

## **Analysis of Human Factors, Leadership Ethics, and Risk-Aware Culture in Indonesian General Insurance Underwriting Practices**

**Ashar\* , Franciskus Antonius Alijoyo**

Sekolah Tinggi Manajemen Asuransi Trisakti, Indonesia

Email: [asharblever@gmail.com](mailto:asharblever@gmail.com)\* , [franciskus.antonius.alijoyo63@gmail.com](mailto:franciskus.antonius.alijoyo63@gmail.com)

---

### **Abstract**

This study aims to understand the relationship between human factors, ethical leadership, and the development of a risk-aware culture in underwriting practices within the general insurance industry in Indonesia. The research employs a descriptive qualitative approach using secondary data obtained from previous studies, insurance industry reports, regulatory documents, and articles from reputable national and international media sources. A thematic analysis is used to identify patterns, meanings, and interconnections between human behavior, leadership practices, and organizational risk governance. The findings indicate that the competence, integrity, and professionalism of human resources play a crucial role in ensuring prudent underwriting decisions. Ethical leadership also emerges as a key determinant in shaping employees' attitudes toward compliance, transparency, and accountability. Leaders who demonstrate ethical consistency, fairness, and commitment to governance are more capable of encouraging adherence to underwriting standards and discouraging opportunistic practices that may increase risk exposure. Furthermore, the study highlights that a strong risk-aware culture is not only built through rules and systems but also through continuous education, communication, and reinforcement of ethical values within the organization. These results emphasize the importance of implementing risk governance frameworks that integrate ethical behavior, human capital development, and organizational learning. Strengthening these elements is essential to improving underwriting quality, protecting financial stability, and enhancing public trust in Indonesia's general insurance industry.

**Keywords:** Human factors, Leadership ethics, Risk-aware culture, Underwriting, General Insurance

---

This article is licensed under [CC BY-SA 4.0](https://creativecommons.org/licenses/by-sa/4.0/) 

## **INTRODUCTION**

The general insurance sector in Indonesia faces a major challenge in maintaining a balance between business growth and risk management. The practice of underwriting, as the main process in assessing, selecting, and determining risk premiums, is greatly influenced by the quality of human resources in this case underwriters, leadership integrity, and a risk-aware culture that develops within the organization (Gatzert & Schmit, 2016; Kwok & Pramle, 2023). The Financial Services Authority as a regulator of the financial industry in Indonesia drafted Financial Services Authority Regulation (POJK) of the Republic of Indonesia Number 34 of 2024 concerning the Development of Human Resources Quality for Insurance Companies, Guarantee Institutions, Pension Funds, and Special Institutions in the Field of Insurance, Guarantees, and Pension Funds.

HR is one of the most important and valuable assets that need to be managed and developed properly and correctly by the insurance, guarantee, and pension fund industry players (Badmus, 2024; Halibozek & Kovacich, 2017; Putri et al., 2022; Thu, n.d.). Good and correct human resource management must be carried out on an ongoing basis. Human resources who have the right and specific capacity and competencies in accordance with the characteristics of business management from each industry by insurance, guarantee, and pension fund industry players can play a significant role in supporting business sustainability amid competition in the financial services sector in the increasingly rapid digital era (POJK RI No. 34 of 2024).

The human factor is often the main source of strengths as well as weaknesses in the underwriting process. Miscalculation of risks, pressure on production targets, and weak internal oversight can lead to *moral hazard* risks and portfolio losses (Furukawa et al., 2020; Gaillard

## *Analysis of Human Factors, Leadership Ethics, and Risk-Aware Culture In Indonesian General Insurance Underwriting Practices*

& Michalek, 2019; Janzwood, 2021). On the other hand, leadership ethics play a crucial role in creating a work environment that is transparent, accountable, and based on moral values. Operational risks can also occur due to deliberate HR factors or the existence of opportunities to cheat (moral hazard). (Isra Misra, et al. 2020)

In this context, a risk-aware culture is an important element in building a sustainable underwriting system (Kenwood & Rafferty, 2017; Langer, 2022; Ramadhany & Mita, 2025; Zainudin et al., 2019). Risk awareness is not only related to formal procedures, but also to ways of thinking, behaving, and values that all members of the organization believe in. A risk-aware culture is an internal awareness in the organization that is reflected in the thoughts and actions of all members of the organization, which reflects the understanding and consideration of risk-related considerations. (Amelia Rose & Muhammad Arief Junaidi. 2024).

Indonesia Re in an activity at the end of 2024 discussed the importance of risk management-based strategic planning to face global challenges and maintain national economic stability (Dewi & Sari, 2024; Nugroho et al., 2025; Suherlan, 2024; Sunaryo et al., 2025). The activity presented Julian Noor as the President Commissioner of Indonesia Re. "The insurance industry is a capital-intensive business that depends on mature risk management. Insurance companies must balance revenue growth and cost efficiency. With proactive risk management, we not only minimize risk, but also create new opportunities amid global challenges," explained Julian. (indonesiare.co.id).

This study aims to examine the relationship between these three aspects based on data and empirical findings from previous research as well as media reports about underwriting practices in the Indonesian general insurance industry. Based on this context, the research questions asked are: 1) How do human factors influence the implementation of a risk-aware culture in underwriting practices. 2) How does leadership ethics shape underwriter behavior in the risk decision-making process. 3) How is the relationship between human factors, leadership ethics, and risk-aware culture reflected in the dynamics of the general insurance industry in Indonesia.

This research can be a strategic input for management in building and strengthening a risk-aware culture through continuous training, effective risk communication, and strengthening organizational ethical values. In terms of policy, this research also contributes to regulators and stakeholders as a basis for strengthening risk governance, improving the quality of underwriting practices, reducing moral hazard risks, and increasing public trust in the general insurance industry in Indonesia.

### **RESEARCH METHOD**

This research employed a literature study method, focusing on the analysis of scientific journals, books, and other academic sources related to human factors, leadership ethics, and risk culture. Although prior studies explored human factors, leadership ethics, and risk culture, none directly linked them to the concept of learning organizations. The purpose of this study was to deeply understand the interconnected roles of human factors and leadership ethics in building a risk-aware culture—and their integration within specific organizations, in this case Indonesia's general insurance industry—and to identify patterns and relationships that offered more comprehensive insights. Data were obtained from:

1. Prior research discussing human factors, leadership ethics, and risk culture in the financial services and insurance industries.
2. Reports from official institutions, such as the Financial Services Authority (*Otoritas Jasa Keuangan*, OJK) and the Indonesian General Insurance Association (*Asosiasi Asuransi Umum Indonesia*, AAUI).

3. Mass media articles and insurance company websites reporting on actual issues in underwriting practices and risk governance.

## **RESULTS AND DISCUSSION**

The analysis illustrates that the human factor is the main foundation of underwriting success. Technical competence, risk management awareness, and integrity as an individual affect the quality of a risk decision. However, without the support of ethical leadership in the sense of leadership that supports the values of integrity, these values are difficult to internalize consistently.

Ethical leadership will create a safe and comfortable environment to convey realities that create an element of doubt in the worker or even make a mistake, strengthen risk communication, and foster a sense of responsibility because otherwise, one will feel guilty towards the leader who has treated him well and wisely according to a professional corridor. This is in line with the OJK report (2023) which states that companies with ethical leadership structures have a lower level of claim complaints than companies with transactional managerial patterns.

Furthermore, a risk-aware culture arises not only from a company's management policies, but also from the process of learning the company's dialectic and the example of leadership. When the underwriter feels supported by strong moral values from above and has room to improvise and think critically about risk, then the quality of underwriting improves significantly because what is thought about is how to protect the leader.

This study analyzes the relationship between human factors, leadership ethics, and risk-aware culture in underwriting practices in the Indonesian general insurance industry. Through a literature approach and empirical analysis, this study found that the three variables form an ecosystem that influences each other and determines the quality of underwriting decisions.

### **Human Factors and Underwriter Competencies**

The human factor is the main determinant in the occurrence of operational errors because it involves cognitive aspects, skills, decision-making, and situational pressures in an organization or company. This study shows that the quality of underwriting decisions is greatly influenced by an underwriter's technical ability, experience, and thoroughness. This is in line with the *Bisnis Indonesia* report (2024) regarding the high volume of problematic claims due to inaccurate or even incorrect risk analysis in the early stages of underwriting where underwriting is the impression of an administrator who cannot neutralize the interests of the business carrier or even for the satisfaction of the management alone.

The underwriter's competence and risk awareness contribute directly to the health of a company's risk portfolio. These findings are in line with the author's analysis, which shows that underwriters with limited experience tend to be more susceptible to production pressures, thereby increasing the chance of moral hazard. In the context of Indonesian industry, the human factor includes not only competence, but also integrity, as stated in literature sources that affirm that operational risks often occur due to the actions of human resources who deliberately abuse opportunities. (Isra Misra et al., 2020).

### **The Role of Leadership Ethics in Underwriting Practices**

Leadership ethics are an important element in shaping the behavior of an organization or company. Ethical leaders will not only focus on results, but also be morally exemplary, implement fair standards of behavior, and encourage employees to consistently adhere to policies while still maintaining a spirit of achievement towards achieving the company's targets. In the world of general insurance, it shows that leaders who uphold an ethical culture

## *Analysis of Human Factors, Leadership Ethics, and Risk-Aware Culture In Indonesian General Insurance Underwriting Practices*

are able to minimize underwriting irregularities, such as premium manipulation, risk analysis errors, or disregard of the prudential principle.

Secondary data from the OJK (2023) supports these findings, and states that ethical violations in the underwriting process remain a significant problem in the industry. The study found that companies with transactional leadership patterns tend to have higher levels of claims complaints due to the pressure to pursue targets without considering the quality of the risk. On the contrary, ethical leadership creates space for underwriters to raise objections or risk signals without fear of internal sanctions, thereby strengthening the quality of corporate governance.

### **Risk-Aware Culture as a Pillar of a Sustainable Underwriting System**

Risk-aware culture is an important foundation in a modern risk management system as described in ISO 31000:2018. This research found that a strong risk-aware culture is not only procedural, but encompasses collective values, mindsets, and behaviors formed through organizational or company learning. Risk culture is an internal awareness that is reflected in individual thoughts and actions, where all members play the role of risk managers, according to the findings of this study.

Through thematic analysis, it was found that the risk culture in many general insurance companies in Indonesia is still formalistic, focusing only on administrative compliance. There is a gap between risk policy at the management level and operational understanding in the field itself. This study found that risk culture will be effective when supported by clear risk communication, continuous learning, and the integration of moral values in underwriting decision-making.

### **Interthematic Linkage: Human Synergy, Leadership, and Risk Culture**

The findings of the study show that there is a close relationship between the three main factors. Human factors shape the basic abilities and integrity of individuals; Leadership ethics directs moral orientation and provides structure for behavior, while risk-aware culture becomes a collective forum that facilitates the implementation of consistent risk management. A narrative analysis based on the research method found that when underwriters are adequately competent, supported by ethical leaders, and are in an environment with a strong risk culture, the quality of underwriting improves overall. Conversely, if one of these components is weakened, such as low-risk awareness or inconsistent leadership, then underwriting practices are vulnerable to bias, inaccurate risk assessments, and increased portfolio losses. These findings are in line with the argument of Hopkins (2005) and Cooper (2000) that the failure of a risk culture is often the root cause of operational failure.

## **CONCLUSION**

This study concludes that human factors—encompassing underwriters' technical competence, experience, integrity, and risk awareness—emerged as the most critical determinant of successful underwriting practices in Indonesia's general insurance industry, with deficiencies exposing processes to bias, misanalysis, moral hazard, and portfolio losses; thus, urgent strengthening via continuous training, internal supervision, and professional standards is essential. Leadership ethics significantly shaped underwriter behavior and risk orientation by fostering transparent environments, effective risk communication, and adherence to responsible principles, leading to lower claims complaints and greater risk management consistency in value-oriented companies. A risk-aware culture integrated these elements into a sustainable governance framework, transcending formal procedures to embed collective mindsets, shared values, and behavioral norms that enhanced underwriting quality

and adaptability to market dynamics and complex risks, ultimately forming the foundation for healthy, integrity-driven, long-term practices. For future research, empirical studies could quantitatively test these interconnections using surveys of Indonesian underwriters or longitudinal data from insurance firms to validate causal links and explore moderating effects of digital tools on risk-aware cultures.

## REFERENCES

- Badmus, O. A. (2024). Regulatory compliance and risk management in pension fund business development.
- Dewi, D. N. A. M., & Sari, S. R. (2024). Risk management towards the recovery and sustainability of the SMEs business in the post COVID-19 era. *International Journal of Professional Business Review*, 9(1), 3.
- Financial Services Authority. (2023). *Non-bank financial industry supervision report*. Otoritas Jasa Keuangan.
- Furukawa, K., Ichiue, H., & Shiraki, N. (2020). *How does climate change interact with the financial system?: A survey* (Issues 20-E). Bank of Japan.
- Gaillard, N., & Michalek, R. J. (2019). How and why moral hazard has distorted financial regulation. In *The failure of financial regulation: Why a major crisis could happen again* (pp. 111–151). Springer.
- Gatzert, N., & Schmit, J. (2016). Supporting strategic success through enterprise-wide reputation risk management. *The Journal of Risk Finance*, 17(1), 26–45.
- Halibozek, E., & Kovacich, G. L. (2017). *The manager's handbook for corporate security: Establishing and managing a successful assets protection program*. Butterworth-Heinemann.
- Isra Misra, et al. (2020). *Risk management: Sharia economic business approach*. K Media.
- Janzwood, S. (2021). R&D priority-setting for global catastrophic risks: The case of the NASA planetary defense mission. *Research Policy*, 50(6), 104225.
- Kenwood, P. A., & Rafferty, P. D. (2017). Exploring the culture of risk-awareness among the professoriate: The implementation of enterprise risk management in higher education. *Journal of Higher Education Management*, 32(1), 243–256.
- Kwok, E., & Pramble, S. (2023). *Insuring the future: Managing risks and disruptions within the insurance value chain—A multiple case study on the commercial insurance industry*.
- Langer, A. C. (2022). *Changing workplace culture: Cultivating risk awareness in a corporate setting*.
- Nugroho, H. Y. S. H., Wahyuningrum, N., Basuki, T. M., Supangat, A. B., Auliyani, D., Indrajaya, Y., Lisnawati, Y., & Samawandana, G. (2025). Sustainable resilience for integrated watersheds management under climate change: Lesson learned from Indonesia. In *Climate change: Conflict and resilience in the age of Anthropocene* (pp. 303–327). Springer.
- Putri, E. M., Lestari, R. M., & Prasida, D. W. (2022). Hubungan pengetahuan ibu tentang ASI eksklusif terhadap pemberian ASI eksklusif. *Jurnal Surya Medika*. <https://doi.org/10.33084/JSM.V7I2.3203>
- Ramadhany, A., & Mita, A. F. (2025). Evaluation of risk awareness culture in a strategic holding insurance company. *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi dan Bisnis*, 13(3), 2581–2594.
- Rose, A., & Junaidi, M. A. (2024). The role of leaders in the development of a risk-aware culture in the framework of learning organizations. *Prosiding PITNAS 2024*. <https://ejournal.iwi.or.id/ojs/index.php/pitnas2024/article/view/310>

***Analysis of Human Factors, Leadership Ethics, and Risk-Aware Culture In Indonesian  
General Insurance Underwriting Practices***

- Suherlan, A. L. M. (2024). Strategic financial management for performance enhancement and sustainable growth. *Arthatama: Journal of Business Management and Accounting*, 8(1), 18–29.
- Sunaryo, D., Adiyanto, Y., Violita, E., Nabila, F., & Killah, K. E. (2025). Risk management and its influence on corporate performance: A systematic literature review approach. *Global Management International Journal of Management Science and Entrepreneurship*, 2, 93–108.
- Thu, H. M. (2025). *Human resource management practices and organizational performance of Young Insurance Co., Ltd.* MERAL Portal.
- Zainudin, Z., Samad, S. A., & Altounjy, R. (2019). The determinant factors of an effective risk-aware culture of firms in implementing and maintaining risk management programs. *International Journal of Financial Research*, 11(5), 459–465.