

Legal policy of the Indonesia's natural disaster insurance system A human rights perspective under the 1945 Constitution

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Abstract

The role of the insurance sector in national economic growth has a very strong correlation and can be utilised for financing schemes for natural disaster management. This study aims to investigate whether insurance, national economic growth, and the utilisation of insurance for natural disaster management have a constitutional correlation with a constitutional law approach. This research is conducted using the doctrinal research method. The doctrinal research method is an analysis of positive law, related cases, and other relevant references in studying a legal issue. This study found that in the constitutional law system, the correlation between catastrophe insurance and national economic growth is closely related to the mandate of Article 33 of the 1945 Constitution, which states that the insurance service sector can be classified as an essential for the lives of many people, so that it must be structured based on the principle of kinship. Therefore, the legal policy of the insurance system in Indonesia must be structured based on the principles of economic democracy, togetherness, equitable efficiency, sustainability, environmental insight, independence, and maintaining a balance of progress and national economic unity. In more specific, the correlation between the utilization of insurance in natural disaster management can be linked to the Articles of Human Rights contained in the 1945 Constitution. So the legal policy of the insurance system, especially catastrophe insurance, should not only provide (economic) benefit for business actors but also involve a public service dimension for society.

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Introduction

Insurance plays a vital role in economic growth as part of the financial services sector. A well-developed and efficient insurance market contributes to national prosperity (Wijanto, 2022). In many countries, including the United States, insurance is regulated for economic purposes and social and policy objectives (Federal Insurance Office, 2023). Proper regulation can make the insurance sector a significant source of state revenue and enhance economic



development. However, the role of insurance in national economic growth, particularly in disaster risk management, has received less empirical attention than the banking and capital markets (Bayar et al., 2021). Insurance companies act as financial intermediaries (Bayar et al., 2020) and institutional investors, as reflected in the rapid growth of life insurance premiums (Safitri, 2020). Some studies reveal a causal link between macroeconomic performance and the size of the insurance sector, with insurance contributions to GDP exceeding 10% in several European countries (Cristea et al., 2014). Legal and regulatory frameworks are key drivers of insurance sector growth and essential for consumer protection.

In both developed and developing economies, government regulatory policies have enhanced insurance sector contributions to economic growth and disaster mitigation (Yinusa & Akinlo, 2013). Governments can utilise insurance to address economic shocks like pandemics and natural disasters, supporting economic resilience. However, regulatory uncertainty, such as inconsistent rules on premiums, claims, and investment, remains a significant challenge (Philipo & Lubowa, 2023), potentially hindering sector growth and limiting economic impact (Tumbelaka et al., 2021). Furthermore, rigid insurance policies may fail to adapt to evolving risks, such as those from climate change, undermining economic sustainability. In Indonesia, the legal framework for insurance is not fully aligned with constitutional principles, particularly in ensuring social justice and equitable access as mandated by the 1945 Constitution. This research introduces a novel perspective by integrating constitutional and human rights principles into insurance regulation, advancing beyond prior legal analyses. It underscores the need for an insurance system that reflects justice, equality, and citizen protection.

This study scientifically contributes to Pancasila and Citizenship Education by connecting constitutional law with civic values, highlighting the significance of legal education in promoting democratic citizenship and social justice (Kuwoto et al., 2024). It offers normative solutions and insights for legal reform and civic education, in accordance with Pancasila and human rights principles. This article examines three primary enquiries: (1) the relationship between insurance and national economic growth, (2) the function of insurance in funding disaster management, evaluated through the perspective of constitutional law, and (3) a comparative and interdisciplinary analysis of the disaster insurance framework. The initial section examines governmental accountability regarding the insurance industry as stipulated in Article 33 of the 1945 Constitution, utilising case studies from India and Europe (Patel et al., 2021). The second section analyses how insurance law and policy can promote economic development and satisfy human rights obligations by acting as an alternative funding mechanism for disaster risk management in Indonesia.

This study underscores the vital nexus between legal frameworks and the practical application of Pancasila values in the formation of democratic societies. Examining the foundational role of constitutional law in the insurance sector and its impact on disaster management elucidates the overarching function of law in advancing social justice and equitable governance. The research underscores the necessity for a legal framework that fosters economic development while concurrently adhering to human rights and environmental sustainability, thereby reconciling legal theory with practical applications in crisis management. The article emphasises the necessity of merging legal education with civic duty to reinforce the moral and ethical underpinnings of democratic citizenship in Indonesia through an interdisciplinary approach.

Method

This research aims to initiate solution-oriented thinking as outlined in the research design, focusing on the legal policy of the insurance system in Indonesia through a constitutional approach and the human rights provisions of the 1945 Constitution. The doctrinal legal research method, which primarily involves analysing legal texts, normative principles, and constitutional interpretation, is employed. This method is particularly relevant for research that seeks to interpret, critique, or reformulate existing or prospective legal norms

(Soekanto, 2007). To ensure clarity, this research is conducted in the following structured phases (Hutchinson & Duncan, 2012):

1. Identification of relevant norms and regulations.
2. Analysis of these regulations in relation to constitutional and human rights norms.
3. Evaluation of the alignment of the insurance system with constitutional and human rights principles.
4. Proposal of legal reforms (*ius constituendum*) to enhance the insurance system.

Rather than merely cataloguing regulations, the study integrates perspectives from legal scholars, judicial precedents, and national and international human rights instruments. This research offers normative solutions aligned with Pancasila's legal philosophy and constitutional human rights principles.

Results and Discussion

Correlation of Article 33 of the 1945 Constitution with Insurance and National Economic Growth

Historically, insurance has protected business activities against risks such as property loss, medical issues, death, accidents, and natural disasters (van Boom, 2020). The industry began evolving in the late medieval period with early insurance policies, later expanding to various forms supporting economic activities (Mariot et al., 2024). Its continued growth and importance have prompted government oversight and intervention, particularly through social insurance programs. Fundamentally, insurance offers risk protection for individuals and businesses, and exists in two primary forms: public and private. Public insurance is tax-funded through general or social security taxes, while private insurance relies on direct premium payments (Abraham & Schwarcz, 2022). Therefore, future insurance laws must distinguish between these two while adopting a public-interest perspective. Tax-based and voluntary public funds indicate the industry's public service dimension.

As a public service, the insurance sector requires government intervention through policies and regulations to safeguard public interests. Public policy in insurance, particularly health insurance, can be guided by four factors: (1) the general rationale for financial regulation, (2) market failures specific to health insurance, (3) public interest in citizens' health, and (4) the aim to reduce income and health risk disparities (Ooms et al., 2019). There are three primary regulatory approaches, known as the "three variations of regulatory systems" (Ooms et al., 2019), the first supports competitive markets with minimal state interference, as seen in Chile and the U.S. The second imposes stricter regulations and shields private insurers from competition, common in Japan, Korea, and some European and developing countries. The third delegates insurance provision to the state, as in China and India, though some of these countries are transitioning toward greater private sector roles.

In constitutional law, government intervention in public policy is justified when aimed at protecting the public interest. This intervention may take the form of policy, regulation, and/or deregulation, particularly to protect citizens' human rights from potential harms within the insurance industry (Ardyati, & Ikrimah, 2025). Accordingly, the government plays a crucial role in establishing a legal and regulatory framework for insurance, which remains inadequate in safeguarding public interests, especially in disaster management. Such intervention can enhance public trust in the insurance sector, promoting the industry's growth. Therefore, regulatory approaches must prioritise public interest protection over profit-oriented business interests.

As a key sector of financial services, the insurance industry significantly contributes to national economic development. Studies indicate that expanding a country's insurance market positively correlates with economic growth. While this relationship in Indonesia has yet to be thoroughly examined, the insurance sector plays a vital role in national economic activity. It may be classified as a key economic branch. This connection aligns with Article 33 of the 1945 Constitution, which mandates the following:

1. The economy is structured as a collaboration based on the principle of kinship.

2. The state controls branches of production that are important to the state and that control many people's lives.
3. The land, water, and natural resources contained therein shall be controlled by the state and utilised for the greatest prosperity of the people.
4. The national economy must uphold economic democracy, equity, sustainability, environmental awareness, and unity.
5. Further provisions concerning the implementation of this article shall be regulated by law.

Under Article 33 of the 1945 Constitution, insurance qualifies as a vital branch of production that affects the lives of many and supports the constitutional mandate to "...advance the general welfare and educate the nation's life...." This underscores the strong correlation between the insurance sector and national economic growth. Indonesia's insurance industry has expanded significantly in recent years due to government intervention through policies and regulations. Key instruments include Government Regulations No. 39/2008 and No. 81/2008 on capital, the Financial Services Authority (OJK) Law, provisions on Policyholder Guarantee Institutions, International Financial Reporting Standards (IFRS), as well as competitive premium rates and favourable economic conditions (Jinaratana et al., 2023). Such interventions are essential to promoting the insurance industry's growth, which drives national economic development. Therefore, regulatory reforms must prioritise consumer protection, societal benefit, and alignment with broader economic objectives.

Various studies confirm a strong positive correlation between the insurance industry and national economic growth. Verma and Bala's research on India (1990–2011) found that life insurance significantly contributes to economic growth (Barnes et al., 2023). Similarly, Akinlo and Apanisile's study on sub-Saharan Africa (1990–2011) revealed a substantial positive impact of insurance on economic growth (Abeyasinghe & Leppold, 2023). In 23 OECD countries (1990–2011), Zouhaier found that non-life insurance penetration positively influenced growth, while total insurance and non-life insurance density had a negative impact (Baten et al., 2024). More recently, research by Peleckienė et al. (2019) across European countries highlighted the insurance sector's strong role in driving growth, particularly in wealthier nations like the UK, the Netherlands, Denmark, Finland, Ireland, and France. Conversely, Romania, Bulgaria, Latvia, and Estonia showed less developed insurance sectors. The most significant positive impact was found in Luxembourg, Denmark, the Netherlands, and Finland (Peleckiene, 2019).

A study by the Committee of European Insurance emphasises that the insurance industry fosters economic growth and structural development through several channels: enhancing firms' financial stability by covering production disruptions, promoting entrepreneurship and investment, supporting state efforts in covering significant losses, increasing financial intermediation via life insurance, and encouraging risk prevention for sustainable development (Mol et al., 2020). This positive impact is evident in Southeast Asia, where SMEs significantly contribute to GDP and employment, and countries like Malaysia, Indonesia, and Thailand benefit from improved access to insurance via InsurTech (Huishan, 2019). Insurance also aids post-disaster recovery, as seen in Japan, where disaster insurance minimises property and human losses, expediting economic recovery. In contrast, Indonesia, prone to disasters due to its location on the Ring of Fire, has limited disaster reserve funds, creating a fiscal gap, as illustrated by the 2004 Aceh tsunami, with losses exceeding IDR 51.4 trillion (USD 3.5 billion) (Ash-Shidiqqi, 2021). This funding shortfall highlights the need for a disaster risk-sharing system involving the private sector and state budget support and risk-reducing economic strategies that generate broad economic benefits (LPPI, 2022).

This underscores the critical need for a robust disaster insurance framework in Indonesia to enhance societal resilience and ensure long-term economic stability. Such a framework would not only mitigate financial vulnerabilities but also foster a more stable environment for investment and sustained growth, particularly within developing economies where insurance growth rates are significant. Within the context of Article 33 of the 1945 Constitution, which mandates that national resources and production sectors must be managed for the greatest prosperity of the people, the establishment of a national disaster insurance system aligns with

the state's constitutional duty to safeguard economic welfare and promote social justice. By institutionalising mechanisms of financial protection and equitable risk distribution, insurance becomes a tool through which the state can realise the economic democracy envisioned in Article 33, where market activities are guided by public interest and collective well-being rather than individual profit (Constitution of the Republic of Indonesia, 1945).

Furthermore, the development of a national disaster insurance policy supports Indonesia's broader economic resilience by integrating private and public risk management capacities. Empirical studies from the World Bank and OECD show that countries with well-developed insurance markets recover from disasters faster and maintain more stable GDP growth due to efficient capital reallocation and reduced fiscal shocks (OECD, 2021; World Bank, 2014). In Indonesia's case, the absence of a formalised disaster risk financing and insurance (DRFI) framework leaves the state fiscally exposed to repeated post-disaster reconstruction burdens, which undermine long-term investment capacity. Integrating insurance into the national development plan, particularly through hybrid models such as public-private risk pools, parametric insurance, and catastrophe bonds, would allow the government to redistribute risks efficiently while maintaining macroeconomic stability (UNDP and IRFF, 2022). This approach also supports the sustainable use of public funds, consistent with the principle of *efisiensi dan kemakmuran bersama* (efficiency and collective welfare) embedded within Article 33.

From a constitutional and human rights standpoint, ensuring disaster insurance coverage is not only an economic necessity but also a manifestation of the state's obligation to protect the right to security, welfare, and livelihood as enshrined in Articles 27 and 28H of the 1945 Constitution. The integration of human rights principles into economic governance implies that protection from catastrophic loss is a component of the right to an adequate standard of living. Thus, the legal policy on disaster insurance should be framed as part of the broader realisation of economic, social, and cultural rights (ESCRs), ensuring that all citizens, particularly vulnerable populations, have equitable access to financial protection mechanisms. In this respect, the correlation between Article 33 and national economic growth through the insurance sector extends beyond economic metrics; it reflects the moral and constitutional responsibility of the state to institutionalise resilience as a public good. Ultimately, strengthening Indonesia's disaster insurance framework fulfils dual objectives: it enhances macroeconomic stability by cushioning the fiscal impact of disasters, and it operationalises the state's constitutional commitment to social welfare and equitable prosperity. In aligning insurance policy with Article 33's principles, Indonesia can establish a development model that balances economic efficiency with social justice, transforming disaster insurance into a constitutional instrument for sustainable growth and human-centred national resilience.

Natural catastrophe insurance can help bridge the financing gap, but government, private sector, and community participation in risk transfer financing remains low. Government intervention, such as premium subsidies, is crucial to address this, alongside transparent fund management per Article 33 of the 1945 Constitution. Such insurance fulfils fundamental human rights, including the right to life, prosperity, decent housing, a healthy environment, and healthcare access. Beyond post-disaster welfare fulfilment, this insurance can also accelerate national economic growth by reducing budgetary pressures and promoting economic resilience, as demonstrated by Japan (Kanon, 2023). Its primary goal is to transfer risks and mitigate losses through better preparedness, yet Indonesia lacks a comprehensive legal framework for this in its national policy. Hence, a precise, integrated insurance regulation is needed, aligned with Article 33 and the principles of economic democracy and sustainable development.

This regulatory framework would ideally facilitate public-private partnerships to enhance disaster risk financing strategies, moving away from ad-hoc government relief to more sustainable insurance schemes. Such partnerships are critical for developing countries like Indonesia, which frequently lack the necessary financial and material resources to effectively mitigate the significant threats posed by natural disasters. Indonesia faces heightened fiscal and

economic hazards from increasing geological disasters, compounded by concentrated populations in vulnerable areas and climate variability. Despite the country's vulnerability to disasters, there is currently no comprehensive, inclusive disaster risk financing scheme in place. This gap creates a substantial financial burden on the national budget, hindering recovery and asset restoration efforts following disaster events.

Government involvement is essential in mainstreaming disaster insurance into the national economic strategy through regulatory reform. Regulatory approaches should consider both normative theories (what should be regulated) and positivist theories (how regulation is implemented) (Swardhana & Monteiro, 2023). Two main regulatory frameworks apply: public interest theory, which advocates for market failure correction and public protection; and economic-political theory, which sees regulatory outcomes as driven by elite interests (Sonymol et al., 2023). Insurance regulations generally fall into two categories: solvency regulations to protect policyholders from insurer default and market regulations to ensure fair practices and pricing. Both must be harmonised to achieve broader economic and social objectives.

Insurance and Natural Disaster Management Correlation with the Articles of the 1945 Constitution

Insurance and the insurance business represent distinct concepts. Insurance refers to an agreement between the insurer and the insured, while the insurance business encompasses services related to risk management. These definitions are outlined in various laws, including the Commercial Code (KUHD), Civil Code, and Law No. 40 of 2014 on Insurance. Normatively, insurance is an agreement in which the insurer, in exchange for a premium, compensates the insured for loss or damage arising from uncertain events, as reflected in Article 1774 of the Civil Code. Article 1(1) of Law No. 40/2014 defines insurance as a contract between an insurance company and a policyholder, where premiums are paid in return for compensation for loss, damage, expenses, or legal liability arising from uncertain events; or benefits paid upon the insured's death or survival, either in fixed amounts or based on fund performance.

Insurance also plays a vital role in protecting human rights, as supported by Articles 28A, 28D (2), 28G (1), and 28 H (3) of the 1945 Constitution. The industry mitigates financial risks from unforeseen events and safeguards individual welfare, property, dignity, and security. Insurance may also arise from employment relationships, ensuring workers' rights to welfare and fair treatment, especially during unexpected risks. This principle is similarly reflected in natural catastrophe insurance, which aims to restore community welfare after disasters. Thus, the industry has a constitutional basis and must align with economic and human rights objectives within the national legal framework, such as through disaster risk financing based on democratic economic principles, sustainability, and equity.

In constitutional terms, insurance's role in disaster risk management is justified due to its public service nature and its alignment with Article 33 of the 1945 Constitution, which mandates state control over resources for public prosperity. Article 33 (4) further emphasises that the economy must be based on democracy, equity, sustainability, and environmental awareness. Therefore, insurance policies should serve economic and social protection functions, especially when dealing with public service-oriented entities. Natural and non-natural disasters such as epidemics, floods, tsunamis, and earthquakes can hinder national growth. Hence, insurance is crucial in risk mitigation, recovery, and reconstruction. Law No. 24/2007 and Government Regulation No. 21/2008 on disaster management outline funding from APBN/APBD and emergency funds, yet they do not explicitly include insurance utilisation. This omission highlights the potential role of insurance as an alternative funding mechanism.

Moreover, the consequences of natural (non-natural) disasters such as epidemics, floods, tsunamis, and earthquakes can also hamper national economic growth. Insurance plays an important role in supporting macro-economic interests in countermeasures, risk mitigation, and recovery. The existence of a natural disaster insurance model can contribute to the disaster risk prevention stage, the post-disaster recovery stage, and the post-disaster reconstruction stage. Regarding the financing of natural disaster management in Indonesia, we will refer to the

provisions of Law Number 24 of 2007 concerning disaster management and Government Regulation Number 21 of 2008 concerning the implementation of disaster management. In these provisions, disaster management covers several areas: disaster risk reduction, emergency management, rehabilitation and reconstruction, and disaster management. In the law, the financing aspects of natural disaster risks are sourced from the APBN/APBD, and the disaster management budget in the form of ready-to-use funds. For the budget in the form of ready-to-use funds, its use is limited and is only devoted to procuring goods or services. Neither provision mentions the utilisation of the insurance industry in natural disaster management. At the same time, utilising the insurance industry in natural disaster risk management can serve as an alternative mechanism for the government to address disaster management budget constraints.

In 2018, Indonesia introduced the National Disaster Risk Insurance Financing Strategy (PARB) to reduce reliance on national budgets. The strategy promotes proactive risk financing by integrating insurance into central and regional budgets and enabling third-party risk transfer. Key initiatives include (1) establishing a Disaster Pooling Fund in 2021 as a dedicated disaster reserve fund supported by a USD 500 million investment loan from the World Bank; 2) implementation and enhancement of the ABMN Program; and 3) efforts to integrate Indonesia with the Southeast Asia Disaster Risk Insurance Facility (SEADRIF).

Insurance is not solely a business instrument, but also a mechanism for protecting fundamental rights after catastrophes and supporting rapid economic recovery (Jinaratana & Permatasari, 2023). Since public funds are used, the government must manage them transparently, ensuring they benefit public welfare. This includes setting supportive legal frameworks to ensure sectoral sustainability and fair practices. Both state-owned and private insurance should be part of the disaster management framework. Thus, legal policies must address three levels: (a) direct beneficiaries, namely communities affected by disasters; (b) insurance companies; and (c) the state or government. Given the severe socio-economic impacts of disasters, the government must optimise the insurance sector through sound regulation, fostering a healthy industry that supports national economic growth and enables adequate disaster management financing.

Comparative and Interdisciplinary Analysis of Disaster Insurance System

To enrich the legal analysis of Indonesia's disaster insurance system, adopting a comparative perspective by examining countries that embed human rights principles into their disaster risk financing mechanisms is essential.

Germany and the Netherlands offer examples of countries where the disaster insurance system is closely linked to constitutional mandates for human rights protection, especially concerning the rights to life, property, and environmental safety. In Germany, the constitution (*Grundgesetz*) guarantees citizens' rights to life and physical integrity under Article 2, which has been judicially interpreted as obligating the state to take preventive and protective measures against environmental and natural hazards (Basic Law for the Federal Republic of Germany, 2010). Consequently, the German government supports flood and disaster insurance through hybrid models combining public-private partnerships and federal subsidies. This arrangement ensures affordability and equitable access, particularly for vulnerable or low-income populations in high-risk areas (Hutfls, 2018). Moreover, the state's involvement reflects the "Solidarity Principle" embedded in German social policy, where collective financial mechanisms ensure that individual citizens are not disproportionately burdened by natural disasters. Such solidarity-based insurance schemes have proven effective in distributing risk and reinforcing public trust in government institutions, demonstrating the synergy between economic resilience and constitutional human rights protection (Surminski & Thieken, 2023).

Similarly, Japan's Earthquake Reinsurance Scheme (JER) represents a sophisticated integration of constitutional responsibility, public policy, and private market efficiency. Established under the 1966 Act on Earthquake Insurance, JER is co-managed by the government and private insurers, ensuring risk-sharing between the state and the private sector (Mahul & White, 2020). The Japanese Constitution, while not explicitly articulating social

rights, embeds the notion of *public welfare* as a guiding principle for state policy (Article 25). This principle forms the normative basis for Japan's proactive disaster management framework, including compulsory risk assessment, reinsurance pooling, and rapid post-disaster compensation mechanisms. In catastrophic events, the Japanese government assumes liability once private insurer capacities are exhausted, underscoring its constitutional commitment to protect the population's welfare and economic security (Matsuo, 2021). Interdisciplinary studies further highlight how Japan's integration of actuarial science, urban planning, and legal safeguards has contributed to its high resilience index, suggesting that disaster insurance can function as both a fiscal and human rights instrument (Yoshida & Mahul, 2022).

In contrast, the United States adopts a more market-oriented but still rights-sensitive approach through the National Flood Insurance Program (NFIP). While the U.S. Constitution does not explicitly guarantee socio-economic rights, federal disaster insurance policies operationalise the government's duty to promote the "general welfare" as stipulated in the Preamble and Article I, Section 8 (Peralta & Scott, 2024). The NFIP, administered by the Federal Emergency Management Agency (FEMA), provides federally backed insurance to property owners in flood-prone areas, balancing public risk management with private sector participation (Federal Insurance Office, 2023). The program reflects an economic legal compromise: it maintains market discipline while ensuring that individuals' property and livelihood rights are protected against catastrophic loss. Recent reforms have sought to improve equity and climate risk adaptation by incorporating environmental data modelling and social vulnerability metrics (Kousky et al., 2022). Thus, even within a predominantly liberal market economy, the U.S. system demonstrates how disaster insurance can embody a de facto rights-based function, aligning with global human rights norms under the UN Guiding Principles on Disaster Risk Reduction.

These comparative models underscore essential lessons for Indonesia's disaster insurance framework. First, disaster insurance must not be understood solely as a financial risk-transfer tool but as an institutional manifestation of the state's constitutional and human rights obligations. The 1945 Constitution mandates the state to manage natural resources and national wealth for the benefit of the people (Article 33), while also guaranteeing citizens' rights to life (Article 28A), personal security (Article 28G), and a healthy environment and social welfare (Article 28H). In this regard, the development of a national disaster insurance policy would serve as a juridical expression of state responsibility, translating constitutional ideals into measurable social protection outcomes. Furthermore, interdisciplinary integration combining legal design, economic modelling, and disaster science is necessary to ensure the system's sustainability. By adopting lessons from Germany's solidarity-based model, Japan's public-private coordination, and the U.S. market-adaptive structure, Indonesia could establish a hybrid insurance regime that aligns with both constitutional imperatives and global best practices for disaster resilience and equitable economic growth (Huishan, 2019).

This constitutional imperative requires the Indonesian government to ensure that disaster insurance policies are designed and implemented based not only on actuarial or market considerations but also on equity, inclusivity, and public welfare protection principles. The failure to incorporate these human rights dimensions risks perpetuating social injustice, particularly for vulnerable and low-income populations disproportionately affected by natural catastrophes (Philippo & Lubowa, 2023). Thus, disaster insurance must evolve as a public good, an essential component of state responsibility, integrated into the broader legal and socio-economic development framework articulated in Article 33 of the 1945 Constitution, emphasising social justice and collective prosperity.

From an interdisciplinary perspective, disaster insurance plays a vital role in economic risk transfer and fiscal stability and in promoting social justice and effective public policy. Economically, comprehensive insurance schemes, as seen in Japan and Germany, reduce government post-disaster expenditures and enable the reallocation of funds toward development rather than recovery, a benefit currently absent in Indonesia, as demonstrated by

the substantial fiscal burden following the 2004 Aceh tsunami (Surminski & Oramas-Dorta, 2014). Sociologically, low public trust and insurance literacy in Indonesia hinder the effectiveness of such schemes, unlike in countries where state-backed guarantees foster higher participation (Hasanah et al., 2024). This highlights the need to integrate social justice principles—such as subsidised premiums for vulnerable groups—into insurance regulations to prevent inequality in risk protection. From a policy standpoint, successful disaster insurance requires proactive government intervention through mandates, subsidies, and transparent pricing mechanisms to align market operations with the constitutional obligation to protect public welfare, as emphasised in Indonesia's National Disaster Risk Insurance Financing Strategy (PARB) and Article 33 of the 1945 Constitution.

Conclusion

The insurance sector strategically supports national economic growth and fulfils constitutional mandates, as emphasised in Article 33 of the 1945 Constitution and human rights provisions under Articles 28A, 28G, and 28H. Disaster insurance is not merely an economic instrument but a state obligation to protect citizens' fundamental rights to life, security, and a safe environment. Comparative analysis with Germany, Japan, and the United States shows that integrating human rights principles into disaster insurance enhances public trust and equity in access. Interdisciplinary insights further stress the need for legal reforms that balance economic stability, social justice, and public welfare. Therefore, Indonesia's disaster insurance system requires comprehensive restructuring through inclusive policies, government-private sector collaboration, and sustainable financing models to ensure resilience, fiscal efficiency, and constitutional compliance.

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