



Insurance Claim Rejection Due To Misrepresentation In Indonesia: Balancing The Principle Of Utmost Good Faith And Consumer Protection

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Article History Received : 2026-08-12 Revised: 2026-08-20 Published: 2026-09-30 Keywords: <i>Consumer Protection;</i> <i>Insurance Claim;</i> <i>Misrepresentation;</i> <i>Utmost Good Faith;</i>	The rejection of insurance claims due to <i>misrepresentation</i> creates tension between the principle of <i>utmost good faith</i> and the need for consumer protection, especially after the Constitutional Court Decision Number 83/PUU-XXII/2024 changed the construction of Article 251 of the Criminal Code. This study aims to analyze the limits of the application of <i>misrepresentation</i> as a basis for rejecting claims and formulate a balance between the insured's disclosure obligation and consumer protection. The research uses normative legal methods with legislative, case, conceptual, and analytical approaches to insurance regulations, consumer protection regulations, and relevant court decisions. Research has found that <i>misrepresentation</i> cannot automatically erase the rights of the insured. The legitimacy of a claim rejection must be tested through five parameters: <i>materiality, knowledge and intention, causation, proportionality, and procedural fairness</i> . <i>Utmost good faith</i> should be understood as a bilateral principle that binds the insurer and the insured, while the Constitutional Court Decision strengthens the restriction on unilateral cancellation of coverage. More operational regulatory guidelines on materiality, proof, and claim rejection procedures are needed to realize proportionate consumer protection without compromising the insurer's ability to handle fraud.

I. INTRODUCTION

Insurance agreements are basically built on trust, but the contractual relationship also shows an imbalance in the information position between the insurer and the insured (Maharani & Hapsarani, 2026). The insurer determines the acceptance of the risk based on the information submitted by the prospective insured, while the insured generally relies on the form, policy clauses, agent explanation, and process *Underwriting* controlled by the

insurance company (Jannah et al., 2026). This condition makes honesty and disclosure of information the main foundation of insurance contracts. In the doctrine *Utmost Good Faith* or *Uberrimae fidei*, the insured is required to disclose material facts that may affect the insurer's decision to accept or determine the terms of coverage (Melik & Cahyono, 2025). The problem arises when the obligation is used as a basis for rejecting the claim because of information that is considered untrue,

incomplete, or not disclosed by the insured. Thus, the problem *Misrepresentation* It does not only concern the honesty of the insured, but also touches the limits of the insurer's authority in determining whether a mismatch in information is really sufficient to eliminate the insured's right to insurance benefits.

In Indonesian law, such tensions have historically gained legitimacy through Article 251 of the Commercial Code (KUHD), which stipulates that false or incorrect notification or concealment of circumstances known to the insured may result in insured invalidity if the circumstances are so material that the insurer will not enter into an agreement or will not agree to it on the same terms. The norm reflects the strong character of the *Utmost Good Faith*, but at the same time raises problems when the consequences of the law *Misrepresentation* is applied without distinguishing between intentionality, negligence, ignorance, and inaccuracies of information that objectively does not determine the decision *Underwriting* (Sardjito et al., 2024).

This issue became even more significant after the Constitutional Court through Decision Number 83/PUU-XXII/2024 on January 3, 2025 declared Article 251 of the Criminal Code conditionally unconstitutional. The Court emphasized that the cancellation of coverage cannot be carried out solely based on the insurer's unilateral

construction, but must be based on the agreement of the insurer and the insured or a court decision. The Court also considered that this norm has the potential to give rise to various interpretations and can be used as an instrument for insurers to avoid their obligations to the insured. The decision created an important turning point, *Utmost Good Faith* remains a fundamental principle in insurance contracts, but its application must be placed within the framework of contractual fairness and legal protection for the insured (Scott, 2017).

These changes are in line with the orientation of insurance regulations that place policyholder protection as an important part of the implementation of the insurance industry. Law Number 40 of 2014 concerning Insurance, especially Article 31, not only requires insurance business actors to apply expertise, attention, and care, but also requires the submission of true, non-false, and non-misleading information as well as the handling of claims through a fast, simple, accessible, and fair process. The framework is then strengthened through POJK Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector which emphasizes strengthening consumer protection in the increasingly complex and dynamic financial services industry.

Therefore, the relevant legal problem is no longer just whether *misrepresentation* can be a reason for

rejecting claims, but when a misrepresentation can be considered material, who must prove it, how to distinguish intentional misrepresentation from immaterial errors, and the extent to which insurers can reject claims without violating the principle of consumer protection. The Constitutional Court Decision No. 83/PUU-XXII/2024 opens up a new space to re-examine the relationship between *utmost good faith*, *fairness*, and insured protection in claims settlement. In fact, the development of jurisprudence and the latest legal studies show that the rejection of claims due to alleged untruthfulness of information is still a source of concrete disputes in Indonesian insurance practices. On that basis, this study analyzes the rejection of insurance claims due to *misrepresentation* from the perspective of a balance between the principles of *utmost good faith* and consumer protection, by placing legal changes after the Constitutional Court Decision No. 83/PUU-XXII/2024 as an important point to formulate limits for the application of *misrepresentation* that is fair, proportionate, and provides legal certainty for the parties.

II. RESEARCH METHODS

This study uses normative legal research methods (*Normative Legal Research*) with a doctrinal approach to analyze the limits of application *Misrepresentation* as the basis for the rejection of insurance claims in

relation to the principles *Utmost Good Faith* and consumer protection in Indonesia (Jonaedi Efendi & Rijadi, 2022). The selection of the normative method is based on the character of the research problem centered on the interpretation of legal norms, the construction of the obligations of the parties in the insurance contract, and changes in the legal consequences of Article 251 of the Commercial Code (KUHD) after the Constitutional Court Decision Number 83/PUU-XXII/2024. The decision has central relevance because the Court declared Article 251 of the Criminal Code to be conditionally unconstitutional as long as it is not interpreted that the cancellation of coverage must be based on the agreement of the insurer and the insured or a court decision.

This study uses a legislative approach (*Statute approach*), case approach (*Case Approach*), conceptual approach (*conceptual approach*), and analytical approaches (*Analytical Approach*) (Rizkia & Fardiansyah, 2023). *Statute approach* was used to review the Code of Criminal Procedure, Law Number 40 of 2014 concerning Insurance, Law Number 8 of 1999 concerning Consumer Protection, and regulations of the Financial Services Authority related to consumer protection and claims handling. In particular, the study considered Article 31 of the Insurance Law which requires insurance companies to apply expertise, care, and care and handle claims through a fast, simple, accessible, and fair

process. The analysis is also placed within the framework of POJK Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector which strengthens the principles of openness, fair treatment, responsible business behavior, and effective and efficient resolution of complaints and disputes.

The case approach is mainly used to analyze the Constitutional Court Decision Number 83/PUU-XXII/2024 as a legal development that changes the construction of the application of Article 251 of the Criminal Code. Meanwhile, *the conceptual approach* is used to construct the meaning of *utmost good faith*, *misrepresentation*, *materiality*, *duty of disclosure*, *consumer protection*, and *fairness* in insurance contracts. The analytical approach is used to test the relationship and potential conflicts between the insured's obligation to provide correct information and the insurer's obligation to act carefully, transparently, and fairly in the claims handling process.

The research legal material consists of primary, secondary, and tertiary legal materials. The primary legal materials include relevant laws and regulations, court decisions, and OJK regulations. Secondary legal materials include books, articles from reputable national and international journals, as well as previous research on insurance law, *utmost good faith*, *misrepresentation*, and consumer protection. Tertiary legal materials

are used as supporting sources to clarify legal terminology and concepts.

All legal materials are analyzed qualitatively through legal interpretation, conceptual analysis, and prescriptive analysis. The analysis is carried out by identifying norms, comparing legal constructions before and after the Constitutional Court Decision, testing the consistency of the application of *misrepresentation* with the principles of consumer protection, and then formulating a legal limit that is proportionate to the rejection of claims. With this method, the research not only describes the change in norms, but also produces legal arguments regarding the model of applying *misrepresentation* that maintains *the utmost good faith* without turning the principle into an instrument that allows insurers to unilaterally and disproportionately reject claims.

III. RESULTS AND DISCUSSION

A. Reconstruction of the Meaning of *Utmost Good Faith* in the Denial of Insurance Claims Due to *Misrepresentation*

The results of the study show that the main problem in the rejection of claims due to *Misrepresentation* does not lie in the existence of the principle *Utmost Good Faith*, but rather on how those principles are constructed and who bears the consequences when information mismatches occur (Saputera, 2022). Theoretically, *Utmost Good Faith* It is

necessary because insurance contracts are built on inequality of information regarding risks (MARDHAHISWANA, 2025). The insured knows the personal circumstances or the insured object more directly, while the insurer uses this information to determine whether the risk is acceptable, how much premium should be charged, and the conditions and exceptions that need to be set. The OJK itself in the process of testing Article 251 of the Criminal Code explained that the obligation to provide material information is related to the need to minimize *Information asymmetry* in insurance contracts. Thus, the disclosure obligation basically has a legitimate economic and legal rationality. However, such rationality does not by itself authorize the insurer to turn any information inaccuracy into a reason for cancellation of coverage.

Problems arise when *Utmost Good Faith* is understood unilaterally as the insured's obligation to "tell the whole situation" while the insurer is positioned solely as a recipient of information (Sardjito et al., 2024). Such an understanding ignores the fact that insurance companies are professional business actors who have the capacity, resources, data, and manpower *Underwriting*, as well as a risk assessment instrument that is much greater than that of consumers. If the entire burden of information inaccuracy is placed on the insured, then the principle *Utmost Good Faith*

has the potential to undergo a shift in function, from the principle of creating information balance to an instrument to transfer all the risk of inaccuracies to consumers (Saputra et al., 2021). In the perspective of modern contracts, this is problematic because good faith should not work only at the stage of contract formation, but also when the contract is executed and a claim is filed. In other words, the insured's obligation to provide information must go hand in hand with the insurer's obligation to do *Underwriting* professionally and handle claims objectively.

The findings of further research show that *Misrepresentation* cannot be treated as an automatic legal category (Jaya & Setianingrum, 2026). There are at least four dimensions that must be tested before an information discrepancy can be used as a basis for rejecting a claim, namely the nature of the information provided, the materiality of the information, the quality of the insured's error or knowledge, and its relevance to the insurer's decision. This distinction is important because administrative errors, reasonable ignorance, differences in interpretation of questions in the form, and deliberate concealment of material facts have different moral and legal weights. Article 251 of the Criminal Code in its historical formulation does have very broad consequences because even erroneous notification or concealment of circumstances made in good faith can affect the applicability of coverage

if the circumstances are so important that the agreement will not be made or will not be made on the same terms. However, it is precisely the breadth of this norm that creates the problem of proportionality when applied to claims disputes.

Therefore, *Materiality* should be placed as a central element in determining whether *Misrepresentation* has legal consequences. An information is not sufficiently stated material simply because the insurer discovers a discrepancy after the claim has occurred (Scott, 2020). Materiality should be linked to a more concrete contractual question, whether such information can rationally affect the insurer's decision at the time of the *Underwriting*? Would the insurer deny the risk, increase the premium, provide an exception, or set different conditions if the actual information was known from the beginning? If the answer is no, then making the inconsistency a basis for eliminating all the benefits of coverage will be difficult to justify proportionately. On the other hand, if it is proven that the insured deliberately concealed the facts that directly determine the decision *Underwriting*, then the heavier legal consequences have a stronger justification basis.

The findings resulted in an understanding that *Utmost Good Faith* should be constructed as a bilateral principle and not a unilateral obligation (Sardjito et al., 2024). The insured is obliged to provide correct

and relevant information, but the insurer is also obliged to use the information in a professional, transparent, and consistent manner with the purpose of the contract. This bilateral construction becomes even more important because the insurance contract is a contract whose execution depends heavily on the trust and professional decisions of the insurer. If the insurer obtains incomplete information at the initial stage but still accepts the risk without making a reasonable clarification, then not all consequences can then be transferred to the insured when a claim arises (Zuhairi, 2025). Thus, *Utmost Good Faith* It should not be read as "the insurer's right to seek fault with the insured", but rather as a standard of mutual conduct that maintains the integrity of the entire insurance contract cycle.

This perspective also derives legitimacy from positive legal developments. Article 31 of Law Number 40 of 2014 concerning Insurance requires insurance companies to provide true, not false, and non-misleading information and to carry out claims handling in a fast, simple, accessible, and fair manner. The explanation of the law even defines "fair" as a process that adheres to truth, impartiality, and is not arbitrary. This norm shows that Indonesian law actually not only imposes a standard of honesty on consumers, but also builds a standard of professionalism on the insurer. Therefore, the rejection of claims with

reasons *Misrepresentation* must be tested in two directions, whether the insured meets his information obligations and whether the insurer carries out his professional obligations (Mulhadi & Harianto, 2022).

Thus, the first results of this study show that the legitimacy of the rejection of claims cannot only be built from the existence of information inconsistencies, but must be determined through testing materiality, knowledge, relevance to *underwriting*, and proportionality due to the law. The principle of *utmost good faith* is maintained because it is necessary to overcome information asymmetry, but its application must be limited by the principle of contractual justice. This reconstruction is the foundation to understand why the Constitutional Court Decision No. 83/PUU-XXII/2024 has a much greater meaning than just a technical change to Article 251 of the Criminal Code.

B. Constitutional Court Decision No. 83/PUU-XXII/2024 and Paradigm Change in Unilateral Claim Rejection

The results of the study show that the Constitutional Court Decision Number 83/PUU-XXII/2024 is a turning point in Indonesian insurance law because it changes the relationship between *Misrepresentation*, cancellation of coverage, and the authority of the insurer (Tjandradiputra & Basani,

2026). Prior to the ruling, the formulation of Article 251 of the Criminal Code opened up a huge space for insurers to base the cancellation of coverage on the existence of erroneous, incorrect, or concealed certain circumstances. The constitutional problem lies in the legal consequences that can arise from the norm, a problem regarding information in the formation of a contract can develop into a loss of contractual protection without first having an independent mechanism that tests whether the reason for cancellation is really valid.

The Court then found that Article 251 of the Criminal Code has the potential to give rise to various interpretations, especially with regard to the circumstances that the insured concealed even when the concealment was carried out in good faith (Widjaja et al., 2025). On that basis, the Constitutional Court declared the norm conditionally unconstitutional as long as it was not interpreted that the cancellation of coverage must be based on the agreement of the insurer and the insured or based on a court decision. This finding fundamentally changes the issue *Misrepresentation*. If previously the main focus was on whether the insured had provided correct information, after the decision the legal focus shifted to who has the authority to determine the legal consequences of the alleged incorrectness of the information.

The change has very important consequences. The insurer can no

longer equalize the findings *Misrepresentation* with automatic authority to cancel coverage (Saidah & Setiyoningsih, 2023). Alleged violations of disclosure obligations must first be placed in the process of proof and settlement that allows the insured's position to be examined objectively. This does not mean that the Constitutional Court removes the principle *Utmost Good Faith* or provide immunity to the insured against false information (Saputra et al., 2021). On the contrary, the Constitutional Court maintains the relevance of this principle by closing the possibility of using Article 251 of the Criminal Code as an instrument that allows insurers to unilaterally waive their obligations. The Constitutional Court explicitly emphasizes the importance of fair legal protection and certainty in insurance agreements and does not want Article 251 of the Criminal Code to be used as an instrument for insurers to protect from their obligations.

This is where the important contribution of the ruling to the construction of the *Misrepresentation*. Conceptually, there is a difference between the substance of the violation and the consequences of the violation. *Misrepresentation* may remain a relevant legal fact in assessing the validity or performance of a contract, but its existence does not automatically determine that the contract is void (Afrizal et al., 2025). In other words, the Constitutional Court

implicitly separates the question "whether it has occurred *Misrepresentation*?" from the question "What are the legal consequences of *Misrepresentation*?" This separation is very important because it allows the judge or dispute resolution mechanism to assess the degree of error, materiality of information, relationship to the decision *Underwriting*, as well as legal justice before determining whether the insurer has the right to avoid its obligations.

This construction also corrects *the underwriting problem after the fact*. In insurance disputes, the insurer can theoretically find a discrepancy in information when a claim is filed because at that time attention to the insured's condition or the insurance object becomes much more intensive. Even in the trial process of case 83/PUU-XXII/2024, there is an argument about the possibility of using the *re-underwriting* process after a claim to find a non-conformity which is then used as a reason to cancel or reduce the benefits of the policy. The problem is not that re-examination is always prohibited, but that the examination should not retrospectively change the standard of the contract so that information that was not previously considered decisive is suddenly used as an excuse to avoid paying claims.

From a consumer protection perspective, these restrictions have a strong basis. Consumers generally do not have the same access to *the risk*

assessment methods, actuarial data, *underwriting* standards, or internal parameters that companies use to determine risk. If a company can unilaterally disclose material information after the risk turns into a claim event, the consumer will face a situation where the validity of its coverage can only be known practically after a loss has occurred. This creates what can be called an asymmetry of adjudication: the insurer has the ability to determine from the outset whether the risk is accepted, but also potentially determine for itself at the end of the contract whether the information provided turns out to be sufficient to cancel the coverage.

The Constitutional Court's decision breaks this pattern by strengthening the bilateral element in the cancellation of coverage. The agreement of the parties or the court decision becomes a mechanism that limits the unilateral actions of the insurer. Thus, the dispute *Misrepresentation* Changing from an internal administrative issue of the company to a legal issue that requires justification (Afrizal et al., 2025). This change is in line with the direction of OJK regulations that increasingly emphasize consumer protection, including through POJK Number 22 of 2023 which replaces the previous regime and strengthens the principles of consumer protection and supervision of the behavior of financial services business actors.

However, the Constitutional Court's decision does not mean that every claim must be paid without considering the insured's liability. Such an interpretation will actually create a new imbalance. The insurer still has a legitimate interest in protecting the insurance system from fraud, false information, and the concealment of material facts. If a person deliberately conceals a serious illness that is directly the basis for the insurer's decision to accept or reject the risk, ignoring these facts in the name of consumer protection will damage the integrity of the insurance contract. Therefore, the balance offered by the Constitutional Court's decision is not consumer absolutism, but procedural fairness in determining whether a violation really justifies cancellation.

Based on this analysis, the results of these two studies show that the Constitutional Court Decision No. 83/PUU-XXII/2024 resulted in a shift from unilateral claim rejection to justified claim determination. The insurer can still maintain objections to claims based on *misrepresentation*, but the objection must be tested through objective legal parameters. Thus, the principle of *utmost good faith* does not lose its binding force; rather, the principle obtains a more balanced construction because it is applied together with the insurer's professional obligations and the mechanism of protection against the insured.

C. Model of Balance between Misrepresentation, Insurer Liability and Consumer Protection

Based on the overall analysis, this study found that the problem of rejection of claims due to *Misrepresentation* requires a testing model that does not stop at questions about the truth or falsity of information (Hidayah et al., 2024). A more appropriate model should test at least five interrelated dimensions: materiality, knowledge, causation, proportionality, and procedural fairness. All five dimensions are necessary because the denial of a claim is essentially an act that significantly alters the insured's economic position. If the benefits that have been promised through the policy can be lost because of just one information discrepancy, then the legal consequences must have a stronger justification than just a formal finding of data discrepancies.

The first dimension is materiality. The information on which the rejection is based must have a real relationship with *the underwriting* decision. Materiality should not be determined solely on the basis of the insurer's unilateral judgment after the claim has been filed. A more pertinent question is whether, knowing the actual facts at the time the contract was made, the insurer would rationally reject the risk, set a different premium, exclude certain risks, or provide different conditions. This approach prevents the company

from using minor errors or irrelevant information as a reason to refuse payment obligations. At the same time, it still provides protection for the company if the information it conceals does determine the decision to accept the risk.

The second dimension is knowledge and intention. A fair legal system must distinguish between *Fraudulent misrepresentation*, *negligent misrepresentation*, and mistakes made without knowledge or intent to mislead (Mulhadi & Harianto, 2022). This distinction is important because irrationality has identical consequences for the insured who deliberately provides false information and the insured who gives the wrong answer because the question in the form is unclear or because of the limitation of reasonable knowledge. Even the old Article 251 of the Criminal Code is problematic precisely because the formulation of the norm can reach a situation when the incorrect information occurs even though the insured acts in good faith (Augustine, 2026). After the Constitutional Court's decision, the space to make such differentiation becomes increasingly important in building the application of constitutional and proportionate norms.

The third dimension is causation. *Misrepresentation* should not only be material to the formation of the contract, but should be analyzed in relation to the risks on which the claim is based (Hasbi, 2026). This

principle does not mean that there must always be a direct causal relationship between the misinformation and the event that caused the loss in each type of insurance. However, it must at least be able to explain rationally why the information is relevant to the insurer's decision to provide or maintain coverage (Awuy & Gunadi, 2026). Without such analysis, the denial of a claim can turn into a formalistic action: the company finds misinformation, then makes it the basis for eliminating the entire liability without explaining its relevance to the risk that is actually insured.

The fourth dimension is proportionality. Not every *Misrepresentation* must produce the most extreme legal consequences in the form of cancellation of all coverage (Arfiansyah & Hardjomuljadi, 2026). The principle of proportionality requires that consequences be adjusted to the level of violation (Setiawan et al., 2024). If the misinformation only affects the amount of the premium, for example, a more proportionate legal approach may be in the form of an adjustment of benefits or premiums if contractually and legally possible. Conversely, if the insured intentionally commits fraud that fundamentally affects the insurer's decision, more severe consequences may be justified. The tiered approach is more consistent with the idea of contractual fairness than the *all-or-nothing*.

The fifth dimension is procedural fairness. The Constitutional Court Decision No. 83/PUU-XXII/2024 provides a very important foundation for this dimension because the cancellation of coverage can no longer be treated as a unilateral act that stands alone. In this context, the claim handling process must provide the insured with the opportunity to find out the reasons for the refusal, the evidence used, the facts that are considered untrue, and the relationship between these facts and the underwriting decision. This principle is consistent with Article 31 of the Insurance Law which requires the claim handling process to be carried out quickly, simply, easily accessible, and fair, with "fair" understood as impartial and not arbitrary.

These five dimensions result in a model that can be referred to in this study as the Proportional Misrepresentation Assessment Model. The model does not remove the insurer's right to reject legitimate claims, but changes the way in which such denials are justified (Qu et al., 2026). The insurer must first show the facts that are considered to be untrue; then explain their materiality; show the basis for assessing the insured's knowledge or error; explain its relevance to the decision *Underwriting*; and finally prove that the consequences imposed are proportionate to the violation. If one of these fundamental elements cannot

be proved, then the legitimacy of the denial of the claim becomes weaker.

The model also provides a more balanced distribution of the burden of argumentation. The Insured still has an obligation to explain the information provided and show that the information was provided in good faith if a dispute occurs (Oktarindini et al., 2025). However, the insurer cannot simply state that "there is a discrepancy" without explaining the material consequences. As a professional business actor, the insurer must be able to demonstrate why the information is important, how it affects the decision *Underwriting*, and why the findings are serious enough to justify a denial of claims. This approach simultaneously strengthens industry accountability because claims decisions are no longer just the product of a company's internal evaluation, but decisions that must be legally accountable.

This perspective is in line with the direction of the development of consumer protection regulations in the financial services sector. POJK Number 22 of 2023 not only regulates consumer rights and obligations, but also consumer protection principles, basic behavior of financial services business actors, stages of business activities, complaints, behavior supervision, and consumer protection mechanisms (Refania et al., 2025). This means that consumer protection in the insurance industry should not be placed only at the stage when a

dispute has already occurred. This protection must be present from the provision of information, the formation of contracts, the implementation of policies, to the decision of claims. In such a framework, transparency regarding the basis of the refusal is an integral part of the *Fair claims handling*, not just an administrative obligation.

Furthermore, the study found that this balance is also important for safeguarding the interests of the insurance industry itself. Strong consumer protection is not a threat to the stability of insurance companies when applied through the parameters of materiality and objective evidence. On the contrary, certainty about when claims can be rejected will reduce disputes, improve the quality of *underwriting*, and encourage companies to improve the quality of their forms and information collection processes in the first place. In other words, limiting the disproportionate rejection of claims does not mean weakening the industry, but it encourages the industry towards more professional risk governance.

The most important implication of these findings is that the Constitutional Court Decision No. 83/PUU-XXII/2024 should be understood as the starting point for reformulation, not the end point of interpretation of Indonesian insurance law. The ruling has removed the possibility of cancellation of coverage that is entirely dependent on the unilateral

will of the insurer, but has not in itself provided all the parameters for determining when *misrepresentation* can justify a claim denial. This is where the contribution of this research is placed: establishing an evaluation framework that links materiality, knowledge, causality, proportionality, and procedural fairness as standards for assessing the legitimacy of claim denials.

Thus, the results of the study show that the conflict between *utmost good faith* and consumer protection is actually a false dichotomy. The two principles do not have to be contradicted. *Utmost good faith* is necessary to maintain honesty and reduce information asymmetry, while consumer protection is needed to ensure that the obligation does not turn into an instrument of contractual dominance. The balance point lies in proving that the *misrepresentation* is really material, committed or occurs in legally relevant circumstances, has an accountable relationship with the *underwriting* decision, and is subject to proportionate consequences through fair procedures.

Ultimately, this study offers a paradigm shift from "misrepresentation as automatic forfeiture" to "misrepresentation as a legally qualified ground for claim rejection." This shift has important normative consequences: the insured does not acquire the absolute right to receive every claim, but the insurer also does not acquire absolute authority to reject claims based on

findings of information inconsistency. In this construction, the insured's honesty, the professionalism of the insurer, legal certainty, and consumer protection are placed in a single mutually controlling legal ecosystem. This model according to the research can be the basis for the development of Indonesian insurance law after the Constitutional Court Decision No. 83/PUU-XXII/2024 while also making a broader conceptual contribution to the discourse on *utmost good faith* and consumer protection in insurance contracts.

IV. CONCLUSION

This research shows that the rejection of insurance claims due to *misrepresentation* in Indonesian law is at a critical point between the need to maintain the principle of *utmost good faith* and the demand to provide effective protection to consumers. The principle of *utmost good faith* still has fundamental legitimacy because insurance contracts are built on the insurer's trust and dependence on the information provided by the insured in the *underwriting* process. However, the principle cannot be interpreted as a unilateral obligation of the insured that gives the insurer the authority to automatically negate the benefits of coverage whenever a discrepancy in information is found. This study emphasizes that *utmost good faith* must be constructed as a bilateral principle that demands the honesty of the insured as well as professionalism,

transparency, prudence, and fairness of the insurer.

The findings of the study also show that *misrepresentation* cannot be treated as a basis for automatic denial of claims. The existence of false information must first be tested based on materiality, knowledge or error of the insured, its relevance to *the underwriting* decision, and the proportionality of the legal consequences it causes. Such an approach is necessary to distinguish between intentional fraud and errors that occur due to ignorance, administrative error, or unclear questions in insurance documents. Without such differentiation, the application of *misrepresentation* has the potential to produce disproportionate consequences and increase the inequality of position between insurance companies as professional business actors and consumers as parties with limited information and bargaining power.

The Constitutional Court Decision Number 83/PUU-XXII/2024 is an important turning point in this construction. By declaring Article 251 of the Criminal Code conditionally unconstitutional and affirming that the cancellation of coverage must be based on the agreement of the parties or a court decision, the Court limited the possibility of using *misrepresentation* as an instrument of unilateral cancellation. The decision did not remove the obligation of *utmost good faith*, but placed it within the framework of legal certainty,

contractual fairness, and consumer protection. Thus, the focus of the law shifted from simply determining whether there was a discrepancy of information to a more fundamental question of whether the discrepancy could materially and proportionately justify the loss of the insured's rights.

On that basis, this study offers a *Proportional Misrepresentation Assessment Model* which consists of five parameters, namely *materiality, knowledge and intention, causation, proportionality, and procedural fairness*. This model places the rejection of claims as a legal decision that must be justifiable, not just a company's internal business decision. The insurer must be able to explain facts that are considered untrue, prove their materiality, show their relevance to *the underwriting* decision, account for the insured's level of error, and apply proportionate consequences through transparent and fair procedures.

Thus, the study concludes that the balance between *utmost good faith* and consumer protection is not achieved by prioritizing one of the principles, but by building a proof and assessment mechanism that is able to control both. Indonesian insurance law reform in the future needs to clarify the parameters of *misrepresentation*, materiality standards, burden of proof, and claim rejection procedures so that there is no *automatic forfeiture* of consumer rights. Insurance companies also need to strengthen the quality of

underwriting, clarity of policy forms and clauses, and *fair claims handling* mechanisms. For regulators and the OJK, more operational guidelines are needed regarding the implementation of the Constitutional Court Decision No. 83/PUU-XXII/2024 so that consumer protection does not eliminate the insurer's right to take action against fraud, but at the same time prevents *utmost good faith* from being used as a basis for rejecting arbitrary claims.

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