



Transparency of Exclusion Clauses in Insurance Contracts: Reconstructing Insurers' Legal Liability for Claim Rejection

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Article History Received : 2026-08-14 Revised: 2026-08-21 Published: 2026-09-30 Keywords: <i>Insurance; Exclusion Clauses; Claim Rejection; Consumer Protection; Transparency.</i>	Exclusion clauses are an important instrument in insurance contracts to limit insurers' risks, but the vagueness and non-transparency of clauses can create contractual imbalances and become the basis for the rejection of legally problematic claims. This study aims to analyze the legal position of exclusion clauses and reconstruct the liability of insurers in rejecting claims based on the principle of transparency. The research uses doctrinal legal methods with legislative, conceptual, and comparative approaches. Legal materials are analyzed qualitatively through norm mapping, critical evaluation, and normative reconstruction. The research finds that the formal existence of exclusion clauses is not enough to legitimize claim rejection. Transparency must meet the dimensions of <i>clarity, prominence, accessibility, materiality, and comprehensibility</i> . The research further developed a <i>Transparency-Based Insurer Liability</i> model that requires <i>validity, visibility, intelligibility, and application</i> as the basis for accountability. Transparency is the <i>legal threshold</i> for the legitimacy of claim rejection, so the contractual authority of the insurer must be accompanied by accountability in designing, communicating, interpreting, and applying exceptions. Financial Services Authorities need to strengthen the transparency standards of exclusion clauses, while insurance companies need to implement <i>plain-language drafting</i> and a mechanism for proving the submission of material information.

I. INTRODUCTION

Insurance is essentially built on the exchange of risk through a contractual relationship that places the insurer obligated to provide protection against the agreed risks, while the policyholder is obliged to meet premiums and contractual requirements (WULANDARI & SETIYOWATI, 2023). However, the relationship does not take place entirely in a balanced position. Insurance policies are generally contracts drafted based on standard

formulations by insurance companies, while consumers are in a relatively limited position to negotiate the substance of their clauses (Rambe & Sekarayu, 2022). The issue becomes more complex when a claim occurs, because it is at this stage that the exclusion clause (*Exclusion Clauses*) determines whether a risk is really within the scope of protection or is the basis for the denial of the claim. Thus, the issue of the transparency of the exclusion clause is not just a contractual technical issue, but

concerns the legal legitimacy of the insurer's decision to refuse the obligation to pay the claim.

Exclusion clauses legally have a legitimate function because they allow insurers to limit the risks incurred and maintain the sustainability of the insurance business. However, such legitimacy cannot be separated from the principles of openness, certainty, good faith, and consumer protection. When exclusion clauses are formulated in a complex, ambiguous, hidden in the policy, or not adequately explained before the contract is formed, there is a risk of an information imbalance (*Information asymmetry*) between the insurer and the policyholder (Budiman et al., 2022). This risk becomes even more serious if a clause that originally served as a protection boundary is then used extensively as a basis for rejecting the claim. In such a situation, the legal issue is no longer solely whether an exception is included in the policy, but whether the existence of the clause meets the standards of transparency that allow consumers to reasonably understand the legal consequences.

Indonesia's legal framework has actually moved towards strengthening this transparency. Law Number 40 of 2014 concerning Insurance, which has been amended, among others, through Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, places the protection of policyholders, insureds, and

participants as an important part of the construction of insurance industry regulation. On the consumer protection side, Law Number 8 of 1999 concerning Consumer Protection provides a normative framework regarding consumer rights and the obligations of business actors in the relationship between goods and services. Furthermore, POJK Number 22 of 2023 strengthens the *Market Conduct* By regulating the behavior of financial services business actors from product design, provision and delivery of information, marketing, agreement drafting, service delivery, to complaint handling and dispute resolution (Rafika, 2022).

Interestingly, the OJK regulation itself recognizes that exclusions are information that directly affects the existence or absence of insurance benefit payments. The OJK guidelines on summary of product and service information require the exclusion section to explain the circumstances or events that cause coverage to be invalid or benefits not paid, including examples such as *pre-existing conditions* and other excluded conditions. This means that normatively there has been recognition that exclusion clauses are material information for consumer decisions. The issue that has not been fully resolved is how to measure the transparency of the clause and what the legal consequences are if the insurer uses a non-transparent clause as the basis for rejecting the claim.

This gap shows that legal protection does not stop at the question of whether exclusion clauses are formally included in the policy. There is a need for a shift in approach from *formal contractual validity* to *substantive transparency*, which is a test of clarity, accessibility, comprehension, clause position, and the ability of consumers to understand the consequences of exclusion before the contract is agreed. Based on these issues, this study reconstructs the insurer's legal responsibility in rejecting claims by placing the transparency of exclusion clauses as the main parameter for determining the legitimacy of the refusal. This approach is expected to build an accountability model that not only protects the insurer's interests in controlling risk, but also ensures that exclusion clauses do not turn into contractual instruments to avoid disproportionate claims payment obligations.

II. RESEARCH METHODS

This study uses the doctrinal law research method (*Doctrinal Legal Research*) with a normative-conceptual approach to analyze the transparency of exclusion clauses in insurance contracts and reconstruct the insurer's legal responsibility in the rejection of claims. The selection of this method is based on the character of the research problem which focuses on the interpretation of norms, the relationship between norms, the legal principles of contracts, consumer

protection, and the construction of legal liability that should be applied to the use of exclusion clauses. The doctrinal approach allows the research not only to identify the applicable positive laws, but also to evaluate the adequacy of these norms in ensuring a balance between the interests of the insurer and the policyholder (Rizkia & Fardiansyah, 2023).

Primary legal materials include the 1945 Constitution of the Republic of Indonesia, the Civil Code, Law Number 8 of 1999 concerning Consumer Protection, Law Number 40 of 2014 concerning Insurance as amended through Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, as well as the Financial Services Authority regulations related to consumer protection and the implementation of the insurance business. In particular, the study uses POJK Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector as an important instrument to assess the obligations of transparency, agreement preparation, provision of information, and behavior of financial services business actors. The POJK explicitly regulates consumer protection in various stages of the relationship between PUJK and consumers, including product design, information delivery, agreement drafting, service, complaints, and dispute resolution.

Secondary legal materials consist of articles from national and international scientific journals, contract law and insurance law books, legal doctrines, as well as previous research on *exclusion clauses*, *unfair contract terms*, *information asymmetry*, contractual transparency, and insurance claim rejection. The international literature is used to place the Indonesian issue in a broader legal debate, particularly regarding the function of exclusion clauses as a risk limitation mechanism as well as a potential source of contractual imbalance. The literature on exclusion clauses shows that they are a prevalent element in insurance contracts, but their use can limit or even eliminate the insurer's liability for certain risks.

The collection of legal materials is carried out through literature studies by tracing laws and regulations, relevant court decisions, OJK regulatory documents, and academic publications that have direct relevance to the object of research. The analysis is carried out qualitatively through three stages. First, *legal mapping is carried out* to identify the norms that govern the formation, transparency, and enforceability of exclusion clauses. Second, a critical analysis is carried out on the relationship between exclusion clauses, obligations of openness, the principle of good faith, and the legitimacy of claim rejection. Third, normative reconstruction is carried out by formulating

substantive transparency parameters as a basis for determining whether the denial of claims by insurers is legally justified.

The validity of the argument is built through *statutory coherence*, *conceptual consistency*, and *comparative reasoning* towards the development of the doctrine of contract law and insurance law. Thus, the research does not stop at positive legal descriptions, but produces normative constructions regarding the conditions that must be met in order for the exclusion clause to be used legitimately as a basis for rejecting claims. The reconstruction is directed to produce a model of insurer liability that balances contractual freedom, risk control, transparency, and policyholder protection.

III. RESULTS AND DISCUSSION

A. Legal Status of Exclusion Clauses in the Construction of Insurance Contracts

The results show that the exclusion clause (*Exclusion Clauses*) cannot be positioned solely as an additional provision limiting the insurer's obligations, but rather as the primary instrument in determining the distribution of risk between the insurer and the policyholder (Bachelor, 2016). Economically, insurers do need a risk limit so that premiums can be calculated rationally and business sustainability can be maintained. Legally, this need gains legitimacy through the freedom of the parties to determine the content of the

contract. However, freedom to contract is not absolute. Article 1338 of the Civil Code emphasizes that agreements made legally are binding on the parties, but their implementation must be carried out in good faith (Ali & Fitriani, 2022). Therefore, the existence of an exclusion clause in the policy does not automatically resolve the issue of the validity of its use when a claim occurs.

The problem arises because insurance contracts are generally standard contracts whose substance is drafted in advance by the insurance company. In such situations, the policyholder's approval is often closer to the mechanism *take-it-or-leave-it* rather than actual contractual negotiations (Dewi, 2025). This disparity becomes even more significant when exclusion clauses use technical terminology, mutually referential definitions, or requirements placed in parts of the policy that are not easy to find. The international literature on the legal transparency of insurance contracts shows that prospective policyholders should in principle be aware of the main terms of coverage and be warned about "hidden traps", including preliminary conditions, *Average Clauses*, and other provisions that substantially limit the protection of (Nuruzzaman et al., 2026). Thus, the legal issue is not simply whether the clause is printed in the policy, but whether its existence can result in consent that is substantively accountable.

The findings require a distinction between incorporation and transparency. *Incorporation* deals with the question of whether a clause formally forms part of a contract, while transparency deals with whether the bound party can know and understand the consequences of the clause before giving its consent (Widyawati et al., 2025). This distinction is important because a clause may have been formally incorporated into the contract document, but still fails to fulfil its informational function. A comparative study of risk exclusion clauses shows that complexity *Standard Insurance Terms* may cause the new policyholder to know that a risk is not covered after the insured event has occurred (Tabun et al., 2023). In this context, the insurer's obligation to provide information before a contract becomes an important instrument for determining whether an exclusion clause is enforceable. These findings show that the applicability of exclusion clauses should be analyzed in relation to the contract text and the contract formation process, not just on the basis of its existence.

In Indonesian law, this approach has received support from the development of the consumer protection regime in the financial services sector. POJK Number 22 of 2023 places consumer protection in a framework that includes the behavior of financial services business actors, including information and agreements between PUJK and consumers (Rafika,

2022). The regulation took effect on December 22, 2023 and was formed in response to the complexity of the financial services industry and the need to strengthen consumer protection. The OJK even emphasized the prohibition of standard agreements that contain exceptions or exemption clauses. This shows that Indonesian law is starting to move away from the paradigm *Contractual Consent Towards the Paradigm responsible contracting*, that is, that the business actor is not only obliged to obtain the formal consent of the consumer, but is also responsible for the way the contract is designed and offered (Hanifah & Widyorini, 2026).

This development is also in line with the construction of protection in Law Number 40 of 2014 concerning Insurance as amended by Law Number 4 of 2023. Normatively, Indonesia's insurance regime does not only aim to regulate the business activities of insurance companies, but from the beginning places the protection of policyholders, insureds, or participants as part of the purpose of industrial regulation (Simarmata et al., 2026). This means that the insurer's interest in controlling risk cannot be separated from the state's obligation to ensure that the contractual mechanisms used do not eliminate the legal protection of consumers.

From this perspective, the exclusion clause should be placed as a risk-allocation mechanism with heightened transparency

requirements. The insurer still has the right to determine what risks it is willing to bear, but the greater the consequences of an exemption on the rights of the policyholder, the higher the demand for the clarity and openness of the clause (Ridho, 2020). The rationale is simple: a clause that could directly eliminate the main benefit of the insurance contract having *Material Legal Effect* which is much greater than ordinary administrative clauses. Therefore, the more material the impact of a clause on the possibility of payment of claims, the stronger the reasons for requiring the clause to be clearly conveyed, easy to find, and understandable before the contract is agreed.

The findings result in the study's first proposition that the formal inclusion of an exclusion clause cannot, by itself, establish substantive enforceability. The existence of a clause in a policy is only the first stage. The next stage is to test whether the clause has been communicated transparently and whether consumers have had a reasonable opportunity to understand the legal consequences (Yolanda, 2025). Thus, the legal construction that views the policy as a final document that is automatically binding without regard to the quality of the information before the contract is formed becomes increasingly difficult to maintain within the framework of modern consumer protection.

This approach has a strong resonance in the development of international insurance law. In the European Union's *Insurance Distribution Directive regime*, transparency is not only understood as an obligation to provide information, but is directed so that consumers can make informed decisions. Non-life insurance products, for example, must be accompanied by a product information document that summarizes the protections, key risks, exclusions, obligations of the parties, and the claim mechanism in a clear and easy-to-read manner. In fact, the obligation has evolved into a demand that information be provided in a form that allows consumers to understand the product they are buying, rather than simply receiving information formally. The comparison shows that modern transparency has shifted from *information disclosure* to *informed decision-making*.

Thus, the results of the study show a conceptual transformation: the exclusion clause is no longer enough to be seen as a manifestation of contractual freedom, but must be treated as a clause with heightened interpretive and disclosure responsibility. This transformation is important because the rejection of claims is the point when previously abstract risk limitation turns into concrete economic consequences for policyholders. At that point, the quality of clause transparency should

be part of the legal assessment of the legitimacy of the insurer's actions.

B. Transparency of Exclusion Clauses as a Parameter of Legitimacy of Claim Rejection

The results of subsequent research show that the most crucial issue does not lie in whether the insurer has a contractual basis for rejecting a claim, but whether it meets the standards of transparency that can legitimize its use. Denial of claims is an action that directly changes the legal and economic position of the insured because it ends the expectation of payment, which is the main purpose of the insurance contract (Suryawadi, 2025). Therefore, the use of an exclusion clause as a basis for refusal should be treated as a legal action requiring justification, not as an automatic consequence of the existence of a sentence in the policy.

Transparency in this context must be understood substantively. Information does not become transparent simply because it has been provided to the consumer. A clause can be considered non-transparent if it uses language that is too technical, has a confusing structure, is placed in a place that is difficult to find, does not explain the relationship between the main risk and its exclusions, or does not provide a reasonable picture of the circumstances that could lead to an unpaid claim (Laia, 2026). The comparative literature on transparency in insurance contract

law places transparency as an instrument to build consumer trust while reducing *Information asymmetry* (Alfian & Azwandi, 2025). Therefore, transparency must measure the quality of legal communication, not just the existence of documents.

Based on this study, the transparency of exclusion clauses has at least five interrelated dimensions, namely clarity, prominence, accessibility, materiality, and comprehensibility. *Clarity* requires that clauses be formulated in unambiguous language. *Prominence* requires that exceptions that significantly reduce the benefits of coverage are not hidden among administrative provisions. *Accessibility* ensures that consumers can easily find and obtain such information. *Materiality* requires that exceptions that significantly affect insurance purchasing decisions are given attention proportionate to the consequences. Meanwhile, *comprehensibility* requires that information can be understood by consumers who are targeted by the product, not just by legal experts or actuaries.

These five dimensions result in a higher standard than the *disclosure-based transparency*. In the conventional approach, the insurer's obligations are considered completed when all the provisions have been included in the policy (Yolanda, 2025). This research approach actually proposes *Understanding-based*

transparency, i.e. transparency whose success is judged on the ability of information to enable consumers to understand the legal consequences of exclusions. This shift has important implications for claims assessment because consumers do not purchase policies to have contractual documents, but rather to obtain protection against certain risks.

The argument has gained comparative support from developments in EU law. *The Insurance Distribution Directive* requires that product information be provided in an objective and understandable form so that consumers can make informed decisions. For non-life products, the information document must contain a summary of the excluded protections and risks, including key exclusions that may preclude claims. The model shows that exclusions are not considered peripheral information. Instead, exceptions are core information because they directly determine the economic value of the product to consumers.

This also strengthens the thesis that transparency must be assessed before a dispute occurs. If consumers only learn of the existence of exceptions when a claim is rejected, then the information mechanism has failed to perform its preventive function. Insurance contracts should allow consumers to estimate from the outset the relationship between the risks paid through premiums and risks that will not legally benefit.

When the relationship cannot be reasonably understood, there is a *transparency deficit* that has the potential to affect the legitimacy of claim denial.

The legal consequences become more significant if the insurer uses non-transparent exceptions to reject the claim. Under these conditions, the dispute is no longer limited to the literal interpretation of the clause. The court or dispute resolution institution must be able to test the process of establishing and delivering the clause. The legal question changes from "does the exclusion exist in the policy?" to "has the consumer reasonably been given an opportunity to understand that the risk is excluded?" The change in the question is at the heart of the legal reconstruction offered by this study.

This approach is also consistent with the development of consumer contract law which puts *plain and intelligible language* as part of the clause test. In the European context, the transparency test can even be directed at whether the average consumer is able to understand the economic consequences of the clause, not just whether the words used are grammatically understandable (Kriswandaru, 2024). This shows that transparency has both cognitive and economic dimensions. Consumers must be able to relate the language of clauses to their practical consequences for claim payment rights.

From the perspective of Indonesian law, the standard can be constructed through the interaction between contract law, consumer protection, and financial services sector regulations. Article 1338 of the Civil Code does provide binding force to a valid agreement, but at the same time it requires good faith implementation. The principle should not be interpreted simply as an insured's obligation to provide information honestly. In an asymmetrical contractual relationship, good faith can also serve as a basis for assessing whether the insurer has used its contractual powers fairly when designing, explaining, and applying exceptions.

Thus, the rejection of the claim must meet at least three layers of legitimacy. First, contractual legitimacy, which is the existence of provisions that do regulate the exclusion of the claimed risk. Second, transparency legitimacy, which is evidence that the exception has been clearly and intelligible before the contract is agreed. Third, conduct legitimacy, which is the application of exceptions in the claim process is carried out consistently, in good faith, and not manipulatively. These three layers form the *cumulative legitimacy test*. Failure at one layer can reduce the legal force of the refusal, while serious failure at transparency can be the basis for assessing that the insurer is not worthy of benefiting from the clause.

Such a construction is important to prevent two extremes. The first extreme is to consider the entire exclusion clause invalid because it harms the consumer. Such an approach is unrealistic because insurance requires risk limits to maintain the sustainability and accuracy of premiums. The second extreme is to assume that all clauses are valid simply because the consumer signs the policy (Gravionika & Subarkah, 2025). This approach ignores the asymmetry of information and the character of standard contracts. The study takes a middle position: exceptions are allowed, but their legal force depends on the quality of their formation and implementation.

On that basis, the research found that transparency is not just an administrative principle, but a legal threshold. If an exclusion clause materially determines whether a claim is paid or denied, then the insurer must be able to demonstrate that it meets an adequate standard of transparency. This argumentative burden does not mean that every automatic denial of a claim should be considered invalid. Instead, the approach creates a more rational evidentiary structure: the insurer must demonstrate the basis of the exclusion, its relevance to the facts of the claim, and that the exclusion has been adequately communicated.

The second proposition of the study thus is that claim rejection based on an exclusion clause should

be legally sustainable only when contractual incorporation is accompanied by substantive transparency and good-faith application. This proposition expands the insurance legal discourse because it links transparency that is usually discussed at the *pre-contractual disclosure* stage with legal responsibility at the *claim settlement* stage. In this way, transparency does not stop as a dispute prevention mechanism, but becomes an evaluative standard for claims denial actions.

C. Reconstruction of the Insurer's Legal Liability for Claim Rejection

The results of the study in the third stage show that the issue of transparency requires a reconstruction of the concept of insurer liability. In traditional construction, the liability of the insurer is often analyzed in a binary manner, if the risk is included in the scope of the policy, the claim must be paid; if the risk is an exception, the claim can be rejected (Susanto et al., 2021). The model is too simple to deal with modern insurance contracts because it ignores the quality of information, the imbalance of the position of the parties, and the behavior of the insurer in using clauses. The reconstruction offered by this study views the liability of the insurer as a multi-level process that connects product design, contract formation, information delivery,

interpretation of clauses, and claims handling.

The first stage is product and clause responsibility. The insurer must be responsible for ensuring that the exclusion clause is designed in proportion to the characteristics of the product. The exclusion should not be formulated in such a broad way as to practically empty the main benefits of coverage. The obligation is related to the development of financial services regulations that no longer only supervise the company's solvency, but also *market conduct*. POJK Number 22 of 2023 was born in the context of the increasingly complex financial services industry and product digitalization, so that consumer protection is placed as part of the stability and sustainability of the financial sector. This means that the insurer's responsibility must begin even before a claim occurs.

The second stage is disclosure and explanation responsibility. The insurer must ensure that material exceptions are communicated before the contract is agreed in a way that allows the consumer to understand the impact. This model is stronger than the obligation to surrender a policy because the submission of documents does not necessarily mean an understanding. Comparison with IDD shows a clear development of simply *Disclosure* towards information that enables consumers to make informed decisions. Thus, insurers should not be able to hide behind the argument that "all is listed

in the policy" when material clauses are structured in a way that is objectively difficult for the target consumer to understand (Palyama, 2022).

The third stage is interpretive responsibility. When ambiguity occurs, the insurer should not benefit from the ambiguity that comes from the formulation of the contract that it has made itself. The rationality rests on the principle *Against proferentem* and the protection of parties who do not draft the contract. This principle is becoming increasingly relevant in standard contracts because policyholders generally do not have the ability to change the wording of clauses (Maharani & Hapsarani, 2026). Thus, the greater the insurer's control over the formulation of the contract, the stronger the legal grounds for imposing the consequences of ambiguity on the insurer.

The fourth stage is claim-handling responsibility. Once a claim has been filed, the insurer has an obligation to explain the specifics of the reason for the refusal. A refusal that only refers to the clause number without explaining the relationship between the clause, the facts of the incident, and the relevant exceptions does not meet adequate accountability standards. Transparency must continue after the contract is formed because at the claim stage the consumer is in a more vulnerable condition. The literature on the legal transparency of insurance

contracts also confirms that the demand for transparency does not stop at the contract formation stage, but is also relevant in the claims process, although the level of regulatory consistency between countries still differs.

The fifth stage is justification responsibility. The insurer must be able to relate the contractual reason to the material facts that led to the claim being rejected. In this perspective, the exclusion clause is not an "automatic defense", but a justified defense. This distinction is very important. *Automatic defense* considers the existence of a clause to be sufficient to remove the insurer's liability, while *justified defense* requires the insurer to prove that the clause does apply to concrete events and that its use is consistent with the principles of transparency and good faith.

Based on these five stages, this study proposes a Transparency-Based Insurer Liability model. The model can be formulated as an accountability construct with four main components: validity, visibility, intelligibility, and application. *Validity* ensure that the exclusion has a valid contractual basis. *Visibility* ensure that such clauses are reasonably discoverable and noticeable by consumers. *Intelligibility* ensure that its meaning can be understood in the context of the insured product and risk (Rahmatillah & Suminar, 2022). *Application* ensure that the insurer applies the clause consistently and in good faith to concrete claims.

The model produces different legal consequences based on the degree of transparency violation. If the clause is valid, clear, visible, and understood, then the fact of the claim is actually within the exclusion space, the denial of the claim is in principle justified. Where the clause is valid but less visible or not adequately explained, the strength of the denial becomes problematic and must be tested against consumer protection and good faith standards. If the clause is ambiguous and materially can be interpreted in more than one way, an interpretation that is detrimental to the consumer should not automatically be chosen by the insurer. Meanwhile, if the clause is substantially concealed or its use conflicts with the information provided when the product is offered, there is a stronger basis for denying its applicability to the consumer.

The construction also provides an answer to the classic problem of conflict between *freedom of contract* and *Consumer Protection*. Freedom of contract is not abolished, but reconstructed through principles *responsible contractual autonomy*. The insurer remains free to determine the type of risk it wishes to incur and the necessary exclusions, but that freedom is limited by the obligation to transparently communicate the consequences of the exclusion (Natalia, 2024). Thus, the law does not intervene excessively in the substance of the risk, but intervenes in the way

in which the risk is communicated and used against the consumer.

This approach is also consistent with the direction of international regulations that increasingly emphasize the results that consumers receive. IDD, for example, not only require information about products, but also place consumer interests and the suitability of products with consumer needs as part of the obligations of distributors. These developments show a shift from *information asymmetry management* to *consumer outcome regulation*. In the context of this article, the implication is that the success of transparency should not be judged by the number of documents provided, but by whether consumers gain an adequate understanding of when protections apply and when claims can be excluded.

This reconstruction ultimately resulted in a change in the legal position of denial of claims. A denial can no longer be understood as a unilateral action that is completed by citing an exclusion clause. It must be understood as a legally accountable decision. This means that the insurer must be able to account not only for the outcome of the decision, but also for the basis, process, and quality of information that allowed the decision to be made. This model expands the meaning of contractual liability from mere *performance liability* to *decision-making liability*.

These findings have important consequences for dispute resolution.

In claims disputes, the examination should be directed not only to policy documents, but also to product information documents, marketing materials, application forms, agent or intermediary explanations, electronic communications, and written reasons for the rejection of claims. Such evidence allows the judge or dispute resolution agency to assess whether the consumer has actually obtained sufficient information regarding the exclusion. Thus, transparency can be operationalized as a standard of proof, not just an abstract principle.

Ultimately, the reconstruction offered by this study results in a stronger causal-normative relationship between transparency and accountability. The more material an exception to insurance benefits, the higher the transparency standard must be met; the more serious the transparency deficit, the weaker the insurer's legitimacy of using the clause as the basis for rejecting claims. This principle does not eliminate the function of exclusion as a risk management instrument, but prevents its transformation into an instrument of liability avoidance.

Thus, the main contribution of this study lies in the shift from "exclusion as contractual limitation" to "exclusion as accountable contractual power." The insurer does have the contractual authority to determine the limits of protection, but this authority must be exercised in a transparent, understandable, provable, and accountable manner.

When an exclusion clause is used to reject a claim, transparency is the meeting point between contract law, consumer protection, *good faith*, and *market conduct*. Therefore, the legitimacy of a claim denial should not be determined only by the existence of the clause, but by a combination of valid contractual incorporation, substantive transparency, good-faith interpretation, and reasoned claim handling.

The model also offers a basis for the reform of Indonesian insurance law. The existing regime has provided the foundation for protection through insurance law, consumer protection law, and OJK regulations, but the fragmentation of norms has the potential to cause transparency and responsibility for claim rejection to be assessed separately. This reconstruction of the study integrates the two through one principle: a transparent exclusion clause is a prerequisite for a legitimate claim rejection. With this principle, consumer protection is not placed as opposed to the interests of the insurance industry, but rather as a mechanism to ensure that the agreed risk sharing is truly the result of an informational, fair, and accountable contract.

Theoretically, this construction extends the concept of *transparency* from the obligation to provide information to a condition of legal enforceability. In practical terms, this model provides parameters for insurance companies to design

policies, for OJK to strengthen *market conduct* supervision, and for judges and dispute resolution institutions to evaluate claims denials more comprehensively. Thus, this study not only suggests that insurance clauses be made simpler, but offers a normative standard that links the quality of clauses to the consequences of insurer liability.

IV. CONCLUSION

This research shows that the existence of an exclusion clause in an insurance policy does not automatically legitimize the denial of a claim. Although exclusions are a legitimate instrument to limit the insurer's risk, their enforceability must be linked to the principles of transparency, good faith, and consumer protection. In generally standard insurance contracts, the formal inclusion of clauses does not necessarily guarantee that the policyholder understands the legal consequences of the excluded risk.

This study found that the transparency of exclusion clauses must include *clarity*, *prominence*, *accessibility*, *materiality*, and *comprehensibility*. Thus, transparency is not sufficiently understood as an obligation to provide information, but must be directed at the consumer's ability to understand the practical consequences of exclusions before the contract is agreed. Based on these findings, this study proposes Transparency-Based Insurer Liability, which is a construction of liability that

places *validity, visibility, intelligibility*, and *application* as parameters in assessing the legitimacy of claim rejection.

The main contribution of the research lies in the shift in perspective from *formal contractual validity* to the *substantive legitimacy of claim rejection*. Denial of claims therefore cannot be treated as *an automatic defense* simply because the exclusion clause is listed in the policy, but must be justified on the basis of contractual basis, transparency of information, and good faith application.

Research recommends that the Financial Services Authority strengthen the transparency standards of exclusion clauses and encourage insurers to use simple language, conspicuous placement of clauses, and specific explanations of material exclusions. Thus, legal certainty for insurers and effective protection for policyholders can be achieved in a more balanced manner.

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