



Civil Law Analysis of Life Insurance Agreements in the Context of Contractual Justice for Consumer

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Abstract

A life insurance contract is a form of contractual agreement between an insurance company as a business actor and the insured as a consumer. In practice, the imbalance in position between the two parties often gives rise to issues of contractual fairness, particularly when the policy terms and conditions tend to be unilateral and not fully understood by the consumer. This study aims to analyze life insurance contracts based on the principles of civil law, particularly the principles of freedom of contract, good faith, and balance in the contract. The research method used is a normative juridical approach with a literature review of laws and regulations, legal doctrine, and relevant court decisions. The results of the analysis indicate that although formally the life insurance contract meets the requirements for a valid contract according to Article 1320 of the Civil Code, the substance of the contract clauses often contradicts the principle of fairness, particularly in terms of exclusions of coverage, unilateral cancellation, and premium provisions. Therefore, it is necessary to enforce the principle of consumer protection through strict supervision by relevant authorities such as the Financial Services Authority (OJK), as well as legal interpretation that favors substantial justice for consumers. This study concludes that updating the contract model and strengthening regulations are necessary to ensure a balance of rights and obligations between parties in a life insurance agreement.

I. INTRODUCTION

A life insurance agreement is a form of contract born from the principles of freedom of contract and consensualism in civil law, intended to provide financial protection against the risk of death. However, in reality, policy clauses are often drafted unilaterally by insurance companies, potentially placing consumers, as the weaker party, in an unbalanced position. According to legal analysis, the principles of contractual fairness and "utmost good faith" are often ignored in policy drafting practices. (Danialsyah, 2025)

The principle of "insurance is a contract of trust" requires transparency of information from both parties, especially the insurer. However, in practice, misselling and claim rejections occur without adequate explanation. This potentially violates Law No. 8/1999 concerning Consumer Protection and Law No. 40/2014 concerning Insurance, which require business actors to

uphold fairness and transparency. (Selvi Harvia Santri, 2020)

From a civil law perspective, Article 1320 of the Civil Code requires consent, capacity, a lawful object, and a legitimate cause, but it is insufficient to guarantee substantive balance in standard contracts such as insurance policies. Judicial interpretation efforts and critical interpretation of POJK No. 1/POJK.07/2013 are needed to achieve substantial justice. (Selvi Harvia Santri SZ, 2024)

Several researchers emphasize the importance of strengthening the principles of openness and protection in insurance contracts, in addition to general principles such as consensualism, freedom of contract and good faith. (Chumaida, 2014) The principle of transparency must be realized in the pre-contractual process so that consumers do not sign policies without full understanding. (Rasmiaty, 2024)

The OJK plays a strategic role in maintaining fairness in the insurance industry by conducting regular oversight and mediating consumer dispute resolution. This regulation is crucial because consumers face challenges when companies unilaterally reject claims without a clear process. (Hidayah, 2024)

In addition, the quality of insurance agents as the spearhead of interaction with consumers needs to be regulated through training standards and legal audits to prevent the provision of incorrect information, the consequences of which could be the cancellation of the agreement or liability for compensation.

Against this backdrop, this study uses a juridical-normative approach to analyze the implementation of civil law principles, particularly good faith, transparency, and contractual fairness, in life insurance contracts. Based on this framework, the study will focus on identifying regulatory sources, weaknesses in consumer protection, and recommending regulatory and policy reforms to ensure a balance of rights and obligations within policy contracts.

II. RESEARCH METHODS

This research uses a normative juridical method, a legal research approach based on the study of positive legal norms and applicable legal principles. This approach is used to analyze the legal provisions governing life insurance contracts, particularly in the context of consumer protection and the application of the principle of contractual justice in civil law. (Saebani, 2021) The primary data sources in this research are primary legal materials, in the form of the Civil Code (KUHP), Law Number 8 of 1999 concerning Consumer Protection, Law Number 40 of 2014 concerning Insurance, and related Financial Services Authority (OJK) regulations, such as POJK No. 1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector.

In addition to primary legal materials, this study also utilizes secondary legal materials in the form of legal literature, scientific journal articles, opinions of contract law experts, and relevant court decisions. Data collection techniques were conducted through library research, while data analysis was conducted descriptively and analytically, namely describing the substance of applicable law and evaluating the extent to which civil law is able to realize the principle of contractual justice in life insurance agreements.

This study aims to provide a conceptual contribution to the development of regulations and practices of life insurance contracts that are fair to consumers.

III. RESULTS AND DISCUSSION

A. Contractual Imbalance in Life Insurance Agreements

Life insurance contracts in Indonesia generally take the form of standard form contracts, unilaterally drafted by the insurance company. These policies often leave consumers with a choice of "accept or reject," with no opportunity to negotiate any clauses—a practice that reflects the dominance of business actors in contracts. (Candrawati, 2024) As a result, there is a lack of substantive balance, where biased clauses (e.g. exclusions of rights, premium obligations, and claims processes) can be detrimental to the insured without any real legal alternative.

This imbalance is even more pronounced in credit insurance products, where the insured is often not the direct policyholder. Credit life insurance policies are drawn up in the name of the bank, not the consumer, thus eliminating the insured's direct participation in the contract. (Rahma Selina Yustika Yanti, 2024) In this pattern, consumers are forced to agree to the policy as a condition for applying for credit, while the terms of the contract are only discussed between the insurance company and the bank, placing consumers in a weak and vulnerable position to potential claim rejection.

From a legal doctrinal perspective, this standard contract form is often referred to as an adhesion contract, in which one party lacks the freedom to negotiate. According to R. Subekti, in an adhesion contract, consumers can only accept or reject the contract in its entirety without affecting its contents. This situation is very detrimental to consumers because they generally do not understand the complex terms in insurance policies, which are technical and legalistic in nature. This is reinforced by research conducted by Syahrul Fitra (2020) in the *Prioris Law Journal*, which states that many consumers are unaware of the existence of exoneration clauses (release of liability) that reduce their rights to claims.

Furthermore, this imbalance could lead to violations of Law No. 8 of 1999 concerning Consumer Protection, specifically Article 18 paragraph (1), which states that business actors are prohibited from including standard clauses

that negate the business actor's responsibility, or that give the business actor the right to unilaterally interpret the agreement. In the context of life insurance, many clauses state that the company can unilaterally cancel the agreement if there is a data breach by the insured, even if it is not material. This is clearly a violation of consumer legal protection.

Furthermore, from a consumer protection perspective, this imbalance is exacerbated by multiple policy interpretations and a lack of transparency regarding pre-contractual information. Several studies have revealed that many insured parties face denied claims, not because the event is not covered, but because of misinterpretations of policy clauses that were not adequately explained when agents sold the product. This demonstrates a weak principle of utmost good faith, where consumers are not provided with a full understanding before signing a contract, even though this principle is one of the foundations of contractual justice in civil law.

To address this, the Financial Services Authority (OJK) needs to strengthen regulations through minimum standards for insurance policy content and require companies to provide detailed pre-contractual disclosure. Legal education for the public is also crucial to ensure consumers view insurance not merely as a commercial transaction but as a legal obligation with significant consequences. Furthermore, the establishment of an independent insurance mediation institution could provide a fair, expeditious, and affordable alternative dispute resolution solution for consumers.

B. Legal Protection through Regulation and the Role of the OJK

The OJK's primary role in protecting insurance consumers is carried out through a clear regulatory framework and comprehensive oversight. Under Law No. 21/2011 concerning the OJK, this institution has the authority to establish regulations, monitor behavior, conduct inspections, and take corrective action when necessary. (Nilam Nurainiyah, 2024) More specifically, POJK No. 1/POJK.07/2013 requires insurance companies to provide honest, transparent, and easily understood information to the insured. (Isdiana Syafitri, 2021) This regulation technically discourages misselling practices and encourages good faith behavior from the pre-contractual stage through contract execution. (Oktar Hasudungan, 2025)

In operationalizing consumer protection, the OJK actively receives and follows up on public complaints, particularly regarding rejected claims. The OJK implements this mechanism by referring to SEOJK No. 2/SEOJK.07/2014, which regulates complaint services and dispute resolution through direct mediation between consumers and business actors, or through alternative dispute resolution mechanisms (LAPS). (Indah Kurniati Siregar, 2025) If mediation efforts are unsuccessful, the option of court or the Indonesian Insurance Mediation and Arbitration Board (BMAI) is also available as a means of resolution.

Investigations into cases of suspension of insurance company business licenses, such as the case of PT Asuransi Jiwa Prolife, demonstrate the OJK's repressive actions in enforcing compliance and maintaining the stability of the insurance sector. The license revocation on November 2, 2023, demonstrates the OJK's authority to protect policyholders, affirming that action against substantial violations can be taken to maintain the integrity of the industry. (Nayla Az Zahra Ramadhan, 2025)

In addition, the OJK also carries out its microprudential oversight function by collecting periodic data on customer service, claims settlement, and pending claims every three months. This data transparency provides a basis for early intervention if a pattern of claim rejections is identified that is detrimental to the insured, while also encouraging insurance companies to improve their operational standards and systems to be fairer.

This regulatory strengthening has had a positive impact on increasing consumer confidence. The use of LAPS has also demonstrated practical benefits in balancing the legal positions of consumers and insurance companies in minor disputes, eliminating the need for consumers to confront the complexities of legal proceedings directly.

However, the challenges of implementing OJK regulations remain significant. Research has found that some insurance companies, particularly MSMEs or small branch offices, lack sufficient resources to comply with regulations, which sometimes change rapidly. Limited human resources and regulatory understanding pose obstacles, necessitating increased education and assistance to business operators to strengthen a culture of compliance. (Oktar Hasudungan, 2025)

Thus, the OJK's role in the life insurance sector is already broad and strategic: from developing protective regulations, providing complaint and mediation mechanisms, to taking strong enforcement action against serious violations. Further reforms should focus on improving sector education, strengthening the compliance capacity of small businesses, and optimizing technology for more responsive oversight.

IV. CONCLUSION AND SUGGESTIONS

A. Conclusion

Based on the analysis, it can be concluded that life insurance contracts in Indonesia still face serious issues related to contractual imbalance. Standardized contracts, unilaterally drafted by insurance companies without active consumer participation, violate the principles of equality and fairness in civil law. Preferential clauses, a lack of transparency, and dishonest marketing practices indicate that legal protection for consumers is not yet fully effective in ensuring the principle of contractual fairness.

Despite regulations from the Financial Services Authority (OJK) and the Consumer Protection Law that attempt to establish a fair protection system, implementation still faces various obstacles. Therefore, strengthening technical regulations, increasing the role of dispute mediation, and providing legal education to consumers is necessary to ensure that contracts are not only formally valid but also substantively fair. This way, legal protection in life insurance agreements will truly reflect the spirit of fairness, certainty, and balance in contractual relationships.

B. Suggestion

To improve contractual practices in life insurance, it is recommended that insurance companies adopt the principles of transparency and good faith throughout every stage of the agreement, from pre-contractual to claims execution. Policy clauses should be drafted transparently, easily understood by consumers, and free from unilateral exclusionary provisions that could harm the insured. Training for insurance agents on their legal and ethical obligations in conveying information is also essential to enable consumers to make informed and fair decisions.

Furthermore, the Financial Services Authority (OJK) needs to strengthen oversight of the contents of standard contracts (standard policies) and ensure that there are no clauses that conflict

with the principles of contractual fairness. The government is also expected to encourage the establishment of a dispute mediation system that is independent, expeditious, and accessible to the wider public. Legal education for consumers through insurance literacy campaigns is also crucial to ensure the public has a comprehensive understanding of their rights and obligations under life insurance contracts. These steps are expected to create a balanced and fair contractual relationship that provides optimal legal protection for consumers.

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