



Insurance Consumer Protection in Case of Default by Life Insurance Companies: Civil Law and OJK Perspectives

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Info Articles	Abstract
Article History Received: 2025-12-02 Revised: 2025-12-12 Published: 2025-12-30 Keywords: <i>Protection; consumers; insurance; law; Company</i>	The failure of life insurance companies to meet their claim payment obligations is a serious problem that not only harms consumers, but also has an impact on declining public trust in the national insurance industry. The phenomenon of default shows weaknesses in legal protection for policyholders and the effectiveness of supervision of insurance companies. This study aims to analyze the form of legal protection for life insurance consumers in default cases through two main perspectives, namely civil law and regulations issued by the Financial Services Authority (OJK). The research method used is normative juridical with a legislative approach and case studies, which are analyzed qualitatively to assess the applicable legal norms. The results show that civil law provides a basis for protection through the principle of engagement and default mechanisms, but its application is often ineffective in providing legal certainty for consumers. On the contrary, OJK regulations have a more strategic role through supervision, administrative sanctions, and consumer dispute resolution mechanisms. However, legal protection still faces obstacles in the form of weak regulatory enforcement, information inequality, and low public insurance literacy. Therefore, it is necessary to strengthen the role of the OJK, establish a policy guarantee scheme, and increase financial literacy to ensure the protection of life insurance consumers in a sustainable manner.

I. INTRODUCTION

Default in the life insurance industry is a crucial issue that not only impacts the stability of the financial services sector, but also directly threatens the legal interests and rights of consumers as policyholders. Life insurance is essentially designed as a long-term financial protection instrument that provides a sense of security against various life risks, such as death, permanent disability, and health problems (Oscar, 2024). Through the mechanism of premium collection and risk management, insurance companies should ensure certainty of benefits for consumers in accordance with the policy agreement. However, when insurance companies fail to meet claims payment obligations, those protection functions collapse and put consumers in a state of legal uncertainty and potential for significant economic losses.

The phenomenon of default that has befallen a number of large life insurance companies in Indonesia, such as PT Asuransi Jiwasraya (Persero) and PT Asuransi Jiwa Adisarana Wanaartha (WanaArtha Life), is clear evidence of the fragility of the consumer protection system in the practice of the national insurance industry (Oscar, 2024). Both cases involved large amounts of public funds and revealed various structural problems, ranging from weak corporate governance, irregularities in investment management, to suboptimal supervisory functions of regulators. In the Jiwasraya case, it was revealed that high-risk investment practices were not in line with the principle of prudence, resulting in financial losses that had a direct impact on the company's inability to fulfill its obligations to policyholders. Meanwhile, in the case of WanaArtha Life, the freezing of the company's accounts related to alleged money laundering crimes caused

customers to lose access to the funds they had invested, even though they were legally in good faith (Oscar, 2024).

Both events show that insurance consumers are in a very vulnerable position when a default occurs. The relationship between insurance companies and policyholders that is normatively contractual in nature often does not provide effective protection when the company is unable or unwilling to meet its performance. In this context, civil law mechanisms based on the principle of engagement and default have not been fully able to guarantee the restoration of consumer rights quickly and fairly, especially when insurance companies face liquidity issues or complex legal processes (Rahayu et al., 2024).

On the other hand, the state through various laws and regulations has actually placed consumer protection as a fundamental principle in the implementation of the financial services sector. Law Number 8 of 1999 concerning Consumer Protection, Law Number 40 of 2014 concerning Insurance, as well as various regulations issued by the Financial Services Authority (OJK) provide a normative framework for supervision, regulation, and law enforcement in the insurance sector. OJK, as an independent institution that has administrative authority and supervision, is expected to be able to prevent defaults and provide effective protection for consumers through sanctions mechanisms, prudential supervision, and dispute resolution (Murdadi, 2012).

However, the effectiveness of the regulatory framework still faces various obstacles at the implementation level. Many consumers have difficulty in claiming their rights due to protracted legal processes, information inequality between insurance companies and policyholders, and low financial literacy of the public. This condition is further exacerbated by the absence of a policyholder protection scheme in Indonesia, which is supposed to serve as a safety net for consumers when insurance companies experience financial failures (Gravionika & Subarkah, 2025). As a result, insurance companies' business risks are disproportionately charged to consumers.

Based on this reality, the problem of default in life insurance cannot be seen solely as a managerial or financial failure, but also as a matter of legal protection and state responsibility. Therefore, a comprehensive study is needed to evaluate the extent to which civil law is able to protect consumers through contractual relationships, as well as how the role of the OJK as a regulator and supervisor in ensuring legal certainty and justice for policyholders. This dual approach is important to understand the weak points of consumer protection as well as formulate the direction of strengthening the life insurance legal system in Indonesia.

Thus, this study is directed to examine in depth the protection of life insurance consumers in the case of default from the perspective of civil law and OJK regulations, as an effort to build a more accountable, transparent, and consumer-oriented insurance system, while restoring public trust in the national insurance industry.

II. RESEARCH METHODS

This research uses a normative juridical research method, which is a legal research method that focuses on the study of applicable legal norms by placing law as a rule or norm that regulates human behavior in society (Jonaedi Efendi et al., 2018). This approach was chosen because the problems studied are closely related to the provisions of laws and regulations, legal principles, and legal doctrines that govern the protection of life insurance consumers in the case of default by insurance companies.

In this study, the approaches used include a statute approach and a conceptual approach. The legislative approach is carried out by systematically examining various relevant regulations, including Law Number 8 of 1999 concerning Consumer Protection, Law Number 40 of 2014 concerning Insurance, as well as regulations issued by the Financial Services Authority (OJK) related to supervision, consumer protection, and dispute resolution in the financial services sector. A conceptual approach is used to examine the principles of civil law, particularly as it relates to the engagement, default, and legal liability of insurance companies to policyholders.

The types of legal materials used in this study consist of primary, secondary, and tertiary legal materials. Primary legal materials include laws and regulations, court decisions, and OJK regulations relevant to the protection of life insurance consumers. Secondary legal materials are in the form of legal textbooks, scientific journals, research results, and opinions of legal experts that discuss insurance law, consumer protection, and supervision of the financial services sector. Tertiary legal materials are used as support, such as legal dictionaries and legal encyclopedias.

The technique of collecting legal materials is carried out through literature study by tracing and studying relevant legal sources. Furthermore, the legal material is analyzed qualitatively using legal interpretation methods and normative analysis to draw conclusions about the form and effectiveness of legal protection for life insurance consumers in default cases, both from the perspective of civil law and OJK regulations.

III. RESULTS AND DISCUSSION

A. Aspects of Civil Law in Cases of Default by Life Insurance Companies

Consumer protection in the life insurance industry is becoming increasingly relevant to be studied in a civil law perspective, especially when the phenomenon of default shows an increasing tendency and has a widespread impact on policyholders (Lathif & Habibaty, 2019). In the construction of civil law, the relationship between the consumer as the insured and the insurance company as the insurer is based on a valid agreement, namely an insurance policy. The policy is not just an administrative document, but a legal instrument that binds the parties and gives birth to rights and obligations that must be fulfilled reciprocity. Consumers have fulfilled their obligations by paying premiums regularly, so they are legally entitled to receive insurance benefits as promised in the policy (Gravionika & Subarkah, 2025).

When the insurance company is unable or unwilling to fulfill its claim payment obligations to policyholders, the condition can be juridically qualified as a default (Palyama, 2022). Default in

civil law is not only interpreted as the non-fulfillment of achievements at all, but also includes delay, imperfect fulfillment, or fulfillment that is not in accordance with the agreement (Alfarabi, 2024). In the context of life insurance, late payment of claims or delays in disbursement of funds within an unreasonable period of time are sufficient to cause legal and economic losses to consumers, especially due to the nature of life insurance which is often related to urgent needs, such as medical expenses or the survival of the insured's family.

Furthermore, the contractual character of an insurance policy places it under the regime of general principles of treaty law as set forth in the Civil Code. The principle of freedom of contract provides space for the parties to determine the content of the agreement, but this freedom is not absolute (Salainti, 2013). In the practice of the insurance industry, policies are generally prepared unilaterally by insurance companies in the form of standard contracts. This creates an imbalance in bargaining positions between insurance companies and consumers, so the principle of freedom of contract is often pseudo-disguised. Therefore, the principle of good faith plays a central role as a corrective instrument to assess whether the insurance company has acted honestly, transparently, and responsibly in fulfilling its obligations.

From a civil law point of view, consumers who are aggrieved by default have the right to pursue legal remedies through a civil lawsuit. The form of lawsuit can be in the form of demands for the fulfillment of achievements, compensation for material and immaterial losses, or cancellation of agreements accompanied by compensation (Rahayu et al., 2024). However, in practice, the litigation pathway is often ineffective for insurance consumers. Lengthy court processes, relatively large costs, and the complexity of proof are serious obstacles for consumers, especially individuals or families who are economically at a weak position compared to insurance companies.

The limited effectiveness of pure civil law in resolving default disputes suggests that consumer protection cannot be completely left to contractual mechanisms and general justice. This

is where the role of the Financial Services Authority (OJK) becomes very strategic as a complement and reinforcement of civil law protection. The OJK not only functions as a regulator and supervisor, but also as an institution that has a mandate to protect consumers in the financial services sector. In this context, the OJK plays a role in bridging the gap between civil law norms and the reality of insurance industry practices (Murdadi, 2012).

The preventive role of the OJK is reflected in regulations that emphasize the principles of prudence, capital adequacy obligations, and good corporate governance (Ramadhani & Yudhayana, 2025). With effective supervision, potential defaults should be detected and prevented early before causing losses to consumers. However, the facts show that in a large number of cases, the monitoring mechanism has not worked optimally. This raises critical questions about the extent of the effectiveness of regulation-based consumer protection if it is not accompanied by firm and consistent law enforcement.

Meanwhile, the OJK's repressive approach through the imposition of administrative sanctions, freezing business activities, or revoking business licenses is indeed important from the perspective of administrative law enforcement (Murdadi, 2012). However, these measures are not always directly proportional to the recovery of consumer losses. In many cases of default, sanctions against insurance companies are not followed by a clear mechanism to ensure the return of policyholders' rights. This condition shows that there is a structural gap in the life insurance consumer protection system in Indonesia, where legal certainty for consumers is not fully guaranteed.

In addition, the existence of the Financial Services Sector Alternative Dispute Resolution Institution (LAPS SJK) as a non-litigation forum should be appreciated as an effort to expand access to justice for consumers (Aryonegoro et al., 2022). However, the effectiveness of these institutions still depends on the insurer's willingness to comply with the ruling as well as the level of consumer understanding of the dispute resolution mechanism. Without stronger

regulatory support and adequate legal awareness, the SJK LAPS has the potential to only become a formal complement without significant coercion.

Thus, the discussion of the civil law aspect in the case of life insurance default shows that consumer protection is not enough to rely only on contractual instruments and civil lawsuits. Closer integration is needed between the principles of civil law and the policy of supervision and consumer protection by the OJK. Strengthening policy transparency, increasing the accountability of insurance companies, and establishing a more effective consumer rights recovery mechanism are important prerequisites to ensure that the law truly functions as a tool of protection, not just a formal norm.

In the long term, the synergy between civil law and the active role of the OJK is expected to be able to create a fairer and more sustainable life insurance system, where the interests of consumers are placed as the top priority. The success of consumer protection will ultimately determine the level of public trust in the insurance industry as an instrument of social and economic protection in Indonesia.

B. Increasing the Effectiveness of Life Insurance Consumer Protection through Regulatory Reform and Public Education

Efforts to strengthen consumer protection in the life insurance sector cannot be separated from the need to carry out regulatory reforms that are adaptive to the dynamics of the financial services industry (Oscar, 2024). The increasingly complex development of insurance products, including variations of unit-linked investments and long-term financing schemes, demands a legal framework that is not only normative, but also responsive to systemic risks that can harm consumers. In this context, regulations that are still general and fragmentary need to be refined in order to be able to provide legal certainty as well as substantive protection for policyholders.

One of the crucial aspects of regulatory reform is the strengthening of insurance companies' transparency obligations. Transparency is not only interpreted as a formal obligation to submit financial statements, but also includes the

disclosure of information regarding the company's financial health condition, product risk profile, and potential legal and financial consequences that consumers may face. Clear and easy-to-understand disclosure of risks in insurance policies is an important instrument to prevent information gaps between business actors and consumers, which has been one of the root problems in default cases (Dharma & Sawitri, 2025).

In addition to transparency, the effectiveness of consumer protection is also highly determined by the firmness of sanctions against violations committed by insurance companies. Administrative sanctions imposed by the Financial Services Authority (OJK) must be designed not only as a tool for law enforcement, but also as a deterrent effect so that insurance companies are more careful in carrying out their business activities. In this regard, regulatory reform needs to accommodate clearer arrangements regarding corporate liability to consumer funds, including the possible implementation of a policyholder protection scheme as a safety net when insurance companies experience financial failure. (Podgórska-Rykala & Kepa, 2021). The existence of such a scheme will strengthen legal certainty for consumers and prevent the wider socio-economic impact of the collapse of life insurance companies.

However, regulatory reform alone will not be effective without being accompanied by an increase in people's financial literacy. Consumers' low understanding of insurance products, policy content, and dispute resolution mechanisms often puts them in a weak position when facing legal problems. Therefore, public education should be seen as an integral part of consumer protection strategies. OJK, as an institution that has a mandate to protect consumers in the financial services sector, needs to expand financial literacy and inclusion programs with a more contextual and sustainable approach, not just a momentary socialization.

Effective public education must include a basic understanding of the rights and obligations of policyholders, the working principles of life insurance, and legal measures that can be taken in

the event of a dispute or default. Cooperation between the OJK, educational institutions, mass media, and insurance industry players is important to reach a wider range of society. Thus, consumers not only play the role of an object of protection, but also as legal subjects who are aware and able to fight for their rights in a rational and informed manner.

On the other hand, insurance companies also have a moral and legal responsibility to improve the quality of customer service. The provision of transparent, responsive, and easily accessible information and complaint services is a concrete form of applying the principle of good faith in contractual relationships. Effective communication channels not only serve as a means of solving problems, but also as an indicator of a company's commitment to protecting the interests of its consumers. When consumer complaints are handled quickly and professionally, the potential for escalation of legal disputes can be minimized.

The involvement of civil society organizations, consumer associations, and legal aid agencies also plays a strategic role in strengthening the protection of life insurance consumers. Adequate legal assistance will help aggrieved consumers to understand their legal position as well as navigate the often complex dispute resolution procedures. This synergy between the state, industry players, and civil society is an important prerequisite for the creation of an inclusive and equitable consumer protection system.

Thus, increasing the effectiveness of life insurance consumer protection can only be achieved through a holistic approach, which integrates regulatory reform, strengthening the role of the OJK, public education, and social responsibility of industry players. This approach is in line with the legal goal of providing certainty, justice, and benefits to the community. In the long run, a strong and effective consumer protection system will be the main foundation in restoring and maintaining public confidence in the life insurance industry as a sustainable social and economic protection instrument.

IV. CONCLUSION AND SUGGESTIONS

A. Conclusion

The case of default by life insurance companies shows that there are serious problems in the consumer protection system in Indonesia's financial services sector. Juridically, the relationship between the insurance company and the policyholder is a contractual relationship that is subject to civil law, so the company's failure to meet its claim payment obligations can be qualified as a default. However, the protection mechanism through civil law has not been fully effective in providing legal certainty and restoring consumer rights, especially due to the inequality of bargaining positions, the complexity of policies, and limited consumer access to the litigation process.

On the other hand, the existence of the Financial Services Authority as a regulator and supervisor of the insurance sector has a strategic role in complementing civil law protection through preventive and repressive approaches. However, various cases of default show that supervision and regulatory enforcement have not been running optimally, especially in preventing the risk of default and ensuring the recovery of consumer losses. The absence of a policy guarantee scheme further increases the vulnerability of consumers when insurance companies collapse.

Therefore, the protection of life insurance consumers requires an integrated approach between civil law and OJK regulations, accompanied by regulatory reform, strengthening supervision, and increasing public financial literacy so that consumers have a stronger and empowered legal position.

B. Suggestion

The government and the Financial Services Authority need to strengthen the life insurance consumer protection regulatory framework, particularly through stricter supervision of the financial health of insurance companies and the implementation of sanctions oriented towards the restoration of consumer rights. The establishment of a policy guarantee scheme is a strategic step to provide legal certainty for policyholders in the

event of a default. In addition, increasing public financial literacy must be carried out on a sustainable basis so that consumers are able to understand the content of policies, insurance product risks, and dispute resolution mechanisms. Insurance companies are also required to improve transparency, accountability, and quality of consumer service as a form of legal and ethical business responsibility.

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