



# **Analysis of Inherent Risk Management in the Digital Delivery of General Insurance Products Within the Iso 31000:2018 Framework at HGI Insurance**

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**Abstract**

The integration of information technology has fundamentally transformed the insurance industry, particularly in the digital delivery of general insurance products. This study examines the implementation of ISO 31000:2018, a risk management framework, in managing inherent risks at HGI Insurance during its digital transformation. The primary objective of this research was to evaluate the application of ISO 31000:2018 in the management of digital insurance product risks, focusing on inherent risks such as operational, compliance, legal, and reputational risks. Using a qualitative descriptive approach with evaluative-prospective orientation, this study analyzes primary data from interviews with key informants at HGI Insurance and secondary data from internal and external documents. The findings reveal that while the risk management system aligns with ISO 31000:2018 principles, it is still in the early stages of full integration. The company's risk management policies and frameworks have been adapted to digital operations, and there is an ongoing effort to improve cross-functional coordination and develop a fully integrated risk management system. The study concludes that although the digital transformation presents new challenges, HGI Insurance is making significant strides in enhancing its risk management capabilities, ensuring compliance with both ISO 31000:2018 and the Financial Services Authority's regulations.

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## **INTRODUCTION**

The development of information technology has driven fundamental changes in the way insurance companies conduct their business activities. One form of transformation is the implementation of general insurance products digitally, namely the process of implementing insurance activities including marketing, acceptance, policy issuance, and claim services which is carried out through electronic means in accordance with the provisions of POJK No. 8 of 2024 concerning Insurance Products and Insurance Product Marketing Channels (OJK, 2024).

This change in implementation patterns provides opportunities for improved efficiency and accessibility of services, but on the other hand poses more complex inherent risks (Authority, 2020, 2024). These risks include strategic, operational, compliance, legal, and reputational risks that arise as a consequence of the use of digital systems throughout the insurance activity cycle (Bohnert et al., 2019; Eling et al., 2022; Eling & Lehmann, 2018). Therefore, the implementation of general insurance products digitally requires the implementation of a risk management system that is structured and aligned with the principles of good corporate governance (Fritzsche & Bohnert, 2022; Gupta et al., 2023; Sánchez, 2022).

In this context, ISO 31000:2018 becomes a relevant framework for assessing the effectiveness of intrinsic risk management as a whole. The standard provides guidelines for principles, frameworks, and processes that can help organizations integrate risk management into every activity and strategic decision (Standardization, 2018). ISO 31000:2018 emphasizes that the success of risk management is highly dependent on top management commitments, risk culture, and ongoing risk communication mechanisms at all levels of the organization. The implementation of ISO 31000:2018 in the Indonesian insurance industry needs to be aligned with national regulations, especially POJK No. 44/POJK.05/2020 concerning the Implementation of Risk Management for Non-Bank Financial Services Institutions (Gatzert & Osterrieder, 2020; Grima et al., 2021; Stoeckli et al., 2018). This regulation provides a normative foundation that ensures that inherent risk management practices are carried out in accordance with the principles of prudence and in line with the OJK's supervisory framework. Thus, the regulation is positioned as an external context that complements the implementation of ISO 31000:2018, rather than as the main variable of the research.

Previous studies have shown that the application of digital technology in the insurance sector has brought significant changes in risk management. (Eckert & Osterrieder, 2020) explain that the integration of digital technology demands a more flexible adjustment of business models and risk management. (Ilkevich et al., 2022) added that the success of digital adaptation requires strengthening risk management structures so that organizations are able to assess and control potential risks arising from digital processes. However, in Indonesia, empirical studies that specifically analyze the application of ISO 31000:2018 to the management of inherent risks in the implementation of general insurance products digitally are still very limited (Biener et al., 2020; Brasse et al., 2020; Naujoks et al., 2023; Standaert & Muylle, 2022).

Based on these conditions, this study aims to analyze the application of ISO 31000:2018 in the management of inherent risks in the implementation of general insurance products digitally, with a case study on HGI Insurance Companies. This study uses a descriptive qualitative approach with an evaluative-prospective orientation to assess the suitability between actual conditions and the ideal framework of ISO 31000:2018. Academically, this research is expected to enrich the literature on the implementation of risk management based on ISO 31000:2018 in the context of the implementation of digital general insurance in Indonesia. Practically, the results of the study are expected to provide recommendations for insurance companies in strengthening the effectiveness of inherent risk governance that is in line with the principles of prudence and OJK provisions.

Based on these conditions, this study is focused on analyzing the application of ISO 31000:2018 in the management of inherent risks in the implementation of general insurance products digitally, with a case study on HGI Insurance Company. This study uses a descriptive qualitative approach with an evaluative-prospective orientation to assess the suitability between the actual conditions and the ideal framework of ISO 31000:2018. Academically, this research is expected to enrich the literature on the implementation of risk management based on ISO 31000:2018 in the context of the implementation of digital general insurance in Indonesia, as well as provide practical recommendations for insurance companies to strengthen the effectiveness of inherent risk governance in line with the principles of prudence and OJK provisions.

## METHOD

This study used a descriptive qualitative approach with an evaluative-prospective orientation. This approach was chosen because it is in accordance with the research objectives, which are to analyze the application of ISO 31000:2018 in the management of inherent risks in the implementation of general insurance products digitally in HGI Insurance, as well as assess its suitability with the ideal standards of risk management. The evaluative orientation is used to assess the extent to which the implementation of risk management in the company is in accordance with the principles, framework, and processes of ISO 31000:2018, while the prospective orientation is directed to prepare recommendations to strengthen inherent risk governance in the face of the development of digitalization in the insurance sector.

The research was conducted on *PT Asuransi HGI*, a general insurance company in Indonesia that is implementing a gradual digital transformation in the implementation of general insurance products. The ongoing digitalization process includes marketing activities through digital channels, electronic policy acceptance, and the integration of policy administration systems and claims services based on digital platforms. This transformation is carried out in line with POJK No. 8 of 2024 concerning Insurance Products and Insurance Product Marketing Channels, which provides a legal basis for the implementation of digital insurance products in Indonesia.

The research data consists of primary data and secondary data. Primary data was obtained through in-depth interviews with key informants from the Risk Management Division, Compliance Division, Information Technology Division, and HGI Insurance Underwriting and Marketing Division who were involved in the design and implementation of the digitalization process. The interviews were conducted in a semi-structured manner to enable researchers to explore an understanding of the mechanisms of identification, analysis, control, and monitoring of inherent risks in the implementation of digital insurance products. In addition, the researcher also conducted non-participatory observations on the implementation of activities related to the implementation of digital risk management. Secondary data is collected through the review of the company's internal documents, including risk management policies and guidelines, risk registers, internal audit reports, and information technology policy documents. External documents used as references include ISO 31000:2018, POJK No. 44/POJK.05/2020 concerning the Implementation of Risk Management for Non-Bank Financial Services Institutions, and POJK No. 8 of 2024 concerning Insurance Products and Insurance Product Marketing Channels.

Data analysis was carried out using a gap analysis approach between the actual conditions of inherent risk management in HGI Insurance and the ideal framework of ISO 31000:2018. The analysis procedure includes four stages: (1) identification of the actual conditions of the implementation of risk management based on the results of interviews, observations, and document reviews; (2) mapping of ideal conditions according to principles, frameworks, and processes in ISO 31000:2018; (3) gap analysis to identify areas that need reinforcement; and (4) the preparation of realistic and applicable improvement recommendations for the company. The validity of the data is maintained through the triangulation technique of sources and methods. Information obtained from various informants was compared with the results of observations and company documents to ensure the consistency of the findings. In addition,

member checking was carried out on informants to verify the suitability of the researcher's interpretation of the actual conditions. These steps are intended to ensure the credibility, dependability, and confirmability of research results, in accordance with the rules of qualitative research (Creswell & Poth, 2023; Moleong, 2021).

The research analysis framework is built on three main components of ISO 31000:2018, namely risk management principles, risk management framework, and risk management processes. The three components are used to assess the suitability of the implementation of inherent risk management in the implementation of general insurance products digitally in HGI Insurance, as well as the extent to which the implementation is in line with the principle of prudence as stipulated in POJK No. 44/POJK.05/2020 and the regulatory context of the national insurance industry.

## RESULTS AND DISCUSSION

The development of information technology has driven significant changes in *PT Asuransi HGI's* operations. The company has begun to adapt business processes in the form of implementing insurance products digitally, which includes marketing activities, acceptance, policy issuance, and customer service through electronic means. This transformation opens up opportunities for efficiency and improved service quality, but also presents new challenges in the form of inherent risks that require more structured and adaptive management. This study aims to analyze the application of ISO 31000:2018 in the management of inherent risks in the implementation of digital insurance products at *PT Asuransi HGI*.

The results of the study show that HGI Insurance has affirmed the commitment of top management to the implementation of risk management through the establishment of a special unit under the Directorate of Compliance and Risk Management that reports directly to the Board of Directors. This structure strengthens accountability and clarifies risk reporting pathways. The risk management policy has been adjusted to the direction of the company's business development oriented towards the implementation of insurance products digitally, reflecting strategic steps to strengthen compliance with OJK regulations and the prudential principle. The process of internalizing the risk culture is carried out through socialization and continuous training. However, the level of risk management integration across all business units involved in digital implementation is still in the stage of gradual strengthening.

The application of ISO 31000:2018 principles shows that there is alignment between practices in HGI Insurance and international principles. The principle of integration has been applied through the involvement of the Risk Management Work Unit in the development stage of digital products and business processes. The principle of structured and comprehensive is manifested in the application of corporate risk guidelines to all major work processes, while the customized principle is applied by adjusting policies and procedures to the characteristics of digital activities, such as data security, system access, and transaction control.

However, risk communication still tends to be vertical and has not yet fully formed an active cross-functional pattern. Strengthening two-way risk communication is a potential area to improve the effectiveness of organizational coordination and response to digital risk dynamics.

The risk management framework in HGI Insurance is designed based on ISO 31000:2018 and the provisions of POJK No. 44/POJK.05/2020. The risk governance structure includes the

mandate and commitment of the Board of Directors, the Risk Management Committee, as well as the support of the internal audit function. The integration of risk management and business strategy is carried out through annual risk assessments, risk profiling, and quarterly reporting to the Board of Directors. The company already has a risk register as its primary risk recording and monitoring tool, but a classification that specifically distinguishes inherent risks from the digital delivery of insurance products is still in the development stage. This condition shows that a digital-based approach is in the process of adapting towards a more comprehensive risk management system.

The risk management information system is currently still operating in a semi-integrated manner, where part of the risk reporting and consolidation process is done manually. The company is developing a more integrated system so that the monitoring process can take place more efficiently and accurately, especially for risks arising from digital activities. This step is in line with efforts to strengthen governance and ensure the effectiveness of risk supervision across work units. Equations should be placed at the center of the line and provided consecutively with equation numbers in parentheses flushed to the right margin, as in (1). The use of Microsoft Equation Editor or MathType is preferred.

The process of implementing risk management in the implementation of digital insurance products at HGI Insurance follows the ISO 31000 stages: identification, analysis, evaluation, treatment, and risk monitoring and communication. The risk identification stage is carried out through cross-unit coordination and internal audit results. The identified inherent risks include operational risks (system disruptions and input errors), compliance risks (non-compliance with OJK regulations), legal risks (related to personal data protection), and reputational risks (consumer trust in the security of digital systems). These risks have been included in the risk register, although their grouping has not explicitly distinguished between general risks and those that specifically arise in the implementation of digital insurance products.

The risk analysis and evaluation stage is carried out qualitatively taking into account the level of likelihood and impact. The results of the analysis are used to determine risk priorities and develop mitigation plans. The mitigation measures that have been implemented include improving network security, software updates, implementing backup data, and training on information security awareness for employees. Currently, the company is also developing a risk performance indicator (Key Risk Indicator) to strengthen the monitoring of the effectiveness of inherent risk control in the implementation of insurance products digitally.

The monitoring and risk review stage is carried out through quarterly reports to the Board of Directors and annual internal audits. The results of the evaluation are the basis for updating the risk register and improving the risk policy. Risk communication is carried out through regular coordination meetings, both vertical and horizontal, with the direction of development towards more collaborative communication across functions. The company is also developing a digital-based risk management information system so that the reporting and monitoring process can be carried out in real-time and support data-based decision-making.

Thus, the implementation of ISO 31000:2018 in the implementation of digital insurance products at HGI Insurance has been carried out according to the basic principles of risk management, although the process is still gradual. The company has a policy foundation, organizational structure, and a well-directed risk identification and mitigation process. The main areas of strengthening include cross-functional integration, formalization of risk policies

in the implementation of insurance products digitally, and the development of a risk information system that is connected between units. These efforts reflect the company's commitment to building risk governance that is not only compliant with regulations, but also adaptive to changes in digital business models.

Within the regulatory framework, the implementation of ISO 31000:2018 in HGI Insurance is consistent with POJK No. 44/POJK.05/2020 and POJK No. 8 of 2024, which affirms the importance of the principles of prudence and consumer protection in every aspect of insurance implementation. ISO 31000 serves as an internal framework that ensures the risk management process runs systematically, while OJK regulations provide an external context that strengthens corporate compliance and governance. The integration of these two frameworks reflects HGI Insurance's comprehensive approach to dealing with the risks inherent in the digital delivery of insurance products.

Based on the results of the study, there are three strategic steps recommended to strengthen the effectiveness of the implementation of risk management in HGI Insurance. First, accelerating the development of an integrated risk management information system to speed up reporting and improve cross-unit risk coordination. Second, improving human resource competence through training and certification in the field of risk management and information security. Third, the preparation of a special risk management policy for the implementation of insurance products digitally to ensure consistency in implementation across all business lines. Overall, the results of the study show that the implementation of the ISO 31000:2018-based risk management framework in the implementation of digital insurance products in HGI Insurance has been carried out in accordance with international principles and OJK regulations, although it still needs to be strengthened in several key areas. The company has an adequate policy foundation, organizational structure, and risk identification and mitigation processes. Continuous improvement is focused on cross-functional integration, the formulation of risk management policies for digital activities, and the development of a risk management information system (RMS) that is connected between units. These measures demonstrate the company's commitment to ensure that inherent risk management is carried out in a structured manner and is part of risk governance in the management of inherent risks, not just regulatory compliance, but as a strategic element in maintaining business trust and sustainability.

## CONCLUSION

This study analyzes the application of ISO 31000:2018 in the management of inherent risks in the implementation of digital insurance products in HGI Insurance. Based on the results of the study, interviews, and internal document review, it can be concluded that HGI Insurance has shown a strong commitment to the implementation of risk management in line with the principles of ISO 31000:2018 and the provisions of the Financial Services Authority. The application of ISO 31000:2018 principles has been gradually integrated into the company's business processes, including policies, organizational structure, and risk reporting mechanisms. The principles of integration, systematic, and adapted to the organizational context have become the foundation in strengthening corporate governance. The risk management process has also included the stages of identifying, analyzing, evaluating, and mitigating inherent risks relevant to digital activities. Although the implementation is still in the strengthening stage, the company has taken the right direction by continuing to improve policies, improve human

resource competencies, and develop risk management information systems towards full integration. All of these efforts reflect that HGI Insurance has a consistent commitment to managing risks in a structured, adaptive, and sustainable manner in the face of digital transformation dynamics. Overall, this study confirms that HGI Insurance has a strong foundation for the implementation of ISO 31000:2018 which is relevant to POJK No. 44/POJK.05/2020 and POJK No. 8 of 2024. Strengthening efforts are directed through synergy between risk management, compliance, and information technology with a focus on improving the effectiveness of risk governance in the management of inherent risks and risk-based decision-making processes.

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