adhere to the relevant laws and regulations and ensure that their actions are in the best interest of shareholders and stakeholders. Compliance with these regulations is a fundamental aspect of corporate responsibility, ensuring that the company operates within legal and ethical boundaries. However, in the case of PT Asuransi Jiwaraya, the failure to fulfill its obligations to policyholders demonstrates a significant breach of this principle. The company's inability to meet its financial commitments, despite the legal requirement to do so, shows a disregard for its responsibility to its clients. This failure was not due to a single individual's actions but was rooted in the broader mismanagement of the company's investments, which declined drastically in value. By failing to maintain these investments and ensure their security, PT Asuransi Jiwaraya neglected its duty to protect the interests of its stakeholders, thereby violating the principle of responsibility. This lapse in responsibility has had severe consequences, undermining the trust of policyholders and other related parties.

The principle of independence ensures that a company can implement its corporate governance principles autonomously, without undue influence from any internal or external parties. Each part of the company should operate independently, without one section controlling another, and free from interference by third parties. In the case of PT Asuransi Jiwaraya, the failure to pay policy claims, which stemmed from the company's poor investment choices, highlights a significant breach of this principle. The drastic decline in the value of investments, which ultimately led to the inability to fulfill financial obligations, suggests that the decision-making process within the company was compromised. Instead of making independent and prudent investment decisions, the company was likely influenced by external pressures or misguided internal strategies. This lack of independent judgment and susceptibility to external influences not only violated the principle of independence but also played a crucial role in the company's failure to uphold its responsibilities to policyholders. The erosion of independence within the company's governance structure contributed directly to its financial downfall and loss of stakeholder trust.

In applying the principles of fairness and equality, a company must ensure that all stakeholders, including shareholders, employees, and customers, are treated justly and equitably. The company's actions should reflect adherence to legal standards and ethical practices, ensuring that no party is unfairly disadvantaged or discriminated against.

However, in the case of PT Asuransi Jiwaraya, the failure to pay the policy claims under the JS Saving Plan highlights a serious violation of the 'fairness and equality' principle. The company's inability to fulfill its financial obligations to its policyholders, who were promised a secure and reliable investment, demonstrates a significant breach of trust. This failure to uphold the promised returns not only disadvantaged the policyholders but also created a sense of inequality, where the company's interests were prioritized over those of its customers. By not honoring its commitments, PT Asuransi Jiwaraya compromised the principle of fairness and equality, leading to widespread financial losses and damage to its reputation, thereby undermining the trust and confidence of all parties involved.

Criminal Acts of Corruption of PT Asuransi Jiwarasa

Actions that violate legal provisions must be held accountable, with criminal penalties enforced for any unlawful activity. Sanctions are applied to anyone, regardless of age or social status, ensuring that those who break the law face the consequences. Individuals must be responsible for their actions, as they are aware of the potential repercussions before committing any violations. Any act that contradicts the law must be addressed through legal procedures to deter others from repeating the offense. On January 14, 2020, the Attorney General's Office detained five individuals suspected of involvement in the Jiwasraya case, including three former executives of PT Asuransi Jiwasraya:

Hendrisman Rahim (former President Director), Henry Prasetyo (former Finance Director), and Syamirwan (former Head of the Investment and Finance Division). They were charged under Articles 2 and 3 of Law No. 20 of 2001, which amended Law No. 31 of 1999 on Corruption Crimes (Tipikor Law). Article 3 of Law No. 8 of 2010 on the Prevention and Eradication of Money Laundering (UUT PPU) prohibits the act of concealing or disguising assets obtained from corruption. Violations of this law can result in a maximum prison sentence of 20 years and a fine of up to Rp10 billion. Currently, the Attorney General's Office (Kejagung) is collaborating with the Financial Transaction Reports and Analysis Center (PPATK) to trace the flow of funds involved in the Jiwasraya corruption case. In addition to the Attorney General's Office, money laundering cases can also be handled by the police and the Corruption Eradication Commission (KPK).

CONCLUSION AND RECOMMENDATION

In conclusion, the Jiwasraya corruption case sheds light on the urgent need for robust corporate governance within companies to prevent abuses of power and financial misconduct. The arrest of several former executives, charged under laws related to corruption and money laundering, illustrates the severe legal and reputational consequences of unethical practices in leadership. This case serves as a critical reminder that companies must prioritize transparency, accountability, and ethical leadership to safeguard both their operations and the trust placed in them by stakeholders. Ultimately, companies must take active steps to implement good corporate governance practices, not just to comply with legal requirements but to maintain the public's trust. By prioritizing transparency, ethical leadership, and accountability, companies can foster long-term sustainability and credibility, setting a positive example for both their industry and society at large.

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