

# Analysis of Procedures and Factors Causing Motor Vehicle Insurance Claims

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## ABSTRACT

The purpose of this study is to determine in detail the analysis of motor vehicle claims procedures. Researchers also want to know about the factors that cause claims. The research method used by researchers is descriptive qualitative and quantitative. Researchers take and observe primary data directly in an insurance company in Indonesia. The analysis was carried out for 3 years, namely 2017, 2018, and 2019. Based on the results of the study, the claims procedure was carried out in several stages. These steps are a claim incident report, prepared documents, submission of documents to the claims department, document check, verification, survey, analysis, and claim settlement. The factors causing the most claims in 2017 were damage due own at 60%. in 2018 the cause of most claims was due to other damage by 50%. The same was true in 2019, namely due to own damage of 60%. Meanwhile, the claim fee that must be paid by the company in the last 3 years has reached Rp. 3,932,415,699.00.

**KEYWORDS:** motor vehicle insurance, claims, definitive loss advice

## INTRODUCTION:

The increase in motor vehicle ownership in Indonesia shows progress which is quite high by the increasing growth of the automotive industry. The increase in the number of motorized vehicles causes traffic congestion and the risks faced by each individual are more numerous and complex. That risk attached to motorized vehicles, namely the risk of damage to the motor vehicle due to traffic accidents and loss of motor vehicles with various causes and effects. The risks on the road are always attached to every motorized vehicle owner every individual should do the best possible risk management to the impact that may arise from these risks does not affect the activities of the individual. Efforts and efforts to overcome risk are also known as management Risk. One way to minimize risk is by transferring risk to third parties, namely the insurance company. The way to overcome this risk is by participating in insurance, in particular motor vehicle insurance. Motor vehicle insurance coverage covers total compensation or part of the loss due to a traffic accident or loss. Role insurance is very crucial in the life of every individual to avoid financial losses because, with insurance, each individual has very safe protection. The claim process involves two parties by the policy contract. Submission claims are not always accepted, this depends on the policy regarding what can be obtained insure from the vehicle. Problems that occur when paying claims namely the insured's lack of understanding in the claim handling process raise the perception that insurance companies always make it difficult for the insured when want to make a claim. Analysis of motor vehicle insurance claims through the reporting process if it occurs loss, prepare documents,

submit documents to the claims department, claims department will carry out verification, and the final stage, namely completion, there are always internal problems submission of claims. The purpose of this study is to determine the process and stages of submitting motor vehicle insurance claims, calculation of motor vehicle insurance claims, and descriptive statistics of motor vehicle insurance claims in 2017-2019.

## METHODOLOGY

The principles contained in the world of insurance according to Harsono (2005) are as follows: a) Insurable Interest (Interest to be insured) the insured individual must have an interest in the property or object insured. These objects must be legal and do not violate legal rules b) Proximate Cause (Causa Proximal) The main cause of losses in the series of events. The company must find the main cause of the incident until the accident occurs. c) Utmost Good Faith (Good Faith) The insured must explain in detail and be honest about all things related to the object to be on insure, openly disclosed whether requested or not by the insurer. The insurer must also provide information honestly and openly regarding risks that are guaranteed or not guaranteed thoroughly and clearly. d) Indemnity (Indemnity) a system that requires indemnity insurance companies to act as the insurer in the event of a loss experienced by the insured is by KUHD articles 252, 253 and confirmed in article 278. This principle does not apply to types of insurance the object of coverage is a person's life, such as insurance soul, health, personal accident, or travel

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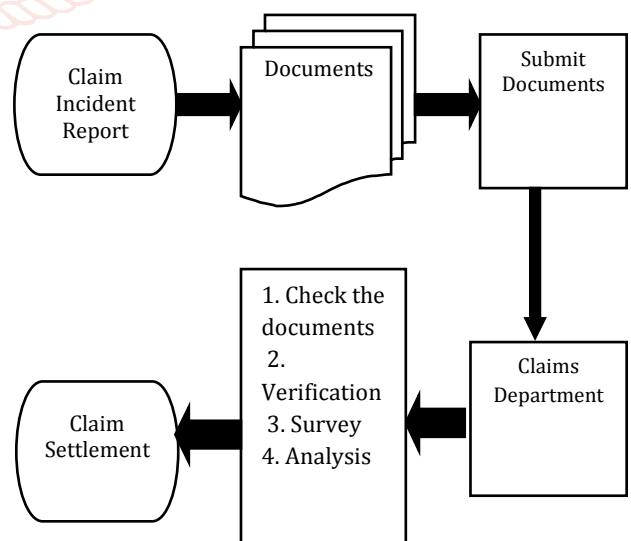
because of the soul's invaluable amount of loss. e) Subrogation (Transfer of Rights or Trusteeship) the right to claim compensation from the insured to the insurer or the right to request compensation from the party third which causes losses. Prosecution right can be given when the insurer has completed regarding compensation to the insured. The absolute right of subrogation can be requested by the insurer if a loss occurs caused by the negligence of a third party, but is not all subrogation rights can be exercised because the insurance company has certain considerations to exercise the rights. f) Contribution (Contribution) when the insured insures an object to several insurance companies, there will be a contribution in protecting each of these companies.

In this study, the authors used a descriptive analysis method, namely data analysis techniques by developing data obtained from the observation and interviews of the results, after which research is carried out again on the existing facts through several explorations then perform analysis guided by the sources obtained from the library data. Researchers also analyzed the factors that cause motor vehicle insurance claims to occur.

**Discussion Types of Motor Vehicle Insurance Products At PT. ABC** has several vehicle insurance products motorized namely: 1. Comprehensive (All Risk) This product provides compensation or damage to motorized vehicles from all risks other than those excluded in the policy. The guarantee their Total Loss Only products are automatically included in All Risk guarantee. The maximum age of the vehicle is 5 (five) years. 2. Total Loss Only (TLO) This product provides compensation/damage to destroyed vehicles melted or damaged in such a way that it is not shaped as initially due to an accident where the cost of replacement, repair, and recovery equal to or higher than 75% of the actual price. This product also provides compensation if the vehicle is lost due to theft or robbery and not found again within 60 (sixty) days from the occurrence of theft. 3. Expansion of Guarantee a. Riots and riots b. Expansion of the guarantee for payment of compensation for the object of coverage who suffered damage due to riots and riots generated by third parties. c. Personal Accident. Expansion of the guarantee of the payment of compensation against accidents resulting in the driver and other passengers being present in the vehicle dies or has a permanent disability. d. Typhon, Storm, Hall, Flood, Water Damage (TSHFWD) e. Expansion of the guarantee for payment of compensation for the object of coverage who experience damage or loss due to a hurricane, storms, and floods. f. TPL (Third Party Liability) Guarantee against the insured for damage suffered by a third party outside the vehicle, which is directly caused by motorized vehicles as a result of the risk covered by the policy, as, the amount of replacement is IDR 10,000,000 per event. g. Earthquake, Tsunami, Volcanic Eruption The extension of the guarantee can cover losses caused by the earthquake earth, tsunamis, and volcanic eruptions. Risks in Motor Vehicle Insurance In general insurance policies include a clause regarding what are the risks covered in motor vehicle insurance. The risks that are guaranteed are risks that the claim can be processed if a claim occurs. These risks are listed below: 1. the guaranteed risks: a. Crash, bump, overturn, slip off the road. b. Other people's evil deeds. c. Theft, including theft that is preceded, accompanied, or followed with violence and threats. d. Fires, including fires of objects or other motorized

vehicles near or because water and other tools, are used to put out fires, and also because of orders authorized in efforts to prevent the spread of fire. e. Lightning strike. f. Costs incurred for maintaining or transporting a vehicle to repair shop for a maximum of 0.5% of the sum insured of the vehicle the insured. 2. Unsecured risks (Exception): Meanwhile, risks that are not guaranteed in coverage are risks that cannot be processed if a claim is filed by the insured to the insurer. These risks are listed below. a. Deliberate loss/damage by the insured or a family member of the insured person, or working for the insured. b. The driver is drunk or under influence of intoxicants or illegal drugs. c. The driver does not have a SIM (driving license) or period valid SIM has expired. d. Pulling or pushing vehicles or other objects, take part in a race of prowess or speed. e. Used to give driving lessons f. Driven in a damaged state, used on forbidden roads, enter a natural disaster area g. Used for carnivals, parades, demonstrations, campaigns h. Used to commit crimes or unlawful acts, such as Embezzlement, fraud, hypnosis, and the like. i. Overload, wear, and rust. j. War/riot, the result of a nuclear reaction.

**Covered Object** The object of coverage is an object that can be insured rules because it is likely to experience a risk that can incur losses from a financial perspective. The object of coverage also is one's property or rather the property of property. In-vehicle insurance which includes the object of coverage is as follows the following: 1. Sedans, minibusses, jeeps, station wagons, trucks, buses, and the like. 2. Non-standard accessories such as radio, tape, CD Changer are included in the car, can be insured also to the extent that the goods are declared in detail the following values are in the Proposal Form Motor Vehicle Insurance Claim Submission In the insurance industry business processes the insurer and the insured have rights and obligations. The insured must pay premiums and have the right to receive protection and to get compensation loss in the event of a loss. Meanwhile, the insurer must provide compensation in the event of a loss and has the right to receive premium payment from the insured. If there is a claim on losses suffered, the insured must follow the claim reporting flow in Figure 1.



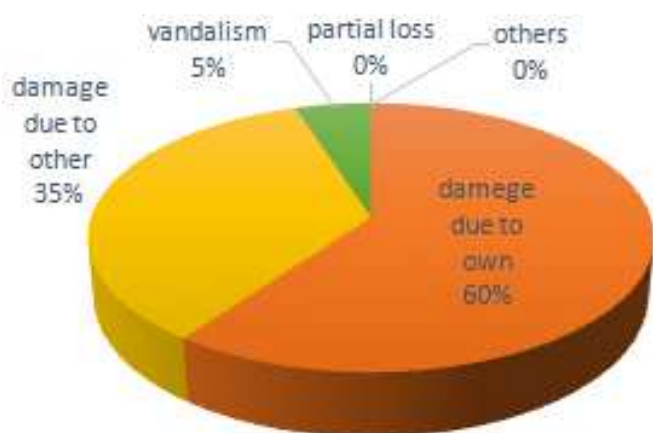
**Figure 1 Claim reporting flow**

**Analysis of Motor Vehicle Insurance Claims for 2017-2019**

In the last 3 (three) years starting in 2017-2019 PT.ABC has completed the insurance claim motorized vehicles as many

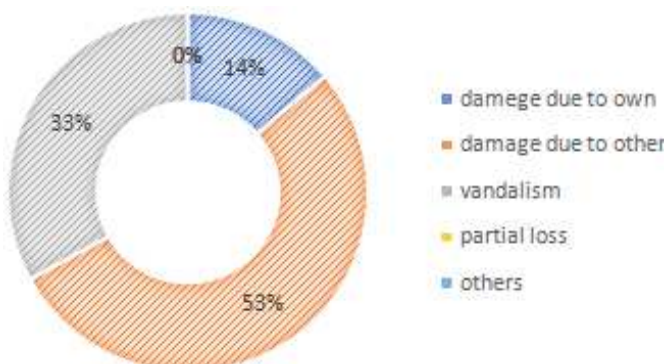
as 64 incidents. The 64 incidents consisted of several factors causing the claim. Within that time PT.ABC has paid a claim of Rp 3,932,415,699.00. In the period 2017-2019 PT. Bhakti ABC Insurance has settled the claim caused by several incident factors that incur losses. Claims that can be covered by the company of course are following the risk that is guaranteed and expansion.

During 2017 there were claims incidents caused by vandalism, in this case, is the result of an evil act that causes it the incidence of loss is 1 event or 5%.The next incident is damage due to others, in this case, is a loss caused by a collision due to mistakes of people as many as 7 events or 35%.The last incident is due to own damage in this case losses caused by collisions due to own mistakes as many as 12 incidence or 60%.Based on the graph below, most events were caused due to their damage of 60%.Can be known during 2017 there were 20 incidents of giving compensation to the insured



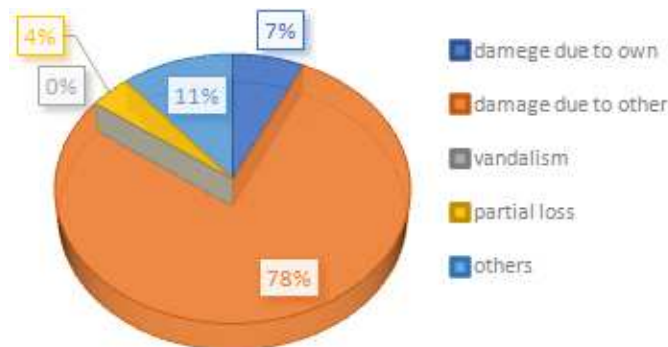
**Figure 2 Cause of Motor Vehicle Insurance Claims 2017**

During 2018 there were claims incidents caused by vandalism in this case results from evil deeds and theft causing a loss of 5 events or by 31%. The next incident is damaging due to others in this case losses caused by a collision due to people's mistakes as many as 8 incidence or by 50%.The next incident was caused by other factors as much as 1 incident or by 6%.The last incident was damage due to own in this case is a loss caused by a collision of consequences own error as much as 2 events or by 13%.Based on the graph below it can be seen that most incidents are caused by damage due to others by 50%.Can be known during 2018 there 16 incidents of giving compensation to the insured.



**Figure 3 Cause of Motor Vehicle Insurance Claims 2018**

During 2019 there were claims incidents caused by other events/others that cause losses as much as 3 incidents. The next incident is damage due to others, in this case, is a loss caused by a collision due to people's mistakes as many as 22 events. The next event is a partial loss in this case is a loss caused by a partial loss of damage as much as 1 incident. The last incident is due to own damage, in this case, is a loss caused by a collision due to their fault as much as 2 events. It can be seen, that during 2019 there were 28 incidents giving compensation to the insured.



**Figure 4 Cause of Motor Vehicle Insurance Claims 2019**

It can be seen, that the claim expense was spent from 2017 to 2018 experienced an increase of Rp 1,996,991 while from 2018 to 2019 experienced a rapid increase, namely Rp. 1,132,027,478. The rapid increase that occurred in 2019 was caused by an increase in the number of claims by 75% from 2018 in number most incidents are caused by damage due to others or because of impact due to other people's mistakes by 78%. Claims Fee for 2017-2019 In reporting the occurrence of claims, there are several documents required so that claims submission can run smoothly.

After getting a claim submission report or known by the term Notification of Loss, the company will consult the workshop regarding the estimated costs needed to provide compensation, after getting information from the repair shop about the estimated costs repair or what is known as the Preliminary Loss Advice or temporary loss report, the company will make an approval and issue work orders. After the working process is complete, The repair shop will re-issue the exact cost regarding the repair done, this term is known as the Definitive Loss Advice or report defined loss and claim settlement. Below will be stated the costs incurred to pay compensation for repairs due to the event of a loss experienced by the insured as follows in Table 1.

**Table 1 Cost of Definite Loss Advice**

Years	Definite Loss Advice
2017	Rp 932.131.413,00
2018	Rp 934.128.404,00
2019	Rp 20.666.155.882,00

**CONCLUSION**

The calculation of the cost of motor vehicle insurance claims at PT. ABC is done based on the calculation of the workshop that will be making repairs to the vehicle by providing an estimated cost at the beginning and provide a definite fee at the end of the process, and the insured will pay his own risk or own risk/deductible by provisions on the policy. Analysis of motor vehicle insurance claims for 2017-2019 at PT.ABC Insurance, which is based on the number of events that have

decreased from 2017 to 2018 there were 4 cases, while from 2018 to 2019 experienced a rapid increase of 12 cases. Meanwhile, based on cost claims each year have increased and increased rapidly from 2018 to 2019.

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